

Mongolia
Ministry of Finance

**Capacity Development Project for Internal
Audit Phase 2
in Mongolia**

Project Completion Report

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Japan International Cooperation Agency (JICA)

Ernst & Young ShinNihon LLC

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in Mongolia**

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Abbreviations

略語	英文
BC-RM Dept.	Budget Control and Risk Management Department
CGAP	Certified Government Auditing Professional
CIA	Certified Internal Auditor
CP	Counterpart
CPE	Continuing Professional Education
FC-RM Dept.	Financial Control and Risk Management Department
IA-CM	Internal Audit – Capacity Model
IA-ME Dept.	Internal Auditing, Monitoring and Evaluation Department
IAPPS	Internal Auditor Professionals for Public Sector
IAPI	Internal Audit Practical Instructors
IIA	The Institute of Internal Auditors
JCC	Joint Coordinating Committee
JICA	Japan International Cooperation Agency
KPA	Key Process Area
MOF	Ministry of Finance, Mongolia
NGO	Non-Governmental Organizations
OJT	On-the-Job Training
PDM	Project Design Matrix
RCM	Risk Control Matrix
R/D	Record of Discussion
TOR	Terms of Reference
WB	World Bank

Chapter 1 Basic Information of the Project

1.1 Background of the Project

In consideration of the decline of international resource prices since the worldwide financial crisis of 2008, the Mongolian government established the “Internal Auditing, Monitoring and Evaluation Department (IA-ME Dept.)” within the Ministry of Finance (MOF) by decree in the “the Parliament Order No. 46 regarding approval of business activities strategy and structural reform, as well as approval of the organizational structure of the Ministry of Finance (February 11, 2009)” in order to address the rising importance of a stronger internal audit function. After that, upon the approval of the new budget law in 2011 (with effect from 2013, excluding some regulations), all budget processes have been strengthened, including drafting and implementing the budget as well as auditing the progress on its implementation. This new budget law achieved the assignment of auditors to each ministry and district as well as the capital, in addition to the MOF. The name of the IA-ME Dept. was changed to the Budget Control Risk Management Department (BC-RM Dept.) by decree in the Cabinet Office, Government of Mongolia, Circular No. 56 (February 16, 2013), which was recognized as the department to lead internal audits of public institutions under the central government, districts and Ulan Bator city. However, auditing resources, experience and knowledge are all scarce. The name of the BC-RM Dept. was again changed to Financial Control – Risk Management (FC-RM Dept.) by decree in the Cabinet Office, Government of Mongolia, Circular No. 3 (July 27, 2016).

Given these circumstances, at the request of the Mongolian government, the first phase of the “Capacity Development Project” was implemented from December 2011 through June 2014. This phase implemented various actions, appointed pilot institutions mainly from the current FC-RM Dept., developed materials related to internal audit, trained instructors, held seminars and workshops for related parties and drafted a strategic plan with the aim of developing the basic capacity for introducing and promoting internal audit functions in the central government and local public institutions.

Based on the support programs in Phase 1 (building internal audit awareness, strengthening internal auditors and drafting a medium-term internal audit development plan), “Internal Audit Capacity Development Project Phase 2” (in which this project was involved) established a more concrete internal audit framework in line with the medium-term development plan by tackling the remaining issue of laying a foundation for internal audit by strengthening the relevant legal framework, introducing the training system required to acquire qualifications and improving internal auditors’ knowledge and quality assurance system with the purpose of enabling performance of internal audit of a certain level of quality.

Mongolian governmental internal auditors are able to conduct internal audit in a more sustainable environment.

Link between Phase 1 and Phase 2

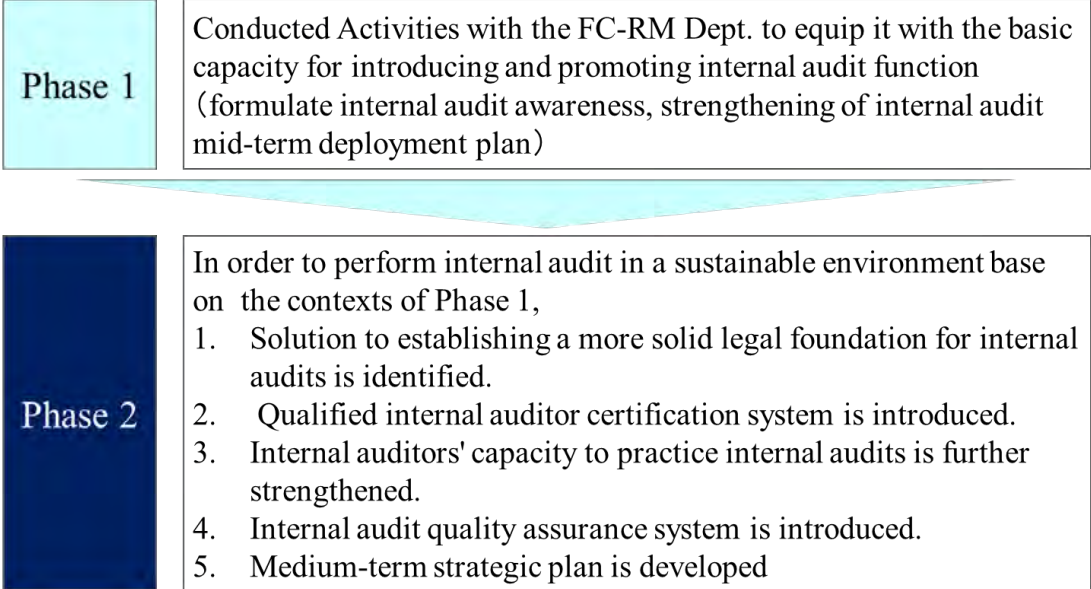


Figure 1: Project Overview

1.2 Project Objectives

This project is designed to provide assistance on institutional infrastructure (e.g., laws, qualifications, training framework and quality assurance framework) and operations (e.g., accumulated knowledge and experience, quality control activity) in order to enable sustainable internal audit in the public sector in Mongolia.

Overall Goal: The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment.

Project Purpose: The Mongolian government establishes a more solid framework for internal audits in accordance with the Strategic Plan 2014-16.

Output 1: The solution to establishing a more solid legal foundation for internal audits is identified.

Output 2: Qualified internal auditor certification system is introduced.

Output 3: Internal auditors' capacity to practice internal audits is further strengthened.

Output 4: Internal audit quality assurance system is introduced.

Output 5: Medium-term strategic plan is developed

1.3 Project Scope

The implementing agency of the Project is the FC-RM Dept. of the MOF. The FC-RM Dept. consists of the Internal Audit / Monitoring Unit and the Financial Inspection Unit. Internal auditors and monitors belong to the former while Financial Inspectors belong to the latter. (Financial Inspectors originally belonging to the State Inspection Agency were allocated to ministries and agencies, local government and government companies from November 2014 and are responsible for Financial Inspection at the organizations to which they are assigned. As of November 2014, eleven staff (including a manager) are allocated to the FC-RM Dept. (nine staff as of June 2017).

The target area and groups are the internal audit activities of the Mongolian Public Sector and Counterpart (hereinafter “CP”) and relevant internal auditors who perform internal audit activities, therefore making the entire country of Mongolia the target geographical area. However, the geographic areas in which the project activity took place were Ulaanbaatar and selected local governments and municipalities.

Additionally, four prioritized ministries were selected to provide practical guidance on internal audit.

- Implementing Agency : FC-RM Dept., MOF
- CP’s Implementing Structure : Project Director (State Secretary) , Project Manager (Director General of the FC-RM Dept.) and FC-RM Dept. staff
- Target Area : Internal auditors of the Mongolian Public Sector
- Target group : CP and relevant internal auditors
- Target Geographic Area : Mongolia (In this regard, the main targets of the project activity area are in Ulaanbaatar and selected local governments and municipality)
- Prioritized Ministries : the Ministry of Construction and Urban Development, the Ministry of Roads and Transportation Development (formerly Ministry of Roads and Transportation till August 2016), the Ministry of Education, Culture, Science and Sports (formerly the Ministry of Education, Culture and Science till August 2016), and the Ministry of Health (formerly Ministry of Health and Sports) (Hereinafter called MCUD, MRTD, MECSS, MOH, respectively) .
- Duration of the Project : September 2014~August 2017

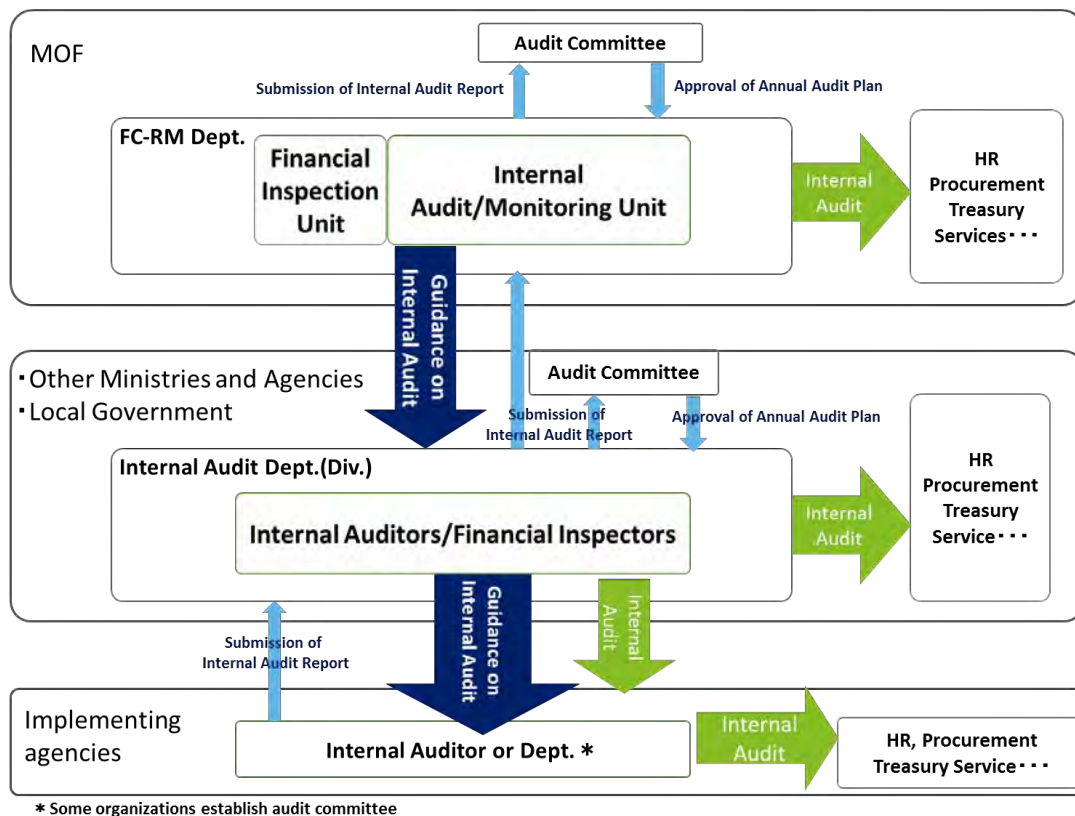


Figure 2: Diagram of Internal Audit Departments in the Mongolian Public Sector

Chapter 2 Project Implementation Structure and Project Activity Schedule

2.1 Project Implementation Structure

The following diagram shows the Project Implementation Structure with the FC-RM Dept., the MOF as the implementing agency, as well as stakeholders. The Project team consists of CP staff and Japan International Cooperation Agency (hereinafter “JICA”) Expert Team. Project activities provided technical assistance to establish a more solid framework for internal audit within the FC-RM Dept. and coordinated with CP to conduct training on internal audit knowledge and capacity building for four prioritized ministries as well as internal auditors in the public sector across Mongolia.

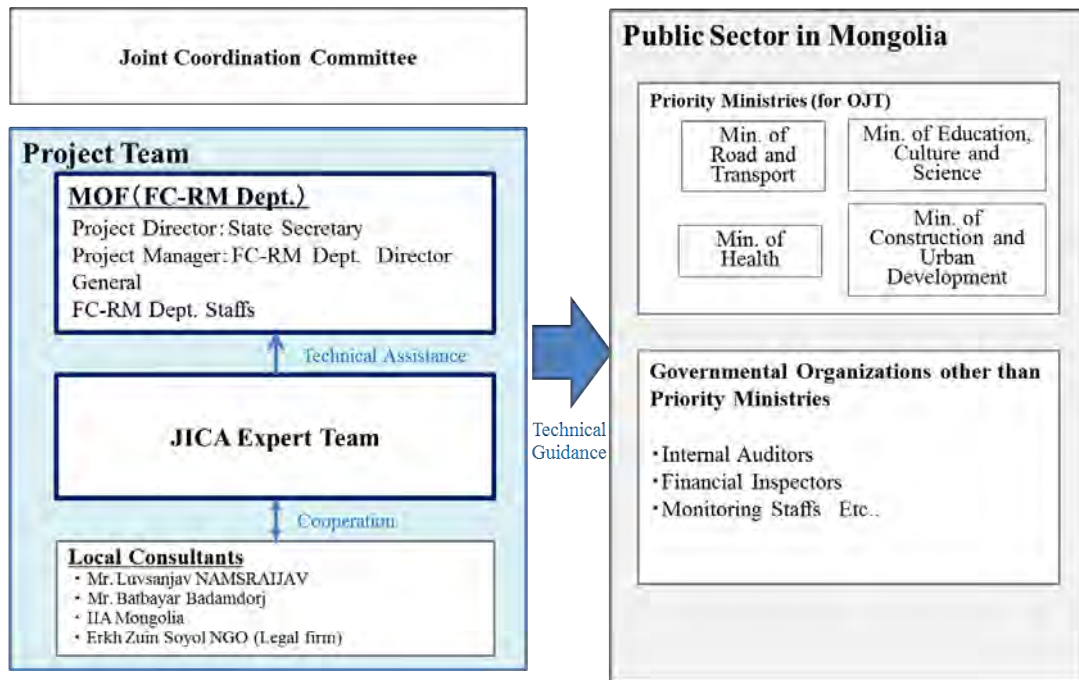


Figure 3: Project Implementation Structure

Replacement of the JICA Expert Team Leader

Mr. Hiroshi Endo, the initial Expert Team Leader, became unable to sustain his duties in Mongolia due to a health issue from December 2015. Considering his health condition, Mr. Kenji Sawami was officially appointed as a new Expert Team Leader effective June 30, 2016, as it was concluded that Mr. Hiroshi Endo was unlikely to recover. In addition, Ms. Kumi Kodama, who was involved on the project for the longest period of time, was assigned to continue on project activities as the Deputy Expert Team Leader from the third year of the project.

Replacement of Key CP Personnel

The success of the Technical Assistance Project was significantly influenced by the management skills and commitment of CP's Director, who played a key personnel role. In spite of this, there were many changes during the three year lifespan of the project, such as a period in which the Director General of the FC-RM Dept. was unavailable, and frequent replacements including the Director General, who was replaced four times since the first year of the project. A history of the changes is given below:

<History of Replacement of CP's Key Personnel>

Project Year	Timeline	MOF State Secretary (Project Director)	MOF Director General of the FC-RM Dept. (Project Manager)	FC-RM Dept. Manager
Year 1	2014.9 - 2015.1	Mr. Gantsogt Khurelbaatar	Mr. Battsetseg Batsuuri	Mr. Sukh-Ochir Batsukh
	2015.2 - 6	↓	-Absent-	↓
	2015.7	↓	Mr. Tserenbat Namsrai (Deputy Director)	↓
Year 2	2015.8 - 9	↓	↓	↓
	2015.10 - 2016.2	↓	Mr. Dorjsemed Batsengee	↓
	2016.3 - 5	↓	Mr. Ganbat Batkhoo	↓
	2016.6 - 7	↓	↓-Virtually Absent- Note 1	↓
Year 3	2016.8 - 11	↓	↓-Virtually Absent- Note 1	↓
	2016.12	Mr. Nyamaa Buyantogtokh	↓-Virtually Absent- Note 1	↓
	2017.1 - 6	↓	Ms. Narangerel Nyamsambuu	Mr. Gantig Batsaikhan

Note 1: During this period, the Director General was expected to be replaced after the Parliamentary Election in June 2016, meaning the Director General was virtually uninvolved.

2.2 Project Activity Schedule

Project activities of JICA Expert Team in Ulaanbaatar were implemented in years one, two and three from October 2014 through June 2015, September 2015 through July 2016, and September 2016 through June 2017, respectively. For details on the activity schedule, please refer to 6-1 Appendix A-4: Plan of Operation.

Chapter 3 Results of the Project

3.1 Achievements of the Project

Towards achieving the Project Purpose, achievements of Outputs resulting from carrying out activities and the Project Design Matrix (hereinafter “PDM”) are shown below:

(1) **Output 1 : The solution to establishing a more solid legal foundation for internal audits is identified.**

The result of Output 1 indicators are as follows. Output 1 was achieved.

#	Indicators	Results
1-1	Developed working paper(s) on other countries experiences and appropriate options of enhancing legal foundation	Achieved Please refer to 3.2 Activity 1-2 and 1-3 for details.
1-2	Developed concept paper of new legal framework on internal audit	Achieved <ul style="list-style-type: none"> • Please refer to 3.2 Activity 1-4 for details. • Please refer to 6.2 Technical Assistance Deliverables List, Appendix B “Concept Paper of Legal Framework on Internal Audit” • Please refer to 5.1 for Action Plan after Completion of the Project

While Output 1 was achieved, enforcement of the internal audit bill (the Bill) developed with the assistance of the Project is essential to give the internal audit system teeth in the Mongolian public sector. However, CP is still in the process of preparing to submit the Bill to the Parliament due to the strong influence of external factors.

At the beginning of Phase 2, the goal as initially planned was to submit the Bill to the autumn 2015 session of the Parliament. In the autumn 2015 session, however, submission of the Bill was postponed to the spring session in 2016 as the autumn session of Parliament tends to adopt high-priority topics such as discussions on next year’s budget. Submission during the spring session was also not accomplished. The reasons CP postponed submission of the Bill were the possibility of a change of government as a result of the elections, their desire to monitor conditions regarding amendment of the Law of Mongolia on Auditing, relevant laws related to the Bill, and balance

the Bill with other legislation such as the Bill of Mongolia on State Supervision and Inspection.

Although CP also attempted to submit the Bill in 2016 autumn session and 2017 spring session, as stated in 2.1, submission of the Bill to the Parliament as met with difficulty due to the absence of CP’s Director General, the project manager and his/her short-term and frequent replacements. As at the end of completion of the Project, CP is preparing to submit the Bill in the Parliament in fall 2017.

Please refer to 5.1 “Plan of Operation and Implementation Structure of the Mongolian side to achieve Overall Goal” for action plan on this activity by CP.

(2) **Output 2 : Qualified internal auditor certification system is introduced.**

The result of Output 2 indicators are as follows. Output 2 was achieved.

#	Indicators	Results
2-1	Developed Internal Auditor Professionals for Public Sector (IAPPS) training framework documents	Achieved <ul style="list-style-type: none"> • Please refer to 3.2 Activity 2-2 and 2-3 for details. • Please refer to 6.2 Technical Assistance Deliverables List, Appendix C-1 “Certification Framework (Draft) – Initial version” and C-2 “Training Framework (Draft) – Final version” • Please refer to 5.1 for Action Plan after Completion of the Project
2-2	Developed IAPPS trial test & learning materials and program	Achieved Please refer to 3.2 Activity 2-5 and 2-6 for details.
2-3	Continued implementation of IAPPS trial test and pre-test training	Achieved Please refer to 3.2 Activity 2-7 – 2-12 for details.
2-4	Developed IAPPS participators and personal other training records	Achieved Please refer to 3.2 Activity 2-9 – 2-10 for details.
2-5	Continued implementation of training for Internal Audit Practical Instructors (IAPI) : "3 " trainings" are conducted,	Achieved Please refer to 3.2 Activity 2-11 for details.

	grades after the trainings, coverage of government organization conducted trainings, grades after the trainings	
2-6	Number of IAPI who are deployed at ministries, local governments and government agencies is more than "100"	Achieved <ul style="list-style-type: none"> • Number of IAPI = 115 Trainees Please refer to 3.2 Activity 2-12 for details.

It could be a model case among technical assistance projects on introducing internal auditing to supporting countries if government organizations cooperate with The Institute of Internal Auditors (IIA) Mongolia and develop an internal audit qualification framework. The plan changed after CP's new structure came into place in 2017, however, to remain issues on implementation of this output. Please refer to 4.3 1) (6) and 5.1 2) for details of issues.

(3) Output 3 : Internal auditors' capacity of practicing internal audit is further strengthened.

The result of Output 3 indicators are as follows. Output 3 was almost entirely achieved.

#	Indicators	Results
3-1	Document workingpapers of each audit phase (total of 4 audit phases- planning, fieldwork, reporting and follow-up) through internal audit practice conducted by priority ministries lead by C/P.	Partially Achieved <ul style="list-style-type: none"> • Documentation results :12 working papers • Please refer to 3.2 Activity 3-4 for details.
3-2	Developed practical internal audit manuals in priority areas	Achieved <ul style="list-style-type: none"> • Please refer to 3.2 Activity 3-3 for details. • Please refer to 6.2 Technical Assistance Deliverables List, Appendix D “Internal Audit Practical Manual (Draft)” • Please refer to 5.1 for Action Plan after Completion of the Project.
3-3	Continued implementation of training for using the manuals under development in priority area: "40"	Achieved Please refer to 3.2 Activity 3-4 - 3-5 for details.

	trainings and On the Job Training (OJT) are conducted	
3-4	Developed practical internal audit manual on specialized public organizations	<p>Achieved</p> <ul style="list-style-type: none"> • Please refer to 3.2 Activity 3-3 for details. • Please refer to 6.2 Technical Assistance Deliverables List, Appendix D “Internal Audit Practical Manual (Draft)” • Please refer to 5.1 for Action Plan after Completion of the Project
3-5	Continued implementation of training for using the manuals under development on specialized public organizations: "10" trainings and OJT(On the Job Training) are conducted	<p>Achieved</p> <p>Please refer to 3.2 Activity 3-4 for details.</p>
3-6	[Reference] Continued engagement in ordinary internal audit with/without involvement of the JICA Expert team	<p>Achieved</p> <p>Please refer to 3.2 Activity 3-5 for details.</p>

(4) **Output 4 : Internal Audit Quality Assurance system is introduced.**

The result of Output 4 indicators are as follows. Output 4 was achieved.

#	Indicators	Results
4-1	Developed quality assurance framework documents	<p>Achieved</p> <ul style="list-style-type: none"> • Please refer to 6.1 Appendix A-7-3 “Quality Assurance Activity Framework (Draft)” • Please refer to 5.1 for Action Plan after Completion of the Project
4-2	Developed quality assurance manuals (including checklists)	<p>Achieved</p> <ul style="list-style-type: none"> • Please refer to 3.2 Activity 4-2 & 4-6 for details. • Please refer to 6.2 Technical Assistance

		Deliverables List, Appendix E-1 “Internal Audit Quality Assurance Checklist (Draft) – Initial version” And E-2 “Internal Audit Quality Assurance Checklist (Draft) – Final version”
4-3	Developed implementation plans of the quality assurance activities.	Achieved Please refer to 3.2 Activity 4-3 for details.
4-4	Continued implementation of quality assurance activities on a plan basis	Achieved Please refer to 3.2 Activity 4-4 & 4-5 for details.

(5) **Output 5 : Medium-term strategic plan is developed.**

Output 5 was added as a new output in project year 3 by modifying PDM an agreement at the Joint Coordinating Committee (JCC) held in December 2016. Please refer to 3.4 History of PDM Modification.

The result of Output 5 indicators are as follows. Output 5 was not achieved.

#	Indicators	Results
5-1	Support to draft 2017-2020 medium-term strategic plan	Achieved <ul style="list-style-type: none"> • Please refer to 3.2 Activity 5-1 - 5-4 for details. • Please refer to 6.1 Appendix A-7-4 “Proposal Enforcement Items for Medium-term Strategic Plan” • Please refer to 5.1 for Action Plan after Completion of the Project.
5-2	Support to draft 2017-2020 medium-term strategic plan	Not Achieved <ul style="list-style-type: none"> • Please refer to 3.2 Activity 5-5 for details. • Please refer to 5.1 for Action Plan after Completion of the Project.

3.2 Activity Results of Each Output

(1) Overall Notes on the Project Activities

As mentioned in 2.1, Project Implementation Structure, progress on planned project activities was slowed by the absence of leadership due to frequent changes of CP's project manager during project years 2 and 3. Additionally, overall project activities were forced to restart from the beginning as many internal auditors were new and had no experience after the change of the government following the Parliamentary Election in 2016. This appeared to indicate that a new structure for the FC-RM Dept. under a new project manager (hereinafter "CP's new structure") would be put in place from 2017. At this stage, the plan was largely changed by CP after newly forming a department structure by ceasing its continued cooperation with IIA Mongolia, who had been collaborating throughout the course of the project activities as described in 4.3 1) (6), as an issue arose in the relationship between MOF and IIA Mongolia. Consequently, activity results below are explained before and after CP's new structure.

As for the working group, the initial working group for each output was assigned by approval of the State Secretary and implemented project activities, while new working groups were assigned for each remaining project activity by approval of the Director of the FC-RM Dept. after CP's new structure came into place. However, some assigned members refrained from involvement in project activity for the reason that they were not able to make time due to the busy season and because involvement on the project was not included in the members' job description. Other CP staff were involved instead out of necessity.

The following activities were implemented for improving understanding and awareness of internal auditing:

Implemented date	Activities	Number of Attendees
2016/3/15	Meeting for State Secretaries	16
2016/6/18-19	Integrated Training	243
2017/2/16-17	Meeting for Directors	45
2017/5/5	Meeting for State Secretaries	8

The Meeting for State Secretaries and Directors promoted understanding of project activities including submission of the Bill by explaining an overview of internal auditing as well as its role and importance in an organization.

Integrated training was implemented in Ulaanbaatar for two days for internal auditors

throughout the Mongolian Public Sector. The training offered the latest internal audit trends in Mongolian Public Sector, its future plans, cooperative structures with the NAO and other relevant topics to share and visits to companies and offices where systematic internal audit was being practiced. In addition, four sectional meetings which stimulated active discussion by participants were held, covering (1) topics on the Internal Audit Bill, (2) rights, obligations and considerations of Financial Inspectors, (3) introduction of international internal audit standards and JICA manual (draft), and (4) quality assurance framework. Through this training, common awareness was advanced on “internal audit following generally accepted international standards for the purpose of improving value added by the organization” (hereinafter “IIA-type internal audit”), which this project promotes. Among the sectional meetings, meeting (1), relating to Output 1, emphasized the necessity of the Bill agreed on at JCC in April 2016. In the sectional meeting (3), relating to Output 3, the meeting introduced a model workingpaper (draft) by explaining relevance with audit framework from international standard and the JICA manual (draft). In the sectional meeting (4), relating to Output 4, the lecturer explained the importance of quality assurance framework and its procedures to participants.

The details of activities of each output are as follows:

(2) Output 1 : The solution to establishing a more solid legal foundation for internal audits is identified.

1-1 Develop a work plan.

As mentioned in 3.1 (1), the initial work plan of Phase 2 was targeted to submit the Bill to autumn session of the Parliament in 2015 and therefore the initial working group was launched promptly. The following is the initial working group members. Titles in the member list remain as used at the time of launch.

Roles	Name	Title
Chairman	Mr. Batsukh Sukh-Ochir	Head, Internal Auditing, Monitoring & Evaluation Div., MOF
Deputy Director	Ms.Narmandakh Sandagsuren	Expert. JICA Consultant Team
Board Member	Mr. Luvsanjav Namsraijav	Former Minister of Department of Justice
Board Member	Mr. Batbayar Badamdorj	Former Deputy Director General, NAO

Board Member	Mr. Munkh-Ochir Luvsan-Ish	Professor, National University of Mongolia
Board Member	Representative of Ministry of Justice	Officers
Board Member	Ms. Purevjal Oyuntuya	Officer, Budget Control & Risk Management Dept., MOF
Board Member	Mr. Zorigtbaatar Enkhbold	Officer, Law & Procurement Policy Dept., MOF

In project year 2, the work plan, including activities to provide seminars to raise understanding and awareness to achieve submitting the Bill, was agreed upon at the JCC held in November 2015. (Please refer to 6.1 Appendix A-2-3 3rd JCC Minutes of Meeting (2015.11.20))

Although all planned activities were completed by project year 3, as mentioned in the first paragraph in 3.1 (1), the work plan, including support on submitting the Bill, was agreed upon by adding Activity 1-7 at the JCC held in December 2016 as enforcement of the Bill will give teeth to the internal audit system. (Please refer to 6.1 Appendix A-2-6 6th JCC Minutes of Meeting (2016.12.08) Annex 4). Furthermore, CP formed a new working group and prepared prompt submission of the Bill at the Law Study Group, respecting their independence, held in February 2017 after forming CP's new structure.

I-2 Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors
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In project year 1, the working group held weekly meeting to share cases of internal audit laws in other countries and ideas in regard to legal frameworks of internal audit which fit with Mongolian practice. The experts analyzed other countries' cases (Ghana and Cyprus) which succeeded in establishing such laws, and submitted their findings to CP such as features of cases such as adopting an independent law or inserting a provision in an existing law (e.g., the New Budget law). As a result of the discussions between the working group and legal experts, CP provisionally settled on the policy of adopting an independent Internal Audit law. Also, in Mongolian trainees on overseas study tours participated in training regarding the laws in Australia and Korea to enhance awareness as stakeholders towards establishing the law. Furthermore, CP analyzed the case of Bulgaria's internal audit law and thereby deepened its knowledge. The

working group held regular weekly meetings and shared ideas. A convention with influential experts was also held in February 2015 to collect opinions from both Mongolia and overseas. During the course of the discussion, CP had the choices of either adopting an independent Internal Audit Law or inserting internal audit provisions in the New Budget Law. Local legal experts advised CP to adopt an independent law because the legal power of an independent law can be enforced more effectively. Ultimately, CP adopted a policy of establishing an independent law.

1-3 Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors

As a result of discussions in the working group, CP adopted a policy of establishing an independent internal audit law. The Concept paper of the law is composed of the following terms.

1. The framework of the internal audit for government organizations, audit scope, purpose, target organization and legal basis.
2. The Internal Audit Charter and Methodology (inspection, evaluation, observation, research, consulting, arrangement and cooperation with external and internal inspection agencies).
3. Internal audit system and organization.
4. The establishment of the internal audit department, the appointment of internal auditors and provisions relating to dismissal.
5. The authority, responsibility, independence and objectivity, guarantee of rights and prohibitions as internal auditors and responsibility.
6. Planning and reporting regarding internal audit activities.
7. Administration in government agencies concerning the remediation for internal audit results and proposals for improvement and the rights and responsibilities of the Budgetary Portfolio.
8. The authority of internal auditing divisions in government agencies.
9. The penalties for those who violate the internal audit law.

**1-4 Develop concept paper of possible legal framework based on the activities 1-1~1-3.
(NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.**

The working group started developing the concept paper on the basis of the collected cases and feedback from opinions from the legal experts' convention. The concept paper's content was made more comprehensive by using the knowledge obtained from the training and discussions. This concept paper has well-balanced content reflecting concepts in other countries. In addition, the

concept paper appears to be sustainable in the future, as it refers not only to cases in developing countries but also to the laws of Australia, which is one of the most advanced countries in terms of internal audit systems, as well as the case of South Korea, which has been successful in enforcing its internal audit law.

Also, JICA Expert Team utilized the knowledge of Japanese legal experts in developing the concept paper by calling an expert who had experience in a JICA legal project in Mongolia. The original concept paper was submitted to CP at the JCC held on June 2015. (Please refer to 6.1 Appendix A-2-2 2nd JCC Minutes of Meeting (2015.6.12))

In its pursuit of its goal of establishing an IIA-type internal audit, CP visited IIA Global and received feedback on the original concept paper and the Bill in project year 2. The working group revised the original Bill based on feedback and a revised concept paper and a final version of the Bill was agreed upon at the JCC held in April 2016. (Please refer to 6.1 Appendix A-2-4 4th JCC Minutes of Meeting (2016.04.08) Annex 4 and 6.2 Technical Assistance Deliverables List B “Concept Paper of Legal Framework on Internal Audit”)

Furthermore, CP formed a new working group and prepared for prompt submission of the Bill at the Law Study Group, respecting their independence, held in February 2017 after forming CP’s new structure. The concept paper was re-examined by the new working group.

[1-5 [By C/P] Develop original draft of legal framework based on 1-4 above.]

The original Bill was developed based on the Concept Paper developed in Activity 1-4. In February 2015, JICA Experts Mr. Luvsanjav Namsrajav and Mr. Batbayar Badamdorj and local consultants explained the content of the original Bill to CP and exchanged opinions with working group.

[1-6 [By CP] Develop draft of the Bill of legal framework based on 1-4 above]

As mentioned in Activity 1-4, in its pursuit of establishing IIA-type internal audit, CP visited IIA Global and received feedback on the original Concept Paper and the Bill in project year 2. The working group revised the original Bill based on feedback and the revised Concept Paper and the final version of the Bill was agreed upon at the JCC held in April 2016. (Please refer to 6.1 Appendix A-2-4 4th JCC Minutes of Meeting (2016.04.08) Annex 4 and 6.2 Technical Assistance Deliverables List B “Concept Paper of Legal Framework on Internal Audit”)

This revised version of the Bill covers all internal audits in the Mongolian public sector, including not only the central ministries but also local governments and state-owned enterprises. It stipulates the performance of internal audit based on international standards. The revised Bill

also stipulates the type of internal audit, the structure of internal audit departments and the audit committee, the scope of appointment, rights and responsibilities of internal auditors, the preparation of an internal audit plan, the audit reporting line within the organization, the obligation of quality assurance activities, and so forth. The Bill stipulates that independence is required for internal audit and that internal auditors are treated as professionals, for example, by setting the required years of experience, which will ensure the position of internal audit and internal auditors. In addition, although CP has indicated that financial inspection is part of internal audit, there are no direct provisions on financial inspection.

1-7 Support activities relating with submission of the Bill to the parliament until April.

Given CP’s declaration to submit the Bill of the Parliament in 2016 at the JCC held in April 2016, the JICA Expert Team’s additional assistance on submitting the Bill was agreed upon by adding Activity 1-7 at the JCC held in December 2016. (Please refer to 6.1 Appendix A-2-4 4th JCC Minutes of Meeting (2016.04.08) and A-2-6 6th JCC Minutes of Meeting (2016.12.08).)

JICA Experts particularly assisted in arranging the “Report on Legal Analysis of Impact and Effect on the Internal Audit Law (Draft) of Mongolia,” a “public experts meeting” and “an opinion hearing from government officials” required for submission of the Bill to Parliament. The detailed assistance was as follows:

No	Category	Items	Activities	Time Frame
1	Required	Discuss internal audit law with the public. (Questionnaire survey and the Expert Committee)	Based on holding an advisory panel required to set up in Legislation Law of Mongolia effective from January 2017, public experts meeting and an opinion hearing from government officials were held on the same day of October 24, 2016.	Held on October 24, 2016
2		Hold hearings of opinion of government organizations.		
3		Conduct a survey of needs and the impact of	Local consultant (Erkh Zuin Soyol NGO (Legal firm)) implemented survey and	

		legislation.	evaluation of impact and effect on enacting new legislation as required by the legislation law. The report was submitted to CP on December 23, 2016.	
4	Optional	Enhance awareness of internal audit among members of the Diet, ministers, administrative vice-ministers and directors.	CP explained basic information about internal audit, the importance of the Internal Audit Bill and differences between financial inspection and internal audit to raise awareness and understanding.	Planned to hold awareness building activities for parliamentarians and ministers by CP after submission of the Bill. Please refer to 3.1 first paragraph for Meeting for State Secretary and Directors for awareness of understanding.

After the Bill was publicly disclosed on October 12, 2016, local consultants submitted a Report on Legal Analysis of Impact and Effect on the Bill updated at a public experts meeting and opinion hearing from government officials held on October 24, 2016. CP completed its review of the report in January 2017. After that, stakeholders held a legal study group for two days on February 9-10, 2016 to examine the content of the Bill and to discuss anticipated questions and planned answers. As mentioned in Activity 1-1, a new working group was re-formed to ensure the prompt submission of the Bill and has been preparing the submission.

The new working group after CP's new structure comes into place will re-collect comments on the Bill and cases in other countries. They plan to finalize and submit the Bill in the autumn session of the Parliament in 2017. Furthermore, the new Director requested that JICA hire a Mongolian legal expert at project cost to ensure success in passing the Bill at Parliament. Although the JICA Expert Team requested that CP officially submit a request letter of hiring to JICA as this cost was not included in the agreed work plan, CP hired two legal experts as World

Bank (WB) project consultants to continue preparing for submission of the Bill.

(3) Output 2 : Qualified internal auditor certification system is introduced.

2-1 Develop a work plan and set up a working group.

The work plan was developed as scheduled. A working group was formed with the members below. The working group called in Non-Governmental Organizations (NGO) members as they became responsible for implementing the qualification exam in the future. Also, the working group brought on CP members who demonstrated strong performance in presenting lectures in seminars in Phase 1.

Roles	Name	Title
Leader	Mr. Batbayar Badamdorj	Former Deputy Director General, NAO
Secretary	Mr. Baljinnyam Batzorig	Officer, Budget Control & Risk Management Dept., MOF
Member	Ms.Unurjagal Agvaandorj	Professor, National University of Mongolia
Member	Ms. Gantuul Palamdorj	Internal Auditor, Trade Development Bank
Member	Ms.Narmandakh Sandagsuren	Expert. JICA Consultant Team
Member	Mr. Mainbayar Badarch	World Bank Consultant
Member	Mr. Batsaikhan Zagdragchaa	Ministry of Foreign Affair
Member	Ms. Delgermaa Khaltarkhuu	Officer, Budget Control & Risk Management Dept., MOF

<Approved after new CP structure established in 2017: Working Group by project year 3 Activities>

After the establishment of CP's new structure in project year 3, a new working group for each remaining activity was formed.

No	Activities	Responsible Members
1	Training Framework	T.Munkhgerel, P. Tserenkham
2	IAPPS Training	P. Tserenkham, T.Munkhgerel, Kh.Delgermaa, B.Batzorig, J. Delgerjargal,

	G. Munkhtsetseg
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Work Plans in project years 2 and 3 was agreed upon at the JCC held in November 2015 and December 2016 respectively. (Please refer to 6.1 Appendix A-2-3 3rd JCC Minutes of Meeting (2015.11.20) and A-2-6 6th JCC Minutes of Meeting (2016.12.08) Annex 4)

2-2 Collect & analyze other countries experiences relating to IAPPS & CPE.

As a result of the working group set up in the Activity 2-1 and the JICA Expert Team’s collection and analysis of the cases of qualification systems in other countries, it was revealed that external resource providers are available for internal audit training in most countries, and government officials voluntarily participate in those trainings with the aim of obtaining qualifications. Among internal audit qualifications, the Certified Internal Auditor (CIA) provided by IIA Global is generally known worldwide and Certified Governmental Audit Professionals (CGAP) is known equivalently to the CIA for the public sector. It is rare that the government takes leadership in providing such qualifications to government officials, and in most cases, the IIA of each country offers such qualifications even for government officials. (IIA has charters in 160 countries, and the government officials of each country voluntarily take exams for such qualification.) Generally speaking, a professional qualification title may be needed for career advancement, but there is no guarantee that such qualification will translate to promotion at work.

Based on those results, the initial draft framework developed in project year 1 stated that holding the qualification is one requirement to become a CAE (Chief Audit Executive). This may be rare in other countries, however experts think it is an effective measure in Mongolia as it works as an incentive for internal auditors to build their career plans. CP had considered it essential to form an organization for implementing such exams in the same way as in those other countries. Therefore, as mentioned in Activity 2-5, CP officially designated the NGO as an external institution to implement such qualification tests.

2-3 Develop IAPPS training framework documents.

The working groups and the JICA Expert Team, referring to the IIA Global materials, developed the framework documents for the examination guidelines and the qualification. (Please refer to 6.2 Technical Assistance Deliverables List, Appendix C-1 “Framework (Draft) – Initial version”) The framework refers to not only CPE and IAPI but also practical requirements such as education for executives as well as field training, and hence it covers a wide range of internal audit practice. The framework document refers to the three occupational levels classified by experience of internal auditors. Previously, the roles of internal auditors classified by occupational

levels were clearly described, so the JICA Expert Team believed that further implementation of internal audit would be facilitated by this framework.

Activities from project year 2 were planned to continuously examine the content, taking into consideration the revision of the content of the framework document accompanying the certification exam.

Project participants visited IIA Global located in the United States as an overseas study trip in November 2015 in order to gather information, know-how and educational content on the internal audit certification system of IIA Global as much as possible in addition to advertising that an NGO was designated by CP to collaborate with the government as an IIA member, introduce activities related to the internal audit of the Government of Mongolia and NGOs designated by CP. The participants in the overseas study trip were as follows:

No.	Name	Title
1	Mr.Dorjsemed Batsengee	Head, BC-RM Dept., MOF
2	Ms.Delgermaa Khaltarkhuu	Specialist, Internal Auditing, Monitoring & Evaluation Div., BC-RM Dept., MOF
3	Ms.Enkhtuya Baatar	Specialist, Financial Inspection Div., BC-RM Dept., MOF
4	Mr.Battur Sukhbaatar	Specialist, Financial Inspection Div., BC-RM Dept., MOF
5	Mr.Ulziisaikhan Dash	Senior Specialist, Fiscal Policy & Planning Dept., MOF
6	Ms.Oyuntuya Purevjal	Specialist, Internal Auditing, Monitoring & Evaluation Div., BC-RM Dept., MOF

As a result of consultation with IIA Global during the overseas study trip, it was revealed that there are restrictions such that internal audit certification other than IIA Global is not permitted to be issued, and that the NGO is required to operate in compliance with the rules established by IIA Global. For those reasons, it turned out to be unfeasible for CP to introduce its own internal audit certification system in Mongolia.

Given these results, the JICA Expert Team and CP reconsidered the direction of Output 2 activities, redefined terms such as IAPPS, IAPI and trial test and agreed to revise PDM at the JCC held in April 2016. On another front of changes in Output 2 direction, CP also indicated it would continue to introduce an IIA-type internal audit system. (Please refer to 6.1 Appendix A-2-4 4th JCC Minutes of Meeting (2016.4.8)) With this change, the certification framework was revised to a training framework to provide continuous education to internal auditors in public sector and the draft training framework was submitted to CP by the JICA Expert Team. However, due to CP's change of the initial plan to develop a training framework in conformity with the Bill, the

training framework (draft) will be finalized after the Bill is passed, scheduled for after the completion of this project. Please refer to 6.2 Technical Assistance Deliverables List, Appendix C-2 “Training Framework (Draft) – Final version”

2-4 Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI.

CP is not supposed to conduct financial planning as the budget department collectively controls the budget allocations for each department in the Ministry of Finance. However, as budgeting skills also are important, CP carried out the budget planning with a sample document that the experts created as a budgeting case study for project year 1. The budget was calculated to an annual amount by accumulating each implementation cost for training and qualification exams. CP also understood that it is preferable to consider the other expected expenses and then recalculate the comprehensive budget amount. Until the change of plan due to CP’s new structure, NGO controlled the financial budget as the NGO implements the exam under consignment to the Ministry of Finance, but CP still needed to secure the budget in order to outsource continuous training and qualification exams. After CP’s new structure came into place, CP changed the plan to conduct trainings and exams by themselves and the JICA Expert Team shared the actual cost of relevant activities incurred throughout this project with CP for future budget consideration.

2-5 Designate responsible organization for implementation of IAPPS training.

CP approved the NGO, for which CP had assisted in formation, as an official body for implementing the qualification exams for the governmental sectors. This decision was also agreed upon at the JCC held in June 2015. (Please refer to 6.1 Appendix A-2-2 2nd JCC Minutes of Meeting (2015.06.12).) As a result, the NGO would be conducting the exams in and after autumn 2015, and IAPPS trainings and trial tests mentioned later were implemented by the NGO until 2016.

The NGO lobbied stakeholders to form the Mongolian National Association of Internal Auditors and officially got certified as IIA Mongolia by IIA Global in February 2016 and are now gradually expanding their internal audit activities within Mongolia.

CP’s new structure from 2017 changed the original activity plan. The CP’s new structure ceased cooperation with the NGO and determined to implement the remaining trainings on their own for the rest of project period. The future training framework after the completion of this project will depend on how CP finalizes the training framework which was not completed in Activity 2-3.

2-6 Design IAPPS trial test & pre-test training contents.

CP had initially planned to translate the CIA and CGAP exam content in cooperation with IIA United States, and then implement the same exams, as the IIA provides worldwide, at the earliest stage. However, because the population who wish to take the exam is small in Mongolia, and the NGO itself also wants to integrate know-how through experience in running the actual exams, the NGO decided to adopt a policy of developing the exam content by themselves and conducting the exams accordingly for the first few years.

In project year 2, even if IIA Mongolia was established to conduct the test using the IIA Global content, certification related to internal audit is only provided from IIA Global, hence it would not be allowed for MOF or IIA Mongolia to independently certify other relevant qualifications. On the other hand, the current issue hampering execution in Mongolia is the language barrier to take a certification exam on IIA standards. Therefore, the JICA Expert Team discussed the position of future IAPPS and IAPI with CP, shared the results with IIA Mongolia, and agreed to collaborate while sharing the roles with the three (CP, IIA Mongolia, JICA Expert Team) and to position the IAPPS test as a model test. Training schedule, content and trial test questions were discussed with IIA Mongolia and lectures conformed to CGAP and CIA exams.

In project year 3, due to plan changes caused by CP's new structure, for the content and programs of the third IAPPS training and trial test, the last training in this project, CP prepared training materials based on topics requested by internal auditors in public sector and collected in a survey.

2-7 Conduct trainings for IAPPS candidates.

IAPPS Training was held three times. Please refer to Activity 2-8 for details as this training includes trial tests conducted in Activity 2-8.

2-8 Conduct IAPPS trial test.

Result of IAPPS Training and Trial Tests

Date	Training and Trial Test	IAPPS Training Participants	Trial Test Candidates	Score out of 100 points equivalent		
		(persons)	(persons)	Max	Min	Avg.
2015/6/18 – 19	Trial	N/A	36	29	9	48.3
2016/4/18 – 22	1 st	126	102	63	22	46.6
2016/10/11 - 14	2 nd	115	79	66	32	45.9

2017/5/10 – 12	3 rd	118	91	94	32	64.7
Total IAPPS Training		359	308	-	-	-
Participants:						

In project year 1, a certification examination was conducted as a trial test in June 2015 with the aim of collecting basic data for carrying out the actual test from project year 2 onward. The JICA Expert Team explained the outline of the test to 36 beginner internal auditors and conducted mini-tests designed with a volume of 30% of the real examination. The average score resulted as 48.3 points and three participants got high scores exceeding 70 points. In general, it is said that beginner auditors tend to obtain scores of around 50 points on their first CIA test. Therefore it was confirmed that the test content we have designed has reasonably approximated the content of the global CIA test. Also, regarding the acceptance criteria for the successful candidates and the ratio out of the population, it also confirmed that it is feasible to operate the test by referring to such criteria in the world standards.

In project year 2, the first IAPPS training and trial test was held in April 2016, with 126 people attending the training and 102 people taking the test. The results of the trial test were 63 points at the highest, 22 points at the lowest, and 46.6 points on average out of 100 points. In addition, as a result of analysis, tendency of participating areas and organizations did not greatly influence the results.

Consensus was reached that it was necessary to add practical case examples to the content of training rather than focus on theory, according to feedback from the first training and the trial test.

In project year 3, two trainings and trial tests were held in October 2016 (2nd) and May 2017 (3rd). In the second training, IIA Mongolia, the designated external institution, took charge of all programs, in order to promote sustainable implementation in Mongolia in the future. Due to personnel changes at the Internal Audit Department as the government changed, the new internal auditors were eager to listen to the lecture. Results from the trial test on the final day included a highest score of 66 points, lowest of 32 and an average of 45.9, which are comparable to the previous result. It was assumed that there was no large difference from the knowledge level of the previous participants.

Due to a change of plans caused by CP's new structure, the third training was lectured by CP staff to promote sustainable implementation in Mongolia in the future, and the exam questions were also prepared by each assigned lecturer. The test resulted in a highest score of 94 points, lowest of 32 and an average of 64.7 out of 100 points (converted 50 points in total to 100 points for comparison).

Although the last two trial tests were based on CIA exam questions, the third trial test was based on questions prepared by the CP staff related closely to the actual practice of participants, and thus the difficulty level was considered easy compared with the previous test questions, which was designed based on CIA test questions. For this reason, scores also increased greatly compared with the results of the past two tests. Because the content of the training was also mainly for the public sector, a great deal of feedback from participants indicated that the training content was meaningful to them.

Though activities were carried out as planned, how CP will introduce this IAPI training system and certificate of attendance after the completion of the project depends on the framework of the training framework planned to be finalized in Activity 2-3 by CP.

2-9 Develop IAPPS participators and other training participators records.

CP initially planned to develop a registration system database relating to information on Certified IAPPSs and CPE recipients and therefore planned to collect information to be registered in the system database and determine how to utilize the database system, etc. by consulting with CP. CP was in the process of registering internal auditor information nationwide as necessary to the system at MOF. Meanwhile, an Excel list was developed as a training participant record for participants in trainings conducted during the project period such as IAPPS and IAPI.

Integrating this information is expected to make it easier to gain an understanding of internal auditors, select candidates for training, and manage the records of training attendance. As such, the JICA Expert Team appropriately prepared a list of participants and provided it to CP.

2-10 Support providing training for IAPPS.

2-11 Train the IAPIs and its candidates to acquire practical skills required to disseminate internal audit.

In order to further build knowledge and capacity for IAPPS and IAPI trainings participants, the JICA Expert Team visited ministries whose internal auditors had taken the trial test and held trainings and workshops collaborating with IAPPS and IAPI trainees and the JICA Expert Team in conjunction with Activity 3-4 as technical support for internal audit including training. Please refer to Activity 3-4 for details.

2-12 Certifying candidates who satisfy necessary conditions as the IAPIs.

With the aim of raising the technical level of future internal audits and improving practical

aspects of leadership in Mongolia, IAPI training was implemented for high scorers on the IAPPS training trial test conducted in Activity 2-8.

Implemented date		Number of IAPI Training Participants
1 st	2016/5/31	27
2 nd	2016/11/4	55
3 rd	2017/5/19	33
Total IAPI training participants:		115

During the IAPI training, "basic information on internal audit (including manual explanation)," among other matters, were introduced by CP as topics directly linked to practice, and the JICA Experts Team presented an "Introduction of JICA manual, and Relationship between JICA manual and WB manual." After the presentation, the JICA Expert Team demonstrated an exercise case study documenting a series of audit workingpapers necessary for audit practice. All participants received a certificate of attendance under the name of the JICA project. Though activities went on as planned, how CP will introduce this IAPI training system and certificate of attendance after the completion of the project depends on the framework of the training framework planned to be finalized in Activity 2-3 by CP.

(4) Output 3 : Internal auditors' capacity of practicing internal audit is further strengthened.

Trainings related to Output 3 were held, and trainings primarily targeting internal auditors accumulated more than 1,400 participants not only from prioritized ministries but also other ministries, implementing agencies, and local governments.

< Training Results >

№	Date	Trainings	PDM Activity	○=Participants			Number of Participants
				CP	Prioritized Ministries	Other	

Year 1

1	2014.11	Introductory Internal Audit Seminar	Activity 3-5	○			12
2	2014.11	Seminar for National Bank of Mongolia	Activity 3-5			○	16

3	2014.11	Seminar for Bagakhangai District	Activity 3-5			○	26
4	2014.12	Risk Assessment Training for MRTD	Activity 3-5		○		21
5	2015.3	Applied Internal Audit Seminar	Activity 3-5		○	○	70
6	2015.4	Manual WG Seminar	Activity 3-5		○		4
7	2015.4	Internal Audit Seminar for Prioritized Ministries	Activity 3-5		○		10
8	2015.6	Seminar for Auditees for Road Development Center	Activity 3-5		○		10
9	2015.6	Basic Internal Audit for New Internal Auditors	Activity 3-5	○	○	○	70

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Year 2

10	2015.10	Internal Audit Seminar for MECSS higher educational institutions	Activity 3-5		○		100
11	2015.11	Introductory Internal Audit Training in Uvurkhangai Region	Activity 3-5			○	44
12	2015.11	Practical Internal Audit Seminar for National Police Agency Staffs	Activity 3-5			○	14
13	2015.12	Basic Internal Audit Training for National Police Agency Executives	Activity 3-5			○	40
14	2015.12	Introductory Internal Audit Training for Nationwide Executives of National Police Agency	Activity 3-5			○	100
15	2016.3	Training for Min. of Justice and Internal Affairs (The Need of Internal Audit and Risk)	Activity 3-5			○	21

16	2016.4	Training for Min. of Justice and Internal Affairs (Introduction / Documentation)	Activity 3-5			○	50
17	2016.4	Seminar for Agencies under Min. of Justice and Internal Affairs (Basic Internal Audit)	Activity 3-5			○	15
18	2016.5	Introduction of JICA Manual (Draft) Training for MRTD Agencies	Activity 3-5		○		25
19	2016.5	Training in the East Region (Dornod) (Introductory / Practical Internal Audit)	Activity 3-5			○	32
20	2016.5	Training for Min. of Justice and Internal Affairs (Performance Audit)	Activity 3-5			○	30
21	2016.6	Integrated Training	Activity 3-4, 3-5	○	○	○	243
22	2016.7	Basic Internal Audit Training for Civil Aviation Authority of Mongolia	Activity 3-5			○	40

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Year 3

23	2016.11	Training in the Central Region (Orkhon) (Introductory / Practical Internal Audit)	Activity 3-4, 3-5			○	53
24	2016.12	Seminar for Agencies of Min. of Justice and Internal Affairs (Internal Audit Unit/ Treasury Unit)	Activity 3-5			○	250
25	2016.12	Training in the West Region (Khovd) (Introductory / Practical Internal Audit)	Activity 3-4, 3-5			○	44
26	2017.1	Study Group of Internal Audit for Safety Control at UB Railway	Activity 3-5			○	22

27	2017.3	Training for New Internal Auditors of Min. of Justice and Internal Affairs (Introductory)	Activity 3-5			○	32
28	2017.4	Training in Dundgobi Region (Introductory / Practical Internal Audit)	Activity 3-4, 3-5			○	30
29	2017.6	Training for New Internal Auditors of Min. of Justice and Internal Affairs (Practical)	Activity 3-5			○	32

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Total (3 years)		1,456
Activity 3-4 Training out of Total	Total 4 Trainings	370
Activity 3-5 Training out of Total	Total 29 Trainings	1,456

Practical guidance through On-the Job Training (OJT) were conducted a total of 141 times including 128 times to prioritized ministries and 13 times to governmental organizations other than prioritized ministries to contribute to the improvement of capacity in practical documentation at work.

Of the OJT, 53 trainings given to the prioritized ministries in project 3 were practical guidance using the manual developed in Activity 3-4.

OJT result were as follows:

<OJT Results>

(Unit: Number of OJT)

	Prioritized Ministries				Other		Total
	MRTD	MCUD	MOH	MECSS	Ministries	Other	
Year 1	11	10	12	8	0	3	44
Year 2	7	6	12	9	1	1	36
Year 3	24	5	16	8	7	1	61
Subtotal	42	21	40	25	8	5	141
Total	128				13		141
Activity 3-4 OJT out of Total							53

The details of activities of Output 3 are as follows.

3-1 Develop a work plan and set up working groups.

For project years 1 and 2, a working group was established including CP staff, who had sufficient experience in internal audit practice since the previous project phase, and internal auditors of the prioritized ministries in order to implement effective practical guidance and develop an internal audit manual.

The working group held a group meeting irregularly but every few months to exchange opinions on the current state of internal audit practice, issues and measures, composition and content of the internal audit manual, and also served for practical guidance.

The initial working group members were as follows. Titles in the member list remain as used at the time of launch.

<Initial working group members>

Roles	Name	Title
Leader	Mr. Amane Imada	JICA Consultant
Secretary	Ms. Delgermaa Khaltarkhuu	Officer, BC-RM Dept.,MOF
Member	Mr. L.Luvsanjamts	Head , Internal Audit & Monitoring Evaluation division, Ministry of Education
Member	Mr. B.Byambajav	Head , Internal Audit & Monitoring Evaluation division, Ministry of Road and Transportation
Member	Mr. D.Munkhbaatar	Head , Internal Audit & Monitoring Evaluation division, Ministry of Construction and Urban Development
Member	Ms. S.Tugsdelger	Head , Internal Audit & Monitoring Evaluation division, Ministry of Health
Member	Ms. Tumur Munkhgerel	Officer, Budget Control & Risk

		Management Dept.,MOF
Member	Mr. Baljinnyam Batzorig	Officer, Budget Control & Risk Management Dept.,MOF
Member	Ms. Tserenkham Purevdorj	Officer, Budget Control & Risk Management Dept.,MOF

<Approved after new CP structure in 2017: Working groups according to project year 3 activities>

After CP's new structure came into place in project year 3, a new working group for each remaining activity was formed.

No	Activities	Responsible Members
1	Finalization of Internal Audit Practical Manual	Kh.Delgermaa, T.Munkhgerel, P.Tserenkham
2	Implementation of Regional Training in Dundgobi	J.Tsogtbayar, B.Batzorig, Kh.Delgermaa

Work Plans in project years 2 and 3 were agreed upon at the JCC held in November 2015 and December 2016, respectively. (Please refer to 6.1 Appendix A-2-3 3rd JCC Minutes of Meeting (2015.11.20) and A-2-6 6th JCC Minutes of Meeting (2016.12.08) Annex 4)

3-2 Conduct financial planning exercise on implementation of trainings and OJT.

The method was instructed to CP as stated in Activity 2-4. The actual costs incurred for relevant trainings and OJT conducted during the project term were shared with CP as a reference for future financial planning.

3-3 Develop the internal audit manuals in priority areas and common manual for specialized public organization(e.g. Local governments, schools, hospitals, customs etc.).

The initial plan was to develop internal audit manuals in priority areas and a common manual for specialized public organizations (e.g., local governments, schools, hospitals, customs organizations), focusing on practice while taking circumstances in Mongolia into consideration. Internal audit manuals in priority areas consisted of a common section for all prioritized ministries and special sections for each prioritized ministry. In addition, model workingpapers, which are documents recording the results of the whole process of an audit, were planned to be included in the manual. Moreover, the case studies of practical audits using the manual were planned to be

attached in the manual as appendices by which internal auditors could develop their practical senses through simulation, enabling newly assigned auditors to take the first step of the audit smoothly. Common manuals for specialized public organizations (e.g., local governments, schools, hospitals, customs organizations) were initially planned to contain a checklist developed through fieldwork in the prioritized ministries designed by breaking down the manual and to be user-friendly in order to be adaptable to all organizations even under resource shortages. Furthermore, activities were initially planned to finalize the manual after gathering feedback from practical guidance and training using the draft manual. In terms of conducting internal audits in Mongolia, however, an internal audit manual for the public sector in Mongolia (hereinafter “WB Manual”) developed in the WB project assisting CP in parallel with this JICA project, has also existed since 2012.

Given these circumstances, the JICA Expert Team and working groups proceeded to develop the internal audit manual for the priority areas by developing content in collaboration with WB manual based on the CP ‘s request. For the special sections for prioritized ministries (priority areas), the JICA Expert Team identified risks related to practice of each prioritized ministry as useful information for conducting a risk-approach audit, drafted the risk list, gathered opinions from each prioritized ministry, and added them to the internal audit manual. The manual also included practical procedures at work and Q&A that were not given in WB Manual.

For common manuals for specialized public organizations (e.g., local governments, schools, hospitals, customs organizations), the process of training and OJT as well as drafting the manual resulted in the conclusion that applying the internal audit manual for priority areas is sufficiently possible for small scale organizations in Mongolia such as schools or hospitals, as while they were initially assumed to be small, it was found that this was not the case, but rather that they possess a certain degree of size (medium to large).

In other words, the audit approach and the view about potential risks remained unchanged even though the audit objectives differed. For this reason, the initial plan was changed to include a checklist developed as a common manual for specialized public organizations (e.g., local governments, schools, hospitals, customs organizations) by adding a separate chapter on small audit engagements for auditors who audit small-scale organizations and would have difficulty applying the internal audit method (risk approach method) and integrating them as in the JICA internal audit practical manual (hereinafter “JICA Manual”).

Meanwhile, CP was concurrently updating the WB manual over the project period. In consultation with the WB consultants, the JICA Expert Team confirmed that the two manuals agreed with one another. The WB manual gives a summary of the overall internal audit concept and audit flow, while the JICA Manual contains specialized practical guidance including model

workingpapers. Templates of model workingpapers developed by the JICA Expert Team will be attached to the WB manual to be updated so that practitioners will avoid confusion by providing the same templates from both manuals. While the JICA Expert Team tried to arrange discussions on the content of the WB manual under revision with CP, CP never shared the WB manual with the JICA Expert Team. Under this situation, the JICA Expert Team submitted CP the first draft JICA Manual in February 2016 and asked for feedback. Since there was no progress from CP after the submission, the JICA Expert Team further reflected JICA Manual with feedback from prioritized ministries and other organizations and included model workingpapers developed based on experience obtained from OJT and trainings through project year 1 and 2. The JICA Expert Team submitted again next draft JICA Manual to CP in June 2016, and requested feedback again.

Concurrently in project year 3, the JICA Expert Team submitted the finalized version of the JICA manual in June 2017 after updated feedback using the draft JICA manual through OJT and trainings in Activity 3-4. Due to change of CP's plan take into account the consistency between the JICA manual and the Bill to be approved in the future, the JICA manual will be finalized after the Bill is approved. (Please refer to 6.2 Technical Assistance Deliverables List, Appendix D "Internal Audit Practical Manual (Draft)")

3-4 Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations.
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Addition of internal audit trainings in local regions and integrated trainings were agreed upon at the JCC held in April 2016 (Please refer to 6.1 Appendix A-2-4 4th JCC Minutes of Meeting (2016.04.08) Annex 2). After a draft JICA manual including model workingpapers was introduced in the sectional meeting at integrated trainings held in June 2016, the JICA Expert Team lectured participants on OJT at prioritized ministries and in regional training about practical audit techniques introducing detailed documentation of workingpapers based on the draft JICA manual.

A draft JICA manual including model workingpapers was developed in Activity 3-3 and disseminated along with documentation using model workingpapers for practice through practical manual training and OJT. Concurrently in cooperation with CP, the JICA Expert Team conducted similar trainings for internal auditors in regional area to promulgate internal audit methods to regional areas and to improve the practical level of the internal auditors of local governments. As a result, practical trainings were held nationwide throughout Mongolia during activity period in this phase as shown below.

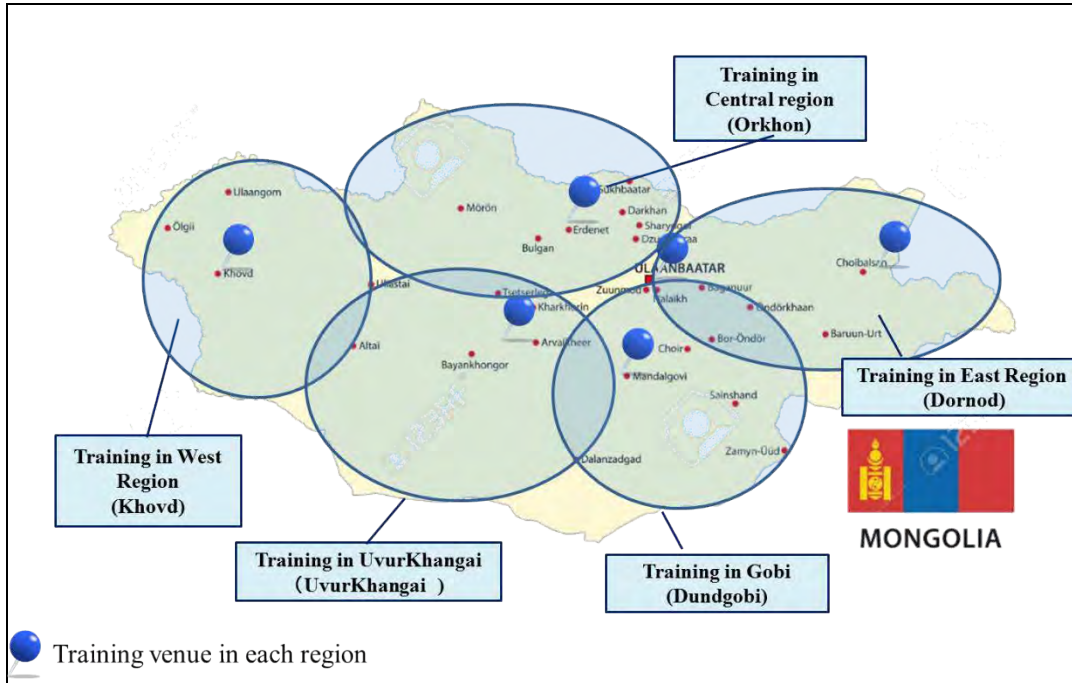


Figure 4: Regional Training Results

As shown in the list of training results at the beginning of this output section, trainings using a draft JICA Manual including model workingpapers developed in Activity 3-3 were held four times during the three years, and total of 370 internal auditors participated in these trainings. In addition, as shown in the list of OJT results at the beginning of this output section, 53 OJT sessions using the draft JICA Manual for the four prioritized ministries were held, which is also the total number of OJTs held in project year 3. Among actual audit practices at prioritized ministries, the level of audit documentation was measured at each of four audit stages (Planning, Fieldwork, Reporting, Follow-up), the results of which showed that documentation was confirmed to be sufficient in 12 out of 16 instances documentation covered in OJT.

For reference, the table below shows documentation of 11 templates required for documentation out of all 18 workingpaper templates in the draft JICA Manual used in OJT.

4 Stages of Audit Process	Results at Prioritized Ministries	Average Documentation % (Required)
Planning	4 audit engagements	81%
Fieldwork	3 audit engagements	56%

Reporting	3 audit engagements	59%
Follow-up	2 audit engagements	31%
Total audit /Avg.	12 audit engagements	
Documentation %:		57%

At some audit practices among the four prioritized ministries, OJT could not be held as planned and some planned OJT sessions were cancelled due to unexpected assignments by the order of the Minister and absences of internal auditors caused by personnel transfers. Regarding audit documentation, flow charts and Risk Control Matrices (RCM) were included in required documentation as workingpapers at the planning stage, and depending on the degree of familiarity with preparing these documents, it was determined whether said workingpapers were well-documented within a limited working time. At the Fieldwork stage, test workingpapers designed to be implemented based on the RCM were not documented in many cases when RCM was not prepared or not properly created. At the reporting stage, although audit reports are certainly prepared in all internal audit engagements, the workingpaper template for confirming the completeness of the audit procedures at the end of audit engagements was not easily documented because few practitioners understand its necessity in terms of documentation. The JICA Expert Team did not give documentation in the follow-up stage a low evaluation even though there was a low level of documentation because follow-up on the improvement action plan is not necessarily carried out every time and a certain amount of time is necessary to make improvements.

We determined that OJT using the draft JICA Manual was meaningful in terms of collecting comments on the draft JICA Manual to reflect in its final version.

3-5 [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1.

As shown in the list of training results at the beginning of this output section, various internal audit trainings were held during the three years in Phase 2.

There were requests from internal audit departments in governmental organizations which make proactive efforts on the implementation of internal audit activities as part of actions to promote understanding of internal audit and increase internal auditors' capacity. The JICA Expert Team and working group held trainings suited to participants' required knowledge, such

as basic seminars for internal auditors newly appointed after government change and personnel transfers and demonstration of practical cases to experienced internal auditors, and worked towards holding continuous trainings mainly related to Activity 3-5. As a result, 29 trainings were provided over three years with 1,400 internal auditors participating in total.

(5) Output 4 : Internal Audit Quality Assurance system is introduced.

4-1 Develop a work plan.

Although the initial work plan was revised as necessary in response to activity progress, the work plan for each project year was developed appropriately and agreed upon at the JCC of each project year. As for working group members for Output 4, groups were formed with the addition of CP experts with experience from involvement from Phase 1 so as to contribute to developing an internal audit quality assurance system. The following table shows the initial working group members. Titles in the member list remain as used at the time of launch.

<Initial working group members>

Roles	Name	Title
Leader	Mr. Batsukh Sukh-Ochir	Head, Internal Auditing, Monitoring & Evaluation Div., MOF
Secretary	Ms. Oyuntuya Purevjal	Officer, Budget Control & Risk Management Dept., MOF
Member	Ms. Narmandakh Sandagsuren	Expert, JICA Consultant Team
Member	Turbat Bolormaa	Expert, JICA Consultant Team
Member	Mr. Mainbayar	World Bank Consultant
Member	Ms. Delgermaa Khaltarkhuu	Officer, Budget Control & Risk Management Dept., MOF
Member	Ms. Tumur Munkhgerel	Officer, Budget Control & Risk Management Dept., MOF
Member	Ms. Tserenlkham Purevdorj	Officer, Budget Control & Risk Management Dept., MOF

<Approved after new CP structure in 2017: Working Group by project year 3 Activities>

After CP's new structure in project year 3, new working group at each remaining activity was formed.

No	Activities	Responsible Members
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1	Implementation of Quality Assurance Activity	B. Batzorig, G. Munkhtsetseg
2	Finalization of Quality Assurance Manual	T. Mukhgerel, G. Munkhtsetseg

Work Plans in project year 2 and 3 were agreed upon at the JCC held in November 2015 and December 2016 respectively. (Please refer to 6.1 Appendix A-2-3 3rd JCC Minutes of Meeting (2015.11.20) and A-2-6 6th JCC Minutes of Meeting (2016.12.08) Annex 4)

4-2 Develop first version of check-lists for quality assurance of internal audit.

In preparing the quality assurance (QA) checklist, the members agreed that they would create check items to improve practical audit skills and conduct QA activity using such checklists in prospective years. Therefore the working group focused on the four phases of internal audit activities and created checking materials which the assessor can use to determine if proper documentation is made at each of four audit stages in accordance with the sample templates. In fact, the WB project had created sample templates but internal auditors experienced difficulty using them as they encountered variations in quality once they started documentation. Therefore the working group reviewed their template and developed a checklist to verify that proper documentation was made. The scores of the checklist are quantified and designed objectively to assure that quality improvement is measured at each level. The first edition of the QA checklist (6.2 Technical Assistance Deliverables List E-1 “Internal Audit Quality Assurance Checklist (Draft) – Initial version”) was submitted to CP and CP conducted a trial field test in collaboration with the NGO with the aim of improve the quality of documentation as in Activity 4-3 in project year 1.

In project year 2, after CP visited IIA Global in November 2015, CP established a policy of practicing IIA-type internal audit in Mongolia (agreed upon at the JCC held in April 2016). The JICA Expert Team considered developing an IIA-based QA Manual and Checklist separately from QA Manual and Checklist developed in project year 1 and decided to develop a QA manual for the public sector in Mongolia based on the QA manual issued by IIA Global while incorporating the special circumstances of the Mongolian government. The first step was to translate the QA manual issued by IIA Global into the Mongolian language.

4-3 Develop an annual plan to conduct the quality assurance activities.

International standards (International Professional Practices Framework: IPPF 1312) state that QA activities shall be conducted at least once every five years. This is relatively infrequent

compared to routine internal audit practices.

However, the initial working group decided to conduct QA activities in project year 1, citing improvement of the quality of audit documentation as an urgent issue. As pertains to the QA system, the members agreed that the certified NGO conducts external evaluation and that the internal evaluation is to be conducted within each internal audit department by applying the individual performance evaluation. The following annual plan in project year 1 was approved by CP, to be renewed as necessary from the second year forward.

#	Activities	Time Frame	Responsible	Assisted By
1	Defining legal basis, objectives, scope, Terms of Reference (TOR) of the QA external review and requirements of reviewers	January 2015	BC-RM Dept.	JICA Expert Team
2	Selection of external reviewers, agreement on TOR and signing a contract	February 2015	BC-RM Dept.	JICA Expert Team
3	Development and approval of a QA Review Plan which contains the review's objectives, scope, data collection methods, checklists, report structure, resources needed and time frame	March 2015	External Reviewers	BC-RM Dept. JICA Expert Team
4	Organizing workshop or the heads and staff members of the IA units of selected ministries of the purpose of briefing on the objectives, scope and methodology of the QA Review	April 2015	BC-RM Dept. External Reviewers	JICA Expert Team
5	Conducting QA external review activities at the IA units of selected ministries	April – May 2015	External Reviewers	
6	Drafting external review report, obtaining comments on it from the selected ministries and finalizing it	May 2015	External Reviewers	

7	Presentation and submission of external review report, including its findings, conclusions and recommendations, to the BC-RM Dept.	June 2015	External Reviewers	
8	Planning and implementation of follow-up actions based on the recommendations of the external review report	Starting from July 2015	BC-RM Dept. Units of Ministries	JICA Expert Team
9	Conducting follow-up on the external report	First Half of 2017	BC-RM Dept.	JICA Expert Team

In project year 2, an annual plan was developed in the same manner as in project year 1, however, activities were significantly affected by a delay of CP's review of the JICA Manual, which was to include consideration of improvements to the quality of audit workingpapers and form the basis of QA activities. As described in 2.1, this delay occurred because time was needed to restore the project implementation structure due to the replacement of the JICA Expert Team leader and frequent changes in CP's key personnel. As such, QA activities involving a plan to implement the draft JICA Manual as a set of best practices were not carried out. As mentioned in Activity 4-3, development of an IIA-type QA manual and checklist was carried over into project year 2.

In project year 3, an annual plan was developed to carry out QA activities using the QA manual and checklist to link with JICA Manual, including model workingpapers aimed at improving the quality of audit workingpaper templates developed in Output 3 activities. Based on discussions with CP, the JICA Expert Team agreed that local cities in three prefectures (Orkhon, Khovd, and Dornod) would be targets for conducting QA activity as central ministries were the targets for QA activity in project year 1.

4-4 Train staff for quality assurance of internal audit using the check lists.

The initial working group involved the NGO as members from the outset of creating the quality assurance checklist to efficiently share know-how with them. As a result, the working group's preparations to for trial assessment with the checklist proceeded at an earlier stage than expected. Initially the JICA Expert Team assumed that the checklist would be introduced in the second year, since progress on the audit activities in Output 3 needed to be made first in order to carry out

quality assurance activities. This was the first case in Mongolia in which external organizations came into the public sector and carried out QA activities. Additionally, the checklist included content on assisting with the appropriateness of audit documentation so as to contribute to enhancing practical skills used in internal audit. The JICA Expert Team and NGO members who developed the initial version of the QA manual and checklist distributed instructions including how to use the checklist, evaluation method, and reporting method to working group members who were to conduct the QA activity and gave a detailed explanation to the implementing NGO. The trial assessment with the initial version of the checklist was completed in May 2015, and the NGO officially submitted the QA activities report in June 2015.

Activities planned in project year 2 were postponed to project year 3 as described in Activity 4-3.

Activities planned in project year 3 were implemented as agreed upon in Activity 4-3. Prior to the implementation of the QA activities, the JICA Expert Team distributed instructions including how to use the checklist, evaluation method, and reporting method and explained the details to the implementing NGO in the same manner as project year 1.

In addition, QA activity in Dornod, the 3rd city out of three local cities for planned QA activities, was implemented by CP as an external reviewer due to changes to CP's plan after CP's new structure was put in place in 2017. For this change, the JICA Expert Team provided two day training from April 12, 2017 to give instructions to implementing CP on how to conduct QA activities in addition to evaluation reporting methods.

4-5 Practice quality assurance activities and make reports on an activity 4-3 plan basis.

The following Quality Assurance activities were implemented in the Phase 2 project.

Time Implemented	Evaluation Venue
2015.6	Internal Audit Depts. at: MOF / /MRTD / MECSS / MCUD / MOH
2016.11	Internal Audit Dept. of Orkhon Pref.
2016.12	Internal Audit Dept. of Khovd Pref.
2017.5	Internal Audit Dept. of Dornod Pref.

Working groups and the NGO jointly conducted quality assurance activities and prepared quality assurance activity reports. Report content was reported to and shared with CP and evaluated organizations. Information was also exchanged on the current state of internal auditing quality in Mongolia.

The final quality assurance activities after CP's new structure was put in place to prepare a quality assurance activity report were implemented by CP alone due to the change of CP's plan. Additionally, CP developed the final version of the Internal Audit Quality Assurance Checklist for the purpose of Activity 4-6 in order to reflect the results from this activity.

4-6 Develop final version of check-lists for quality assurance of internal audit.

Working group members set in project year 3 implemented quality assurance activities in Dornod Prefecture and developed the final version of the Internal Audit Quality Assurance Checklist. For the final version of the Internal Audit Quality Assurance Checklist, please refer to 6.2 Technical Assistance Deliverables List, Appendix E-2 "Internal Audit Quality Assurance Checklist (Draft) – Final version."

(6) Output 5 : Medium-term strategic plan is developed.

Output 5 was added as a new output in project year 3 by modifying the PDM agreed upon at the JCC held in December 2016. Please refer to 3.4 History of PDM Modification.

However, out of the five activities, Activity 5-4 and 5-5 were not carried out. After CP's new structure was put in place in 2017, CP has placed significant emphasis on the consistency between medium-term strategic plan and the Internal Audit Bill and changed CP's plan to develop the medium-term strategic plan in view of the Bill to be approved. For this reason, Output 5 activities will be carried out after the Bill is passed through the Parliament. Regarding the Output 5 action plan by CP, at the JCC held in June 2017, CP agreed to implement the action plan by the end of 2017 although CP will examine concrete work plans after the Bill is passed. (Please refer to 6.1 Appendix A-2-7 7th JCC Minutes of Meeting (2017.6.12))

5-1 Develop a work plan and set up a working group.

After project year 3 began, managers and senior officers from the BC-RM Dept. at that time started developing a work plan. After CP's new structure was put in place in 2017, the newly appointed CP director planned to set up a working group. However, due to changes in CP's plan to place significant emphasis on the consistency between the plan and the Bill, the medium-term strategic plan will be implemented after the Bill is approved. As a result, the working group was not set up.

5-2 [By C/P] Decide the basic policy of medium-term strategic and enforcement items.

Running concurrently with Activity 5-3, CP established its basic policy through discussions with the JICA Expert team and listed enforcement items to be reflected in the medium-term strategic plan. In particular, CP takes past Internal Audit – Capacity Model (IA-CM) assessment results, IA-CM assessment items and review from the 2014-2016 internal audit medium-term plan into consideration in order to improve internal audit capacity level in Mongolian Public Sector. CP also planned to reflect enforcement items based on the “Action Plan of the Government of Mongolia for 2016 – 2020 (Parliament Order No. 45 of 9 September 2016)” and the “Mongolia Sustainable Development Vision 2030 (Parliament Order No. 19 of February 2016),” and the JICA Expert team agreed with this proposal.

5-3 Support to draft 2017-2020 medium-term strategic plan.

Running concurrently with Activity 5-2, JICA Experts carried out Activity 5-3 by maintaining contact with CP. During the course of this project, CP clearly expressed it would follow international standards for implementing an internal audit system in the Mongolian Public Sector. Both CP and the JICA project team recognize that Mongolia is in a transition period as the medium-term strategic plan for the next four years (2017-2020) is a significant guideline for the future of Mongolia. For this reason, the JICA expert team will assist in developing a sustainable and viable plan for Mongolia. JICA Experts submitted proposed enforcement items to CP for the 2017-2020 medium-term strategic plan in November 2016 after considering various aspects such as legal framework and improvement of organizational structure in view of relevance with the long-term vision of Mongolia and MOF policy objectives. Please refer 6.1 A-6-4 “Proposal Enforcement Items for Medium-term Strategic Plan” for details on the 2017-2020 medium-term strategic plan.

However, as mentioned in the opening sentence of this Section, the medium-term strategic plan will be finalized after the Law is passed through the Parliament due to a change in CP’s plan to develop the medium-term strategic plan in view of the Bill to be approved after CP’s new structure comes into place in 2017 as CP has placed significant emphasis on consistency between the medium-term strategic plan and the Internal Audit Bill.

Activities implemented by JICA Expert Team are given below.

(1) Analyzed current situation by reviewing 2014-2016 medium-term strategic plan

An overview of the goals and results of the 2014-2016 medium-term strategic plan are shown in the table below. However, the results shown below were created through the cooperation of the JICA Expert Team and the primary staff of CP because formal review results by CP were not shared.

Goal	Results (brief summary)	Phase 2 project assistance
1. Streamline the legal environment for internal audit	(1) Submission of the Bill was not achieved (2) Confirmation of consistency with relevant regulations was completed for the internal audit charter only	<ul style="list-style-type: none"> • For the results in (1), assistance was provided on all relevant activities up until preparations to submit the Bill
2. Develop internal audit structure	(1) Establishment of internal audit departments across the Mongolian public sector was largely achieved (2) Establishment of audit committees and introduction of proper operation were largely achieved at central ministries (3) Improvement of independence remains at a subpar level	<p>For the results in (1), (2) and (3), assistance was provided on:</p> <ul style="list-style-type: none"> • Assisted to include those (1) to (3) in the Bill • Promoting understanding through a variety of trainings
3. Training internal auditors	(1) Implementation of training sessions and trainer education were largely achieved (2) Development of database history logs for internal auditors trainings is in progress	<ul style="list-style-type: none"> • For the results in (1), full-scale assistance was provided, as well as on development of a draft of the training framework • For the results in (2), assistance was provided by sharing training records
4. Establishment of internal audit to enhance added value in the organization	(1) Development of internal audit manual for specialized area and the public sector was largely achieved (2) Establishment of a foundation for the risk management structure was largely achieved	<ul style="list-style-type: none"> • For the results in (1), assistance was provided on development of an internal audit manual for priority ministry areas and operations common throughout all areas

5. Introduction of quality assurance system for internal audit	(1) Development of a method of implementing a quality assurance system was largely achieved (2) Development of the Operation Plan was achieved	<ul style="list-style-type: none"> •For the results in (1), assistance was provided on development of a manual and implementation of training sessions •For the results in (2), assistance was provided on development of the annual plan and framework
6. Activities to raise awareness on risk management	(1) Conducted as necessary, although no awareness activity plan is expected.	<ul style="list-style-type: none"> •For the results in (1), assistance on a variety of training and OJT

The goals of the 2014-2016 medium-term strategic plan developed with the assistance of the Phase 1 project are highly consistent with project activities in Phase 2. While these goals were largely achieved for the past 3 years, the draft items in the 2017-2020 medium term strategic plan include the submission of the internal audit law to the Parliament as unfinished items and documentation of various provisions that are deemed necessary to be developed in the future.

(2) Reviewed consistency with National Strategy

JICA confirmed that the “Action Plan of the Government of Mongolia for 2016 – 2020 (Parliament Order No. 45 of. September 2016)” and the “Mongolia Sustainable Development Vision 2030 (Parliament Order No. 19 of. February 2016)” stipulates the incorporation of the basic principles of governance for sustainable development (maintaining transparency, complying with ethics, eliminating corruption) and that governance through internal audit is consistent with the national strategy.

(3) Conducted SWOT Analysis of the FC-RM Dept.

The result of the SWOT Analysis found specific issues with the ability of management, appropriateness of budget plan and execution, ability to develop and conduct a plan, organizational structure to secure independence, and organizing law and policies and so forth.

(4) Issues which arose during the implementation of the Project

Please refer to 4.3 “Current Status and Recommendations.”

(5) Recommendations on the plan with regard to the legal environment and organizational structure improvements considering activities (1) through (4).

- Goal 1: Organizing the legal framework

Submission and approval of the Bill, reorganization of relevant regulations and rules (drafting and revision) and public relations of internal audit including lobbying activity for the Bill, etc.

- Goal 2: Organizational structure improvement

Reorganization of internal audit departments, establishment of internal audit reporting lines, reconsideration of hiring and allocating internal auditors, etc.

- Goal 3: Capacity improvement of internal auditors

Coordination of a training framework for internal auditors (e.g., developing training plan, implementing trainings) and practical manuals and training materials (procedures for updating manuals, preparation of training materials and manual as necessary)

- Goal 4: Enhancement of the quality of internal audit

Establishment of an external review system for quality assurance and reorganization of the internal review system for quality assurance (e.g., development of an evaluation manual, rules and quality assurance plan)

The JICA Expert Team submitted the recommended medium-term strategic plan to CP in November 2016 and proposed activities in the medium-term strategic plan are prepared to start from fiscal 2017 which consists of the responsible organization, the implementation period, and the budget for implementing activities in addition to the strategic objectives and the implementation activities for achieving the objectives. For budgeting, JICA Expert Team provided budget items in the proposed plan as one example as the CP's budget for internal audit activity was not available to JICA Expert Team

However as mentioned in opening sentence in 3.2 (6), after CP's new structure was put in place in 2017, CP has placed significant emphasis on the consistency between medium-term strategic plan and the Internal Audit Bill and changed CP's plan to develop the medium-term strategic plan in view of the Bill to be approved.

5-4 [By C/P] Finalize 2017-2020 medium-term strategic plan

This activity was not carried out.

This activity was initially planned to finalize the medium-term strategic plan developed by CP in Activity 5-3 and to have CP give presentations to relevant ministries regarding the finalized plan as necessary.

As mentioned in opening sentence in 3.2 (6), this activity will be implemented after parliamentary approval of the Bill as CP’s new structure in 2017 changed their plan to finalize the medium-term strategic plan in view of circumstances of the Bill to be approved.

5-5 Review the progress for the first quarter of 2017 and revise medium-term strategic plan if necessary.

This activity was not carried out.

This activity was initially planned to revise the medium-term strategic plan if necessary by reviewing the state of progress on the plan by the working group as well as management-level staff in the FC-RM Dept. in the first quarter of fiscal year 2017 or before the completion of the Project.

3.3 Results of Achievement in Project Purpose

Although PDM indicators results were achieved with the exception of some outputs, in terms of achieving the Project Purpose of “The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16,” it is not sufficient to conclude that the Project Purpose was achieved at the completion of the project, and the following action plans must to be executed in order to do so. Please refer to 5.1 for the details on the Action Plan.

- i. CP will complete the final version of the Training Framework for internal auditors in the public sector
- ii. CP will review and finalize the Internal Audit Manual
- iii. CP will complete the final version of the Quality Assurance Framework
- iv. CP will formulate Internal Audit Medium-term Strategic Plan

Project Purpose : The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16.

#	Indicators	Results
1	[reference] Upgraded level of	Achieved

	<p>assessment results of IA-CM in Mongolia: Move up more than one from Level 2 on the Project scope areas in IA-CM</p> <p>*Level of the other area will be checked in Overall goal indicator</p>	<ul style="list-style-type: none"> • CP's own self-assessment result: Reached Level 3 • Observation by JICA Experts: The JICA Expert Team agrees that some key process areas (KPA) have improved from the previous assessment at the end of Phase 1. In terms of achieving the Project Purpose, all the action plans mentioned in 5.1 must be executed and made functional. • Please refer to 6.1 Appendix A-7-2 "IA-CM self-assessment result (CP's own assessment)"
2	Continued progresses of actions for enhancing internal audit and internal auditors in legal framework (e.g. draft laws & regulations, etc.)	<p>Achieved</p> <ul style="list-style-type: none"> • Please refer to 6.2 Technical Assistance Deliverables List, Appendix C-2 "Training Framework (Draft) – Final version" • Please refer to 5.1 for Action Plan after Completion of the Project.
3	Increased number of IAPPS: 1) 100 IAPPSs training participators	<p>Achieved</p> <p>Number of IAPPS = 359</p>
4-1	Continued implementation of internal audit using the manuals under development in the priority areas	<p>Partially Achieved</p> <ul style="list-style-type: none"> • Documentation in priority areas = 12 workingpapers • Documentation by CP = seven workingpapers <p>Documentation of audit workingpapers is an ongoing task.</p>
4-2	Continued implementation of internal audit in priority areas: "16" (number of IA reports, recommendations, follow-up)	
4-3	[reference] Continued implementation of ordinary internal audit in the other areas "8" (number of IA reports, recommendations, follow-up)	
5	Increased number (and/or percentage) of audited organizations, IAPPSs and IAPIs: 100(number and/or percentage)	<p>Achieved</p> <p>Number of IAPIs = 115</p>

6	Implemented Internal Audit Quality Assurance systems: 2-3 reports" are made	Achieved 3 Reports completed.
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Additional explanation regarding the achievements of the Project Purpose Indicators is given below.

<Indicator 1>

The previous brief assessment using IA-CM for the Public Sector developed by the IIA and carried out at the completion of the Phase 1 project concluded that broadly speaking, level 2 (Infrastructure; developed fundamental infrastructure of sustainable and repeatable IA practice and procedures) out of five levels was achieved. IA-CM measures capacity by examining whether KPA (Activities in place and sustained at each capacity level) levels associated with six elements of internal auditing have been achieved and institutionalized.

The self-assessment in the view of CP was that CP are still facing circumstances in which annual or medium-term internal audit plans were not sufficiently established as one reason that training framework for individual internal auditors in terms of personnel management. In addition, internal audit departments were established at government organizations other than the MOF, but many facets including the arrangement of audit committees; understanding and awareness of internal audit; and the resources, capacity and experience of internal auditors varied at each organization. For this reason, many organizations face challenges in understanding concepts such as the risk-based approach necessary for planning and implementing internal audit, internal controls subject to internal audit, and application to practice and operational aspects, and they were still far from achieving the implementation stage. Therefore, it was concluded that the capacity level of government organizations other than MOF had not achieved Level 2.

At the completion of the Phase 2 project, CP completed self-assessment according to the IA-CM on June 8, 2017, just before holding the final JCC. CP's assessment result was that Level 3 had been achieved. This result implies that CP has achieved a level at which the internal audit system functions on its own and the system can be improved under sustainable conditions. The JICA Expert Team believes that continuous assistance is needed for internal auditors to understand the various frameworks to be introduced in relation with the Bill enforced in the future. The JICA Expert Team observes that considering overall circumstances in Mongolia, it is still difficult to say the capacity level improved one level or more, although some key process areas have improved from the previous assessment.

A possible reason for the gap in the levels as assessed by the CP and the JICA Expert Team is the accuracy of answers or questionnaires conducted by CP on its own. CP adopted a method of distributing questionnaires to IA depts. across the country to collect answers.

From the viewpoint as an output indicator on the Project Purpose, it is essential that various bases not completed during the Project period be established function to improve capacity by one or more levels from the previous assessment and then work on a strategic internal audit activity plan which gives consideration to the Plan-Do-Check-Action cycle.

Observations of the JICA Expert Team regarding internal audit capability in the Mongolian public sector are given below.

- It cannot yet be concluded that internal audit infrastructure is complete as the Internal Audit Bill, legal framework and other bases of the internal audit system the MOF requested assistance during the Project are still in the process of being institutionalized, and the action plans mentioned in the opening part of 3.3 have yet to be implemented and or made functional.
- While the capacity level and awareness of internal audit of individual internal auditors in the public sector has improved compared to when the Project launched, it is still hard to say that the risk-based audit method has sufficiently permeated throughout practice.
- Building a cooperative structure with the IIA is the current issue at hand and there is not yet a concrete framework for official certification and capacity building. As such, "professionally qualified staff" do not yet exist.

<Indicator 4>

Documentation among CP and prioritized ministries was confirmed to be mostly sufficient as workingpapers were documented following OJT and practitioners followed the WB and JICA manuals. Challenges on audit documentation include insufficient documentation of testing procedures by internal auditors and the reasoning underlying findings, although sufficient evidence for findings has been collected. The JICA Expert Team was not able to confirm documentation other than through OJT and therefore concluded that on the whole, results was partially achieved.

3.4 History of PDM Modification

The project PDM was originally formulated in June 2014 with an agreement in the Record of Discussion (R/D). During the course of the project, in response to changes in the situation, the PDM was modified once in project year 2 and twice in project year 3.

For details of past PDMs, please refer to 6.1 Appendix A-1 Project Documents, A-2 JCC Meeting Minutes and A-3 PDM.

- April 2016: Revision to Output Indicators and Activities of Output 2

- 6.1 Appendix A-2-4 4th JCC Minutes of Meeting (2016.4.8) Annex 2
- December 2016: Addition of Output 5 and Activity 1-7, revision to activities and indicators through an overall review of current situation
- 6.1 Appendix A-2-6 6th JCC Minutes of Meeting (2016.12.8) Annex 1
- February 2017: Minor Revisions to Project Purpose Indicators
- 6.1 Appendix A-1-2 Minutes of Meeting (2017.2.21) Annex 3

Chapter 4 Results of Joint Review

4.1 Results and Review based on DAC (Development Assistance Committee) Evaluation Criteria

4.1.1 Relevance ; High

1) Consistency with Mongolia's policy and needs

The New Budget Law (effective from 2013) requires government organizations to establish internal audit departments and the MOF is made the lead department. Additionally, the establishment of stable governance is mentioned in “Action Plan of the Government of Mongolia for 2016 – 2020 (Parliament Order No. 45 of 9 September 2016)” and the “Mongolia Sustainable Development Vision 2030 (Parliament Order No. 19 of February 2016),” and hence the role played by Internal Audit is consistent with Mongolia's needs.

2) Consistency with Japan's assistance policies

The Country Assistance Policy for Mongolia (Japanese Ministry of Foreign Affairs, May 2012) focuses on the establishment and agility of the governance system for sustainable development of mineral resources, such as improvement of transparency, enhancement of financial management, conformity with relevant laws and systems and improvement of operations. The introduction and promulgation of an internal audit system will help strengthen functions which also conform to Japanese policy.

4.1.2 Effectiveness ; Medium

1) Status of progress toward achieving project goals

While PDM output for the purpose of establishing a more solid framework for internal audits in accordance with the Strategic Plan 2014-2016 was largely achieved, some of expected outcomes were postponed to be achieved.

2) Main reasons behind the achievement

- Continuing from Phase 1, owing to the understanding of internal audit projects and ability to execute of the person in charge of implementation at the MOF, a working group with the right members was set up promptly. The good start at the beginning of the Project enabled the group to establish a solid foundation in project year 1. (Output 1, Output 2, Output 4)
- The constructive activities of IIA Mongolia carried out during this project generated interest in internal audit among internal auditors across Mongolia. (Output 2, Output 4)
- Implementation of OJT and trainings for risk-based internal audit was recognized as useful for publicizing policy for internal auditors in the government sector in Mongolia as well as promoting understanding of internal audit. The participant feedback from trainings demonstrated a high level of interest in internal audit as shown by high satisfaction rates regarding the content and recognition of future challenges in internal audit. Moreover, disseminating the MOF policy and practice methods across Mongolia not only improved internal auditors' understanding, but also facilitated communication between participants and the MOF about the present challenges at hand. (Output 3)

3) Main reasons the project did not result in partial achievement of the Project Purpose

- After the Parliamentary Election just before the end of project year 2, factors hindering achievement of project goals emerged, such as re-examination of the project's direction and a plateau in the level of understanding of internal audit due to personnel transfers in prioritized ministries, including the replacement of the State Secretaries and Directors and also staff who had built experience in internal audit. For example, OJT could not be implemented on schedule due to multiple instances in which basic practices had to be repeatedly explained to newly appointed internal auditors at prioritized ministries or changes in the environment owing to organizational policies such that operations other than internal audit were undertaken. For this reason, part of Output 3 was not achieved. (Output 3)

- The Internal Audit Law was not approved by the Parliament during the project period and the legal position of internal auditors was not established. As a result, the legal framework has failed to catch up with practice, and there were some aspects that discouraged active internal audit. For example, the New Budget Law as currently enacted requires the authority of financial inspector to conduct internal audits. This has hindered the implementation of " internal audit following generally accepted international standards for the purpose of improving value added by the organization" as promoted by the MOF, and it was difficult to promote documentation using model workingpapers which comply with the internal audit practical manual from OJT because the manual is not yet established at present. It will be officially released with the approval of the MOF's audit committee after the establishment of the Internal Audit Law. (Output 3)

4.1.3 Efficiency ; Medium

1) Input by Japan

Overall, inputs of appropriate quality and quantity were introduced in a timely manner. As a result, project activities could be carried out almost exactly as planned which also achieved most of outputs in PDM. However, due to postponements or other changes to the activity schedule, some planned activities could not be implemented, such as designing a medium-term strategic plan.

Japan's human resource input (75.53 MM in three years) was of a fully satisfactory level in terms of technological quality, quantity, dispatch frequency and timing, and it was introduced according to plan as a whole. In this regard, however, there was a time forced JICA Expert Team to experience to slowdown and revise the progress of activities for Output 2 & 4 due to unavailability of input of IIA Mongolia by replacement of JICA Expert Team Leader and CP's change of plan under CP's new structure. As for the equipment requested, that required by the MOF was arranged and provided efficiently after communication with CP.

Regarding the costs related to the implementation of project activities, JICA Expert Team believes that the activities planned in advance in each fiscal year were necessary and sufficient for the implementation of the activities. As a result, the planned activities within the plan were implemented as a total.

2) Input by CP

The input of especially human resources by CP differed between the early, middle

and final stages of the Project.

Early Stage: The leadership of the Director of the FC-RM Dept. spurred the involvement of all FC-RM Dept. staff, the formation of a working group and timely and appropriate inputs in terms of personnel aspect such as formation of working group and budget aspects was implemented.

Middle Stage: As mentioned in 2.1, the Director, responsible as the project manager, was replaced four times, resulting in CP substantially absent of the Director, CP's leadership and involvement to the Project were diminished. During this period, project activities were carried out under mainly the manager's lead. Also, only the manager was primarily involved in the project, and with FC-RM Dept. staff assigned to holding events such as training lecturers and practical guidance working group. In this regards, however, an authority of manager level was limited to make decision in and outside MOF. As a result, input by CP was not sufficient to implement project activities for submission of the Bill, the main cause of not achieving some outputs at the completion of the Project, and internal audit practical manual, which was supposed to finalize in project year 2, and made these activities delayed and not achieved during the Project period. With these result, it can be said that CP did not provide sufficient input to the Project. In terms of Expenditure, CP had a difficulty in securing budget not only for the Project activity, but also budget for their own internal audit activity along with the internal audit plan. This reason made the planned project activities frequently delayed to implement by consuming time and work to discuss the budget arrangement.

Final Stage: The FC-RM Dept. was restructured with new appointment of the Director and manager (January through February 2017) and the formation of a new working group in March 2017 to implement remaining project activities. The Director, manager and new working members below personnel responsible for implementing the Project worked diligently to gain an understanding of internal audit, the content of the Project and the working group's activities. However, CP's new structure had to postpone the planned project activities until a reformation of new working group members because they needed a certain period of time to gain the understanding and catch up the Project. Also, it also took long time for activities to get on track because an addition of working group activities made new working group members disrupted their ordinary works. For this reason, project activities were concentrated to particular CP

staffs only as other assigned CP staffs were not able to get involved. In addition to the above mentioned, CP's new structure changed plan of cooperation with IIA Mongolia to implementing by CP staff's own as mentioned in 4.3 1) (6), which also influenced to input by Japan, as mentioned in the previous section. CP leave Personnel input to be considered in order to implement smooth project activities.

Moreover, with the reason stated in 4.3 1) "FC-RM Dept. as CP" regarding the details of activities and costs, initially unplanned activities (e.g., report prep work necessary for preparing the Bill, holding the Law Study Group, assembling directors at the meeting for State Secretaries) as well as relevant and additional costs exceeding the planned budget arose due to the difficulty of scheduling the annual work plan well during planning, given the circumstances mentioned in 4.3, and that the CP's structure during implementation differed from that during planning. The JICA Expert Team attempted to reduce these costs by holding repeated discussions with CP.

4.1.4 Impact ; High

1) For Achievement of overall goal

- . Regarding the legal framework for internal audit, preparations to submit the Internal Audit Bill to the Parliament are currently underway, which is planned to submit the Bill to the Parliament in 2017 autumn session.
- Construction of the cooperative relationship between MOF and IIA Mongolia is currently underway. In order to establish and implement a training system that uses information provided by the IIA and its training materials to promote and promulgate internal audit that will be "internal audit following generally accepted international standards for the purpose of improving value added by the organization," it is necessary to promptly build a cooperative structure between the MOF and IIA Mongolia. This is key to achieving the overall goal.
- Finalization of the internal audit practical manual including model workingpapers developed during the Project is currently underway and CP plan to finalize the manual by January 2018 after the Bill will pass in the Parliament. It is expected that a certain level of documentation quality will be achieved by satisfying the following conditions:
1. The MOF's audit committee approves both the WB and JICA manuals while considering the consistency of both manuals, 2. Progress is made on confirming the

consistency of the model workingpapers with those used for financial inspection carried out as part of the internal audit, and 3. The quality assurance system gains widespread traction going forward. We expect that documentation will consistently meet or exceed a certain level of quality if these conditions are all satisfied.

- Assuming that the three points above are put into practice, the IA-CM evaluation will be of a higher level than at the start of the Project.

2) Other effects of project implementation

- (Positive effects)

The Project contributed to improve the level of understanding on the internal audit was improved and to permeate its practice among internal auditors in Mongolian public sector by implementing activities related to development of the Bill and its preparation of submission to the Parliament (e.g. meeting with experts and hearings of opinions) during the Project period. The Project also contribute to develop and familiarize internal audit in Mongolia as it was good to CP to reach a direction that the financial inspection is part of an internal audit.

- (Positive effects)

The establishment of IIA Mongolia has led to ardent efforts to acquire knowledge and drive the promulgation of internal audit. As a result of the activities carried out by founding members of IIA Mongolia (including representatives and people working in private companies) IIA Mongolia has now grown to 70 members.

Such movements involving the private sector have had a ripple effect in Mongolia beyond the framework of the promotion of internal audit within the public sector. Moreover, there have been questions from internal auditors of local governments about eligibility and methods for becoming a member of IIA Mongolia and questions about the international internal auditor qualifications, which indicates the high level of interest in the IIA.

- (Negative effects)

Finance inspectors from the Special Inspection Agency, which was under the jurisdiction of the Deputy Prime Minister until November 2014, were assigned as internal auditors at each government organization. For this reason, financial inspectors took offices at all internal audit departments including local governments. Financial inspectors are professionals with a history of about 95 years

in Mongolia and are widely prevalent throughout the country. Although the FC-RM Dept. agrees with the JICA Expert Team's view that financial inspection is part of internal audit, internal auditors are separated from financial inspectors under the organizational structure of the FC-RM Dept. Financial inspectors also use a proprietary format for their workingpapers which has not been substantively integrated with that used by internal auditors. This could cause confusion in the public sector of internal audit and financial inspection duties or slow the pace of the permeation of internal audit until the legal framework for internal audit is established at government organizations other than the MOF.

- (Negative impact)

In Mongolia, one non-government organization has been providing internal audit training and performing other internal audit activities without establishing a formal relationship with the IIA since before IIA Mongolia was established. Following the formal establishment of IIA Mongolia during the implementation of the Project, MOF was sued by this non-government organization, claiming it suffered damages because it became unable to carry out its activities as an organization ostensibly related to the IIA. The lawsuit is still being litigated even as of the end of the Project, forcing the FC-RM Dept. to focus on matters other than project activities such as briefing materials and court appearances.

4.1.5 Sustainability ; Largely High

1) Policy

While this hinges on the approval or disapproval of the Internal Audit Bill scheduled to be submitted to the Parliament during the 2017 autumn session, after said approval, related laws and amendments to provisions will be implemented following the formation of the critical legal basis for internal audit. In addition, stable governance is also mentioned in the “Action Plan of the Government of Mongolia for 2016 – 2020 (Parliament Order No. 45 of 9 September 2016)” and the “Mongolia Sustainable Development Vision 2030 (Parliament Order No. 19 of February 2016),” meaning the project is strongly aligned with Mongolia's policy commitments and further that it is highly sustainable.

Furthermore, as mentioned in 3.2(6), this project also assisted the formulation of the 2017-2020 medium-term strategic plan. Although the finalization of the medium-term

strategic plan under the policy under CP's new structure is not yet complete, CP will formulate the medium-term strategic plan (2018 - 2020) in accordance with the Internal Audit Law to be submitted in the future.

2) Technical

The internal audit practical manual developed in this project includes model workingpapers and it will be of great help to the practice of the internal auditors in Mongolia in situations where there is low familiarity with documentation. Furthermore, the theoretical content of the internal audit manual developed with the support of the WB in 2011 is also being updated. Together, these two manuals will cover both the theory and practice of internal audit. Although the capacity level of prioritized ministries is greatly affected by the individual capacity of each internal auditor, internal auditors whose understanding of internal audit improved could more quickly prepare documentation with reference to the model workingpapers.

The JICA Expert Team believes that ongoing training and practical guidance for internal auditors led by the small number of those with demonstrated understanding will be necessary.

According to the current New Budget Law and Internal Audit Law planned to be approved in the future, the FC-RM Dept. is the lead department and responsible for the education and guidance of internal auditors in Mongolia. The JICA Expert Team believes that there will be growth in technical areas considering that CP staff have gained experience as technical lecturers in a variety of training sessions, awareness building activities and practical guidance, and following the establishment of IIA Mongolia, there are now structures in place in Mongolia through which internal audit information and training materials which is "internal audit following generally accepted international standards for the purpose of improving value added by the organization" can be obtained.

As for the training framework, the JICA Expert Team has developed a draft version, which will be finalized by CP (ultimately becoming the training policy) after completion of the project. Future trainings will then be implemented according to the finalized framework.

3) Finances

Sufficient resources were not allocated in the FC-RM Dept.'s budget for activities related to internal audit in the context of the MOF's budget for the portion of expenditures for project activities agreed to be provided at the MOF's own expense,

resulting in the budget necessary to implement project activities not being secured. This led to a situation in which expenses necessary for carrying out project activities had to be requested within the MOF each time, and it was difficult to receive approval for said requests. In order to carry out future activities (e.g., internal audit training, training material development, quality assurance) with the FC-RM Dept. as the lead internal audit department, it is desirable that the financial basis be clarified by securing the budget required.

On the other hand, some ministries actually hold trainings by securing the budget to do so, implying that the FC-RM Dept. has the capacity to make coordinated efforts to secure the budget for their own activities. The JICA Expert Team worked to ensure mutual cooperation and smooth implementation, such as by sharing the actual amounts used in each activity with CP when conducting project activities.

4) Organization / Structure

6 officials in the current FC-RM Dept. are substantively engaged in internal audit. However, these officials concurrently carry out other duties such as monitoring, and a structure in which they can focus on internal audit is not yet in place.

In addition, the department is divided into two sections: the Internal Audit and Performance Monitoring Unit and the Financial Inspection Unit, despite policy laid out by the FC-RM Dept. to implement financial inspection as part of internal audit. Finance inspectors from the Special Inspection Agency, which was under the jurisdiction of the Deputy Prime Minister until November 2014, were assigned as internal auditors at the predecessor of the FC-RM Dept., and 9 financial inspectors currently belong to the FC-RM Dept. At government organizations other than the MOF, internal audit and financial inspection units are not separated. The assignment of financial inspectors to the internal audit department has led to a greater number of personnel conducting internal audit, and officials who do so are assigned to most government organizations including local governments. This has had an according effect in that structures to carry out internal audit are now in place. (As of 2016, there were 355 internal auditors in the Mongolian public sector (including 196 financial inspectors), 138 of whom are assigned to central ministries, 144 to prefectures and 73 to cities and districts, respectively.

However, it is important to have personnel responsible for internal audit (e.g., the Director of Internal Audit Dept. and State Secretary) at each ministry understand internal audit under the organizational structure. When the person responsible for

internal audit or relevant minister lacks understanding, even if the organization has a certain number of internal auditors, there have been cases where internal audit was not implemented effectively and other work was prioritized due to a lack of expertise of the personnel placed.

The FC-RM Dept., the lead internal audit department, should encourage government organizations to establish organizational structures that can ensure independence, which is an important feature of internal audit, and must make rapid progress on structuring the relationship between internal audit and financial inspection, the legal basis for internal audit (e.g., establishment of the internal audit law), and raising stakeholder awareness about internal audits.

4.1.6 Conclusions of evaluation

The evaluation's conclusions were as follows: medium in effectiveness and efficiency; largely high in sustainability; and high in relevance and impact.

The main causal factors for not achieving "high" in all criteria were the Parliamentary Election, changes in the government, personnel replacements at CP, and the delay in the implementation of the work plan and project activities.

However, the CP structure changed with five months remaining until the final JCC for the project as a new Director and manager were appointed. While taking longer than planned due to delays in project activities, we believe CP demonstrated strong leadership and ability to execute by selectively prioritizing and diligently carrying out the project activities that could be completed before the final JCC.

As the FC-RM Dept. continues to make progress on internal audit activities under the Director's management, it is expected that the activities that could not be implemented during the course of the project will be implemented steadily and surely going forward.

Internal auditors in the Mongolian public sector showed high interest in the Internal Audit Bill developed with the assistance of this project and the establishment of IIA Mongolia, a local chapter of IIA Global. Furthermore, it was sufficiently high with regard to its "impact" in that CP were able to introduce a new quality assurance system and implement training using model workingpapers for internal auditors across the country.

On the other hand, many issues remain such as internal audit knowledge and techniques not yet taking root due to frequent personnel transfers, difficulty in securing budget, a lack of information sharing regarding overlapping activities with the WB project, a lack of correct understanding about the technical assistance project and a lack

of awareness of project involvement. In order to achieve the overall goal of this project, MOF needs to address these issues in the future.

4.2 Key Factors Affecting Implementation and Outcomes

- Implementation of prompt actions directly after launching the Project

(Development of the Internal Audit Bill)

One important matter assisted with in this project was the development of the Internal Audit Bill and its submission to the Parliament. For this reason, from the beginning of the project, we started working on preparing the Bills and Concept Papers by hiring local legal experts and constructing a working group centering on the director at the time, resulting in the initial version of the Bill being developed in March 2015, which was six months after the launch of the Project. After that, a Bill reflecting the advice received from IIA Global after visiting the IIA headquarters during the third country study tour was completed in March 2016, which was a favorable outcome as the initial version of the Bill was completed during the first half of the project. (Planned to be submitted to the Parliament in autumn 2017.)

(Contacting IIA Global and foundation of NGO)

At the start of this project, it was initially planned that a qualification system for internal auditors in the Mongolian public sector would be introduced, and the working group and JICA Expert Team were examining whether the MOF could grant internal auditor qualifications. However, correspondence with IIA HQ revealed that international qualifications for internal audit can only be granted by IIA HQ, and not at the discretion of each country. IIA HQ recommended to establish an NGO as a government cannot have IIA functions. Based on this feedback, the director and other working group members at that time established an NGO with the goal of becoming an IIA chapter. While the assistance of the Project was a contributing factor, the NGO's smooth certification as the Mongolian chapter of IIA Global was owed in large part to the proactiveness and manageability of Ms. B. Battsetseg, the Director of the FC-RM Dept. at the time, and other founding members of the NGO (i.e., the founding members of IIA Mongolia).

- Activities performed proactively by IIA Mongolia

CP changed the direction of the qualification and quality assurance systems during the course of the Project. As revealed in the process of establishing IIA Mongolia, the introduction of an internationally recognized internal auditor qualification system cannot be done at the discretion of the MOF. In order to improve the knowledge and capacity of internal auditors, training sessions of a certain level of quality of were held in cooperation with IIA Mongolia, who has access to information and training materials provided by IIA Global.

In addition, for quality assurance activities, the checklist drafted by the JICA Expert Team was revised by IIA Mongolia while enlisting experts including Ms. P. Gantuu and Mr. Gantulga, and finalized through on-site trial implementation. During the project period, the project was first implemented in Mongolia, and quality assurance activities were conducted in five ministries and agencies of the central province and three provinces (one of which was implemented by the MOF). This enabled CP to analyze the current state of internal audit quality.

Furthermore, IIA Mongolia contributes to the promotion of interest in, and understanding of, internal auditors in the public sector including local governments through public relations activities using social networks such as Facebook and networking involving IIA members.

- **Holding integrated training for internal auditors across Mongolia**

Approximately 250 internal auditors in the public sector nationwide gathered in Ulaanbaatar in June 2016 and conducted an integrated training related to internal auditing. This training was an opportunity to inform all internal auditors that the MOF, including the FC - RM Dept., is actively implementing internal audit.

At the same time, CP was able to raise awareness that internal audit is a profession and that internal audit is an important field supported by this project, which has helped motivate CP as well as participants across the country.

- **Frequent replacements of the Director of the FC-RM Dept. and project manager**

Due to frequent personnel replacements during the project implementation period, a total of five directors took charge of the project. When the director was virtually absent for a year, a manager became the point of contact for the project, and more time was required to actively proceed on the project in that significant influence could

not be exerted on certain aspects due to the manager's limited level of authority.

After January 2017, when CP formed the current structure, the stability of the project structure was restored, but some activities were postponed by the MOF after the completion of the Project. Specific activities are given below.

- Postponed to submit the Bill to the Parliament to 2017 autumn session (completed a final version of the Concept Paper in March 2015, the Bill in January 2016, and evaluation report of the Bill required for the submission to the Parliament in December 2016)

- Postponed to finalize internal audit manual by CP (completed 1st draft in February 201, 2nd draft in June 2016, and submitted the final draft of JICA Expert Team to MOF in May 2017)

- Postponed to finalize Training framework and quality assurance framework after the enforcement of the Internal Audit Law

- Postponed to formulate the Medium-term Strategic Plan (2017~2020) after the enforcement of the Internal Audit Law

- Revised project plan multiple times due to these postponement

- Personnel transfers due to the Parliamentary Election

In June 2016, the government changed as a result of the Parliamentary Election held every four years. Accordingly, ministers, state secretaries and directors in charge of internal audit were replaced in each ministry. Personnel changes of internal auditors were made not only in central ministries but also in local governments.

For this reason, the JICA Expert Team responded by again providing a lecture to newly appointed internal auditors covering basic concepts in internal audit and implementing awareness-raising activities. Such personnel changes made it difficult to ingrain internal audit knowledge and techniques requiring a level of high expertise.

Especially in order to conduct training at local governments across Mongolia, many of internal auditors of local governments attended one training session along with CP, and the JICA Expert Team visited to hold training sessions during the three year project period. As a result, the understanding of internal audit and sophistication of knowledge was limited due to personnel changes.

- Permeation of understanding of JICA's technical assistance project

(Cooperative structure)

The original implementation structure of the technical assistance project consisted of cooperation between CP and the JICA Expert Team, brought on the same page by sharing project outlines and explanations of project activities when there were personnel changes at CP. However, the JICA Expert Team required time to promote a common understanding of this project throughout CP due to frequent personnel changes. As a result, progress on the project activity was delayed. Specific examples are given below.

- From project year 2 to the first half of project year 3, activities to prepare the Internal Audit Bill and establish IIA Mongolia were settled and the next step was to focus on other activities. However, there were certain restrictions on involvement of FC-RM Dept. officials in the project activities and sharing the necessary information for the project because the FC-RM Dept. Director was virtually absent. For this reason, project activities revolved around specific officials within CP, which indirectly caused delays to some project activities.

- In order to cope with these frequent personnel changes, the JICA Expert Team had to explain the aim and position of the JICA technical assistance project to the director of CP multiple times while accompanied by the person in charge at the JICA Mongolia Office. However, the JICA Expert Team understood the confusion between technical assistance, grant aid and loan projects. This resulted in the occurrence of the problem described below in “(Budget).” Also, even though it took time for CP officials to understand the nature of technical assistance projects and those CP officials suspected it would be necessary to become involved in the Project for the reason that the job description of CP officials does not specify the activities to be carried out in cooperation with the project activities.

(Budget)

There were instances in which activities could not be managed smoothly while CP’s understanding of the nature of JICA’s technical assistance project had still not achieved broad penetration. Examples of this included CP’s requests for activities outside the work plan and unexpected extension of the number of days for one planned activity. In such cases, the JICA Expert Team had to consume extra time to execute the budget, even though they had explained the R/D agreed upon at the beginning of the project as well as the rules to follow in implementing the JICA project.

- Implementing smooth execution of the Project

Timely and appropriate meetings with CP were essential to carrying out project activities. During this project, the JICA Expert Team had to spend a great deal of time even to simply arrange meetings with CP due to frequent personnel changes and frequent consultations, resulting in decisions being left unmade and ultimately interfering with the smooth implementation of the project activities. Specifically, planned activities such as the development of manuals and framework and the formulation of the medium-term strategic plan were postponed. These delays in turn caused delays to overall project activities. Some examples in which smooth consultation on activities was difficult are given below.

- Regular meetings were instituted because of the difficulty of holding timely meetings with CP, which then resulted in matters requiring consultation other than those covered at the regular meetings being postponed until the next regular meeting.

- The schedule for regular meetings was frequently changed, and sometimes not held. (This included absences from scheduled meetings and cancellations of regular meetings having already waited for a certain period of time.)

- Two months were spent arranging the date for JCC for the 3rd year project activity kickoff. CP expressed doubts about the necessity of holding JCC as CP took time to understand the rules of the technical assistance project as mentioned above.

- The JICA Expert Team requested an appointment to greet the State Secretary (the Project Director) as the JICA Expert Team was also reorganized with a newly appointed Team Leader, but this meeting was never held as the JICA Expert Team was told that the requested meeting could not be arranged.

- The JICA Expert Team repeatedly requested consultations with CP's responsible officials to discuss the formulation of the mid-term strategic plan, but these consultations were also never held.

- Promoting information sharing within the FC-RM Dept.

In order to resolve the insufficient understanding of CP officials regarding the project and the adverse effects of discussing the details of the status of project activity with a specific CP official in project year 2, the JICA Expert Team proposed a meeting to share information with CP officials in project year 3. Although most CP officials agreed with the suggestion, the meeting was never held

due to a decision within the FC-RM Dept., and involvement of CP officials lacking information on project activities continued to be limited.

For this reason, the JICA Expert Team tried to make contact with CP officials with whom timely communication was required. However, the JICA Expert Team received complaints from CP officials several times regarding the content and the timing of activities decided on at meetings with the FC - RM Dept., which became an indirect factor behind the postponement of some activities planned in the project.

Some examples of complaints from CP officials are given below.

- CP intended for the NGO, the predecessor of IIA Mongolia, to be a suitable institution to facilitate cooperation on activities. As such, the JICA Expert Team selected the NGO as the institution to facilitate cooperation on activities based on JICA procurement rules, but the JICA Expert Team repeatedly received complaints regarding the selection of the NGO from CP officials who partially misunderstood the situation.

- The FC - RM Dept. at the time determined that quality assurance activities for local governments would not be implemented in project year 2. The JICA Expert Team received complaints from some CP officials who partially misunderstood the situation, claiming that they influenced their personnel performance evaluation.

- Despite a person in charge of contact with the JICA Expert Team being selected according to the direction under the new structure of the FC - RM Dept. in project year 3, the JICA Expert Team received complaints from individual CP officials that the JICA Expert Team should share information.

- FC-RM Dept. policy determined the composition of the members of the working group for project year 3, but some CP officials held the misunderstanding that the working group was determined without consultation and declined to cooperate on the implementation of activities assigned.

- **Organizing the structure between internal audit and financial inspection**

The revision of the Internal Audit Charter in February 2016 included provisions on financial inspection. While policy to implement IIA-type internal audit in the Mongolian public sector was established, misunderstandings arose about its distinction from financial inspection. Financial inspection is a deeply rooted practice in Mongolia, dating back 95 years. In order to avoid confusion about its distinction with internal audit, CP, the JICA Expert Team and the JICA held discussions for over 2 months to decide the direction and reorganize the practice of internal audit and

financial inspection. In April 2016, JCC was held and it was concluded that financial inspection is part of internal audit as initially indicated. According to current financial inspection standards (Minister of Finance Order No. 107 dated on March 22, 2016), the authority given to financial inspectors differs from internal audit with regard to content and purpose. Hence it is expected that relevant regulations will be organized along with the establishment of the internal audit law in the future.

- Replacement of the JICA Expert Team Leader

The JICA Expert Team Leader became unable to continue his duties in Mongolia due to a health issue, and was replaced in January 2016 (official approval by JCC was given in April 2016). The previous leader was involved from the previous phase of this project, and in some respects, a founder of this project. Although this project is carried out as a team, the replacement of the JICA Expert Team Leader created anxiety and confusion for CP and other project stakeholders in Mongolia, and also affected the decision-making and progress on the project by the JICA Expert Team. Some planned activities were changed following the appointment of the new JICA Expert Team Leader, necessitating information sharing and repeated discussions with CP, which slowed progress on project activities.

4.3 Current Status and Recommendations

1) FC-RM Dept. as CP

(1) Strengthening the functions of the FC-RM Dept.

As mentioned in the replacement of CP's Key Personnel in 2.1 "Project Implementation Structure," frequent changes to CP's key personnel made it difficult for CP to enhance internal audit knowledge (including leadership on internal audit enhancement) within the FC-RM Dept. and to function as a project implementing agency. The Project was forced to revise its work plan and slow down project activities due to changes in FC-RM Dept. policy and gaps in awareness about the Project within the FC-RM Dept.

(2) Deepening bilateral communication

The JICA Expert Team was not able to sufficiently communicate with CP. Instances of cancellation of a meeting at the last minute, no response to incoming calls or emails, and short-notice appointments, etc., made it difficult to create plans. Such incidents occurred even regarding meetings with JICA Mongolia.

The JICA Expert Team understands the necessity of sharing information related to Project activities on a steady basis. A limited number of chances and the short time available to communicate meant less chances to share information even from the JICA Expert Team, and CP did not proactively share information on internal audit and matters regarding implementation.

(3) Promotion of understanding regarding JICA projects

The driving force of the Project was blunted by CP's lack of understanding about the technical assistance project. Issues difficult to understand were 1) that CP takes the lead in implementing the technical assistance project and 2) the use of project budget.

For challenge 1), CP staff lacked motivation to be involved in the Project activities because such involvement was not in their job description.

For challenge 2), the JICA Expert Team gave advance explanation on requests to expense activities not included in the original budget such as high-capacity servers and expenses which may not be paid using the project budget as according to JICA regulations. CP showed displeasure towards these rules and frequent negotiations were necessary. These negotiations consumed time and slowed down discussions on progress on the actual project. One reason for challenge 2) could be CP's conflation of rules for this Project with those of other donors, such as the WB and Asian Development Bank.

Furthermore, during the course of project implementation, CP also had difficulty securing their own activity budget. Although there was information at the completion of phase 1 of the project that each ministry allocated a budget for internal audit activities from 2014, CP had problems maintaining a sufficient budget.

(4) Well-prepared plan

The FC-RM Dept.'s annual activity plan should have included specific activities in line with Project activities. Specifically, 1) while both CP and the JICA Expert Team agreed on the annual project work plan, CP verbally requested the JICA Expert Team to change the agreed work plan many times on short notice just before holding project trainings and meetings. 2) The JICA Expert Team had repeatedly consulted with CP to determine the project budget for project year 3 (e.g., local consultation fees, preparing the Bills and evaluation report) since June 2016, but

the JICA Expert Team did not obtain the estimate until October 2016, after project year 3 had already begun. As a result, the budget for project year 3 was not prepared sufficiently, and the JICA Expert Team was reorganized to adjust to the budget for other project activities. 3) The Internal Audit Practical Manual is an important manual that will be used in the Mongolian public sector and also as guidance when CP provides instructions to each ministry. The JICA Expert Team developed the draft and has requested CP to review it since February 2016. However, the review was not carried out due to poor activity planning and accordingly could not be finalized by the completion of the Project.

(5) Internal audit policy

The legal status of internal auditors has not been established as the Internal Audit Bill has not yet been enacted as of the completion of the Project. The current New Budget Law states that internal auditors shall have the authority of financial inspectors and financial inspection shall be conducted as a part of internal audit. Legislation and internal audit policy are not clear on the demarcation of duties between financial inspectors and internal auditors, causing confusion in practice for financial inspectors and internal auditors in each ministry. The MOF, as the responsible department, commented on this confusion that “financial inspection is included in internal audit hence conducted as a part of internal audit,” but has not detailed the relationship or demarcation between these positions. Rearrangement of this demarcation will be considered at the time of amendment of relevant regulations after the enactment of the Internal Audit Law. However, this confusion needs to be clarified in order to implement smooth internal audit practice by that time.

(6) Collaboration with IIA Mongolia

The plan on the cooperation with IIA Mongolia was changed in the middle of project year 3. Until then, CP cooperated with IIA Mongolia to develop a training framework for internal auditors and perform quality assurance activities. Since February 2017, however, the plan was changed to restart cooperation with IIA Mongolia after the MOF enters an MOU with IIA Mongolia. Due to this change, only the FC-RM Dept will develop a training framework for internal auditors and will perform quality assurance activities on their own until the MOU is entered. As a result, the FC-RM Dept required unexpected time to develop training materials on their own as they cannot use copyrighted IIA material.

In order for internal auditors in the Mongolian public sector to improve and

accumulate knowledge by acquiring information on international standards, it is desirable that a memorandum with IIA Mongolia be promptly signed in order to build a cooperative structure.

2) Organizational structure at public institutions

(1) Organizational structure at MOF

The FC-RM Dept. separates its internal audit unit and financial inspection units. This structure does not agree with their current internal audit policy of including financial inspection as a part of internal audit. This contradiction has been pointed out by other ministries and local governments and review of organizational structures such that it can become a model lead department for internal audit in the future will be required.

After enactment of the Internal Audit Law, independence will be ensured by the legal position of internal audit departments in the public sector.

(2) Organizational structure at prioritized ministries

Some issues were identified with regard to the organizational structure of prioritized ministries. Specifically, 1) At MCUD, an internal auditor was not assigned from the middle of project year 3 and progress on project activities halted. 2) At MECSS, internal auditors were employed as non-regular staff due to a lack of knowledge on internal audit among key positions, which caused delays in project activities as MECSS was not able to sufficiently function. It is expected that the MOF provide solutions to those issues to allow prioritized ministries to implement internal audit activities smoothly.

3) External Factors

(1) Collaboration with other donors

Concurrently with the Project, consultants from the WB were hired at the FC-RM Dept. (total of eight consultants during the Project period). Details on the job description of the WB consultants were not shared by CP, and some activities including development of the practical manual and quality assurance manual as well as assistance with submission of the Internal Audit Bill to the Parliament may

have overlapped with the Project. Such deficiencies in the collaborative structure not only does not contribute to effective assistance from the Project but may also impact the nature of future donor assistance.

For example, the JICA Expert Team was notified by CP in project year 3 that the quality assurance manual was developed as the WB version separately from the JICA version. Despite that, details of the WB quality assurance manual were not shared with the JICA Expert Team and therefore the JICA Expert Team was not able to confirm the relationship and consistency between the JICA and WB manuals. Moreover, WB consultants were brought in from February 2017 to support the submission of the Internal Audit Bill to the Parliament but the roles between the different donors, JICA and WB, were not coordinated by CP.

4) Expert's comments on the diffusion of internal audit

It has been six years since internal audit was introduced to the Mongolian government (since the article on internal audit was added to the New Budget Law) and the practice of internal audit has noticeably spread within not only the central government but also some local agencies. The Project was greatly appreciated by the head of internal audit and also internal auditors owing to the OJTs and various trainings at the prioritized ministries. Some comments expressing such appreciation are given below.

- This project provided trainings all the way from basic internal audit concepts through actual workingpaper preparation at a time when we were still trying to find our way in the dark at the launch of the internal audit department, allowing us find a way forward after absorbing this information. (National Police Agency)
- We learned how to conduct audit interviews and document the results of said interviews during the OJT. It's safe to say that our internal audit grew along with this project. (MOH)
- The Expert Team provided practical guidance and trainings to even non-prioritized ministries, which led to significant improvements in the capabilities of internal auditors. (Ministry of Justice and Internal Affairs)
- While some auditors confuse internal audit with financial inspection, "internal audit following generally accepted international standards for the purpose of improving value added by the organization", which will have great significance for the future development of Mongolia, and we greatly appreciate this project

for introducing and promoting it. (Ministry of Foreign Affairs)

Moreover, at the end of the Project, Project members were honored with the highest decoration for foreigners by the Minister of Health, a prioritized ministry.

The Expert Team was deeply honored by the appreciation it received. Throughout the project, we, the Expert Team, also showed our appreciation to the people involved who actively and voluntarily learned about and further promoted internal audit and also supported project activities.

While the practice of internal audit has gradually spread in Mongolia, there were also some concerns about the monitoring function of Mongolian government. Specific examples of this are the ambiguity of the cooperative structure and demarcation between divisions serving monitoring functions and the lack of understanding about internal audit. Regarding the former, most staff, including those in divisions serving monitoring functions, lack understanding and cannot provide clear answers on the current state of internal audit even when asked. Regarding the latter, internal auditors are not responsible for checking the work itself, and organizational structures to ensure effective internal audit have not been established. These points are also recognized by internal auditors and government staff who have a good understanding of internal audit. As internal audit is expected to develop further in Mongolia, these concerns should be resolved at an early stage.

4.4 Lessons Learnt

1) Necessity of sharing and coordination with other donors regarding assistance activities

During the implementation of this project, some consultants were sent to the FC-RM Dept. from the WB to prepare and update the internal audit practice manual and the quality management manual. For instance, some activities of this project seemed to overlap although the details are unknown to us as the FC-RM Dept did not share them. The Expert Team developed the internal audit practice manual while holding direct discussions with the WB consultants, creating clear demarcation between the WB and JICA throughout the project. However, finalization of the quality management manual was ultimately left for CP to do because the Expert Team couldn't discuss the issues with the WB properly.

Similar projects implemented concurrently by different donors can be carried out in a mutually effective and efficient manner, especially through advance coordination on project activities and efforts to closely share information and cooperate.

- 2) Promotion of a thorough understanding of the structure of JICA's assistance on CP's part

Supported countries, including Mongolia, usually obtain a variety of support from several donors. We had particular difficulty obtaining CP's understanding of the JICA technical project structure during this project. CP consistently requested support outside of the plan because they didn't understand that the technical support project only provided technical support, not financial support (grant aid or loan). In order to implement the project effectively and efficiently, JICA should obtain clear understanding from CP about details of the support and the differences from other donor's support with RD at the start of the project.

- 3) Clear and accurate information sharing when designing the plan

The ambiguity of the plan during its design engendered requests outside of the support plan described above. Although the actual project was implemented based on the RD and PDM, a mistaken impression was made on CP during detailed design that many activities not included in the RD, etc., could potentially be implemented. We think that before beginning an investigation of detailed design or a project, the scope of activities implementable within the JICA project should be accurately communicated to CP and that explanation sufficient for CP to understand what they must do on their own should be given.

- 4) Providing flexibility in the option to suspend the activities of the project

When contingency situations (such as organizational changes in CP or the expert team) arise during the course the project, it may become difficult to implement the project as planned. Under these unfortunate circumstances, project activities may need to be suspended until the situation improves; consumption of experts' time and effort may not necessarily lead to effective and efficient progress on the project if its structure is left undeveloped.

In this project, CP, the JICA and the JICA Expert Team should have consulted in a serious manner about the pros and cons of suspending project activities when incidents including the replacement of the Head of the Expert Team due to health issues (December 2015), the reorganization of the structure between internal audit and financial inspection when the internal audit charter was revised (January 2016), the frequent replacement (multiple instances), the period of virtually absence of the Director of the FC-RM Dept. (March 2016), and project activity began to slow after the Parliamentary Election as

agreement could not be reached on the plan for project year 3 by the factors mentioned in 4.2. (October 2016).

5) Improving internal audit literacy in Mongolia

Throughout the project implementation period, there were cases when project activities did not lead to efficient internal auditing because understanding of the roles and functions of the internal audit department did not improve even at the MOF and the priority ministries. It is necessary to raise awareness of internal auditees and the public in general.

For example, promotion could improve by implementing Public Relation activities such as using social networking services (such as Facebook) with CP.

Chapter 5 For the Achievement of Overall Goals after the Project Completion

5.1 Plan of Operation and Implementation Structure of the Mongolian side to achieve Overall Goal

1) CP will complete postponed activities in order to achieve the Project Purpose.

Towards achieving the overall goals after project completion, CP firstly needs to complete all activities unfinished as of the completion of the Project. Postponed activities as of the completion of the Project given below.

<Postponed Activity in the PDM>

- Formulating a Medium-term Strategic Plan and obtaining approval from the appropriate authorities

<Postponed Activities which were supposed to be completed during the Project period>

- Submission of the Internal Audit Bill to the Parliament and subsequent Approval
- Completing the final version of the Training Framework for internal auditors in the public sector and obtaining the approval of the MOF's audit committee
- Finalizing the Internal Audit Manual and obtaining the approval of the MOF's audit committee
 - Following the approval of the audit committee, 1) Bookbinding, 2) Replacing workingpaper templates on the MOF's web site, and 3) Making the internal audit manual available on the MOF's web site

- Completing the final version of the Quality Assurance Framework and obtaining the approval of the MOF's audit committee
- Obtaining the approval of the MOF's audit committee on the final version of the Quality Assurance Manual and binding the manual (to be completed after JCC, by June 2017)
- Formulating the Internal Audit Medium-term Strategic Plan (including the budget plan) and obtaining approval from the appropriate authority
 - Following the approval of the appropriate authority, 1) explaining to relevant organizations and internal auditors, 2) Making the Internal Audit Medium-term Strategic Plan available on the MOF's web site

2) Establishment of a cooperative structure between the MOF and IIA Mongolia

After the foundation of IIA Mongolia, a variety of IIA content relating to internal audit became available. Building a favorable cooperative structure with IIA Mongolia will promote the spread of understanding of IIA-type internal audit and practice among internal auditors in the Mongolian public sector. A written agreement (e.g., a memorandum of understanding (hereinafter "MOU")) is essential to collaborate between public sector and private institution in Mongolia and it is expected to promptly establish a cooperative structure between CP and IIA Mongolia. Cooperation with IIA Mongolia will help CP develop an efficient leadership scheme and provide beneficial guidance to internal auditors in the public sector. Moreover, active sharing of knowledge is expected through the publication of content related to internal audit after CP finalizes the draft Training Framework.

3) Reorganization of the structure between internal audit and financial inspection

The MOF's current policy indicates that financial inspection is part of internal audit. However, financial inspection is deeply established practice with a long history in Mongolia, and there is not clear awareness of the differences between it and internal audit. This gap causes confusion in internal audit practice. When the legal basis for internal audit becomes effective, it will be necessary to precisely and clearly organize the relationship between internal audit and financial inspection, rules that must be followed as well as documentation to be prepared, and announce these throughout Mongolia.

5.2 Recommendations for the Mongolian Side

1) Securing organizational independence for internal audit activities

The independence of internal audit divisions (or internal auditors) is important to implementing appropriate internal auditing. Effective internal audit cannot be performed if there are conflicts of independence. Internal audit divisions are responsible and obliged to report the results of their audit in a timely manner and hence the reporting line to the audit committee and the Minister needs to be clear. To satisfy these points, an effective internal audit can be performed by placing the internal audit department directly under the Minister for the internal audit department located on the same organizational level with other operating departments.

2) Clarification of the segregation of duties within the FC-RM Dept.

The MOF is responsible for the administration of internal auditing by providing guidance, quality assurance and rulemaking to the public sector. The FC-RM Dept. is structured as a select group of eight internal auditors (including the Director and manager). However, it is expected that effective structures will be built by clarifying functions such as management of rule-making, quality assurance, internal audit practice and other general management.

3) Improvement of CP's understanding of JICA project nature and its involvement awareness

In countries receiving assistance from other donors, it is important to promote CP's understanding of the nature and methods of the assistance project. Especially for technical assistance projects, the project should be initiated only after CP firmly understands that the structure differs from other assistance with regard to the budget. For instance, budget allocations for unplanned activities were repeatedly requested. Time was consumed by frequently explaining the nature of technical assistance projects as CP did not recognize that technical assistance projects are supposed to be mainly led by CP. It is necessary to urge CP to be aware that the project is initiated at the request of Mongolia and led by CP.

4) Coordination between relevant donors

In this project, a considerable amount of time was required to coordinate between the WB, CP and JICA because the content and target of WB assistance was not clearly shared by CP even though similar activities were performed by the JICA and WB.

Coordination should be conducted for content and activities between relevant donors as needed during the Project period. Efficiency and effectiveness will be exercised by sharing information and building a cooperative structure with other donors implementing similar projects.

Chapter 6 Appendix and Technical Assistance Deliverables

6.1 Appendix

A Documents	Appendix
1 Project Documents	
1 Record of Discussions (2014.6.12)	A-1-1
2 Minutes of Meeting (2017.2.21)	A-1-2
2 JCC Meeting Minutes	
1 1st JCC Minutes of Meeting (2014.11.24)	A-2-1
2 2nd JCC Minutes of Meeting (2015.06.12)	A-2-2
3 3rd JCC Minutes of Meeting (2015.11.20)	A-2-3
4 4th JCC Minutes of Meeting (2016.04.08)	A-2-4
5 5th JCC Minutes of Meeting (2016.06.24)	A-2-5
6 6th JCC Minutes of Meeting (2016.12.08)	A-2-6
7 7th JCC Minutes of Meeting (2017.06.12)	A-2-7
3 PDM	
1 PDM (ver.0.0)	A-3-1
2 PDM (ver. 1.0)	A-3-2
3 PDM (ver. 2.0)	A-3-3
4 PDM (ver. 2.1)	A-3-4
4 Plan of Operation	A-4
5 Monitoring Sheets	
1 Monitoring Sheet I & II ver. 1	A-5-1
2 Monitoring Sheet I & II ver. 2	A-5-2
3 Monitoring Sheet I & II ver. 3	A-5-3
4 Monitoring Sheet I & II ver. 4	A-5-4
5 Monitoring Sheet I & II ver. 5	
6 Equipment List Requested by CP	A-6
7 Results of the Project	
1 Draft Internal Audit Law (April 2016 version agreed upon at JCC)	A-7-1
2 IA-CM self-assessment result (CP's own assessment)	A-7-2
3 Quality Assurance Activity Framework (Draft)	A-7-3
4 Proposal Enforcement Items for Medium-term Strategic Plan	A-7-4

6.2 Technical Assistance Deliverables List

Technical Assistance Deliverables	Appendix
B Concept Paper of Legal Framework on Internal Audit	B
C 1 Certification Framework (Draft) – Initial version	C-1
2 Training Framework (Draft) – Final version	C-2
D Internal Audit Practical Manual (Draft)	D
E 1 Internal Audit Quality Assurance Checklist (Draft) – Initial version	E-1
2 Internal Audit Quality Assurance Checklist (Draft) – Final version	E-2

RECORD OF DISCUSSIONS
ON
CAPACITY DEVELOPMENT PROJECT FOR INTERNAL AUDIT
PHASE 2
IN
MONGOLIA
AGREED UPON BETWEEN
MINISTRY OF FINANCE IN MONGOLIA
AND
JAPAN INTERNATIONAL COOPERATION AGENCY

Ulaanbaatar, June 12, 2014



Mr. Toshinobu Kato
Chief Representative
JICA Mongolia
Japan International Cooperation Agency



Mr. Gantsogt Khurelbaatar
State Secretary, Ministry of Finance,
Mongolia



Ms. Ariunaa Adiya
Acting Director General
Department of Economic Cooperation,
Loan and Aid Policy, Ministry of Economic
Development, Mongolia

Based on the minutes of meetings on the Detailed Planning Survey on the “Capacity Development Project for Internal Audit Phase 2” (hereinafter referred to as “the Project”) signed on May 1, 2014 between the Ministry of Finance (hereinafter referred to as “MOF”) and the Japan International Cooperation Agency (hereinafter referred to as “JICA”), JICA held a series of discussions with MOF and relevant organizations to develop a detailed plan of the Project.

Both parties agreed the details of the Project and the main points discussed as described in the Appendix 1 and the Appendix 2 respectively.

Both parties also agreed that MOF, the counterpart to JICA, will be responsible for the implementation of the Project in cooperation with JICA, coordinate with other relevant organizations and ensure that the self-reliant operation of the Project is sustained during and after the implementation period in order to contribute toward social and economic development of Mongolia.

The Project will be implemented within the framework of the Agreement on Technical Cooperation signed on December 5, 2003 (hereinafter referred to as “the Agreement”) the Note Verbales to be exchanged on June 4, 2014 between the Government of Japan (hereinafter referred to as “GOJ”) and the Government of Mongolia (hereinafter referred to as “GOM”).

Appendix 1: Project Description

Appendix 2: Main Points Discussed

Appendix 3: Minutes of Meetings on the Detailed Planning Survey



PROJECT DESCRIPTION

Both parties confirmed that there is no change in the Project Description agreed on in the minutes of meetings on the concerning Preparatory Survey on the Project signed on 1 May, 2014 (Appendix 3).

I. BACKGROUND

In Mongolia, economic growth has accelerated in recent years (17.5% in 2011, 12.3% in 2012) because of the condition of international market of coal and copper and capital inflows associated with mineral resource development. Under those circumstances, in order to achieve macroeconomic stable operation, the Mongolian government has introduced the Fiscal Stabilization Act from 2013, which states that a structural budget balance should be kept within 2% negative and the balance of public debt, within 40% of GDP. In addition, the New Budget Law (Integrated Budget Law: IBL) that has become effective in 2013, is intended to strengthen the overall process of budget formulation and enforcement, and auditing of the enforcement situation.

Under this strengthening of public financial management, the importance of strengthening the internal audit function has emerged. Budget Management and Risk Management Department (BC-RM Dept.) was established in the Ministry of Finance to lead internal audit of the central government, provincial government and public institutions under Ulaanbaatar jurisdiction. In the government resolution, BC-RM Dept. is responsible for providing these public institutions with guidance for the installation and operation of internal auditing. At the early stage of the installation, it encountered lack of both human resources and experience, and had faced many challenges.

Under these circumstances, following the request made by the Mongolian government to the Japanese government, "Capacity Building of Internal Auditing and Performance Monitoring" has been conducted from January 2012 and is scheduled to end on July 2014. This project provides support in awareness campaign, practicing in each organization and development of the "Internal Audit Deployment Plan (2014-16)" (hereinafter referred to as the "Strategic Plan").

On the other hand, the remaining issues to enhance internal audit function are stated in the "Internal Audit Deployment Plan (2014-16)" approved by the Minister of Finance of Mongolia in January 2014. Among them, improvement of legal environmental of the internal audit, training and retention of internal auditors and quality assurance system of the internal audit are of utmost importance. In response to this situation, the Mongolian government has requested further cooperation to the Japanese government for the implementation of the Strategic Plan.



The Strategic Plan aims to improve public financial management of Mongolia with the internal audit conducted in organizations of government institutions, thereby to achieve its long-term goals; step-by-step development of the internal audit in public sector, improvement of organization governance and improvement of effectiveness and efficiency in administrative services. For this purposes, there are six objectives set in the Strategic Plan as follows:

1. Improvement of the legal environment of the internal audit
2. Improvement of the internal audit organizational structure
3. Development of certified government internal auditor
4. Establishment of internal audit practices to contribute to value enhancement of organizations
5. Introduction of internal audit quality assurance
6. Awareness raising of the internal audit and risk management

To address these challenges, MOF and JICA agreed to implement the Technical Cooperation Project, following the approval of the Government of Japan. The Project will be carried out in accordance with the goals and objectives of the Strategic Plan. Among other things, objectives 1, 3, 4 and 5 are respectively consistent with the Output 1 through 4 (described below) of the Project.

II. OUTLINE OF THE PROJECT

Details of the Project are described in the tentative Logical Framework (Project Design Matrix: PDM) (ANNEX I) and the tentative Plan of Operation (ANNEX III).

1. Title of the Project

Capacity Development Project for Internal Audit Phase 2

2. Overall Goal

The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment.

3. Project Purpose

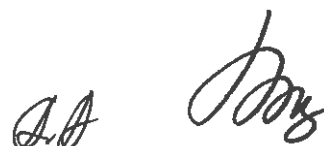
The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16.

4. Outputs

- (1) The solution of establishing a more solid legal foundation of internal audit is identified.
- (2) Qualified internal auditor certification system is introduced.
- (3) Internal auditors' capacity of practicing internal audit is further strengthened.
- (4) Internal Audit Quality Assurance system is introduced.

5. Activities

Shown as ANNEX I



6. Input

(1) Input by JICA

The JICA experts will provide necessary technical guidance, advice and recommendations to BC-RM Dept. on any matters pertaining to the implementation of the Project.

(a) Dispatch of Experts

[Long-term and/or Short-term Experts from Japan/third countries]

(* One of the person will be a team leader.

- Auditing (Legal framework1)
- Auditing (Certification system)
- Auditing (Practical training)
- Auditing (Quality assurance)
- Project coordinator (as necessary)

[Local Experts]

- Auditing (Legal framework2)

(b) Training

- Local Trainings/workshops
- Trainings in Japan and/or third countries

(c) Machinery and Equipment

Shown as ANNEX V

(2) Input by MOF

-Counterpart staff

-Office space for the Project activities by experts in BC-RM Dept.

-Appropriate space for holding seminars / workshops

-Costs for accommodation, in-county travel and per-diem for BC-RM Dept. staff

MOF will take necessary measures to provide at its own expense:

- (a) Services of MOF's counterpart personnel and administrative personnel as referred to in II-7;
- (b) Suitable office space with necessary equipment;
- (c) Information as well as support in obtaining medical service;
- (d) Credentials or identification cards;
- (e) Available data (including maps and photographs) and information related to the Project;
- (f) Running expenses necessary for the implementation of the Project;
- (g) Expenses necessary for transportation within Mongolia of the equipment referred to in II-6 (1) as well as for the installation, operation and maintenance thereof; and
- (h) Necessary facilities to the JICA experts for the remittance as well as utilization of the funds introduced into Mongolia from Japan in connection with the implementation of the Project

7. Implementation Structure

The Project organization chart is given in the ANNEX IV. The roles and assignments of relevant organizations are as follows:

(1) MOF

(a) Project Director

State Secretary of MOF will be responsible for overall administration and implementation of the Project.

(b) Project Manager

Director General of the Budget Control and Risk Management Department, MOF

(2) Relevant organizations

(a) National Audit Office

(b) Ministry of Economic Development

(c) Ministry of Health

(d) Ministry of Trade and Agriculture

(e) The Governor's office of Ulaanbaatar

(3) JICA Experts

The JICA experts will provide necessary technical guidance, advice and recommendations to MOF on any matters pertaining to the implementation of the Project.

(4) Joint Coordinating Committee

Joint Coordinating Committee (hereinafter referred to as "JCC") will be established in order to facilitate inter-organizational coordination. JCC will be held twice a year and whenever deems it necessary. JCC will approve an annual work plan, review overall progress, conduct evaluation of the Project, and exchange opinions on major issues that arise during the implementation of the Project. A list of proposed members of JCC is shown in the ANNEX IV

8. Project Site(s) and Beneficiaries

-Project Site: Ulaanbaatar, Mongolia

-Beneficiaries: Staff of BC-RM Dept., MOF, internal auditors in public sector of Mongolia

9. Duration

Three (3) years from the date of first arrival of the Japanese expert(s) in Mongolia

10. Environmental and Social Considerations

MOF agreed to abide by 'JICA Guidelines for Environmental and Social Considerations' in order to ensure that appropriate considerations will be made for the environmental and social impacts of the Project.

III. UNDERTAKINGS OF MOF

1. MOF will take necessary measures to:

- (1) ensure that the technologies and knowledge acquired by the Mongolia nationals as a result of Japanese technical cooperation contributes to the economic and social development of Mongolia, and that the knowledge and experience acquired by the personnel of Mongolia from technical training as well as the equipment provided by JICA will be utilized effectively in the implementation of the Project; and
- (2) grant privileges, exemptions and benefits to the JICA experts referred to in II-6 (1) above and their families, which are no less favorable than those granted to experts and members of the missions and their families of third countries or international organizations performing similar missions in Mongolia.

IV. MONITORING AND EVALUATION

JICA and the MOF will jointly and regularly monitor the progress of the Project through the Monitoring Sheets based on the Project Design Matrix (PDM) and Plan of Operation (PO). The Monitoring Sheets shall be reviewed every six (6) months.

Also, Project Completion Report shall be drawn up one (1) month before the termination of the Project.

JICA will conduct the following evaluations and surveys to mainly verify sustainability and impact of the Project and draw lessons. The MOF is required to provide necessary support for them.

1. Ex-post evaluation three (3) years after the project completion, in principle
2. Follow-up surveys on necessity basis

V. PROMOTION OF PUBLIC SUPPORT

For the purpose of promoting support for the Project, MOF will take appropriate measures to make the Project widely known to the people of Mongolia.

VI. MUTUAL CONSULTATION

JICA and MOF will consult each other whenever any major issues arise in the course of Project implementation.

VII. AMENDMENTS

The record of discussions may be amended by the minutes of meetings between JICA and MOF.

The minutes of meetings will be signed by authorized persons of each side who may be different from the signers of the record of discussions.

ANNEX I	Tentative Logical Framework (Project Design Matrix: PDM)
ANNEX II	Tentative Explanatory Note of the Project M&E Framework (including IA-CM)
ANNEX III	Tentative Plan of Operation
ANNEX IV	Tentative Implementation Structure of the Project
ANNEX V	Machinery and Equipment List



Project Design Matrix

Annex I

Project Title: Capacity Development Project for Internal Audit Phase 2

Implementing Agency: Ministry of Finance, Mongolia

Target Group: Ministry of Finance, Central Government Ministries and Local Governments

Period of Project: Three Years (Tentatively From 2014/11 To 2017/10)

Project Site: Mongolia

Model Site:

Version 0.0

Dated June 12, 2014

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions	Achievement	Remarks
Overall Goal					
The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM			
	2. Established legal framework of internal audit	1) Enacted law and/or regulations			
	3. Continued implementation of internal audit: increase number of IA reports, recommendations, follow-up	1) Assessment at the final JCC			
	4. Increased number (and/or percentage) of audited organizations, Certified Internal Auditor Professionals for Public Sector (CIAPPS) and Internal Audit Practical Instructors (IAP)	1) Assessment at the final JCC			
Project Purpose					
The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 on the Project scope areas in IA-CM *Level of the other area will be checked in Overall goal indicator	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM	1. The Mongolian government will not change the policy for enhancement of internal audit function which meets international standards and practices.		
	2. Continued progresses of actions for enhancing internal audit and internal auditors in legal framework(e.g. draft laws & regulations, etc.)	1) The original draft and the draft bill			
	3. Increased number of CIAPPS: 1) 200-300 CIAPPSs holders are certified	1) Assessment at the final JCC			

	<p>4-1. Continued implementation of internal audit using the developed manuals in the priority areas 4-2 Continued implementation of internal audit in specialized public organizations: "XX" (number of IA reports, recommendations, follow-up) 4-3. [reference] Continued implementation of ordinary internal audit in the other areas "XX" (number of IA reports, recommendations, follow-up)</p>	<p>1) IA reports made by using practical internal audit manuals(including risk-based approach) in priority areas 2) IA reports made by using risk-based internal audit manuals in the other areas</p>	<p>2. Any changes in organizational structures of the Mongolian government which may affect the project activities will not happen. 3. A significant reduction of the necessary budgetary and human resource allocation and other institutional arrangements in CPs as to prevent the project from proceeding will not happen.</p>		
	<p>5. Increased number (and/or percentage) of audited organizations , CIAPPSs and IAPIs: XX(number and/or percentage)</p>				
<p>Outputs</p>					
<p>1. The solution of establishing a more solid legal foundation of internal audit is identified</p>	<p>1-1. Developed working paper(s) on other countries experiences and appropriate options of enhancing legal foundation</p>	<p>1) The working paper(s)</p>			
	<p>1-2. Developed concept paper of new legal framework on internal audit</p>	<p>1) The concept paper</p>			
<p>2. Qualified internal auditor certification system is introduced.</p>	<p>2-1. Developed CIAPPS examination & Continuing Professional Education (CPE) framework documents</p>	<p>1) The CIAPPS framework documents</p>			
	<p>2-2. Developed CIAPPS examination & CPE, learning materials and program</p>	<p>1) Training schedule, 2) Learning materials both on CIAPPS and CPE.</p>			
	<p>2-3. Continued implementation of CIAPPS examination and CPE</p>	<p>1) Result of CIAPPS examination</p>			
	<p>2-4. Developed registration system of CIAPPS holders and CPE personal training records</p>	<p>1) The data base used for administration</p>			
	<p>2-5. Continued implementation of training for IAPI : "XX(number)" trainings" are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings</p>	<p>1) The report on trainings</p>			
	<p>2-6. Number of IAPI who are deployed at ministries, local governments and government agencies is more than "100"</p>	<p>1) Certification documents.</p>			

3. Internal auditors' capacity of practicing internal audit is further strengthened.	3-1. Demonstrated group ownership and leadership: 4 working groups lead by C/P. Each group makes 4 activity reports. (Total:16 activity reports)	1) 4 groups are unified in priority areas, 16 activity reports are submitted (4groups X 4 audit processes-preliminary, fieldwork, reporting follow-up)		
	3-2. Developed practical internal audit manuals in priority areas	1) The internal audit manuals for the designated four priority areas at least if completed		
	3-3. Continued implementation of training for using the manuals in priority area: "XX(number)" trainings and OJT(On the Job Training) are conducted	1) The reports on trainings		
	3-4. Developed practical internal audit manual on specialized public organizations			
	3-5. Continued implementation of training for using the manuals on small organizations: "XX(number)" trainings and OJT(On the Job Training) are conducted			
	3-6. [Reference] Continued engagement in ordinary internal audit with/without involvement of the JICA Expert team			
4. Internal Audit Quality Assurance system is introduced.	4-1. Developed quality assurance framework documents	1) The quality assurance framework documents.		
	4-2. Developed quality assurance manuals (including checklists)	1) The quality assurance manuals (including checklists) for both internal and external quality controls		
	4-3. Developed implementation plans of the quality assurance activities	1) The implementation plans of the quality assurance activities		
	4-4. Continued implementation of quality assurance activities on a plan basis	1) Status report of implementation plan 2) Monitoring reports after the quality assurance activities started		

Activities	Inputs		Pre-Conditions
	The Japanese Side	The Mongolian Side	
0-1. Collect basic information on internal audit (e.g. number of internal audit conducted, established audit committee and developed internal audit charter, and internal auditor in each organization)			
0-2. Conduct self diagnosis based on IA-CM			
0-3. Hold discussions on progress and achievements of introducing internal audit practices in Mongolia based on activities 0-1 & 0-2			
1-1. Develop a work plan			
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors	Japanese Experts: - Auditing (Legal framework) - Auditing (Certification system) - Auditing (Practical training) - Auditing (Quality assurance) - Project coordinator (as necessary)	Counterpart staff Office space for the Project activities by experts in BC-RM Dept.	
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors	Local Experts: - Others as needed	Appropriate space for seminars / workshops	
1-4. Develop concept paper of possible legal framework based on the activities 1-1~1-3. (NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.	Equipment necessary for the Project activities by experts Foreign country study visits In-country seminars / workshops	Costs for accommodation, in-county travel and per-diem for BC-RM Dept. staff	
1-5. [By C/P] Develop original draft of legal framework based on 1-4 above			
1-6. [By C/P] Develop draft bill of legal framework based on 1-4 above			
2-1. Develop a work plan and set up a working group			
2-2. Collect & analyze other countries experiences relating to CIAPPS & CPE			
2-3. Develop CIAPPS & CPE and IAPI framework documents			
2-4. Conduct financial planning on implementation of CIAPPS & CPE, and training for IAPI			

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2-5. Designate responsible organization for implementation of CIAPPS & CPE
2-6. Design CIAPPS examination & CPE contents
2-7. Conduct trainings for CIAPPS candidates
2-8. Conduct CIAPPS examination
2-9. Develop registration system of registered CIAPPS holders and CPE training participants records
2-10. Provide CPE for CIAPPS holders
2-11. Train the IAPIs and its candidates to acquire practical skills required to disseminate internal audit
2-12. Certifying candidates who satisfy necessary conditions as the IAPIs
3-1. Develop a work plan and set up working groups
3-2. Conduct financial planning exercise on implementation of trainings and OJT
3-3. Develop the internal audit manuals in priority areas and common manual for specialized public organization (e.g. local governments, schools, hospitals, customs etc.)
3-4. Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations
3-5. [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1
4-1. Develop a work plan
4-2. Develop first version of check-lists for quality assurance of internal audit
4-3. Develop an annual plan to conduct the quality assurance activities.
4-4. Train staff for quality assurance of internal audit using the check lists.

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Cooperation with Mongolian speaking trainer who has relevant knowledge and experience preferably in Project Phase1 and the IAPIs is necessary to deliver the training.

Team working with the IAPIs and its candidates on the ground is essential and critical in order to carry out activity 3-3.

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4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis
4-6. Develop final version of check-lists for quality assurance of internal audit

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Explanatory Note the Project M&E Framework: the Capacity Development Project for Internal Audit Phase 2 (tentative)

Version 0.0

Dated June 12, 2014

	Narrative Summary	Objectively Verifiable Indicator	Baseline when the Project starts	Current Situation (at the time of periodical review)	Target level to be achieved
Overall Goal	The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2	The level of each categories in IA-CM in Mongolia is around "Level 2" (see the attached IA-CM).		The level of each categories in IA-CM in Mongolia will move up more than one (see the attached IA-CM).
		2. Established legal framework of internal audit	No legal framework certifies internal auditors and these activities, acceptance of internal audit.		More solid legal framework is made.
		3. Continued implementation of internal audit: increase number of IA reports, recommendations, follow-up	XX(number) internal audit, recommendations and follow-up are conducted.		Increase number of internal audit reports, recommendations and follow-up.
		4. Increased number (and/or percentage) of audited organizations, CIAPPSs and IAPIs	XX(number) organizations makes internal audit. There are XX(number) internal auditors and/or CIAPPSs.		Increased number (and/or percentage) of audited organizations, CIAPPSs and IAPIs.
Project Purpose	The Mongolian government establishes a more solid	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 on the Project scope areas in IA-CM *Level of the other area will be checked in Overall goal indicator	The level of the "Professional Practices" in IA-CM is "Level 2".		The level of the "Professional Practices" in IA-CM is "Level 3".
		2. Continued progresses of actions for enhancing internal audit and internal auditors in legal framework(e.g. draft laws & regulations, etc.)	There are no legal framework, no draft laws & regulations. (Though Integrated Budget Law articulates Internal Audit in public sector, it is not enough to enhance internal audit and internal auditors.)		Draft laws & regulations about internal audit was made by the project.
		3. Increased number of Certified Internal Auditor Professionals for Public Sector (CIAPPS): 1) 200-300 CIAPPSs holders are certified	There are no CIAPPS examination system. Therefore MOF doesn't certify CIAPPS holders.		There are 200(at minimum) CIAPPS holders are certified by MOF(without and with legal validation).

	Narrative Summary	Objectively Verifiable Indicator	Baseline when the Project starts	Current Situation (at the time of periodical review)	Target level to be achieved
	framework of internal audits in accordance with the Strategic Plan 2014-16.	4-1. Continued implementation of internal audit using the developed manuals in the priority areas 4-2 Continued implementation of internal audit in specialized public organizations: "XX" (number of IA reports, recommendations, follow-up) 4-3. [reference] Continued implementation of ordinary internal audit in the other areas "XX" (number of IA reports, recommendations, follow-up)	4-1: unknown* 4-2: unknown* 4-3: unknown* *when the detailed planning survey is conducted		4-1: The number of the audits increases. 4-2: The number of the audits increases. 4-3: The number of the audits increases.
		5. Increased number (and/or percentage) of audited organizations, CIAPPSs and IAPIs: XX(number and/or percentage)	XX(number) organizations makes internal audit. There are XX(number) internal auditors and/or CIAPPSs.		XX(number) organizations makes internal audit. There are XX(number) internal auditors and/or CIAPPSs.
		6. Implemented Internal Audit Quality Assurance systems: 2-3 reports" are made	There are no Internal Audit Quality Assurance systems. Therefore internal audit reports are not systematically checked by the third party after the completion of these reports.		2-3 reports are made by using Internal Audit Quality Assurance check-list.
Output 1	The solution of establishing a more solid legal foundation of internal audit is identified.	1-1. Developed working paper(s) on other countries experiences and appropriate options of enhancing legal foundation	There are no working paper describes other countries experience.		Working paper about other countries experience is produced.
		1-2. Developed concept paper of new legal framework on internal audit	There are no concept papers.		Concept papers of new legal framework are made. (e.g. legal status of internal audit and internal auditors, institutional set up, budget, staffing, quality assurance activities, etc.)
Output 2	Qualified internal auditor certification system is introduced.	2-1. Developed CIAPPS examination & Continuing Professional Education (CPE) framework documents	There are no such CIAPPS examination & CPE framework documents (including internal audit practical instructors.)		Framework documents are made. These documents describes institutional set up, budget, staffing and exam quality assurance system, practical instructors, etc. This framework document includes not only CIAPPA, CPE but also internal audit practical instructors.
		2-2. Developed CIAPPS examination & CPE, learning materials and program	There are no developed CIAPPS examination & CPE and learning materials.		CIAPPS examination & CPE, learning materials and program are developed.
		2-3. Continued implementation of CIAPPS examination and CPE	There are no authorized and operationalized CIAPPS examination and training.		CIAPPS examination and CPE are continually implemented.
		2-4. Developed registration system of CIAPPS holders and CPE personal training records	There are no such database.		The database* which includes information of CIAPPS was made. * made by Microsoft Excel, Access, etc.

	Narrative Summary	Objectively Verifiable Indicator	Baseline when the Project starts	Current Situation (at the time of periodical review)	Target level to be achieved
		2-5. Continued implementation of training for Internal Audit Practical Instructors (IAPi) : "XX(number)" trainings" are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings	XX(number) trainings have been conducted.		The number of trainings conducted will increase.
		2-6. Number of IAPi who are deployed at ministries, local governments and government agencies is more than "100"	The number of IAPi is 53.		The number is more than "100" (including 53 IAPis at baseline).
Output 3	Internal auditors' capacity of practicing internal audit is further strengthened.	3-1. Demonstrated group ownership and leadership: 4 working groups lead by C/P. Each group makes 4 activity reports. (Total:16 activity reports)	There are no such groups.		4 groups are set up in the priority areas. 16 activity reports are produced by these 4 groups (4 groups X 4 audit processes: preliminary, fieldwork, reporting, and follow-up). Internal audit consists of four stage, i.e. preliminary survey and field survey etc. This four report will be produced per internal audit.
		3-2. Developed practical internal audit manuals in priority areas	Though internal audit is conducted in priority areas, there are no practical internal audit manuals.		The practical internal audit manuals in 4 priority areas are developed.
		3-3. Continued implementation of training for using the manuals in priority area: "XX(number)" trainings and OJT(On the Job Training) are conducted	Though internal audit is conducted in priority areas, there are no practical internal audit manuals.		"XX(number)" trainings and OJT are conducted based on the manuals.
		3-4. Developed practical internal audit manual on specialized public organizations	Though internal audit is conducted on small organizations, there are no practical internal audit manuals.		The practical internal audit manual on small organizations is made.
		3-5. Continued implementation of training for using the manuals on small organizations: "XX(number)" trainings and OJT(On the Job Training) are conducted	Though internal audit is conducted in small organizations, there are no practical internal audit manuals.		"XX(number)" trainings and OJT are conducted based on the manual.
		3-6. [Reference] Continued engagement in ordinary internal audit with/without involvement of the JICA Expert team	XX(number) trainings have been conducted.		The number of trainings conducted will increase.
Output 4	Internal Audit Quality Assurance system is introduced.	4-1. Developed quality assurance framework documents	There are no framework documents that describes Internal Audit Quality Assurance systems.		Framework documents that describes Internal Audit Quality Assurance systems are made.
		4-2. Developed quality assurance manuals (including check lists)	There are no manuals and check lists.		Manuals(including check lists) that describes Internal Audit Quality Assurance systems are made.
		4-3. Developed implementation plans of the quality assurance activities	There are no such implementation plans.		There are such implementation plans.
		4-4. Continued implementation of quality assurance activities on a plan basis	No quality assurance activities have been conducted.		Quality assurance activities are conducted.

(Note) This explanatory note will be used as a monitoring tool. It will be updated or modified after the project starts and monitoring phase.

Phase 2: Proposed scoping & target setting based on IA-CM Annex II

	Services and Role of IA	People Management	Professional Practices	Performance Management and Accountability	Organizational Relationships and Culture	Governance Structures
Level 5 – Optimizing	IA Recognized as Key Agent of Change	Leadership Involvement with Professional Bodies	Continuous Improvement in Professional Practices	Public Reporting of IA Effectiveness	Effective and Ongoing Relationships	Independence, Power, and Authority of the IA Activity
		Workforce Projection	Strategic IA Planning			
Level 4 – Managed	Overall Assurance on Governance, Risk Management, and Control	IA Contributes to Management Development	Audit Strategy Leverages Organization's Management of Risk	Integration of Qualitative and Quantitative Performance Measures	CAE Advises and Influences Top-level Management	Independent Oversight of the IA Activity
		IA Activity Supports Professional Bodies				CAE Reports to Top-level Authority
		Workforce Planning				
Level 3 – Integrated	Advisory Services	Team Building and Competency	Quality Management Framework	Performance Measures	Coordination with Other Review Groups	Management Oversight of the IA Activity
	Performance / Value-for-Money Audits	Professionally Qualified Staff				Risk-based Audit Plans
Level 2 – Infrastructure	Compliance Auditing	Individual Professional Development	Professional Practices and Processes Framework	IA Operating Budget	Managing within the IA Activity	Full Access to the Organization's Information, Assets, and People
		Skilled People Identified and Recruited	Audit Plan Based on Management / Stakeholder Priorities	IA Business Plan		Reporting Relationships Established
Level 1 – Initial	Ad hoc and unstructured; isolated single audits or reviews of documents and transactions for accuracy and compliance; outputs dependent upon the skills of specific individuals holding the position; no specific Professional practices established other than those provided by professional associations; funding approved by management, as needed; absence of infrastructure; auditors likely part of a larger organizational unit; no established capabilities; therefore, no specific key process areas					

Currently working level

 = Target level of Phase 2 proposed by BC-RM Dept.

Achieved
Partly Achieved
Not Yet

N

A.A.

DP

Tentative Plan of Operation

Version 0.0 Annex III

Dated June 12, 2014

Project Title: Capacity Development Project for internal Audit Phase 2

Inputs	Year	1st Year (2014)				2nd Year (2015)				3rd Year (2016)				4th Year (2017)				Remarks	Monitoring	
		I		II		III		IV		I		II		III		IV			Issue	Solution
		Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual					
Expert																				
Auditing (Legal framework)	Plan																			
Auditing (Certification system)	Actual																			
Auditing (Practical training)	Plan																			
Auditing (Quality assurance)	Actual																			
Project coordinator (as necessary)	Plan																			
	Actual																			
Equipment																				
Equipment necessary for the Project activities by experts	Plan																			
	Actual																			
Training in Japan																				
None	Plan																			
	Actual																			
In-country/Third country Training																				
Foreign country study visits	Plan																			
	Actual																			

Activities	Year	1st Year (2014)				2nd Year (2015)				3rd Year (2016)				4th Year (2017)				Responsible Organization		Achievements	Issue & Countermeasures
		I		II		III		IV		I		II		III		IV		Japan	Mongolia		
		Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual						
Output 0:																					
0-1. Collect basic information on internal audit (e.g. number of internal audit conducted, established audit committee and developed internal audit charter, and internal auditor in each organization)	Plan																	○	○		
	Actual																	○	○		
0-2. Conduct self diagnosis based on IA-CM	Plan																	○	○		
	Actual																	○	○		
0-3. Hold discussions on progress and achievements of introducing internal audit	Plan																	○	○		
	Actual																	○	○		
Output 1. The solution of establishing a more solid legal foundation of internal audit is identified.																					
1-1. Develop a work plan	Plan																	◎	○		
	Actual																	◎	○		
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors	Plan																	◎	○		
	Actual																	◎	○		
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors	Plan																	○	◎		
	Actual																	○	◎		

Output 4. Internal Audit Quality Assurance system is introduced.										(I) Develop a checklist																
4-1. Develop a work plan										Plan													⊙	○		
4-2. Develop first version of check-lists for quality assurance of internal audit										Actual													⊙	○		
4-3. Develop an annual plan to conduct the quality assurance activities.										Plan													○	○		
4-4. Train staff for quality assurance of internal audit using the check lists.										Actual													○	○		
4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis										Plan													○	○		
4-6. Develop final version of check-lists for quality assurance of internal audit										Actual													⊙	○		

Monitoring Plan	Year	1st Year				2nd Year				3rd Year				4th Year				Remarks	Issue	Solution
		I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV			
Monitoring																				
Joint Coordination Committee	Plan																			
	Actual																			
Set-up the Detailed Plan of Operation	Plan																			
	Actual																			
Submission of Monitoring Sheet	Plan																			
	Actual																			
Monitoring Mission from Japan (if necessary)	Plan																			
	Actual																			
Joint Monitoring	Plan																			
	Actual																			
Post Monitoring	Plan																			
	Actual																			
Reports/Documents																				
	Plan																			
	Actual																			
Project Completion Report	Plan																			
	Actual																			
Public Relations																				
	Plan																			
	Actual																			
Events (e.g. (i) Start of the Project, (ii) enhancing legal foundation of internal audit, (iii) launching CIAPPAS framework, and (iv) developing manuals in priority areas, etc.)	Plan																			
	Actual																			
	Plan																			
	Actual																			

Project Implementation Structure

Mongolian Side

JICA Side

Annex IV

Joint Coordinating Committee (JCC)

Project Director: State Secretary of MOF

Project Manager: Director General of the Budget Control and Risk Management Department

Members: Representatives from the following department of MOF:

- Treasury Department
- Legal and Procurement Policy Department
- Financial Policy and Debt Management Department
- Public Administration and Management Department

Members(*): Representatives from the following ministries,

- National Audit Office
- Ministry of Economic development
- Ministry of Health
- Ministry of Trade and Agriculture
- The Governor's Office of Ulaanbaatar

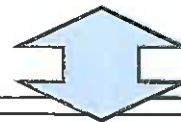
(* The other ministries in charge of priority areas would join the JCC members

Japan International
Cooperation Agency(JICA)

JICA Mongolia
Office etc.

Secretariat:

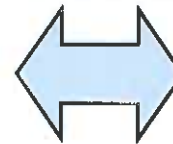
IA-ME Division, BC-RM Dept.



Project Team

Counterparts from : BC-RM Dept.
Project Manager: Director General of the Budget Control and Risk Management Department
Team members: (TBD before the Project starts)

Day-to-day
consultation



JICA Experts
(1) Chief Advisor
(2) Other experts

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Equipment List Requested by MOF

	Equipment	Pieces	Related activity	Purpose
1	Ultrabook (notebook with 14" screen)	10	Output 2 and output 3	Support development of 4 sectorial internal audit guidelines and manuals, staff trainings
2	All in one desktop	3	Output 2 and output 3	Support development of 4 sectorial internal audit guidelines, development of CIAPPS, CPE and IAPI framework documents, training and CIAPPS candidates, CIAPPS holders, CPE and IAPI, staff training on quality assurance
3	Wand-type mobile scanner	5	Output 2 and output 3, 4	Support sectorial internal audit activities, IA quality assurance
4	UPS/Computer energy backups	4	Output 2 and output 3, 4	Support development of 4 sectorial internal audit guidelines and manuals, staff trainings
5	Small digital camera	3	Output 2 and output 3, 4	Support sectorial internal audit activities, IA quality assurance
6	Voice recorder	2	Output 2 and output 3, 4	Support sectorial internal audit activities, IA quality assurance
7	Smartscreen with 70"	1	Output 2 and output 3, 4	Support development of 4 sectorial internal audit guidelines, development of CIAPPS, CPE and IAPI framework documents, training and CIAPPS candidates, CIAPPS holders, CPE and IAPI
8	Database Server	1	Output 2	Installing and keeping CIAPPS holders and candidates information
9	Copier in one Document center (Black and white)	1	Output 2 and output 3, 4	Support development of 4 sectorial internal audit guidelines, for training and CIAPPS candidates, CIAPPS holders
10	Copier in one Document center (Color)	1	Output 2 and output 3, 4	Support development of 4 sectorial internal audit guidelines, development of CIAPPS, CPE and IAPI framework documents, training and CIAPPS candidates, CIAPPS holders, CPE and IAPI

MAIN POINTS DISCUSSED

1. Selecting the participants properly in the study tours to Japan and/or third countries

The project will organize two study tours to the third countries for the following purposes: the one for Output 1 and the other for Output 2. The third study tour to Japan or third countries may be arranged if budget allows. The Mongolian side is required to select the right person for the members of those tours to meet the objectives in close consultation with the JICA experts for maximizing respective outputs and outcomes of the tours.

2. The Project activities under Output 1

In the Project, both sides set Output 1 as "The solution of establishing a more solid legal foundation of internal audit is identified". The activities under this Output consist of several steps, such as study on other countries, decisions on the concept as well as on drafting and amending laws.

Under Output 1, BC-RM Dept., MOF will demonstrate ownership and leadership through the whole processes, and will take the lead tasks in each step. JICA will bear the cost of the study tour. However, BC-RM Dept. is required to take actions, including mobilization of its own resources and/or from other donors.

3. Project Concept

The project concept is attached in Minutes of Meetings on the Detailed Planning Survey (Appendix 3)

4. Equipment for CIAPPS examination and registration

MOF will need optical mark readers for smoothly conducting CIAPPS examination. MOF will need software for registering and managing CIAPPS holders after the CIAPPS examination. MOF will take care of these items at its own expenses and JICA will not provide financial assistance for these items.



**MINUTES OF MEETING
ON
CAPACITY DEVELOPMENT PROJECT FOR INTERNAL AUDIT PHASE 2
IN MONGOLIA**

Japan International Cooperation Agency (hereinafter referred to as "JICA") and Financial Control and Risk Management Department (hereinafter referred to as "FC-RM Dept.") of Ministry of Finance of the Government of Mongolia (hereinafter referred to as "MOF") held the meeting within as stipulated in the framework of the Record of Discussions (hereinafter referred to as "R/D") for "Capacity Development Project for Internal Audit Phase 2" (hereinafter referred to as "the Project").

As a result of the discussions, JICA and FC-RM Dept. made this Minutes of Meeting in order to confirm the mutual understanding and the matters agreed in the discussions attached hereto.

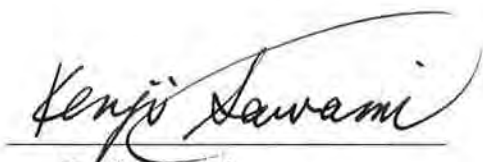
Ulaanbaatar, February 21th, 2017



Mr. Mutsumi Sato
Chief Representative
Mongolia Office
Japan International Cooperation Agency



Mr. Dorjsemed Batsengee
Director, Development Financing
Department, Ministry of Finance of
Mongolia



Mr. Kenji Sawami
Chief, JICA Expert Team

The Environment of Internal Audit in Mongolia

1. Effective from January 2, 2017, Ms. N. Narangerel, the Director of FC-RM Dept. of MOF have been newly appointed.
2. The name of department has been changed from Budget Control and Risk Management Department to **Financial** Control and Risk Management Department.

I. Change of Equipment List requested by MOF

As discussed and reconsidered the necessity of equipments requested in R/D in the third year of the Project, JICA and MOF agreed to provide 2 notebooks only out of the remaining of equipments which were planned to be provided by JICA in the third year of the Project. (as shown in Table 1. Also see Annex 1)

(Table 1)

R/D Agreement			Procurement Schedule			NEW Request	Procurement schedule		
No.	Equipment	Pieces	Yr 1 (Completed)	Yr 2 (Completed except server)	Yr 3 (To be provided)	Pieces	Yr 1 (Completed)	Yr 2 (Completed except server)	Yr 3 (To be provided)
1	Ultrabook (notebook with 14" screen)	10	4	3	3	<u>2</u>	4	3	<u>2</u>
2	All in one desktop	3	1	1	1	<u>2</u>	1	1	<u>0</u>
3	Wand-type mobile scanner	5	2	2	1	<u>4</u>	2	2	<u>0</u>
4	UPS/Computer energy backups	4	0	3	1	<u>3</u>	0	3	<u>0</u>
5	Small digital camera	3	0	2	1	<u>2</u>	0	2	<u>0</u>
6	Voice recorder	2	1	1	0	2	1	1	0
7	Smartscreen with 70"	1	0	1	0	1	0	1	0
8	Database Server	1	0	1	0	<u>0</u>	0	<u>0</u>	<u>0</u>
9	Copier in one Document center (Black and white)	1	1	0	0	1	1	0	0
10	Copier in one Document center (Color)	1	1	0	0	1	1	0	0
		31	10	14	7	<u>25</u>	10	<u>13</u>	<u>2</u>

Note: Underlined number: Changed from initial request

The reason of change is due to change in a situation surrounding FC-RM Dept. as compared with the time binding R/D as well as the technology grow fast which is now available various multifunctional equipments. Notebook available nowadays also contains multifunctions which expect to provide more efficient works to our project activities. Considering sustainable and productive usage of the equipments throughout project and even after completion of the project, high-performance notebooks, shown in Annex 2, will be sufficient to unify purposes of use and functions of the given-up equipments. For the given-up equipments, MOF will cancel one Digital Camera, one UPS/Computer Energy Backups and one Wand-type Mobile Scanner, which are considered that the requested notebook are sufficiently fungible with these function. In addition, MOF will cancel one notebook and one All in one desktop as many of project activities in relation with output 2,3 and 4 such as trainings and meetings are held outside of office and as to combine all necessary functions into high-performance notebooks for convenience.

As for one Server, MOF will postpone this request from the Project to re-examine the purpose and spec of use and separately will write an official request letter to JICA.

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II. Minor revision of Project Design Matrix (hereinafter referred to as "the PDM")

PDM, approved at JCC on December 8, 2016, is made a minor revision in order to be consistent with output 3 description on 4-2 in "Objectively Verifiable Indicators" in the Project Purpose section from;

"Continued implementation of internal audit in the specialized public organizations: "16" (number of IA reports, recommendations, follow-up)"

to

"Continued implementation of internal audit in the priority area: "16" (number of IA reports, recommendations, follow-up)"

(See Annex 3 and 4)

Annex:

- Annex 1: Equipment List (Revised)
- Annex 2: Notebooks Specs
- Annex 3: Project Design Matrix ver.2.1
- Annex 4: Monitoring Sheets ver.4.2



No.	Equipment	NEW Reque	Procurement schedule		
		Pieces	Yr 1 (Completed)	Yr 2 (Completed except server)	Yr 3 (To be provided)
1	Ultrabook (notebook with 14" screen)	<u>9</u>	4	3	<u>2</u>
2	All in one desktop	<u>2</u>	1	1	<u>0</u>
3	Wand-type mobile scanner	<u>4</u>	2	2	<u>0</u>
4	UPS/Computer energy backups	<u>3</u>	0	3	<u>0</u>
5	Small digital camera	<u>2</u>	0	2	<u>0</u>
6	Voice recorder	2	1	1	0
7	Smartscreen with 70"	1	0	1	0
8	Database Server	<u>0</u>	0	<u>0</u>	0
9	Copier in one Document center (Black and white)	1	1	0	0
10	Copier in one Document center (Color)	1	1	0	0
		<u>25</u>	10	<u>13</u>	<u>2</u>

Note: Underlined number: Changed from initial request

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Notebook Specs

1. Microsoft Surface Pro 4

Санах ой/RAM:	16GB RAM
Процессор/CPU:	6 th Generation Intel® Core™ i7
Багтаамж/SSD:	512GB
Дагалдах нэмэлт төхөөрөмжүүд/Accessories:	<ul style="list-style-type: none"> - Үзэг / Pen (included in device) - Цэнэглэгч / Power Supply (included in device) - Keyboard Case - Dock, Wireless Display Adapter, Mini DisplayPort to HDMI and VGA Adapter or equivalent - Дэлгэцийн наалт / Surface Screen Protector

2. Thinkpad X1 Carbon

Санах ой/RAM:	8GB RAM
Процессор/CPU:	Intel® Core™ i7
Багтаамж/SSD:	256GB
Дагалдах нэмэлт төхөөрөмжүүд / Accessories:	<ul style="list-style-type: none"> - Adapter (included in device)




Revised Project Design Matrix

Project Title: Capacity Development Project for Internal Audit Phase 2
Implementing Agency: Ministry of Finance, Mongolia
Target Group: Ministry of Finance, Central Government Ministries and Local Governments
Period of Project: Three Years (From 2014/09 To 2017/08)

Version 2.1
Dated February 2017

Project Site: Mongolia **Model Site:** N/A

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions	Achievement	Remarks
Overall Goal The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 2. Established legal framework of internal audit 3. Continued implementation of internal audit: increase number of IA reports, recommendations, follow-up 4. Increased number (and/or percentage) of audited organizations, Internal Auditor Professionals for Public Sector (IAPPS) and Internal Audit Practical Instructors (IAPI)	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM in 2020 1) Enacted law and/or regulations 1) Assessment of quality assurance in 2020 1) More than 40% of Mongolian governmental internal auditors finish trainings provided by MOF			
Project Purpose The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 on the Project scope areas in IA-CM *Level of the other area will be checked in Overall goal indicator 2. Continued progresses of actions for enhancing internal audit and internal auditors in legal framework (e.g. draft laws & regulations, etc.) 3. Increased number of IAPPS: 1) 100 IAPPS training participants 4-1. Continued implementation of internal audit using the manuals under development in the priority areas 4-2. Continued implementation of internal audit in priority areas specialized public organizations: *16* (number of IA reports, recommendations, follow-up) 4-3. [reference] Continued implementation of ordinary internal audit in the other areas *8* (number of IA reports, recommendations, follow-up) 5. Increased number (and/or percentage) of audited organizations, IAPPSs and IAPIs: 100 (number and/or percentage) 6. Implemented Internal Audit Quality Assurance systems: 2-3 reports* are made	1) [reference] Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM 1) The original draft and the draft bill 1) Assessment at the final JCC 1) IA reports made by using practical internal audit manuals (including risk-based approach) in priority areas 2) [reference] IA reports made by using risk-based internal audit manuals in the other areas 1) Reports made by International Audit Quality Assurance system	1. The Mongolian government will not change the policy for enhancement of internal audit function which meets international standards and practices 2. Any changes in organizational structures of the Mongolian government which may affect the project activities will not happen. 3. A significant reduction of the necessary budgetary and human resource allocation and other institutional arrangements in CPs as to prevent the project from proceeding will not happen.		
Outputs	Objectively Verifiable Indicators	Means of Verification	Important Assumptions		
1. The solution of establishing a more solid legal foundation of internal audit is identified.	1-1. Developed working paper(s) on other countries experiences and appropriate options of enhancing legal foundation	1) The working paper(s)			
	1-2. Developed concept paper of new legal framework on internal audit	1) The concept paper			
2. Qualified internal auditor certification system is introduced.	2-1. Developed IAPPS training framework documents	1) The IAPPS training framework documents			
	2-2. Developed IAPPS trial test & learning materials and program	1) Training schedule, 2) Learning materials on IAPPS			
	2-3. Continued implementation of IAPPS trial test and pre-test training	1) Result of IAPPS trial test			
	2-4. Developed IAPPS participators and personal other training records	1) The participators and personal records for administration			
	2-5. Continued implementation of training for IAPI: *3* trainings* are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings	1) The report on trainings			
	2-6. Number of IAPI who are deployed at ministries, local governments and government agencies is more than *100*	1) List of Participant who received certificates			
3. Internal auditors' capacity of practicing internal audit is further strengthened.	3-1. Document workingpapers of each audit phase (total of 4 audit phases- planning, fieldwork, reporting and follow-up) through internal audit practice conducted by priority ministries lead by C/P.	1) 16 activity reports are submitted (16 activities mean that 4 priority ministries submit workingpapers of each of 4 audit phase-planning, fieldwork, reporting and follow-up)			
	3-2. Developed practical internal audit manuals in priority areas	1) Practical internal audit manual			
	3-3. Continued implementation of training for using the manuals under development in priority area: *40* trainings and OJT(On the Job Training) are conducted	1) The reports on trainings and OJT			
	3-4. Developed practical internal audit manual on specialized public organizations	1) Practical internal audit manual			
	3-5. Continued implementation of training for using the manuals under development on specialized public organizations: *10* trainings and OJT(On the Job Training) are conducted	1) The reports on trainings and OJT			
	3-6. [Reference] Continued engagement in ordinary internal audit with/without involvement of the IICA Expert team				
4. Internal Audit Quality Assurance system is introduced	4-1. Developed quality assurance framework documents	1) The quality assurance framework documents			

	4-2. Developed quality assurance manuals (including checklists)	1) The quality assurance manuals (including checklists) for both internal and external quality controls		
	4-3. Developed implementation plans of the quality assurance activities	1) The implementation plans of the quality assurance activities		
	4-4. Continued implementation of quality assurance activities on a plan basis	1) Status report of implementation plan 2) Monitoring reports after the quality assurance activities started		
3 Medium-term strategic plan is developed	5-1. Support to draft 2017-2020 medium-term strategic plan	1) Enforcement items proposed by JICA experts		
	5-2. Review the progress for the 1st quarter of 2017 or after, along with the medium-term strategic plan	1) Summary of review		

Activities	Inputs		Pre-Conditions
	The Japanese Side	The Mongolian Side	
0-1. Collect basic information on internal audit (e.g. number of internal audit conducted, established audit committee and developed internal audit charter, and internal auditor in each organization)			
0-2. [By C/P] Conduct self diagnosis based on IA-CM			
0-3. Hold discussions on progress and achievements of introducing internal audit practices in Mongolia based on activities 0-1 & 0-2			
1-1. Develop a work plan			
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors			
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors			
1-4. Develop concept paper of possible legal framework based on the activities 1-1-1-3 (NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.			
1-5. [By C/P] Develop original draft of legal framework based on 1-4 above			
1-6. [By C/P] Develop draft bill of legal framework based on 1-4 above			
1-7. Support activities relating with submission of the bill to the parliament until April			
2-1. Develop a work plan and set up a working group			
2-2. Collect & analyze other countries experiences relating to IAPPS & CPE			
2-3. Develop IAPPS training framework documents			
2-4. Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI			
2-5. Designate responsible organization for implementation of IAPPS training			
2-6. Design IAPPS trial test & pre-test training contents			
2-7. Conduct trainings for IAPPS candidates			
2-8. Conduct IAPPS trial test			
2-9. Develop IAPPS participants and other training participants records			
2-10. Support providing training for IAPPS			
2-11. Train the IAPIs and its candidates to acquire practical skills required to disseminate internal audit			
2-12. Certifying candidates who satisfy necessary conditions as the IAPIs			
3-1. Develop a work plan and set up working groups			
3-2. Conduct financial planning exercise on implementation of trainings and OJT			
3-3. Develop the internal audit manuals in priority areas and common manual for specialized public organization (e.g. local governments, schools, hospitals, customs etc.)			
3-4. Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations			
3-5. [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1			
4-1. Develop a work plan			
4-2. Develop first version of check-lists for quality assurance of internal audit			
4-3. Develop an annual plan to conduct the quality assurance activities			
4-4. Train staff for quality assurance of internal audit using the check lists.			
4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis			
4-6. Develop final version of check-lists for quality assurance of internal audit			
5-1. Develop a work plan and set up a working group			
5-2. [By C/P] Decide the basic policy of medium-term strategic and enforcement items			
5-3. Support to draft 2017-2020 medium-term strategic plan			
5-4. [By C/P] Finalize 2017-2020 medium-term strategic plan			
5-5. Review the progress for the first quarter of 2017 and revise medium-term strategic plan if necessary			

Cooperation with Mongolian speaking trainer who has relevant knowledge and experience preferably in Project Phase I and the IAPIs is necessary to deliver the training.

Team working with the IAPIs and its candidates on the ground is essential and critical in order to carry out activity 3-3.

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Issues and countermeasures

N/A

[reference] indicates activities performed by C/P which does not need JICA experts' assistance in the aim of sustainability

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Project Monitoring Sheet I (Project Design Matrix) Version 4.2(revised 4.1)

Project Title: Capacity Development Project for Internal Audit Phase 2
Implementing Agency: Ministry of Finance, Mongolia
Target Group: Ministry of Finance, Central Government Ministries and Local Governments
Period of Project: Three Years (From 2014/09 To 2017/08)

Version 4.2
Dated February 2017

< Based on the Project Design Matrix used for Working Plan as of February 2017 >

Project Site: Mongolia **Model Site:** N/A

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions	Achievement	Remarks
Overall Goal The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 2. Established legal framework of internal audit 3. Continued implementation of internal audit: increase number of IA reports, recommendations, follow-up 4. Increased number (and/or percentage) of audited organizations, Internal Auditor Professionals for Public Sector (IAPPS) and Internal Audit Practical Instructors (IAPI)	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM in 2020 1) Enacted law and/or regulations 1) Assessment of quality assurance in 2020 1) More than 40% of Mongolian governmental internal auditors (finish trainings provided by MOF)		It is premature to reach a conclusion (In progress)	Self diagnosis and introduced the new level of IA-CM in working plan Concept paper and draft bill have been prepared and submitted to CP Internal Audit field activities are conducted with experts The first trial test was conducted and trainings were provided
Project Purpose The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 on the Project scope areas in IA-CM *Level of the other area will be checked in Overall goal indicator 2. Continued progresses of actions for enhancing internal audit and internal auditors in legal framework (e.g. draft laws & regulations, etc.) 3. Increased number of IAPPS: 1) 100 IAPPS training participants 4.1. Continued implementation of internal audit using the manuals under development in the priority areas 4.2. Continued implementation of internal audit in priority areas specialized public organizations: *16* (number of IA reports, recommendations, follow-up) 4.3. [reference] Continued implementation of ordinary internal audit in the other areas *8* (number of IA reports, recommendations, follow-up) 5. Increased number (and/or percentage) of audited organizations, IAPPSs and IAPIs: 100(number and/or percentage) 6. Implemented Internal Audit Quality Assurance systems: 2-3 reports* are made	1) [reference] Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM 1) The original draft and the draft bill 1) Assessment at the final JCC 1) IA reports made by using practical internal audit manuals (including risk-based approach) in priority areas 2) [reference] IA reports made by using risk-based internal audit manuals in the other areas 1) Reports made by International Audit Quality Assurance system	1. The Mongolian government will not change the policy for enhancement of internal audit function which meets international standards and practices 2. Any changes in organizational structures of the Mongolian government which may affect the project activities will not happen. 3. A significant reduction of the necessary budgetary and human resource allocation and other institutional arrangements in CPs as to prevent the project from proceeding will not happen.	Continue to support CP for progress Continue to support CP for progress IAPPS training and pre-test was conducted with participation of more than 100 government internal audit officials In progress, however implementation will be started after releasing manual. IAPPS and IAPI practical training was conducted for internal auditors (Participants: IAPPS 120 officials, IAPI 20 officials) Certificate of attendance was given to the IAPI training participants from JICA Project Team. The first report was submitted in the first year Checklist review was completed in the second year	Self diagnosed and the result was introduced in the working plan. CP is in Level-2 The concept paper and the draft bill have been submitted to CP. The first IAPPS pre-test was conducted Stakeholder should discuss the contents and plan for practical manual Stakeholders should discuss about timing and participants of the next training QA will be conducted, using the revised checklist and prepare QA manual based on implementation result in the third year.
Outputs	Objectively Verifiable Indicators	Means of Verification	Important Assumptions		
1. The solution of establishing a more solid legal foundation of internal audit is identified	1-1. Developed working paper(s) on other countries experiences and appropriate options of enhancing legal foundation	1) The working paper(s)		Completed. The working paper was created and the option (the independent IA law) was taken	N/A
	1-2. Developed concept paper of new legal framework on internal audit	1) The concept paper		Completed The concept paper and the draft bill, which reflected comments from IIA Global, were submitted	Continue to support CP
2. Qualified internal auditor certification system is introduced.	2-1. Developed IAPPS training framework documents	1) The IAPPS training framework documents		In progress Due to CP's decision to accept IIA qualification framework, IAPPS framework is developing based on it.	Continue to support CP
	2-2. Developed IAPPS trial test & learning materials and program	1) Training schedule, 2) Learning materials on IAPPS		Completed for 2nd year Training and pre-test materials and training curriculum were developed.	Continue to support CP
	2-3. Continued implementation of IAPPS trial test and pre-test training	1) Result of IAPPS trial test		Completed for 2nd year The first IAPPS exam was conducted for measuring the baseline	Continue to support CP
	2-4. Developed IAPPS participators and personal other training records	1) The participators and personal records for administration		In progress	Continue to recruit further participants
	2-5. Continued implementation of training for IAPI: *3* trainings* are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings	1) The report on trainings		In progress 1 training was conducted in the second year.	Continue to provide trainings
	2-6. Number of IAPI who are deployed at ministries, local governments and government agencies is more than *100*	1) List of Participant who received certificates		In progress Participants in the second year: 16	Continue to provide trainings
3. Internal auditors' capacity of practicing internal audit is further strengthened	3-1. Document workingpapers of each audit phase (total of 4 audit phases- planning, fieldwork, reporting and follow-up) through internal audit practice conducted by priority ministries lead by CP.	1) 16 activity reports are submitted (16 activities mean that 4 priority ministries submit workingpapers of each of 4 audit phase-planning, fieldwork, reporting and follow-up)		In progress Responsible personnel were assigned at the 4 priority areas and had begun their works	Continue accordingly
	3-2. Developed practical internal audit manuals in priority areas	1) Practical internal audit manual		In progress Risk assessment in priority areas and working paper templates were finalized by JICA Experts and submitted to CP	CP needs to review the manual including the consistency with manual developed by World Bank and finalize and determine the release date.
	3-3. Continued implementation of training for using the manuals under development in priority area: *40* trainings and OJT(On the Job Training) are conducted	1) The reports on trainings and OJT		In progress	Training and OJT using manual will be conducted after releasing manual.
	3-4. Developed practical internal audit manual on specialized public organizations	1) Practical internal audit manual		In progress Risk assessment in priority areas and working paper templates were finalized by JICA Experts and submitted to CP	CP needs to review the manual including the consistency with manual developed by World Bank and finalize and determine the release date.
	3-5. Continued implementation of training for using the manuals under development on specialized public organizations: *10* trainings and OJT(On the Job Training) are conducted	1) The reports on trainings and OJT		In progress	Training and OJT using manual will be conducted after releasing manual.
	3-6. [Reference] Continued engagement in ordinary internal audit with/without involvement of the JICA Expert team			In progress	In progress
4. Internal Audit Quality Assurance system is introduced	4-1. Developed quality assurance framework documents	1) The quality assurance framework documents.		In progress	The framework documents based on IIA's quality assurance are developing

	4-2. Developed quality assurance manuals (including checklists)	1) The quality assurance manuals (including checklists) for both internal and external quality controls		In progress	Checklist review, which will be used in the third year QA activities, was completed in the second year. QA manual and checklists will be revised based on JICA's quality assurance throughout QA activities in the third year.
	4-3. Developed implementation plans of the quality assurance activities	1) The implementation plans of the quality assurance activities		In progress	The implementation plan was developed for the first year. Continue in 3rd year for local governmental organizations.
	4-4. Continued implementation of quality assurance activities on a plan basis	1) Status report of implementation plan 2) Monitoring reports after the quality assurance activities started		In progress	Continue in 3rd year for local governmental organizations.
3 Medium-term strategic plan is developed	5-1. Support to draft 2017-2020 medium-term strategic plan	1) Enforcement items proposed by JICA experts			
	5-2. Review the progress for the 1st quarter of 2017 or after, along with the medium-term strategic plan	1) Summary of review			

Activities	Inputs		Pre-Conditions		
	The Japanese Side	The Mongolian Side			
0-1. Collect basic information on internal audit (e.g. number of internal audit conducted, established audit committee and developed internal audit charter, and internal auditor in each organization)					See the Monitoring Sheet Summary
0-2. [By C/P] Conduct self diagnosis based on IA-CM					See the Monitoring Sheet Summary
0-3. Hold discussions on progress and achievements of introducing internal audit practices in Mongolia based on activities 0-1 & 0-2					
1-1. Develop a work plan					
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors					
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors					
1-4. Develop concept paper of possible legal framework based on the activities 1-1-1-3. (NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.					
1-5. [By C/P] Develop original draft of legal framework based on 1-4 above					
1-6. [By C/P] Develop draft bill of legal framework based on 1-4 above					
1-7. Support activities relating with submission of the bill to the parliament until April					
2-1. Develop a work plan and set up a working group					
2-2. Collect & analyze other countries experiences relating to IAPPS & CPE					
2-3. Develop IAPPS training framework documents					
2-4. Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI					
2-5. Designate responsible organization for implementation of IAPPS training					
2-6. Design IAPPS trial test & pre-test training contents					
2-7. Conduct trainings for IAPPS candidates					
2-8. Conduct IAPPS trial test					
2-9. Develop IAPPS participants and other training participants records					
2-10. Support providing training for IAPPS					
2-11. Train the IAPPS and its candidates to acquire practical skills required to disseminate internal audit					
2-12. Certifying candidates who satisfy necessary conditions as the IAPPS					
3-1. Develop a work plan and set up working groups					
3-2. Conduct financial planning exercise on implementation of trainings and OJT					
3-3. Develop the internal audit manuals in priority areas and common manual for specialized public organization (e.g. local governments, schools, hospitals, students etc.)					
3-4. Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations					
3-5. [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1					
4-1. Develop a work plan					
4-2. Develop first version of check-lists for quality assurance of internal audit					
4-3. Develop an annual plan to conduct the quality assurance activities					
4-4. Train staff for quality assurance of internal audit using the check lists					
4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis					
4-6. Develop final version of check-lists for quality assurance of internal audit					
5-1. Develop a work plan and set up a working group					
5-2. [By C/P] Decide the basic policy of medium-term strategic and enforcement items					
5-3. Support to draft 2017-2020 medium-term strategic plan					
5-4. [By C/P] Finalize 2017-2020 medium-term strategic plan					
5-5. Review the progress for the first quarter of 2017 and revise medium-term strategic plan if necessary					

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Issues and countermeasures
N/A

[reference] indicates activities performed by C/P which does not need JICA experts' assistance in the aim of sustainability

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S.D

**MINUTES OF MEETINGS ON THE FIRST
JOINT COODINATION COMMITTEE ON THE PROJECT FOR CAPACITY
BUILDING OF INTERNAL AUDIT IN MONGOLIA-Phase2**

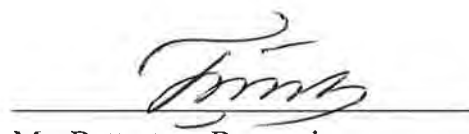
Japan International Cooperation Agency (hereinafter referred to as "JICA") and Budget Control and Risk Management Department (hereinafter referred to as "BC-RM Dept.") of Ministry of Finance of the Government of Mongolia held the Joint Coordination Committee (hereinafter referred to as "JCC") within the framework of the Record of Discussions (hereinafter referred to as "R/D") for "Capacity Building of Internal Audit in Mongolia Phase-2" (hereinafter referred to as "the Project").

As a result of the discussions, JICA and BC-RM Dept. made the Minutes of Meetings in order to confirm the mutual understanding and the matters agreed in the discussions attached hereto.

Ulaanbaatar, November 21st, 2014



Mr. Atsumu IWAI
Senior Representative
JICA Mongolia Office



Ms. Battsetseg Batsuuri
Director, Budget Control, Risk
Management Department, Ministry of
Finance of Mongolia



Mr. Hiroshi ENDO
Chief Advisor
Project for Capacity Building of Internal
Auditing , JICA Experts Team



Mr. Sukh-Ochir Batsukh
Director, Internal Auditing, Monitoring
and Evaluation Division, Ministry of
Finance of Mongolia

ATTACHED DOCUMENTS

1. The JICA Expert explained the methodology to achieve the Project goals. The JCC members agreed that they would undertake the Project on their own initiatives.
2. The JICA Expert explained the summary of the inception report and the JCC members agreed with its contents accordingly. The final version of the report is shown in Annex2.
3. The JICA Expert explained the overseas study trip conducted in December 2014. The objective of which is to learn the Internal Audit laws of Australia and Korea, enhancing the awareness of attendees toward establishing Mongolian Internal Audit laws.
4. The JCC members understand the project objectives and agreed that they would set up the working groups and working plans by December.
5. The JCC members agreed to set the target level of the highlighted Objectively Verifiable Indicators of the Outputs (see Annex 3 “Project Design Matrix”) by the month of February 2015.
6. The members perceived that there was a change on the JCC members that was introduced in “Tentative Implementation Structure of the Project” attached as Annex.4 of the Record of Discussion agreed on June 12th, 2014. The newly assigned JCC members are listed on Annex.1
7. The topics to be discussed in the next JCC shall be:
 - The target levels of the highlighted Objectively Verifiable Indicators of the Outputs
 - The result of the Oversea Study Trip
 - The result of convention with the influential person to stipulate Internal Audit acts
 - Progress of establishing Internal Audit acts (laws & regulation or provisions)
 - Progress of Internal Audit Qualification Exam
 - Progress of Internal Audit activities and drafting of Internal Audit Manuals
 - Progress of creating Quality Assurance tools









ANNEX

Annex.1 The JCC Members

Annex.2 The Inception Report(Mongolian version)

Annex.3 The Project Design Matrix(PDM)

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The Joint Coordinating Committee Members

Mongolian Side

- , Director, Budget Control and Risk Management Department, Ministry of Finance
- , Representative, Legal Department, Ministry of Finance
- , Representative, Accounting Policy Department, Ministry of Finance
- , Representative, Director of Fiscal Policy and Planning Dept., Ministry of Finance
- , Director , Internal Audit & Monitoring Evaluation division, Ministry of Finance
- , Director , Ministry of Justice
- , Director, Ministry of Health
- , Director, Ministry of Agriculture
- , Deputy Director, Ministry of Foreign Affairs

JICA Mongolia Office:

- Mr. Atsumu Iwai, Senior Representative, JICA Mongolia Office
- Ms. A. Saikhantuya, Representative, JICA Mongolia Office

JICA Experts:

- Mr. Hiroshi ENDO, Chief Internal Auditing Advisor
- Mr. Amane IMADA, Internal Auditing Advisor
- Ms. Narmandakh SANDAGSUREN, Internal Auditing Advisor
- Mr. Motoya TAMINO, Internal Auditing Advisor
- Ms. Kumi KODAMA, Internal Auditing Advisor

**LAW OF MONGOLIA ON
INTERNAL AUDIT IN
GOVERNMENT SECTOR**

June....., 20..

State palace, Ulaanbaatar

**CHAPTER ONE.
GENERAL PROVISIONS**

Article 1. Purpose of the law

1.1. Purpose of the law is to institute internal audit framework in the government sector organizations as per international standard in order to enhance operational results and responsibility by means of improved risk management, internal control and governance functions.

Article 2. Objective of the law

2.1. The Law shall regulate the internal audit framework in government sector organizations, the statute and functions of the structures and persons implementing it, as well as the activities and relations related to the implementation of internal audit function in government sector.

Article 3. Legislation on internal audit in government sector

3.1. Legislation on internal audit in government sector shall comprise of Constitution of Mongolia, Law on State budget, this law as well as other legal acts enacted in conformity with them.

Article 4. Framework of the law

4.1. This law shall regulate central and local governing bodies, public entities of all level as well as state or provincial government owned or state and provincial government predominantly owned entities.

Article 5. Definitions of legal terminology

5.1. The terms used in this law shall have the following meanings:

5.1.1. “internal audit” refers to independent, objective assurance and consulting activity designed to add value and improve organization’s operations;

5.1.2. “internal audit unit” refers to department, division or unit within the organization dedicated to implement internal audit roles and functions;

5.1.3. “Chief audit executive” refers to a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and other Standards;

5.1.4. “head of organization” refers to budget governors of all levels who are chairing state and provincial public sector entities;

5.1.5. “risk” refers to uncertainties impacting achievement of organizational objectives;

5.1.6. “risk management” refers to processes directed to identify, assess, manage, and control potential events or likelihood of situations to provide reasonable assurance regarding the achievement of the organization's objectives;

5.1.7. “control” refers to any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved;

5.1.8. “governance” refers to the combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives;

5.1.9. “fraud” refers to any illegal act characterized by deceit, concealment, or violation of trust;

5.1.10. “audit in internal control framework” refers to detailed evaluation of evidences for the purpose of providing an independent assessment on implementation of internal audit functions;

5.1.11. “compliance audit” refers to comprehensive review of an organization's adherence to regulatory and legislative guidelines and standards;

5.1.12. “financial audit” refers to comprehensive evaluation of validity, integrity and reliability of financial reports and reporting processes;

5.1.13. “performance audit” refers to independent examination to assess whether the organization is utilizing its resources economically, efficiently and effectively in executing its operational duty;

Article 6. Principles of internal audit

6.1. Internal Audit function shall adhere to rule of law and principles of independence, objectivity, confidentiality and professionalism.

CHAPTER 2 INTERNAL AUDIT FRAMEWORK AND STRUCTURE

Article 7. Internal Audit Functions

7.1. Internal audit shall conduct following activities in order to support organizations in achieving its goals and missions:

7.1.1. Evaluate and consult whether organization is managing risks effectively;

7.1.2. Examine effectiveness of internal control and recommend for improvements;

7.1.3. Evaluate organizational governance processes, structure and recommend for improvements;

7.1.4. Examine and consult whether organizational operations adhere to corresponding legislations, regulations and standards;

7.1.5. Examine and provide assurance in validity, integrity and reliability of financial report and reporting principles of organization;

7.1.6. Evaluate whether organizational operation and utilization of its resources is effective, efficient and economical and recommend improvements;

7.2. Internal audit shall be performed to provide assurance and consultancy.

7.3. Assurance audit services shall perform objective examination of evidences for the purpose of providing an independent assessment on governance, risk management, and control processes and adherence to legislation, regulations and accounting principles as well as validity, integrity and reliability of financial reports of the organization.

7.4. Advisory audit services shall comprise of services and activities intended to improve operational effectiveness and efficiency and add value to an organization's governance, risk management, and control processes as well as advice, counsel and facilitate trainings towards maximization of enterprise value and other related services.

Article 8. Types of internal audit functions

8.1. Internal auditor shall conduct following types of internal audit activities to implement its duties:

8.1.1 Audit in internal control framework;

8.1.2. Compliance audit;

8.1.3. Financial audit;

8.1.4. Performance audit;

8.1.5. Others.

Article 9. Internal audit framework

9.1. It is mandatory for following organizations to embody internal audit functions:

9.1.1. state and provincial government sector organizations ;

9.1.2. state organizations which implement certain state mission and provide services on behalf of the state even though not financed by the state or provincial government budgets;

9.1.3. state or provincial government owned or state and provincial government predominantly owned entities

Article 10. Internal Audit Structure

10.1. Head of the Organization and/ or its Board stated in provision 9.1 of Article 9 of this law is charged to organize and implement internal audit functions under its authority.

10.2. All units, branches, programs and operations of the organization shall be included in internal audit functions.

10.3. Following party shall conduct internal audit activities:

10.3.1. internal audit unit comprising of full-time employees of organization;

10.3.2. independent party who performs internal audit services based on contracts (outsourced);

10.4. Internal audit unit of an organization shall comprise of Chief Audit Executive and internal auditors and shall report directly to Head of the organization or its Board.

10.5. Outsourced independent internal audit service provider could either provide internal audit services for several organizations as shared audit services or it could be independent entity providing internal audit services, both of which shall directly report to Head of organization or its Board.

10.6. Internal audit activities shall be conducted as per this law and other regulations, standards and guidance approved by the State Central Administrative Body responsible for Finance and Budget.

10.7. If yearly budget allocation exceeds ... MNT, then it is mandatory for following organizations to embody internal audit function within itself:

10.7.1. The President's Office, Secretariat of State Great Khural, Cabinet Secretariat Office;

10.7.2. Constitutional Court of Mongolia, Supreme court of Mongolia, General Council of Courts, The State General Prosecutors' Office of Mongolia, Independent Authority against corruption;

10.7.3. Organizations which report directly to the State Great Khural;

10.7.4. Central administrative body;

10.7.5. Government regulatory and implementing agencies;

10.7.6. Aimak, soum, district Governors and city mayor;

10.7.7. State and provincial budget governor.

10.8. As per petition submitted by Cabinet member responsible for Finance and Budget, Cabinet shall decide on establishment of shared or independent internal audit function within organizations which are not stated in the Article 10.7 of this law based on organization's risk profile evaluation.

10.9. Cabinet shall determine human resource ceiling of internal audit unit based on allocated budget of corresponding organization.

10.10. State or provincial government owned or state and provincial government predominantly owned entities shall establish internal audit unit with its Board approval and shall embody Audit Committee as per Company Law of Mongolia.

10.11. Head of the organization shall establish Audit Committee and the Audit Committee shall comprise of non-employee and independent members with no conflict of interest and with sufficient experience in financial management, control and audit.

10.12. Audit Committee shall ratify and adhere to its own rules adjacent to Cabinet approved General Guidance.

10.13. Audit Committee shall counsel with Head of organization and/or it's Board in order to support organizational operations by providing its opinion on structure and organization of internal audit unit, long term and yearly internal audit plan, internal audit report, yearly operational report and other issues related to internal audit activities.

CHAPTER THREE INTERNAL AUDITOR AND ITS RIGHTS AND RESPONSIBILITES

Article 11. Appointment of Internal Auditor

11.1. Board or Head of the Organization shall employ an internal auditor as per the Law on Public Service based on selection process.

11.2. Internal auditor shall comply with following requirements to be eligible:

11.2.1. be a citizen of Mongolia;

11.2.2. has no criminal sanctions or has not been forfeited to perform corresponding occupation by any court rulings;

11.2.3. be a graduate from accredited universities with not less than 4 year program with a Bachelor or above degree;

11.2.4. has to be enrolled in 1st Grade training for preparation of internal auditors for government sector organizations and obtained "1st Grade Certificate for Internal Auditor for Government Sector" from the State Central Administrative Body responsible for Finance and Budget ;

11.3. Persons not qualifying eligibility criteria stated in Article 11.2.4 of this law can work as Auditor's assistant within two years period. If Auditor's assistant qualifies these criteria, then he/she can be appointed as internal auditor.

11.4. Board or Head of the Organization shall select and appoint Chief Audit Executive as per the Law on Public Service of Mongolia and the Candidate for this position shall comply with following additional requirements on top of the requirements stated in Articles 11.2.1, 11.2.2. and 11.2.4 of this law:

11.4.1. shall possess Master's or above educational degree;

11.4.2. internal and external audit work experience with not less than three years;

11.4.3. has to be enrolled in 2nd Grade training for preparation of internal auditors for government sector organizations and obtained “2nd Grade Certificate for Internal Auditor for Government Sector” from the State Central Administrative Body responsible for Finance and Budget;

11.5. Following Persons are strictly prohibited from being appointed as Chief Audit Executive:

11.5.1. Employee of an organization who performed duties other than internal audit functions within last one year period;

11.5.2. Employee with executive position at the organization within last two year period;

11.5.3. A Candidate whose spouse or close relatives had executive positions at the organization within last two year period.

11.6. Candidate for Chief Audit Executive shall convey that the reasons stated in Article 11.5 are not existent to the Board or Head of the Organization in writings.

11.7. Chief Audit Executive stated in provision 10.7 of Article 10 shall be appointed and dismissed by the written approval of Cabinet member responsible for Finance and Budget.

11.8. Cabinet member responsible for Finance and Budget shall his or her consent (no objection) to appoint or dismiss Chief Audit Executive within 10 working days after receipt of request and shall not object any Candidate who qualifies requirements outlined in Articles 11.4 and 11.5 of this law.

Article 12. Rights of internal auditors

12.1. Chief Audit Executive as well as internal auditors shall exercise following rights:

12.1.1. with regards to conducting internal audit activities an internal auditor has the right to enter all parts of the premises of an organization, request necessary documentation at disposal and to meet with employees in order to get explanation and gather information;

12.1.2. to access any kind of electronic and printed data in matters related to internal audit;

12.1.3. to request any relevant documentations and reports from relevant personnel;

12.2. Management and personnel of any organization shall support internal audit activities fully and shall provide information and documentations requested by an internal auditor or Chief Audit Executive at disposal with no charge and delay.

12.3. Internal auditors shall conduct internal audit activities at organizational branches and units as per the audit plan produced and approved by Chief Audit Executive or Head and/or Board of organization.

12.4. Chief Audit Executive shall exercise rights stated in Article 12.1 of this law as well as rights stipulated below:

12.4.1. Inform any matters related to internal audit to Head of Organization or its Board;

12.4.2. If professional knowledge and skills required conducting internal audit activities, extend a request for expert to the Head of Organization or its Board;

12.4.3. Contact directly with Audit Committee members and its head as well as attend Audit Committee meeting;

12.4.4. Define objective, framework, methodology, frequency as well as required resources of internal audit activities;

12.5. Chief Audit Executive as well as internal auditors shall be inclined to follow General Guideline for Government Sector Internal Audit Unit approved by Cabinet, National or International Internal Audit Standard approved by State Central Administrative Body responsible for Finance and Budget, Ethical Standards as well as Internal Audit General Practice.

12.6. Chief Audit Executive as well as internal auditors shall comply with confidentiality of information gathered during internal audit mission with regards to state, entity and individuals unless stated otherwise in law.

12.7. Chief Audit Executive shall be responsible for all operations undertaken by internal audit unit, within which include:

12.7.1. develop the rules and regulations of internal audit unit and yearly and long term audit plan, run it through Audit Committee and get approval from Head of Organization or its Board;

12.7.2. Delegate and regulate works among internal auditors;

12.7.3. Supervise and approve audit plan within its full responsibility;

12.7.4. Monitor implementation of yearly internal audit plan as well as optimal application of Practice guideline for government sector internal audit by internal auditors;

12.7.5. Produce a continues training plan for internal auditors in order to enhance and improve their knowledge, expertise and skill set and get approval from Head of Organization or its Board;

12.7.6. If required, develop special methodology adjusted for organizational needs and enforce in conducting internal audit activities;

12.7.7. Organize evaluation processes for newly introduced structures or functional changes in financial management and control;

12.8. Chief Audit Executive as well as internal auditors are allowed to have membership in national or international internal audit professional institution, association and chapter.

Article 13. Responsibilities of Internal Auditor

13.1. Chief Audit Executive has following responsibility to report to Head or Board of organization as well as Audit Committee:

13.1.1. Present internal audit report as well as evaluation of efficiency and effectiveness of financial management and control of the organization;

13.1.2. Report audit results, findings and recommendations and their implementation;

13.1.3. Report implementation process of internal audit yearly plan;

13.1.4. Evaluate optimization of budget and other resources allocated for internal audit unit and propose appropriate solution;

13.1.5. Report any cases hindering the activities of Chief Audit Executive and internal auditors;

13.1.6. Regulate relationships between external auditors.

13.2. Chief Audit Executive shall develop and implement quality assurance program for conducting all activities of internal audit unit and within the program framework, internal and external assessment shall be conducted.

13.3. Internal assessment shall consist of continues control of activities of internal audit unit, self-assessment as well as assessment by other employees who have substantial knowledge of internal audit.

13.4. External evaluation shall be performed by an experienced and independent evaluator or evaluation team outside of the organization not less than once in every five years.

13.5. Cabinet member responsible for finance and budget shall approve Regulation on internal audit quality assurance.

13.6. Internal auditor shall report to Chief Audit Executive directly when encountered with fraud schemes. Chief Audit Executive shall report corresponding case directly to Head of organization of its Board immediately and introduce mitigation measures.

13.7. If no measures are taken with regards to the information and recommendation outlined in Article 13.6 within 10 days, Chief Audit Executive shall report the case to the Audit Committee.

13.8. It is prohibited for internal auditors to conduct performance audit for organizational units for which he provided advisory services and/or conducted activities within the last one year period. If encountered with such circumstances, an auditor shall inform in written format to the Chief Audit Executive.

13.9. Chief Audit Executive and internal auditors shall not perform any other functions within the organization other than internal audit.

13.10. Assistant of auditor shall support in preparation of audit materials, plan and report and shall exercise equivalent rights and responsibilities with regards to other issues.

13.11. Chief Audit Executive and auditors shall meet disciplinary actions if not abided by the applicable responsibility.

CHAPTER FOUR PLANNING, IMPLEMENTATION AND REPORTING OF INTERNAL AUDIT

Chapter 14. Yearly and long term planning of internal audit

14.1. Chief Audit Executive shall develop risk based audit plan in order to define guiding principle for internal audit unit adjacent to organization's mission and vision.

14.2. Internal audit unit shall conduct its activities according to yearly audit plan based on its long term plan.

14.3. Based on vision and mission of the organization, Chief Audit Executive shall develop long term plan encompassing strategic development objectives of internal audit agreeing upon with Head of the Organization, its Board and other corresponding officials.

14.4. Long term audit plan shall be discussed via Audit Committee and approved by Head of the Organization and its Board.

14.5. Chief Audit Executive shall develop yearly audit plan encompassing audit topics

for the particular year agreeing upon with Head of the Organization, its Board and other corresponding officials.

14.6. If planned audit activities associate with projects and programs dedicated for different organizations, yearly plan shall accommodate and correspond with yearly audit plan of other internal audit units of these organizations incorporated in the project and program.

14.7. Chief Audit Executive of lower level budget governors shall accommodate its yearly plan with yearly plan of internal audit unit of higher level budget governors.

14.8. Internal audit yearly plan shall be discussed via Audit Committee and approved by Head of the Organization and its Board.

14.9. Based on risk evaluation, changes in yearly and long term plan shall be recommended by Chief Audit Executive, discussed via Audit Committee and approved by Head of the Organization and its Board.

Chapter 15. Planning, implementation and reporting of internal audit

15.1. Internal auditor shall develop plan for specified audit encompassing its framework, objectives, methodology, timeline and required resources.

15.2. Internal auditor shall gather sufficient information necessary to infer recommendations in line with audit objectives and conduct audit activities by way of evaluation, documentation and assurance.

15.3. Internal audit unit shall produce audit report after each completed audit activity and the report shall convey audit objectives, framework, findings, conclusions, recommendations as well as propositions suggested by the management of corresponding organization and unit.

15.4. Audit report shall be discussed and approved by Audit Committee and presented to the management of audited organization and unit.

15.5. Management of the audited organization and unit has responsibility to implement recommendations stated in the audit plan and shall submit plan for implementation measures as per recommendation to the internal audit unit.

15.6. Internal audit yearly plan shall encompass monitoring and analyzing activities for implementation of audit recommendations and internal audit unit shall evaluate whether implemented measures were optimal, effective and in timely manner.

Article 16. Internal audit yearly plan

16.1. Chief Audit Executive shall develop internal audit yearly plan and shall include following:

16.1.1. Causes and circumstances of performed audits where audit framework was limited and audit plan was not materialized;

16.1.2. Conclusions with regards to financial management and control structure of organization and recommendations directed to improving organization's operations;

16.1.3. Measures taken to implement recommendations as well as immaterialized recommendations;

16.1.4. Violations of legislation detected by audit, among which are fraud cases;

16.1.5. Proposition of measures to be taken in order to develop internal audit function.

16.2. Lower level budget governor with internal audit division shall submit its internal audit yearly plan to higher level budget governor within January 31st of next year.

16.3. Chief Audit Executive shall submit the yearly plan to Head of the Organization, its Board and Audit Committee within February 20th of next year.

16.4. Head of the Organization and its Board shall submit its internal audit yearly plan to the State Central Administrative Body responsible for Finance and Budget within March 1st of next year.

CHAPTER FIVE RIGHTS AND AUTHORITY OF OFFICIALS AND STATE ORGANIZATION WITH REGARDS TO INTERNAL AUDIT

Article 17. Rights of Government

17.1. Government shall exercise following rights with regards to internal audit for government sector:

17.1.1. Ratify comprehensive regulation for Audit Committee and internal audit units;

17.1.2. Decide and approve for establishment of internal audit unit for organizations not specified in the Article 10.7 of Chapter 10 of this law or decide approve for establishment of shared internal audit unit for several organizations;

17.1.3. Determine ceiling of human resources for internal audit unit in line with allocated budget for the corresponding organization;

17.1.4. Exercise other rights stipulated in the law.

Chapter 18. Rights of Cabinet member responsible for Finance and Budget

18.1. Cabinet member responsible for finance and budget shall exercise following rights with regards to internal audit for government sector:

18.1.1. Approve and implement plan and strategy for developing government sector internal audit;

18.1.2. Develop a comprehensive draft regulation for Audit Committee and internal audit units of government sector organization and submit it to the Cabinet;

18.1.3. Approve and enforce Ethics standard for internal auditors in government sector;

18.1.4. Approve and enforce national standard for internal audit and/or pass decision to enforce International standard for internal auditors in government sector;

18.1.5. Approve and enforce methodology, practice, regulation and guidance for internal audit in government sector;

18.1.6. Approve continues professional training plan for government sector internal auditors and enforce/organize implementation;

18.1.7. Approve plan for 1st and 2nd Grade Training for preparation of government sector internal auditors, regulations for organizing the training as well as examination and payment amount; and organize training and examination and/or outsource to professional organization based on contracts;

18.1.8. Grant certification for government sector internal auditors and extend its valid term ;

18.1.9. Gant rights to government sector internal auditors a financial control inspector status;

18.1.10. Approve regulation for quality assurance assessment for internal audit units in government sectors and organize/enforce implementation;

18.1.11. Cooperate with national and international internal audit organizations in order to develop internal audit;

18.1.12. Exercise other rights stipulated in the law.

18.2. Unit responsible for internal audit training and methodology at State Central

Administrative Body responsible for Finance and Budget shall provide services inclined to organizing and providing technical and methodological guidance for the Cabinet member responsible for Budget and Finance in implementation of the rights outlined in the Article 18.1 of this law.

18.3. State Central Administrative Body responsible for Finance and Budget shall develop data base encompassing Professional Conduct, internal audit activities of internal audit units in government sector, register auditors enrolled in preparation courses for internal auditors and auditors certified as Government sector internal auditor as well as prepare yearly report on standings of internal audit in government sectors and shall attach to the audit performance report yearly.

**CHAPTER SIX.
LIABILITY**

Chapter 19. Liabilities for violation of legislation

19.1. Any Judge or financial controlling inspector shall condemn following sanctions to any persons violating the Law on internal audit in government sector, if not regulated by criminal law:

19.1.1. Any officials who avoid audit activities, refuse providing necessary information and documentation without sufficient reasons to do so, damage data intentionally and who provide false documentations shall be penalized by the amount up to

19.1.2. Any officials who interfere in audit activities and try to influence audit conclusion and reassurance negatively shall be penalized by the amount up to -

19.1.3. Any officials who don't deliver required documentations for internal audit within indicated timeline and who don't comply with recommendations of internal auditor within indicated timeline, shall be penalized by the amount up to..... -

Article 20. Entry into Force

20.1. This Law shall enter into full force with effective date of, 2015.

SIGNATURE

Draft Amendment to Audit law of Mongolia

June ..., 201...

State palace, Ulaanbaatar

Article 1. Following context shall be added to the corresponding provision of Article 4 of Audit Law of Mongolia:

Provision 3 of clause 1 of 4:

“3. Internal audit operations implemented under the authority of general budget governor shall not apply to the Article 4.1 of this law.”

Article 2. This law shall be in full force after ratification and enforcement of Law on internal audit in government sector.

SIGNATURE

Draft

Draft amendment to the Budget Law of Mongolia

June ..., 201...

State palace, Ulaanbaatar

Article 1. Article 69 of Budget Law of Mongolia shall be amended as following:

“Article 69. Internal Audit”

69.1. Each general budget governor and organizations under its authority as well as state and provincial government owned or state and provincial government predominantly owned entities shall establish internal audit unit and employ internal auditors in order to assess risk management, internal control and governance processes and structure of organizations, to provide independent and objective reassurance in validity, integrity and reliability of financial reports and reporting processes and in adherence to applied legislations, to assess whether the organization is utilizing its resources economically, efficiently and effectively as well as to provide consultancy services.

69.2. “The structure, framework and legislative background for government sector internal audit shall be regulated by law.”

Article 2. This law shall be in full force after ratification and enforcement of Law on internal audit in government sector.

SIGNATURE

Draft

**Draft amendment to the State and
Local property law of Mongolia**

June ..., 201...

State palace, Ulaanbaatar

Article 1. The Article 66.1 of State and local property law of Mongolia shall be amended from "... State inspection committee, professional..... Implemented by Ministry of Finance" to "... implemented by National Audit Office".

Article 2. The Article 66.4 of State and local property law of Mongolia shall be annulled.

Article 3. This law shall be in full force after ratification and enforcement of Law on internal audit in government sector.

SIGNATURE

Draft

Draft Amendment to State inspection law of Mongolia

June ..., 201...

State palace, Ulaanbaatar

Article 1. Provision 7.4 of Article 7 as well as Provision 8.2.3 of Article 8 of State Inspection Law of Mongolia shall be annulled respectively.

Article 2. This law shall be in full force after ratification and enforcement of Law on internal audit in government sector.

SIGNATURE

Project Design Matrix

Annex. 3

Version 0.0

Dated June 12, 2014

Project Title: Capacity Development Project for Internal Audit Phase 2

Implementing Agency: Ministry of Finance, Mongolia

Target Group: Ministry of Finance, Central Government Ministries and Local Governments

Period of Project: Three Years (Tentatively From 2014/11 To 2017/10)

Project Site: Mongolia

Model Site:

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions	Achievement	Remarks
Overall Goal					
The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM			
	2. Established legal framework of internal audit	1) Enacted law and/or regulations			
	3. Continued implementation of internal audit: increase number of IA reports, recommendations, follow-up	1) Assessment at the final JCC			
	4. Increased number (and/or percentage) of audited organizations, Certified Internal Auditor Professionals for Public Sector (CIAPPS) and Internal Audit Practical Instructors (IAP)	1) Assessment at the final JCC			
Project Purpose					
The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 on the Project scope areas in IA-CM *Level of the other area will be checked in Overall goal indicator	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM	1. The Mongolian government will not change the policy for enhancement of internal audit function which meets international standards and practices.		
	2. Continued progresses of actions for enhancing internal audit and internal auditors in legal framework(e.g. draft laws & regulations, etc.)	1) The original draft and the draft bill			
	3. Increased number of CIAPPS: 1) 200-300 CIAPPSs holders are certified	1) Assessment at the final JCC			

	<p>4-1. Continued implementation of internal audit using the developed manuals in the priority areas 4-2 Continued implementation of internal audit in specialized public organizations: "XX" (number of IA reports, recommendations, follow-up) 4-3. [reference] Continued implementation of ordinary internal audit in the other areas "XX" (number of IA reports, recommendations, follow-up)</p>	<p>1) IA reports made by using practical internal audit manuals(including risk-based approach) in priority areas 2) IA reports made by using risk-based internal audit manuals in the other areas</p>	<p>2. Any changes in organizational structures of the Mongolian government which may affect the project activities will not happen. 3. A significant reduction of the necessary budgetary and human resource allocation and other institutional arrangements in CPs as to prevent the project from proceeding will not happen.</p>		
	<p>5. Increased number (and/or percentage) of audited organizations , CIAPPSs and IAPIs: XX(number and/or percentage)</p>				
	<p>6. Implemented Internal Audit Quality Assurance systems: 2-3 reports" are made</p>	<p>1) Reports made by International Audit Quality Assurance system</p>			
Outputs					
<p>1. The solution of establishing a more solid legal foundation of internal audit is identified.</p>	<p>1-1. Developed working paper(s) on other countries experiences and appropriate options of enhancing legal foundation</p>	<p>1) The working paper(s)</p>			
	<p>1-2. Developed concept paper of new legal framework on internal audit</p>	<p>1) The concept paper</p>			
<p>2. Qualified internal auditor certification system is introduced.</p>	<p>2-1. Developed CIAPPS examination & Continuing Professional Education (CPE) framework documents</p>	<p>1) The CIAPPS framework documents</p>			
	<p>2-2. Developed CIAPPS examination & CPE, learning materials and program</p>	<p>1) Training schedule, 2) Learning materials both on CIAPPS and CPE,</p>			
	<p>2-3. Continued implementation of CIAPPS examination and CPE</p>	<p>1) Result of CIAPPS examination</p>			
	<p>2-4. Developed registration system of CIAPPS holders and CPE personal training records</p>	<p>1) The data base used for administration</p>			
	<p>2-5. Continued implementation of training for IAPI : "XX(number)" trainings" are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings</p>	<p>1) The report on trainings</p>			
	<p>2-6. Number of IAPI who are deployed at ministries, local governments and government agencies is more than "100"</p>	<p>1) Certification documents.</p>			

3. Internal auditors' capacity of practicing internal audit is further strengthened.	3-1. Demonstrated group ownership and leadership: 4 working groups lead by C/P. Each group makes 4 activity reports. (Total:16 activity reports)	1) 4 groups are unified in priority areas, 16 activity reports are submitted (4groups X 4 audit processes-preliminary, fieldwork, reporting follow-up)		
	3-2. Developed practical internal audit manuals in priority areas	1) The internal audit manuals for the designated four priority areas at least if completed		
	3-3. Continued implementation of training for using the manuals in priority area: "XX(number)" trainings and OJT(On the Job Training) are conducted	1) The reports on trainings		
	3-4. Developed practical internal audit manual on specialized public organizations			
	3-5. Continued implementation of training for using the manuals on small organizations: "XX(number)" trainings and OJT(On the Job Training) are conducted			
	3-6. [Reference] Continued engagement in ordinary internal audit with/without involvement of the JICA Expert team			
4. Internal Audit Quality Assurance system is introduced.	4-1. Developed quality assurance framework documents	1) The quality assurance framework documents.		
	4-2. Developed quality assurance manuals (including checklists)	1) The quality assurance manuals (including checklists) for both internal and external quality controls		
	4-3. Developed implementation plans of the quality assurance activities	1) The implementation plans of the quality assurance activities		
	4-4. Continued implementation of quality assurance activities on a plan basis	1) Status report of implementation plan 2) Monitoring reports after the quality assurance activities started		

Activities	Inputs		Pre-Conditions
	The Japanese Side	The Mongolian Side	
0-1. Collect basic information on internal audit (e.g. number of internal audit conducted, established audit committee and developed internal audit charter, and internal auditor in each organization)			
0-2. Conduct self diagnosis based on IA-CM			
0-3. Hold discussions on progress and achievements of introducing internal audit practices in Mongolia based on activities 0-1 & 0-2			
1-1. Develop a work plan			
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors	Japanese Experts: - Auditing (Legal framework) - Auditing (Certification system) - Auditing (Practical training) - Auditing (Quality assurance) - Project coordinator (as necessary)	Counterpart staff Office space for the Project activities by experts in BC-RM Dept.	
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors	Local Experts: - Others as needed	Appropriate space for seminars / workshops	
1-4. Develop concept paper of possible legal framework based on the activities 1-1~1-3. (NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.	Equipment necessary for the Project activities by experts Foreign country study visits In-country seminars / workshops	Costs for accommodation, in-county travel and per-diem for BC-RM Dept. staff	
1-5. [By C/P] Develop original draft of legal framework based on 1-4 above			
1-6. [By C/P] Develop draft bill of legal framework based on 1-4 above			
2-1. Develop a work plan and set up a working group			
2-2. Collect & analyze other countries experiences relating to CIAPPS & CPE			
2-3. Develop CIAPPS & CPE and IAPI framework documents			
2-4. Conduct financial planning on implementation of CIAPPS & CPE, and training for IAPI			

2-5. Designate responsible organization for implementation of CIAPPS & CPE
2-6. Design CIAPPS examination & CPE contents
2-7. Conduct trainings for CIAPPS candidates
2-8. Conduct CIAPPS examination
2-9. Develop registration system of registered CIAPPS holders and CPE training participants records
2-10. Provide CPE for CIAPPS holders
2-11. Train the IAPIs and its candidates to acquire practical skills required to disseminate internal audit
2-12. Certifying candidates who satisfy necessary conditions as the IAPIs
3-1. Develop a work plan and set up working groups
3-2. Conduct financial planning exercise on implementation of trainings and OJT
3-3. Develop the internal audit manuals in priority areas and common manual for specialized public organization(e.g. local governments, schools, hospitals, customs etc.)
3-4. Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations
3-5. [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1
4-1. Develop a work plan
4-2. Develop first version of check-lists for quality assurance of internal audit
4-3. Develop an annual plan to conduct the quality assurance activities.

Cooperation with Mongolian speaking trainer who has relevant knowledge and experience preferably in Project Phase1 and the IAPIs is necessary to deliver the training.

Team working with the IAPIs and its candidates on the ground is essential and critical in order to carry out activity 3-3.

<p>4-4. Train staff for quality assurance of internal audit using the check lists.</p>			
<p>4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis</p>			
<p>4-6. Develop final version of check-lists for quality assurance of internal audit</p>			

**MINUTES OF MEETINGS ON THE SECOND
JOINT COODINATION COMMITTEE ON THE PROJECT FOR CAPACITY
BUILDING OF INTERNAL AUDITING IN MONGOLIA-Phase2**


Japan International Cooperation Agency (hereinafter referred to as "JICA") and Budget Control and Risk Management Department (hereinafter referred to as "BC-RM Dept.") of Ministry of Finance of the Government of Mongolia held the Joint Coordination Committee (hereinafter referred to as "JCC") within the framework of the Record of Discussions (hereinafter referred to as "R/D") for "Capacity Building of Internal Auditing in Mongolia-Phase2" (hereinafter referred to as "the Project").

As a result of the discussions, JICA and BC-RM Dept. made the Minutes of Meetings in order to confirm the mutual understanding and the matters agreed in the discussions attached hereto.


Ulaanbaatar, June 12th, 2015



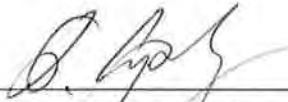
Mr. Mutsumi Sato
Chief Representative
Mongolia Office
Japan International Cooperation Agency



Mr. Hiroshi Endo
Project Adviser
Project for Capacity Building of Internal
Auditing in Mongolia Phase-2, JICA
Experts Team



Mr. Gantsogt Khurelbaatar
State Secretary, Ministry of Finance of
Mongolia



Mr. Batsukh Sukh-Ochir
Director, Internal Audit, Monitoring &
Evaluation Division, Budget Control and
Risk Management Dept., Ministry of
Finance of Mongolia



ATTACHED DOCUMENTS

I. The Environment of Internal Audit in Mongolia

The Mongolian and JICA sides have confirmed the current situation of Mongolia with respect to internal auditing and activities.

II. Progress of the implementation for the first year

1. Output 1 (Legal institutionalization for Internal audit)

(1) Progresses

- a. The activities were implemented as initially planned as shown in Annex.1.
- b. The study tour to Australia and Korea was conducted.
- c. The convention with influential experts was held to formulate the concept paper.

(2) Achievements

- a. The concept paper was developed and will be submitted to the BC-RM Dept. in June 2015. The bill would be submitted to the Parliament in November 2015 accordingly, under the responsibility of the Mongolian related parties toward the establishment of Governmental Internal Audit law.

2. Output 2 (CIAPPS &CPE and Internal Audit Practical Instructors)

(1) Progresses

- a. The activities were implemented as initially planned as shown in Annex.1.
- b. The NGO was officially approved by MOF as an Internal Audit promotional body for Governmental sectors.
- c. Seminars regarding CIAPPS were provided in cooperation with the NGO.

(2) Achievements

- a. Qualification System Syllabus and Operational CIAPPS framework were designed and submitted to the working group for discussion. The exams will be conducted in June and following months in accordance with this framework.
- b. The CIAPPS Exam contents were designed and are ready for use in the actual exams.

達縣

The first CIAPPS trial exam will be conducted in June 19th. The result will be informed in September 2015.

3. Output 3 (Internal Audit Practice and Manuals)

(1) Progresses

- a. The activities were implemented as initially planned as shown in Annex.1.
- b. OJTs were conducted in the prioritized ministries.
- c. Discussions were held among the working group members and the Internal Auditors. They had shared the concept of the IA manuals and launched to create the manuals.

(2) Achievements

- a. The basis of the Internal Audit manuals was formulated.

4. Output 4 (Internal Audit Quality Assurance Manuals)

(1)Progresses

- a. Discussions were held among the working group members to create the first Quality Assurance check list.

(3) Achievements

- a. The first Quality Assurance check list was formulated.
- b. The first Quality Assurance activities were conducted according to the checklist. The NGO analyzed the result and submitted the Internal Audit Quality assurance reports to the BC-RM Dept. The result will be utilized as feedbacks to the internal auditors as well as to be reflected to the practical internal audit manuals.

III. The Project 2nd year plan was introduced by BC-RM Dept.

BC-RM Dept. introduced a draft 2nd year activity plan.

Annex:

Annex.1: Annual Plan& Progress

Annex.2: The concept paper for the Governmental Internal Audit Law

CONCEPT OF DRAFT LAW ON INTERNAL AUDIT IN GOVERNMENT SECTOR

One. Background and necessity to draft the law

Legislative background

1. The provision 69.1 of Article 69 of Budget law of Mongolia states that “Each general budget governor shall establish an internal audit unit and employ an internal auditor aimed at controlling enforcement of legislation, conducting financial inspection of budgetary assets and liabilities, revenues and expenditures, programs and activities and investment, and making assessments, evaluations and recommendations and proposing risk management measures”. However Budget law of Mongolia does not regulate comprehensively relations between organizations, units and an internal auditors as well as Principles for internal audit professional practice, establishment of internal audit unit, regulation for appointment of internal auditors and their rights and responsibilities, which indicate and immediate necessity for comprehensive legislation and regulation for internal audit activities.

2. As per definition of International Professional Practice Framework (IPPF) by Institute of Internal Auditors (IIA) “internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” Thus, it is necessary to draft internal audit legislation encompassing renewed principle for internal audit professional practice, context and objectives adjusting to the aforementioned international standard in order rationalize its legislative framework to provide the management with valuable consultancy and information and to develop risk-based internal audit.

Practical background

1. As per the Cabinet resolution #327 of 2014 named “Measures to be taken for enforcement of legislation implementation”, the Financial inspection and control function of General agency for specialized inspection, an Implementing Agency under the authority of Deputy Prime minister, was shifted under the authority of General Budget Governor and the Minister of Finance was charged to provide comprehensive professional and methodological guidance on its activities. Thus, this function, which was responsible for conducting external audit activities, was shifted to internal audit structure and therefore its role, objectives and authority shall be regulated by law. By rationalizing “The Internal Audit Statute” ratified by the Cabinet resolution #129 of 2012, main regulations shall be legalized adjusting to the international standard, the framework will be established for internal audit function to be implemented based on legislative ground.

2. Looking at best practices of successful implementation of internal audit function around the world, internal audit has developed as an institution which plays an important role for risk management of organization as well as to enhance its value.

Current standings of our country with no established internal audit structure results in situations where risks and violations occur due to lack of establishment of optimal and effective structure for good governance and risk management, deficiency in preventive measures to avoid risks and violations as well as void of technical and legislative groundings. In due course, the situations prevail where damages and violations are only detected after it's occurred.

In order to enhance effectiveness of control and assurance, objectives shall be directed to prevent failures and risks beforehand and internal audit function shall be developed in par with applied standard.

It has been over two years since internal audit units have been established at (...) ministries, agencies, local governments and authorities as well as state and local government owned and/or state and local government predominantly owned entities. Within this period, internal audit units adhered to "Internal Audit Statute" ratified by the Government, evaluated operations of organizations, provided conclusion and advisory to the management and took measures directed to improve risk management of organizations. Based on the study among internal audit units and internal auditors performing activities in Mongolia, internal audit units and internal auditors under the authority of General Budget Governor perform their duties comparatively independently and work towards preventing risks of organization, improving control system and providing necessary information for General Budget Governors as well as influence on enhancing organization's value substantially; however, the majority of whom enrolled in the study concluded that following problems are still existent such as internal audit units have not been established for all General Budget Governors and internal audit legal groundings have not been stipulated; also they stated that continues professional training and reward system for internal auditors need to be established.

Based on these conditions it is concluded that the "Law on internal audit in Government Sector" ought to be drafted in order to establish legal environment for internal audit function and to rationalize its activities.

Two. General structure of draft law, regulation and framework

Draft law shall regulate following relations, such as:

1. Legal background, main principle, objectives and framework of internal audit activities in government sector;
2. Internal audit function and main methodology of its operation;
3. Internal audit framework, structure and establishment;
4. Establishment of internal audit unit and regulation on appointment and dismissal of auditors;
5. Rights and responsibilities of internal auditor; guarantee on their independence and authority; liabilities and prohibited actions for internal auditors;
6. Planning and reporting of internal audit activities;

7. Responsibilities and liabilities of budget governors, head of government organizations with regards to implementation of recommendations based on evaluation and advisory of internal audit;
8. Rights of State Central Governing body responsible for internal audit matters;
9. Liabilities for violating internal audit law.

Draft law has 6 Chapters and 20 Articles. Draft law embodies following renewed fundamental regulations:

1. Objectives of Law on “internal audit” are stipulated as an independent Article.
2. Definition of “internal audit” is legalized. Internal audit refers to independent, objective assurance and consulting activity designed to add value and improve organization’s operations;
3. Internal audit operations shall follow national and international standard. Mission, status, rights and authority, regulation on reporting as well as liability of internal audit function shall be specified in the rule of internal audit unit ratified by the corresponding organization.
4. Draft law will encompass following fundamental requirements for internal audit:
 - 1/ rule of law,
 - 2/ independence,
 - 3/ objectivity,
 - 4/ confidentiality,
 - 5/ professionalism.
5. Structure and methodology for internal audit assurance services are encompassed in the draft law. Assurance audit service is directed to perform objective examination of evidences for the purpose of providing an independent assessment on governance, risk management, and control processes, which will be conducted in different contexts such as financial, performance, compliance, system’s security and pre-study and so on.
6. Context, structure and methodology of advisory services of internal audit are encompassed in the draft law. Scope and characteristics of advisory audit services are negotiated with the Client. Advisory audit services are directed towards services and activities intended to improve operational effectiveness and efficiency and add value to an organization's governance, risk management, and control processes as well as advice, counsel and facilitate trainings towards maximization of enterprise value and other related services. Head of the internal audit unit shall not be responsible for resolution of existing risks.
7. Fundamental issues of internal audit are defined and stated in the draft law, which are:
 - a) evaluation of effectiveness of risk management of organization and advice for improvement;
 - b) evaluation of effectiveness of control processes of organization and advice for improvement;
 - c) evaluate governance processes of organization and advice for improvement.
8. Eligibility criteria for internal auditors are legalized such as an internal auditor shall be a citizen of Mongolia with a Bachelor’s or above degree and be certified with “1st

Grade Certificate for Internal Auditor for Government Sector” by enrolling in 1st grade professional preparation training course for internal auditors in public sector and passing corresponding examination; and Chief Audit Executive shall possess Master’s and above Degree with not less than three years of professional experience and be certified with “2nd Grade Certificate for Internal Auditor for Government Sector” by enrolling in 2nd grade professional preparation training course for internal auditors in public sector and passing corresponding examination.

9. General structure of internal audit stipulating where with which structure an internal audit unit will operate is defined in the draft law. For example, internal audit is applicable for public and local organizations budgeted by the Government as well as state and local government owned and/or state and local government predominantly owned entities and so on. When yearly allocated budget is above ... MNT, an independent internal audit unit shall be established at the following organizations such as the President’s Office, Secretariat of State Great Khural, Cabinet Secretariat Office, the Office of Constitutional Court of Mongolia, the Office of Supreme court of Mongolia, General Council of Courts, The State General Prosecutors’ Office of Mongolia, Independent Authority against corruption, Organizations which report directly to the State Great Khural, Central administrative body, Government regulatory and implementing agencies and Aimak, soum, district Governors’ and city mayor’s office. In the draft law it stated that Cabinet shall decide on establishment of internal audit unit for the other organizations based on organization’s allocated budget. Moreover, if organizations obliged to establish internal audit unit have no capacity of establishing independent internal audit unit, they can either institute shared audit services among several other entities or could get audit services by an independent entity providing internal audit services on the basis of contract. Draft law states that state or provincial government owned or state and provincial government predominantly owned entities could establish internal audit unit with its Board approval. Management of the organization shall embody Audit Committee in the organizational chart. Draft law stipulates the regulation on establishing Audit Committee, statute of which will be ratified by Audit Committee itself. Detailed Statute on internal audit unit and Audit Commttee shall be ratified by the Cabinet.
10. Recommendations based on audit results will be presented to the management of organization and management and budget governor of corresponding level are obliged to discuss recommendations and solve within its authority as per the draft law.
11. Draft law regulates the following aspects such as rights and responsibilities of internal auditors, their direct reporting line with the head of the organization in order to have access and support to internal data, get detailed description by an employee and to run operations and methodology for reassuring audit results. Draft law also embodies regulations with regards to prohibited actions as well as limitation of operational activity. Ethical Standard will be approved and enforced by State Central Administrative Body responsible for Finance and Budget.
12. As per the draft law, State Central Administrative Body responsible for Finance and Budget be responsible for following actions under its full power such as providing comprehensive professional and methodological guidance on internal audit activities, enforcing General Practice Guideline for internal audit, planning and ratifying development strategy for internal audit in government sector, ratifying National

standard for internal audit and/or passing a decision to follow international standard for internal audit nationally, developing continues professional training plan for internal audit and organizing its implantation, developing 2 grade training program for preparation of internal auditors in government sector, ratifying regulation for its organization and its payment, organizing its implementation with help of professional organization, granting internal audit certification, developing and keeping registry of data base for internal auditors, ratifying regulation for quality reassurance of internal audit activities and organizing its implementation as well as cooperating with other international institutions responsible for internal audit activities.

13. Draft law embodies regulations with regards to liabilities for persons violating the Law on internal audit such as persons who avoid internal audit activities, refuse and/or hinder presenting necessary documentations, provide false information, practice external influence on internal audit activities and intrude in its activities shall be penalized, resigned from its position and be charged with other liabilities specified in the draft law.

Three. Social, economic and legal impact after ratification of draft law and resolution measures for implementation:

Ratifying draft law will have following social and economic impacts, such as:

1. Comprehensive legislative regulation for internal audit activities will be legalized and condition precedent will exist for internal audit structure to develop as per the international standard.
2. Risk management and operational management in government sector will be supported efficiently.
3. Not only General budget governors will get assurance from internal auditors for their operations but also they will operate in a legal environment where by implementing recommendations provided by internal auditors, imminent risks could be mitigated.
4. Violations detected by external audit will be reduced and factors influencing violations will be eliminated.
5. Un-utilized resources in government sector operations will be identified and utilized towards enhancement of value..
6. Ratification of this draft law won't have any budgetary pressure. The existing structure, human resource and budget allocated for financial control and supervision function under General agency for specialized inspection would be shifted and regulated to establish internal audit framework.

Four. Correspondence of the draft law with Constitution and other laws of Mongolia and necessary changes to be made in existing law or drafting new laws for enforcement of law implementation

Law draft does not conflict with Constitution and other laws of Mongolia. With regards to this draft law some amendments will be made in Audit Law, Budget Law, State inspection law and State and local property law of Mongolia respectively.

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**MINUTES OF MEETINGS ON THE THIRD
JOINT COODINATION COMMITTEE ON THE PROJECT FOR CAPACITY
BUILDING OF INTERNAL AUDITING IN MONGOLIA-Phase2**

Japan International Cooperation Agency (hereinafter referred to as "JICA") and Budget Control and Risk Management Department (hereinafter referred to as "BC-RM Dept.") of Ministry of Finance of the Government of Mongolia held the Joint Coordination Committee (hereinafter referred to as "JCC") within the framework of the Record of Discussions (hereinafter referred to as "R/D") for "Capacity Building of Internal Auditing in Mongolia-Phase2" (hereinafter referred to as "the Project").

As a result of the discussions, JICA and BC-RM Dept. made the Minutes of Meetings in order to confirm the mutual understanding and the matters agreed in the discussions attached hereto.

Ulaanbaatar, November 20th, 2015



Mr. Mutsumi Sato
Chief Representative
Mongolia Office
Japan International Cooperation Agency



Mr. Hiroshi Endo
Project Adviser
Project for Capacity Building of Internal
Auditing in Mongolia Phase-2, JICA
Experts Team



Mr. Gantsogt Khurelbaatar
State Secretary, Ministry of Finance of
Mongolia



Mr. Batsengee Dorjsembed
Director, Budget Control and Risk
Management Department, Ministry of
Finance of Mongolia

ATTACHED DOCUMENTS

I. The Environment of Internal Audit in Mongolia

The Mongolian and JICA sides have confirmed the current situation of Mongolia with respect to internal auditing and activities.

II. The review of the first year

BC-RM Dept. reviewed the activities of the first year and the committee members agreed with the achievements.

III. The Project 2nd year plan was introduced by BC-RM Dept.

BC-RM Dept. introduced the work plan of the second year. The members agreed with the plan and would promote the project proactively to achieve the outputs. The items to be achieved are followings.

1. Output 1 (Legal institutionalization for Internal audit)

(1) Items that the project plans to achieve.

- a. Submission of the bill of internal audit law.
- b. Conduct campaign seminars regarding the internal audit law

2. Output 2 (CIAPPS &CPE and Internal Audit Practical Instructors)

(1) Items the project plans to achieve.

- a. Foster more than 50 of CIAPPS holders
- b. Foster more than 50 of IAPI holders
- c. Provide the exam seminars regarding CIAPPS and IAPI for applicants.
- d. Provide CPEs to the qualified person

3. Output 3 (Internal Audit Practice and Manuals)

(1) Items the project plans to achieve.

- a. Develop internal audit manuals for prioritized Ministries.
- b. Develop simplified internal audit manuals for small organizations.



c. Conduct On-the-Job-Trainings

4. Output 4 (Internal Audit Quality Assurance Manuals)

(1) Items the project plans to achieve.

Conduct Quality Assurance activities and submit the reports.

Annex:

Annex.1: Annual Plan& Progress



**MINUTES OF MEETING
ON
THE FOURTH JOINT COORDINATION COMMITTEE
ON
THE PROJECT FOR CAPACITY BUILDING OF INTERNAL AUDITING
IN MONGOLIA-PHASE 2**

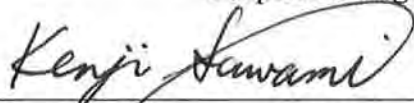
Japan International Cooperation Agency (hereinafter referred to as "JICA") and Budget Control and Risk Management Department (hereinafter referred to as "BC-RM Dept.") of Ministry of Finance of the Government of Mongolia (hereinafter referred to as "MOF") held the Joint Coordination Committee (hereinafter referred to as "JCC") Meeting as stipulated in the framework of the Record of Discussions (hereinafter referred to as "R/D") for "Capacity Building of Internal Auditing in Mongolia-Phase 2" (hereinafter referred to as "the Project").

As a result of the discussions, JICA and BC-RM Dept. made this Minutes of Meeting in order to confirm the mutual understanding and the matters agreed in the discussions attached hereto.

Ulaanbaatar, April 8th, 2016



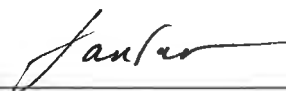
Mr. Mutsumi Sato
Chief Representative
Mongolia Office
Japan International Cooperation Agency



Mr. Kenji Sawami
Acting Chief Adviser
Project for Capacity Building of Internal
Auditing in Mongolia Phase-2, JICA
Experts Team



Mr. Gantsogt Khurelbaatar
State Secretary, Ministry of Finance of
Mongolia



Mr. Ganbat Batkhoo
Director, Budget Control and Risk
Management Department, Ministry of
Finance of Mongolia

I. Changes in the Structure of the Project

Mongolian side informed and explained to JCC members two major changes in the structure of the Project.

1. Starting December 2015, Mr. Kenji Sawami has taken over the position of Mr. Hiroshi Endo as Acting Chief, due to the latter's health issues.
2. Internal audit regulation was amended in December 2015 and provisions on financial inspection were added.

II. The work of BC-RM Dept. and Current Plan and Future Strategy of internal audit including financial inspection service in Mongolia

Mongolian side explained about amendment of internal audit regulation in which provisions on financial inspection was newly added and described the Ministry's future policy on this issue (Annex 1). A memo of the discussions is attached as Annex 1.1.

As a result, JICA understood the necessity of state financial inspector's role and authority as internal audit in Mongolia is regarded relatively low among public sectors. JICA's understanding is based on BC-RM's intention that they will continue to strive to introduce IIA Type Internal Audit.

III. Mongolia's Request for extra-budgetary training for Internal Auditors

Mongolian side explained the importance of conducting extra-budgetary training in the area of Internal Audit theory and methodology that are recommended by Institution of Internal Auditor (IIA). Mongolian side requested JICA to bear the cost for the training. JICA agreed with this request and shall coordinate with the Project team to conduct the training.



Moreover, Mongolian side is planning to conduct one training activity in rural area as well as one joint training activity for the specialists at the Internal Auditing Units of public institutions in May and June 2016 respectively.

IV. Proposed Revision of Indicator of Output 2 in the Project Design Matrix

The Project team proposed revision of Indicator of Output 2 in PDM and the Plan of Operation due to the reasons stated in Annex 2(B). As a result of discussions, JCC members adopted the revised PDM and the revised Plan of Operations.

V. Proposed Actions Towards the Next JCC (Action Plans)

As a result of discussions above, both sides agreed on the Action Plans listed below so as to jointly make efforts to achieve the Project Purpose.

- 1) Finalization and launching of the Practical Manuals of Output 3 to targeted public institutions.
- 2) Preparation of Quality Assurance Activities of Output 4 by selecting the public institutions in rural area and its schedule.
- 3) Preparation of budget for the Project activity for the next financial year and years to follow during the Project period.

Both sides also agreed that the next JCC meeting will be held at the end of June 2016.

VI. Others

- 1) Mongolia side agreed that BC-RM Dept. will identify and notify JICA and the Project Team the progress of the second draft bill of Internal Audit Law. (Annex 4)
- 2) Mongolia side agreed that BC-RM Dept. will notify JICA and the Project Team in writing if anything arises to amend the draft bill. (Annex 4)
- 3) Mongolia side agreed that BC-RM Dept. will make its best effort to sustain the Project activities for continuous improvement of Internal Audit operations in public sectors.

For example, staffs of BC-RM Dept. shall accompany the Project Team when OJT is conducted at Ministries in order to acquire skills and methods and eventually be able to provide training and advices on their own for other internal auditors.

- 4) Both sides confirmed that BC-RM Dept. will try to strategically adopt higher level of Internal Audit Methodology in Public Sectors as recommended by IIA Global.
- 5) It was noted by JICA that the scope of the Project is limited to building the capacity of Internal Auditors as recommended by IIA.

Annex:

- Annex 1: Discussion Memo on financial inspection activities
- Annex 1.1: Discussion Memo of Agenda #3 in JCC
- Annex 2: Revised Project Design matrix
(including "Explanation Memo of Revised Project Design matrix" and "PDM revision summary table")
- Annex 3: Revised Plan of Operations
- Annex 4: Second Draft Bill of Internal Audit Law
(including concept paper and amendments to related laws)



Discussion Memo

[History]

- Previously, the roles & functions between "Financial Inspections", exercised by the State Inspection Agency (SIA) and "External audit" conducted by the National Accounting Office had not been clearly stated. Therefore there was some discussion regarding terminating financial inspections by State Inspection Agency. As a result, in November 2014, they eliminated the financial inspection department of the SIA and integrated those personnel and their rights with the Internal Audit departments into other Ministries.

At the same time, in November 2014 in the Ministry of Finance, approximately. 12 financial inspectors from the State Inspection Agency were moved to the Budget Control and Risk Management Department (hereinafter, BC-RM Dept.)

- In December 2015, the Internal Audit Charter was revised by decision of Mongolian Cabinet. As a result, Financial Inspections are included in the scope of Internal Audit in the Internal Audit Charter.

The points revised are;

- Practices of the financial inspection are defined in the Charter.
- The Internal Auditor is qualified as State Financial Inspector as well as Chief inspector.
- The Minister of Finance is the Chief State Financial Inspector who has appointment rights for State Financial Inspectors.
- State Financial Inspectors have the authority to determine the facts against law violators

[Interview Summary]

1. Conclusion

I. BC-RM Dept. will include Financial Inspection in the Internal Audit practice.

The Mongolian Government will continue to introduce the IIA-recommended risk based Internal Audit.

II. The officials of BC-RM Dept. are all planned to be Internal Auditors, which results in the fact that they will foster qualified internal auditors as well as Financial Inspectors.

- ✓ In the new budget law, there are provisions as following, as a legal basis that asserts to include the Financial Inspection to Internal Audit.

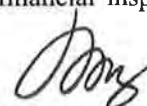
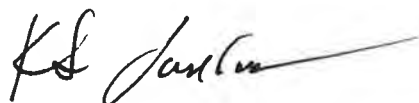
(§4.1.49)

The Internal Audit is to conduct the activities of internal control that provides risk management in order to ensure that budget is being used properly and effectively.

(§69.1)

The Budget Executive Officer (Minister) shall establish a department for conducting financial inspections and related advisories. In addition, Internal Auditors are able to exercise the authority as Financial Inspectors.

(2011) In detail, the Minister shall manage compliance and implementation of financial inspections for



budget, debt, payment, revenue, expenditure, project implementation, and investment, so as to evaluate and provide recommendations by assigning Internal Auditors who can offer risk management. The Budget Executive Officer is able to establish a department to make conclusions and recommendations.

I. BC-RM Dept. will include Financial Inspection in Internal Audit practice. The Mongolian Government will continue to introduce IIA-recommended risk based Internal Audit.

BC-RM Dept. will promote Internal Audits in compliance with the IPPF, as well as continue to practice Financial Inspections under the new Budget Law.

Internal Audits will be conducted with the IIA-recommended risk based approach (hereafter “IIA Type Audit”), meanwhile Financial Inspections are intended to check compliance of budgetary policy or other regulations. Therefore the latter is considered a part of the former, which means, for example, Financial Inspections are only one part of the financial area among the other activities in Education, Medical or Agriculture.

Under the current situation of the Mongolian Government & Agencies, it may not be considered the best option to conduct only IIA Type Audit for the purpose of enhancing the governance culture of the organization, because currently the Internal Auditors don't have strong authority for enforcing the remediation plan after filing the internal control weaknesses, nor do they have any rights to access all evidence necessary for conducting further investigations in case of exposure of fraud. Therefore it is considered effective to enforce the remediation plan or submission of relevant evidence, if the financial inspectors are granted to exercise such rights.

The rights granted to financial inspectors is such that they can identify the evidence of exposed fraud, as well as to identify the documentary evidence for evaluating the amount of money which was illegally obtained through embezzlement, etc. in order to claim compensation from the suspects. In other words, they are able to punish those who committed financial fraud with a defined compensative amount. This is only the ability to indicate what action is needed in the future, unlike others such as criminal or administrative penalties.

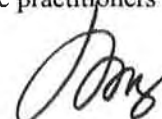
Therefore, in order to prevent the abuse of rights, the BC-RM Dept. is planning to set up a database to monitor if inspections are implemented properly. Further, they are also considering a mechanism to maintain the fairness of their punishment, which is listed as one of the qualification outline for financial inspectors, in which the financial inspectors are also punished in cases of negligence, such as errors in evaluating the reimburse amount or occurrence of post-frauds.

In technical aspects for internal audit, it is also possible to outsource the internal auditors (except for specific area, such as the medical field or else). However, in the financial sector overseeing Governmental budget execution, it appears difficult to outsource, so the inspectors are considered necessary as financial inspection experts.

Regarding the implementation of these practices, an Internal Audit and Financial inspection are planned to be conducted together in 2016. However, field work may be exercised together separately (at times in one team, but with separate responsible persons.) Therefore it should be understood that the practitioners are all Internal Auditors.



K.S. Jantson



II The officials of BC-RM Dept. are all planned to be Internal Auditors, which results in the fact that they will foster qualified internal auditors as well as Financial Inspectors.

For further promotion to establish the foundation of IIA Type Audit, we will continue to build training programs to foster auditors who meet the skill sets of developing risk-based audits and designing optimized Internal Controls. We will also invite trainees who have the title of Financial Inspectors to these courses. Our major target in years to come is that we can introduce the CGAP test provided by the IIA in Mongolia. For now until the achievement of our target, we believe that we must cooperate with BC-RM Dept., the IIA Mongolia and other NGOs, to provide training on internal auditing (including CPEs).

Thank you so much.


KS Jambas



Discussion Memo of Agenda #3 in JCC

JCC members including the representatives of Ministry of Justice, Ministry of Health & Sports, Ministry of Agriculture and Ministry of Finance had a discussion regarding following issues.

1. Technical Cooperation of Internal Audit

In Nov 2014, Financial Inspectors were transferred from SIA to respective Mongolian Government institutions and most staffs belong to IA&ME. However, almost all of them have professional skills with Financial Inspection but didn't have the knowledge, experience and skills of IIA-type internal audit such as Risk Management, Control and Governance Management. As a result, they haven't managed to operate a high-quality internal audit.

Internal Audit Charter was revised in Dec 2015 and the positive point is that it is clearly stated that Financial Inspections are included in the scope of Internal Audit operations. On the other hand, State Financial Inspectors are empowered with the authority again but they need to obtain the skills of IIA-type Internal Audit as well as operating Financial Inspection.

Project Team will provide the training and OJT along with existing Internal Auditor as well as newly assigned Internal Auditor former Financial Inspectors as a subject of JICA technical cooperation project of capacity building for IIA-type. At the same time, JICA and Project Team will consider to conduct the training and OTJ of more high level of quality Internal Audit skills.

2. Work Environment of Internal Auditor

In the revised Internal Audit Charter, Internal Auditors are required to have master degree in a certain majors such as economics, accounting and finance etc. and be experienced for more than 5 years. However, long service for the certain period of time is difficult because employee rotation is very frequent. Therefore, this condition has currently become a non-binding target.

Furthermore, there isn't preferential treatment for the "Government Internal Auditor" in the salary table in Mongolian Officials and even for those who obtained international standard IIA-type skills are not eligible to receive any allowance whereas the Internal Auditors who have Financial Inspector certification receive the allowance. As a result, Auditors with Financial Inspector certification are paid better than those with IIA-type Internal Auditor skills.

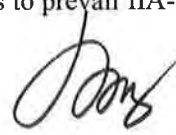


It is necessary for the Mongolian Government to improve the work environment of Internal Auditors who are working in the Mongolian Public Sectors.

3. Training for Internal Auditor

Ministry of Finance proposed to conduct further trainings in Mongolia as well expressed wish to attend seminars and workshops in Japan, or the other country if seminars and workshops in Japan is not available, in order to learn and gain further skills on "*Internal Auditing manual and quality assurance*".

JICA responded that further discussion including the necessity of the oversea trainings will be necessary at the next JCC meeting.

Overall, we came to a conclusion among participants that our goal is to prevail IIA-type Internal Audit in the future.



Thank you so much.

Project Title: Capacity Development Project for Internal Audit Phase 2
Implementing Agency: Ministry of Finance, Mongolia
Target Group: Ministry of Finance, Central Government Ministries and Local Governments
Period of Project: Three Years (Tentatively From 2014/09 To 2017/08)

Annex-2 (A)

Project Site: Mongolia **Model Site:** N.A.

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions	Achievement	Remarks
Overall Goal The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 2. Established legal framework of internal audit 3. Continued implementation of internal audit: increase number of IA reports, recommendations, follow-up 4. Increased number (and/or percentage) of audited organizations, Internal Auditor Professionals for Public Sector (IAPPS) and Internal Audit Practical Instructors (IAP)	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM 1) Enacted law and/or regulations 1) Assessment at the final JCC 1) Assessment at the final JCC			
Project Purpose The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 on the Project scope areas in IA-CM *Level of the other area will be checked in Overall goal indicator 2. Continued progresses of actions for enhancing internal audit and internal auditors in legal framework(e.g. draft laws & regulations, etc.) 3. Increased number of IAPPS: 1) 100 IAPPSs training participators 4-1. Continued implementation of internal audit using the developed manuals in the priority areas 4-2 Continued implementation of internal audit in specialized public organizations: "16" (number of IA reports, recommendations, follow-up) 4-3. [reference] Continued implementation of ordinary internal audit in the other areas "8" (number of IA reports, recommendations, follow-up) 5. Increased number (and/or percentage) of audited organizations , IAPPSs and IAPIs: 100(number and/or percentage) 6. Implemented Internal Audit Quality Assurance systems: 2-3 reports" are made	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM 1) The original draft and the draft bill 1) Assessment at the final JCC 1) IA reports made by using practical internal audit manuals(including risk-based approach) in priority areas 2) IA reports made by using risk-based internal audit manuals in the other areas 1) Reports made by International Audit Quality Assurance system	1. The Mongolian government will not change the policy for enhancement of internal audit function which meets international standards and practices. 2. Any changes in organizational structures of the Mongolian government which may affect the project activities will not happen. 3. A significant reduction of the necessary budgetary and human resource allocation and other institutional arrangements in CPs as to prevent the project from proceeding will not happen.		
Outputs	Objectively Verifiable Indicators	Means of Verification	Important Assumptions		
1. The solution of establishing a more solid legal foundation of internal audit is identified.	1-1. Developed working paper(s) on other countries experiences and appropriate options of enhancing legal foundation 1-2. Developed concept paper of new legal framework on internal audit	1) The working paper(s) 1) The concept paper			
2. Qualified internal auditor certification system is introduced.	2-1. Developed IAPPS trial test & Continuing Professional Education (CPE) framework documents 2-2. Developed IAPPS trial test & learning materials and program 2-3. Continued implementation of IAPPS trial test and pre-test training 2-4. Developed IAPPS participators and personal other training records 2-5. Continued implementation of training for IAPI : "5" trainings" are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings 2-6. Number of IAPI who are deployed at ministries, local governments and government agencies is more than "100"	1) The IAPPS framework documents 1) Training schedule, 2) Learning materials on IAPPS 1) Result of IAPPS trial test 1) The participators and personal records for administration 1) The report on trainings 1) Certification documents.			
3. Internal auditors' capacity of practicing internal audit is further strengthened.	3-1. Demonstrated group ownership and leadership: 4 working groups lead by C/P. Each group makes 4 activity reports. (Total:16 activity reports) 3-2. Developed practical internal audit manuals in priority areas 3-3. Continued implementation of training for using the manuals in priority area: "40" trainings and OJT(On the Job Training) are conducted 3-4. Developed practical internal audit manual on specialized public organizations 3-5. Continued implementation of training for using the manuals on small organizations: "10" trainings and OJT(On the Job Training) are conducted 3-6. [Reference] Continued engagement in ordinary internal audit with/without involvement of the JICA Expert team	· Procedure guidance 1) 4 groups are unified in priority areas, 16 activity reports are submitted (4groups X 4 audit processes-preliminary, fieldwork, reporting follow-up) 1) The internal audit manuals for the designated four priority areas at least if completed 1) The reports on trainings			
4 Internal Audit is improved.	4-1. Developed quality assurance framework documents 4-2. Developed quality assurance manuals (including checklists) 4-3. Developed implementation plans of the quality assurance activities 4-4. Continued implementation of quality assurance activities on a plan basis	1) The quality assurance framework documents. 1) The quality assurance manuals (including checklists) for both internal and external quality controls 1) The implementation plans of the quality assurance activities 1) Status report of implementation plan 2) Monitoring reports after the quality assurance activities started			
Activities	Inputs		Pre-Conditions		
	The Japanese Side	The Mongolian Side			
0-1. Collect basic information on internal audit (e.g. number of internal audit conducted, established audit committee and developed internal audit charter, and internal auditor in each organization)					
0-2. Conduct self diagnosis based on IA-CM					
0-3. Hold discussions on progress and achievements of introducing internal audit practices in Mongolia based on activities 0-1 & 0-2					
1-1. Develop a work plan					
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors					
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors					
1-4. Develop concept paper of possible legal framework based on the activities 1-1~1-3. (NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.					
1-5. [By C/P] Develop original draft of legal framework based on 1-4 above					
1-6. [By C/P] Develop draft bill of legal framework based on 1-4 above					

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2-1. Develop a work plan and set up a working group
2-2. Collect & analyze other countries experiences relating to CIAPPS & CPE
2-3. Develop IAPPS & CPE and IAPI framework documents
2-4. Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI
2-5. Designate responsible organization for implementation of IAPPS & CPE
2-6. Design IAPPS trial test & pre-test training contents
2-7. Conduct trainings for IAPPS candidates
2-8. Conduct IAPPS trial test
2-9. Develop registration system of registered IAPPS participators and training participants records
2-10. Support providing training for IAPPS
2-11. Train the IAPIs and its candidates to acquire practical skills required to disseminate internal audit
2-12. Certifying candidates who satisfy necessary conditions as the IAPIs
3-1. Develop a work plan and set up working groups
3-2. Conduct financial planning exercise on implementation of trainings and OJT
3-3. Develop the internal audit manuals in priority areas and common manual for special
3-4. Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations
3-5. [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1
4-1. Develop a work plan
4-2. Develop first version of check-lists for quality assurance of internal audit
4-3. Develop an annual plan to conduct the quality assurance activities.
4-4. Train staff for quality assurance of internal audit using the check lists.
4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis
4-6. Develop final version of check-lists for quality assurance of internal audit

Cooperation with Mongolian speaking trainer who has relevant knowledge and experience preferably in Project Phase 1 and the IAPIs is necessary to deliver the training.
Team working with the IAPIs and its candidates on the ground is essential and critical in order to carry out activity 3-3.

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<Issues and countermeasures>

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Explanation Memo of Revised Project Design matrix

1. Back ground for Revision of PDM

IIA Global has certified officially IIA Mongolia, which has been established by MOF and Project team as part of the project. This indicates that Mongolian original certification framework for Internal Audit in Public Sector could not be introduced by using IIA Mongolia as a Mongolian original system, because IIA Mongolia have to strictly comply with IIA-Global regulations which is stated that certification shall be issued by only named under IIA-Global. And MOF agreed to operate the certification system under IIA-Global system.

Under this situation, MOF and Project Team recognized the inconsistency between actual situation and the Project Purpose, output and activities which are stated in PDM and PO of the Project.

Project Team revised PDM and PO as attached with “Changing before and after sheet”

2. Major Changes

See revised Project Design Matrix and PDM revision summary table

3. New Terminology definition

➤ IAPPS:

Internal Auditor Professionals for Public Sector (IAPPS) is the person who meets all conditions that;

- 1) Who has basic knowledge and skills of Internal Audit system introduced by IIA through sitting specified trainings and scoring on the trial test which are coordinated by MOF.

- 2) Who has an intention of improvement their knowledge and skills for Internal Audit system introduced by IIA, for example, to become a candidate for taking examination under IIA-Global certification such as CIA (Certified Internal Auditor), CGAP (Certified Government Auditing Professional), IAP (Internal Audit Practitioner), CCSA (Certification in Control Self-Assessment) etc.

➤ Trial Test:

Trial Test is the test which is to confirm of learning level for the participant of Pre-test Training coordinated by MOF which is for Internal Auditors in public sectors to become IAPPS after completion of participation as part of activities in output 2 of this project.

The content of Pre-test training is similar to the Part 1 of CIA developed by IIA- Global.

➤ Pre-test Training

Pre- test training is the specific training coordinated by MOF and provided before Trial Test which is for Internal Auditors in public sectors to become IAPPS after completion of participation as part of activities in output 2 of this project.

The content of Pre-test training is similar to the Part 1 of CIA developed by IIA- Global.



Annex-2(C)

< PDM revision summary table >

No	Narrative Summary	Before	After	Means of verification (after revise)
		Objectively Verifiable Indicators		
1	Overall goal	4. Increased number (and/or percentage) of audited organizations, Certified Internal Auditor Professionals for Public Sector (CIAPPS) and Internal Audit Practical Instructors (IAPI)	4. Increased number (and/or percentage) of audited organizations, Internal Auditor Professionals for Public Sector (IAPPS) and Internal Audit Practical Instructors (IAPI)	1) Assessment at the final JCC
2	Project Purpose	3. Increased number of CIAPPS: 1) 100 CIAPPSs holders are certified	3. Increased number of IAPPS: 1) 100 IAPPSs training participators	1) Assessment at the final JCC
		5. Increased number (and/or percentage) of audited organizations, CIAPPSs and IAPIs: 100(number and/or percentage)	5. Increased number (and/or percentage) of audited organizations, IAPPSs and IAPIs: 100(number and/or percentage)	
3	Outputs	2-1. Developed CIAPPS examination & Continuing Professional Education (CPE) framework documents	2-1. Developed IAPPS trial test & Continuing Professional Education (CPE) framework documents	1) The IAPPS framework documents
		2-2. Developed CIAPPS examination & CPE, learning materials and program	2-2. Developed IAPPS trial test & learning materials and program	1) Training schedule, 2) Learning materials on IAPPS
		2-3. Continued implementation of CIAPPS examination and CPE	2-3. Continued implementation of IAPPS trial test and pre-test training	1) Result of IAPPS trial test
		2-4. Developed registration system of CIAPPS holders and CPE personal training records	2-4. Developed IAPPS participators and personal other training records	1) The participators and personal records for administration
4	Activities	2-3. Develop CIAPPS &CPE and IAPI framework documents	2-3. Develop IAPPS &CPE and IAPI framework documents	
		2-4. Conduct financial planning on implementation of CIAPPS & CPE, and training for IAPI	2-4. Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI	
		2-5. Designate responsible organization for implementation of CIAPPS & CPE	2-5. Designate responsible organization for implementation of IAPPS & CPE	
		2-6. Design CIAPPS examination & CPE contents	2-6. Design IAPPS trial test & pre-test training contents	
		2-7. Conduct trainings for CIAPPS candidates	2-7. Conduct trainings for IAPPS candidates	
		2-8. Conduct CIAPPS examination	2-8. Conduct IAPPS trial test	
		2-9. Develop registration system of registered CIAPPS holders and CPE training participants records	2-9. Develop IAPPS participators and other training participators records	
		2-10. Provide CPE for CIAPPS holders	2-10. Support providing training for IAPPS	

K. Jansen

J. Jansen

**CONCEPT OF DRAFT LAW ON
INTERNAL AUDIT IN GOVERNMENT SECTOR**

One. Background and necessity to draft the law

Legislative background

1. The provision 69.1 of Article 69 of Budget law of Mongolia states that "Each general budget governor shall establish an internal audit unit and employ an internal auditor aimed at controlling enforcement of legislation, conducting financial inspection of budgetary assets and liabilities, revenues and expenditures, programs and activities and investment, and making assessments, evaluations and recommendations and proposing risk management measures". However Budget law of Mongolia does not regulate comprehensively relations between organizations, units and an internal auditors as well as Principles for internal audit professional practice, establishment of internal audit unit, regulation for appointment of internal auditors and their rights and responsibilities, which indicate and immediate necessity for comprehensive legislation and regulation for internal audit activities.

2. As per definition of International Professional Practice Framework (IPPF) by Institute of Internal Auditors (IIA) "internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes." Thus, it is necessary to draft internal audit legislation encompassing renewed principle for internal audit professional practice, context and objectives adjusting to the aforementioned international standard in order to rationalize its legislative framework to provide the management with valuable consultancy and information and to develop risk-based internal audit.

Practical background

1. As per the Cabinet resolution #327 of 2014 named "Measures to be taken for enforcement of legislation implementation", the Financial inspection and control function of General agency for specialized inspection, an Implementing Agency under the authority of Deputy Prime minister, was shifted under the authority of General Budget Governor and the Minister of Finance was charged to provide comprehensive professional and methodological guidance on its activities. Thus, this function, which was responsible for conducting external audit activities, was shifted to internal audit structure and therefore its role, objectives and authority shall be regulated by law. By rationalizing "The Internal Audit Statute" ratified by the Cabinet resolution #129 of 2012, main regulations shall be legalized adjusting to the international standard, the framework will be established for internal audit function to be implemented based on legislative ground.

Unofficial Translation

2. Looking at best practices of successful implementation of internal audit function around the world, internal audit has developed as an institution which plays an important role for risk management of organization as well as to enhance its value.

Current standings of our country with no established internal audit structure results in situations where risks and violations occur due to lack of establishment of optimal and effective structure for good governance and risk management, deficiency in preventive measures to avoid risks and violations as well as void of technical and legislative groundings. In due course, the situations prevail where damages and violations are only detected after it's occurred.

In order to enhance effectiveness of control and assurance, objectives shall be directed to prevent failures and risks beforehand and internal audit function shall be developed in par with applied standard.

It has been over two years since internal audit units have been established at all ministries, agencies, local governments and authorities as well as state and local government owned and/or state and local government predominantly owned (...) entities. Within this period, internal audit units adhered to "Internal Audit Statute" ratified by the Government, evaluated operations of organizations, provided conclusion and advisory to the management and took measures directed to improve risk management of organizations. Based on the study among internal audit units and internal auditors performing activities in Mongolia, internal audit units and internal auditors under the authority of General Budget Governor perform their duties comparatively independently and work towards preventing risks of organization, improving control system and providing necessary information for General Budget Governors as well as influence on enhancing organization's value substantially; however, the majority of whom enrolled in the study concluded that following problems are still existent such as internal audit units have not been established for all General Budget Governors and internal audit legal groundings have not been stipulated; also they stated that continues professional training and reward system for internal auditors need to be established.

Based on these conditions it is concluded that the "Law on internal audit in Government Sector" ought to be drafted in order to establish legal environment for internal audit function and to rationalize its activities.

Two. General structure of draft law, regulation and framework

Draft law shall regulate following relations, such as:

1. Legal background, main principle, objectives and framework of internal audit activities in government sector;
2. Internal audit function and main methodology of its operation;
3. Internal audit framework, structure and establishment;
4. Establishment of internal audit unit and regulation on appointment and dismissal of auditors;
5. Rights and responsibilities of internal auditor; guarantee on their independence and authority; liabilities and prohibited actions for internal auditors;
6. Planning and reporting of internal audit activities;

Unofficial Translation

7. Responsibilities and liabilities of budget governors, head of government organizations with regards to implementation of recommendations based on evaluation and advisory of internal audit;
8. Rights of State Central Governing body responsible for internal audit matters;
9. Liabilities for violating internal audit law.

Draft law has 6 Chapters and 20 Articles. Draft law embodies following renewed fundamental regulations:

1. Objectives of Law on “internal audit” are stipulated as an independent Article.
2. Definition of “internal audit” is legalized. Internal audit refers to independent, objective assurance and consulting activity designed to add value and improve organization’s operations;
3. Internal audit operations shall follow international standard. Mission, status, rights and authority, regulation on reporting as well as liability of internal audit function shall be specified in the rule of internal audit unit ratified by the corresponding organization.
4. Draft law will encompass following common principles for internal audit:
 - 1/ compliance,
 - 2/ independence,
 - 3/ objectivity,
 - 4/ confidentiality,
 - 5/ proficiency.
5. Structure and methodology for internal audit assurance services are encompassed in the draft law. Assurance audit service is provisioned to be implemented by ways of independent and objective examination of evidences for the purpose of providing an independent assessment on governance, risk management, and control processes, which will be conducted in different contexts such as financial, performance, compliance, system’s security and pre-study and so on.
6. Context, structure and methodology of advisory services of internal audit are encompassed in the draft law. Scope and characteristics of advisory audit services are negotiated with the Client. Advisory audit services are directed towards services and activities intended to improve operational effectiveness and efficiency and add value to an organization's governance, risk management, and control processes as well as advice, counsel and facilitate trainings towards maximization of enterprise value and other related services. Head of the internal audit unit shall not be responsible for resolution of existing risks.
7. Fundamental issues of internal audit are defined and stated in the draft law, which are:
 - a) evaluation of effectiveness of risk management of organization and advice for improvement;
 - b) evaluation of accuracy, reliability and comprehensiveness of organization’s bookkeeping and financial reporting;
 - c) evaluate governance processes of organization and advice for improvement.




Unofficial Translation

8. Eligibility criteria for internal auditors are legalized such as an internal auditor shall be a citizen of Mongolia with a Bachelor's or above degree and shall have working experience at public sector organizations; and Chief Audit Executive shall possess Master's and above Degree with not less than three years of professional experience as an external or internal audit professional. The draft law will encompass a provision allowing increase in pay to certified professionals who passed the examination organized by internationally acclaimed organizations and certified by them.
9. General structure of internal audit stipulating where with which structure an internal audit unit will operate is defined in the draft law. For example, internal audit is applicable for public and local organizations budgeted by the Government as well as state and local government owned and/or state and local government predominantly owned entities and so on. As per law, an independent internal audit unit shall be established at the following organizations such as the President's Office, Secretariat of State Great Khural, Cabinet Secretariat Office, the Office of Constitutional Court of Mongolia, the Office of Supreme court of Mongolia, General Council of Courts, The State General Prosecutors' Office of Mongolia, Independent Authority against corruption, Organizations which report directly to the State Great Khural, Central administrative body, Government regulatory and implementing agencies and Aimak, soum, district Governors' and city mayor's office.
10. The draft law will encompass that if organizations obliged to establish internal audit unit have no capacity of establishing independent internal audit unit, they can either institute shared audit services among several other entities or could get audit services by an independent entity providing internal audit services on the basis of contract. Draft law states that state or provincial government owned or state and provincial government predominantly owned entities could establish internal audit unit with its Board approval. Management of the organization shall embody Audit Committee in the organizational chart. Draft law stipulates the regulation on establishing Audit Committee, statute of which will be ratified by Audit Committee itself. Detailed Statute on internal audit unit and Audit Committee shall be ratified by the Cabinet.
11. Based on the risk assessment results an internal audit unit will produce and follow medium term and an annual planning with consultation of management. Internal audit unit and auditors will deliver their work reports to management and Audit Committee of the organization, higher level budget governors as well as the State Central Administrative Body Responsible for Finance and Budget Matters annually.
12. Recommendations based on audit results will be presented to the management of organization and management and budget governor of corresponding level are obliged to discuss recommendations and to take appropriate measures within its authority as per the draft law.
13. Draft law regulates the following aspects such as rights and responsibilities of internal auditors, their direct reporting line with the head of the organization in order to have access and support to internal data, get detailed description by an employee and to run operations and methodology for reassuring audit results. Draft law also embodies regulations with regards to prohibited actions as well as limitation of operational activity. Ethical Standard will be approved and enforced by State Central Administrative Body responsible for Finance and Budget.

Unofficial Translation

14. As per the draft law, State Central Administrative Body responsible for Finance and Budget will be responsible for following actions under its full power such as providing comprehensive professional and methodological guidance on internal audit activities, enforcing General Practice Guideline for internal audit, planning and ratifying development strategy for internal audit in government sector, developing and keeping registry of data base for internal auditors, ratifying regulation for quality reassurance of internal audit activities and organizing its implementation as well as cooperating with other international institutions responsible for internal audit activities. NGO chosen by State Central Administrative Body responsible for Finance and Budget will be responsible for organizing internal audit trainings.
15. Draft law embodies provisions that any persons violating the Law on internal audit such as persons who avoid internal audit activities, refuse and/or hinder presenting necessary documentations, practice external influence on internal audit activities shall be charged with corresponding liabilities specified in the draft law by the management or board of the organization and/or general budget governor.

Three. Social, economic and legal impact after ratification of draft law and resolution measures for implementation:

Ratifying draft law will have following social and economic impacts, such as:

1. Comprehensive legislative regulation for internal audit activities will be legalized and condition precedent will exist for internal audit structure to develop as per the international standard.
2. Risk management and operational management in government sector will be supported efficiently.
3. Not only General budget governors will get assurance from internal auditors for their operations but also they will operate in a legal environment where by implementing recommendations provided by internal auditors, imminent risks could be mitigated.
4. Violations detected by external audit will be reduced and factors influencing violations will be eliminated.
5. Un-utilized resources in government sector operations will be identified and utilized towards enhancement of value.
6. Ratification of this draft law won't have any budgetary pressure.



Unofficial Translation

Four. Correspondence of the draft law with Constitution and other laws of Mongolia and necessary changes to be made in existing law or drafting new laws for enforcement of law implementation

Law draft does not conflict with Constitution and other laws of Mongolia. With regards to this draft law some amendments will be made in Audit Law, Budget Law, State inspection law and State and local property law of Mongolia respectively.

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2016-03-01 Draft

**LAW OF MONGOLIA ON
INTERNAL AUDIT IN
GOVERNMENT SECTOR**

April...., 20..

State palace, Ulaanbaatar

**CHAPTER ONE.
GENERAL PROVISIONS**

Article 1. Purpose of the law

1.1. Purpose of the law is to institute internal audit framework in the government sector organizations as per international standard in order to enhance operational results and responsibility by means of improved risk management, internal control and governance functions.

Article 2. Objective of the law

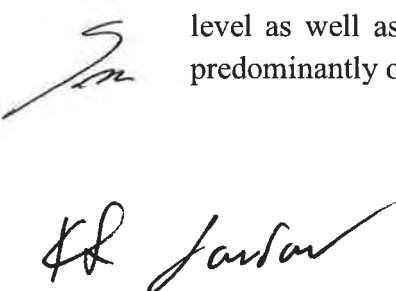
2.1. The Law shall regulate the internal audit framework in government sector and define the legal groundings of the statute and functions of the structures and persons implementing it as well as to regulate relations related to the implementation of internal audit function in government sector.

Article 3. Legislation on internal audit in government sector

3.1. Legislation on internal audit in government sector shall comprise of Constitution of Mongolia, Law on State budget, this law as well as other legal acts enacted in conformity with them.

Article 4. Framework of the law

4.1. This law shall regulate central and local governing bodies, public entities of all level as well as state or provincial government owned or state and provincial government predominantly owned entities.



Article 5. Definitions of legal terminology

5.1. The following terminologies used in this law shall have the following meanings:

5.1.1. “internal audit” refers to independent, objective assurance and consulting activity designed to add value and improve organization’s operations;

5.1.2. “internal audit unit” refers to department, division or unit within the organization dedicated to implement internal audit roles and functions;

5.1.3. “Chief audit executive” refers to a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and other Standards;

5.1.4. “head of organization” refers to budget governors of all levels who are chairing state and provincial public sector entities;

5.1.5. “risk” refers to uncertainties impacting negatively achievement of organizational objectives;

5.1.6. “risk management” refers to processes directed to identify, assess, manage, and control potential events or uncertainties impacting negatively the achievement of the organization's objectives;

5.1.7. “control” refers to any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved;

5.1.8. “governance” refers to the combination of processes and structures implemented by the head of organization and/or board to resolve, implement, inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives;

5.1.9. “fraud” refers to any illegal act characterized by deceit, concealment, or violation of trust;

5.1.10. “compliance audit” refers to comprehensive evaluation of an organization's adherence to regulatory and legislative guidelines and standards;

5.1.11. “financial audit” refers to comprehensive evaluation of validity, integrity and reliability of financial reports and reporting processes;

5.1.12. “performance audit” refers to an independent evaluation to assess whether the organization is utilizing its resources economically, efficiently and effectively in executing its operational duty;

5.1.13 “related persons” refers to any persons defined in the provision 3.1.5 of Chapter 3 of Law on the regulation of public and private interests and prevention of conflict of interest in public service, Mongolia.

Article 6. Principles of internal audit

6.1. Internal Audit function shall adhere to the following principles:

- 6.1.1 Compliance
- 6.1.2 Independence
- 6.1.3 Objectivity
- 6.1.4 Confidentiality
- 6.1.5 Proficiency.

CHAPTER 2 INTERNAL AUDIT FRAMEWORK AND STRUCTURE

Article 7. Internal Audit Functions

7.1. Within the framework to assure legislation and regulations related to organization’s functions are in par with standard, an internal audit shall conduct following activities in order to support organizations in achieving its goals and missions:

7.1.1. Evaluate and assure whether organization is managing risks effectively and make recommendations;

7.1.2. Evaluate and assure effectiveness of internal control and make recommendations for improvements;

7.1.3. Evaluate and assure organizational governance processes and structure and make recommendations for improvements;

7.1.4. Examine and provide assurance in validity, integrity and reliability of financial report and reporting principles of organization;

7.1.5. Evaluate whether organizational operation and utilization of its resources is effective, efficient and economical and make recommendations for improvements;

7.2. Internal audit shall be performed to provide assurance and consultancy.

7.3. In order to enhance and improve the value of operations of an organization assurance audit services shall perform an objective and independent examination on governance, risk management, and control processes based on evidences.



7.4. Consultancy services shall comprise of services and activities intended to enhance operational effectiveness and efficiency and improve organization's governance, risk management, and control processes as well as advice, counsel and facilitate trainings towards maximization of enterprise value and other related services.

Article 8. Types of internal audit functions

8.1. Internal auditor shall conduct following types of internal audit activities to implement its duties:

8.1.1 Compliance audit;

8.1.2. Financial audit;

8.1.3. Performance audit;

8.1.4. Others.

Article 9. Internal audit framework

9.1. It is mandatory for following organizations to embody internal audit functions:

9.1.1. state and provincial government budgetary organizations;

9.1.2. state or provincial government owned or state and provincial government predominantly owned entities

Article 10. Internal Audit Structure

10.1. Head of the Organization and/or its Board stated in provision 9.1 of Article 9 of this law is charged to organize and implement internal audit functions under its authority.

10.2. All units, branches, programs and operations of the organization shall be included in internal audit functions.

10.3. Following body shall conduct internal audit activities:

10.3.1. internal audit unit comprising of full-time employees of organization;

10.3.2. independent party who performs internal audit services based on contracts (outsourced);

10.4. Internal audit unit of an organization shall comprise of Chief Audit Executive and internal auditors and shall report directly to Head of the organization or its Board.

10.5. Outsourced independent internal audit service provider on a contractual basis could either provide internal audit services for several organizations as shared audit services or it could be an independent entity providing internal audit services, both of which shall directly report to Head of organization or its Board.

10.6. Internal audit activities shall be conducted as per this law, international standard and other regulations and guidance adhered to them.

10.7. It is mandatory for following organizations to embody internal audit function within itself:

10.7.1. The President's Office, Secretariat of State Great Khural, Cabinet Secretariat Office;

10.7.2. Constitutional Court of Mongolia, Supreme court of Mongolia, General Council of Courts, The State General Prosecutors' Office of Mongolia, Independent Authority against corruption;

10.7.3. Organizations which report directly to the State Great Khural;

10.7.4. Central administrative body;

10.7.5. Government's regulatory and implementing agencies;

10.7.6. Aimak, soum, district Governors and city mayor;

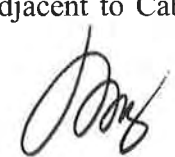
10.8. Board of the organizations that are not mentioned in the provision 10.7 of this Article will decide whether to embody internal audit unit within itself or to outsource shared internal audit services among several organizations.

10.9. The State Central Administrative Body Responsible for Finance and Budget Matters shall determine human methodology on resource ceiling of internal audit unit based on the allocated budget for the corresponding organization.

10.10. State or provincial government owned or state and provincial government predominantly owned entities shall establish internal audit unit with its Board approval and shall embody Audit Committee as per Company Law of Mongolia.

10.11. Head of the organization and/or Board shall establish Audit Committee which shall comprise of members with no conflict of interests and with sufficient experience in financial management, control and audit matters and not less than 50% of the members shall not be employees of the organization.

10.12. Audit Committee shall ratify and adhere to its own rules adjacent to Cabinet approved General Guidance.



10.13. Audit Committee shall support internal audit functions by way of discussing and providing guidelines and instructions on any internal audit related issues such as structure and organization of internal audit unit, long term and risk based annual internal audit plan, internal audit report, annual operational report and other issues related to internal audit activities and consult with Head of the organization and/or Board with regards to the audit results and if necessary will report to the higher level Budget governor.

CHAPTER THREE INTERNAL AUDITOR AND ITS RIGHTS AND RESPONSIBILITES

Article 11. Appointment of Internal Auditor

11.1. Board or Head of the Organization shall employ an internal auditor as per the selection process outlined in the Law on Public Service based on Audit Committee recommendation.

11.2. Internal auditor shall comply with following requirements to be eligible:

11.2.1. be a citizen of Mongolia;

11.2.2. has no criminal sanctions or has not been forfeited to perform corresponding occupation by any court rulings;

11.2.3. be a graduate from accredited universities with not less than 4 year program with a Bachelor or above degree;

11.2.4. has an experience in the public sector ;

11.3. Board or Head of the Organization shall select and appoint Chief Audit Executive as per the Law on Public Service of Mongolia and the Candidate for this position shall comply with following additional requirements on top of the requirements stated in Articles 11.2 of this law:

11.3.1. shall possess Master's or above educational degree;

11.3.2. internal and external audit work experience with not less than three years;

11.4. Following Persons are strictly prohibited from being appointed as Chief Audit Executive:

11.4.1. A Candidate was employed at the corresponding organization as director, deputy director or head of structural unit within the last two year period;

11.4.2. A Candidate whose spouse or other related persons were employed at

the corresponding organization as director, deputy director or head of structural unit within the last two year period.

11.5. Candidate for Chief Audit Executive shall convey that the reasons stated in Article 11.4 are not existent to the Board or Head of the Organization in written form.

Article 12. Rights of internal auditors

12.1. Chief Audit Executive as well as internal auditors shall exercise following rights:

12.1.1. with regards to conducting internal audit activities an internal auditor has the right to enter all parts of the premises of an organization, request necessary documentation at disposal and to meet with employees in order to get explanation and gather information;

12.1.2. to access any kind of electronic and printed data in matters related to internal audit;

12.1.3. to request any relevant documentations and reports from relevant personnel;

12.2. Management and personnel of any organization shall support internal audit activities fully and shall provide information and documentations requested by an internal auditor or Chief Audit Executive at disposal with no charge and delay.

12.3. Internal auditors shall conduct internal audit activities at organizational branches and units as per the guidelines approved by Head of Audit Committee and per the specified audit plan produced and approved by Chief Audit Executive of organization.

12.4. Chief Audit Executive shall exercise rights stated in Article 12.1 of this law as well as rights stipulated below:

12.4.1. Inform any matters related to internal audit to Head of Organization or its Board and report directly to them;

12.4.2. If professional knowledge and skills required conducting internal audit activities, extend a request for expert to the Head of Organization or its Board;

12.4.3. Contact directly with Audit Committee members and its head as well as attend Audit Committee meeting;

12.4.4. Define objective, framework, methodology, frequency as well as required resources of internal audit activities;

12.5. Chief Audit Executive as well as internal auditors shall be inclined to follow General Guideline for Government Sector Internal Audit Unit approved by Cabinet,

International Internal Audit Standard, Ethical Standards as well as Internal Audit General Practice.

12.6. Chief Audit Executive as well as internal auditors shall comply with confidentiality of information gathered during internal audit mission with regards to state, entity and individuals unless stated otherwise in law.

12.7. Chief Audit Executive shall be responsible for all operations undertaken by internal audit unit, within which include:

12.7.1. develop the rules and regulations of internal audit unit and yearly and long term audit plan, run it through Audit Committee and get approval from Head of Organization or its Board;

12.7.2. Delegate and regulate works among internal auditors;

12.7.3. Supervise and approve specified audit plan within its full responsibility;

12.7.4. Monitor implementation of yearly internal audit plan as well as an optimal application of Practice guideline for government sector internal audit by internal auditors;

12.7.5. Produce a continued training plan for internal auditors in order to enhance and improve their knowledge, expertise and skill set and get approval from Head of Organization or its Board;

12.7.6. If required, develop special methodology adjusted for organizational needs and enforce in conducting internal audit activities;

12.7.7. Organize evaluation processes for newly introduced structures or functional changes in financial management and control;

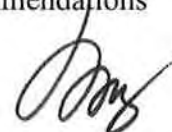
12.8. Chief Audit Executive as well as internal auditors are allowed to have membership in national or international internal audit professional institution, association and chapter.

Article 13. Responsibilities of Internal Auditor

13.1. Chief Audit Executive has following responsibility to report to Head or Board of organization as well as Audit Committee:

13.1.1. Present internal audit report as well as evaluation of efficiency and effectiveness of financial management and control of the organization;

13.1.2. Report audit results, findings and recommendations and their implementation;



13.1.3. Report implementation process of internal audit yearly plan;

13.1.4. Evaluate optimization of budget and other resources allocated for internal audit unit and propose appropriate solution;

13.1.5. Report any cases hindering the activities of Chief Audit Executive and internal auditors;

13.1.6. Regulate relationships between external auditors.

13.2. Chief Audit Executive shall develop and implement quality assurance program for conducting all activities of internal audit unit and within the program framework, internal and external assessment shall be conducted.

13.3. Internal assessment shall consist of continues control of activities of internal audit unit, self-assessment as well as assessment by other employees who have substantial knowledge of internal audit.

13.4. External evaluation shall be performed by an experienced and independent evaluator or evaluation team outside of the organization not less than once in every five years.

13.5. Cabinet member responsible for finance and budget shall approve Regulation on internal audit quality assurance.

13.6. Internal auditor shall report to Chief Audit Executive directly when encountered with fraud schemes. Chief Audit Executive shall report corresponding case directly to Head of organization of its Board immediately and introduce mitigation measures.

13.7. If no measures are taken with regards to the information and recommendation outlined in Article 13.6 within 10 days, Chief Audit Executive shall report the case to the Audit Committee.

13.8. It is prohibited for internal auditors to conduct performance audit for organizational units for which he provided advisory services and/or conducted activities within the last one year period. If encountered with such circumstances, an auditor shall inform in written format to the Chief Audit Executive.

13.9. Chief Audit Executive and internal auditors shall not perform any other functions within the organization other than internal audit.

13.10. Chief Audit Executive and auditors shall meet disciplinary actions if not abided by the applicable responsibility.

**CHAPTER FOUR
PLANNING, IMPLEMENTATION AND
REPORTING OF INTERNAL AUDIT**




Chapter 14. Yearly and long term planning of internal audit

14.1. Chief Audit Executive shall develop risk based audit plan in order to define guiding principle for internal audit unit adjacent to organization's mission and vision. Risk based audit planning shall comply with the following requirements:

14.1.1 it shall be based on risk assessment performed on all activities of organization;

14.1.2 risk assessment shall be assured, objective and accurate;

14.1.3 it shall distribute internal audit resources efficiently.

14.2. Internal audit unit shall conduct its activities according to an annual risk based audit plan based on its long term plan.

14.3. Based on vision and mission of the organization, Chief Audit Executive shall develop long term plan encompassing strategic development objectives of internal audit agreeing upon with Head of the Organization, its Board and other corresponding officials.

14.4. Long term audit plan shall be discussed via Audit Committee and approved by Head of the Organization and its Board.

14.5. Chief Audit Executive shall develop yearly audit plan encompassing audit topics for the particular year agreeing upon with Head of the Organization, its Board and other corresponding officials.

14.6. If planned audit activities associate with projects and programs dedicated for different organizations, yearly plan shall accommodate and correspond with the annual risk based audit plan of other internal audit units of these organizations incorporated in the project and program.

14.7. Chief Audit Executive of lower level budget governors shall accommodate its yearly plan with yearly plan of internal audit unit of higher level budget governors.

14.8. Internal audit yearly plan shall be discussed via Audit Committee and approved by Head of the Organization and its Board.

14.9. Based on risk evaluation, changes in yearly and long term plan shall be recommended by Chief Audit Executive, discussed via Audit Committee and approved by Head of the Organization and its Board.

Chapter 15. Planning, implementation and reporting of internal audit

15.1. Internal auditor shall develop plan for specified audit encompassing its framework, objectives, methodology, timeline and required resources.

15.2. Internal auditor shall gather sufficient information necessary to infer recommendations in line with audit objectives and conduct audit activities by way of evaluation, documentation and assurance.

15.3. Internal audit unit shall produce audit report after each completed audit activity and the report shall convey audit objectives, framework, findings, conclusions, recommendations as well as propositions suggested by the management of corresponding organization and unit.

15.4. Audit report shall be discussed by Audit Committee and recommendations made out of the Audit Committee will be presented to the management of audited organization and unit.

15.5. Management of the audited organization and unit has responsibility to implement recommendations stated in the audit plan and shall submit plan for implementation measures as per recommendation to the internal audit unit.

15.6. Internal audit yearly plan shall encompass monitoring and analyzing activities for implementation of audit recommendations and internal audit unit shall evaluate whether implemented measures were optimal, effective and in timely manner.

Article 16. Internal audit yearly plan

16.1. Chief Audit Executive shall develop internal audit yearly plan and shall include following:

16.1.1. Causes and circumstances of performed audits where audit framework was limited and audit plan was not materialized;

16.1.2. Conclusions with regards to financial management and control structure of organization and recommendations directed to improving organization's operations;

16.1.3. Measures taken to implement recommendations as well as immaterialized recommendations;

16.1.4. Violations of legislation detected by audit, among which are fraud cases;

16.1.5. Proposition of measures to be taken in order to develop internal audit function.

16.2. Lower level budget governor with internal audit division shall submit its internal audit yearly plan to higher level budget governor within January 31st of next year.

16.3. Chief Audit Executive shall submit the yearly plan to Head of the Organization, its Board and Audit Committee within February 20th of next year.

16.4. Head of the Organization and its Board shall submit its internal audit yearly plan to the State Central Administrative Body responsible for Finance and Budget within March 1st of next year.

CHAPTER FIVE
RIGHTS AND AUTHORITY OF OFFICIALS AND STATE ORGANIZATION
WITH REGARDS TO INTERNAL AUDIT

Article 17. Rights of Government

17.1. Government shall exercise following rights with regards to internal audit for government sector:

17.1.1. Ratify comprehensive regulation for Audit Committee and internal audit units;

17.1.2. Exercise other rights stipulated in the law.

Article 18. Rights of Cabinet member responsible for Finance and Budget

18.1. Cabinet member responsible for finance and budget shall exercise following rights with regards to internal audit for government sector:

18.1.1. Develop a comprehensive policy to develop internal audit functions in public sector and provide guideline and organize its enforcement;

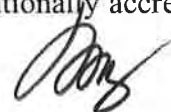
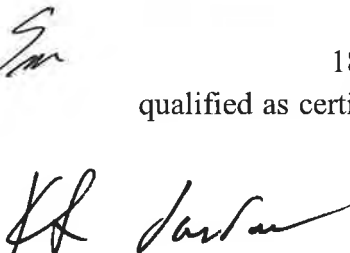
18.1.2. Develop and monitor the enforcement of Ethics standard for internal auditors in government sector;

18.1.3. Enforce international standard for internal audit functions in government sector;

18.1.4. Approve and enforce methodology, practice, regulation and guidance for internal audit in government sector;

18.1.5. Conclude a contract with an appropriate NGO which will perform certain functions of internal audit as per the Article 19 of Law on Mongolian Government based on selection processes;

18.1.6. Approve regulation for pay increase for professionals who are qualified as certified internal auditor by passing tests organized by internationally accredited



professional organization;

18.1.7. Cooperate with national and international internal audit organizations in order to develop internal audit;

18.1.8. Organize and monitor enforcement of internal law legislation;

18.1.9. Select NGO which will organize internal audit training and conclude contract;

18.1.10. Exercise other rights stipulated in the law.

18.2. State Central Administrative Body responsible for Finance and Budget shall embody in its organizational structure a department responsible for risk management, internal audit policy and methodology matters.

CHAPTER SIX. LIABILITY

Article 19. Liabilities for violation of legislation

19.1. Chief of internal audit unit /internal auditor/ shall deliver relevant materials to Head of organizations and its Board with regards to the issues identified by internal audit such as any issues with fraud nature and any personnel who avoid and interfere audit activities, refuse complying with given requirements and who violated and breached corresponding legislations.

19.2. Any issues related to legal responsibilities charged by officials who influenced or try to influence audit functions will be presented and resolved by Central budget governor.

Article 20. Entry into Force

20.1. This Law shall enter into full force with effective date of, 20...

SIGNATURE



Draft Amendment of Related Laws



KH Jantana



Draft

Draft Amendment to Audit law of Mongolia

June ..., 201...

State palace, Ulaanbaatar

Article 1. Following context shall be added to the corresponding provision of Article 4 of Audit Law of Mongolia:

Provision 3 of clause 1 of 4:

“3. Internal audit operations implemented under the authority of general budget governor shall not apply to the Article 4.1 of this law.”

Article 2. This law shall be in full force after ratification and enforcement of Law on internal audit in government sector.

SIGNATURE



Unofficial Translation

Draft

Draft Amendment to State inspection law of Mongolia

June ..., 201...

State palace, Ulaanbaatar

Article 1. Provision 7.4 of Article 7 as well as Provision 8.2.3 of Article 8 of State Inspection Law of Mongolia shall be annulled respectively.

Article 2. This law shall be in full force after ratification and enforcement of Law on internal audit in government sector.

SIGNATURE



Unofficial Translation

Draft

Draft amendment to the Budget Law of Mongolia

June ..., 201...
Ulaanbaatar

State palace,

Article 1. Article 69 of Budget Law of Mongolia shall be amended as following:

“Article 69. Internal Audit”

69.1. Each general budget governor and organizations under its authority as well as state and provincial government owned or state and provincial government predominantly owned entities shall establish internal audit unit and employ internal auditors in order to assess risk management, internal control and governance processes and structure of organizations, to provide independent and objective reassurance in validity, integrity and reliability of financial reports and reporting processes and in adherence to applied legislations, to assess whether the organization is utilizing its resources economically, efficiently and effectively as well as to provide consultancy services.

69.2. “The structure, framework and legislative background for government sector internal audit shall be regulated by law.”

Article 2. This law shall be in full force after ratification and enforcement of Law on internal audit in government sector.

SIGNATURE



Unofficial Translation

Draft

**Draft amendment to the State and
Local property law of Mongolia**

June ..., 201...

State palace, Ulaanbaatar

Article 1. The Article 66.1 of State and local property law of Mongolia shall be amended from "... State inspection committee, professional.... Implemented by Ministry of Finance" to "... implemented by National Audit Office".

Article 2. The Article 66.4 of State and local property law of Mongolia shall be annulled.

Article 3. This law shall be in full force after ratification and enforcement of Law on internal audit in government sector.

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**MINUTES OF MEETING
ON
THE FIFTH JOINT COORDINATION COMMITTEE
ON
THE PROJECT FOR CAPACITY BUILDING OF INTERNAL AUDITING
IN MONGOLIA-PHASE 2**

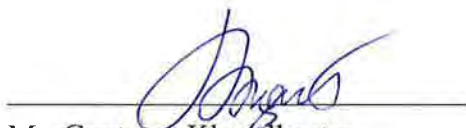
Japan International Cooperation Agency (hereinafter referred to as "JICA") and Budget Control and Risk Management Department (hereinafter referred to as "BC-RM Dept.") of Ministry of Finance of the Government of Mongolia (hereinafter referred to as "MOF") held the Joint Coordination Committee (hereinafter referred to as "JCC") Meeting within as stipulated in the framework of the Record of Discussions (hereinafter referred to as "R/D") for "Capacity Building of Internal Auditing in Mongolia-Phase 2" (hereinafter referred to as "the Project").

As a result of the discussions, JICA and BC-RM Dept. made this Minutes of Meeting in order to confirm the mutual understanding and the matters agreed in the discussions attached hereto.

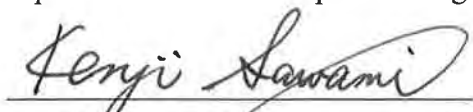
Ulaanbaatar, June 24th, 2016



Mr. Mutsumi Sato
Chief Representative
Mongolia Office
Japan International Cooperation Agency



Mr. Gantsogt Khurelbaatar
State Secretary, Ministry of Finance of
Mongolia



Mr. Kenji Sawami
Acting Chief Adviser
Project for Capacity Building of Internal
Auditing in Mongolia Phase-2, JICA
Experts Team



Mr. Ganbat Batkhuu
Director, Budget Control and Risk
Management Department, Ministry of
Finance of Mongolia

I. The Environment of Internal Audit in Mongolia

The Mongolian and JICA sides have confirmed the current situation of Mongolia with respect to internal auditing and activities including current status of financial inspection since the 4th JCC on April, 2016.

II. Progress of the implementation for the Project second year based on Monitoring Sheet Ver. 4. (Annex-1)

1. Output 1 (Legal institutionalization for Internal Audit)

- a. The activities were implemented as initially planned as shown in Annex.1.
- b. The Concept Paper and the Bill were revised and finalized by taking into account the comments from IIA Global by the working group in 1st of March.
- c. The Concept Paper and the Bill submitted with the letter to the Cabinet Secretariat for requesting endorsement of the Bill at the best timing during the parliament.

2. Output 2 (IAPPS & CPE and Internal Audit Practical Instructors)

- a. The activities were implemented as initially planned as shown in Annex.1.
- b. The study tour to the United States of America and Japan was conducted.
- c. The Activities of Output 2 in PDM were revised due to IIA Mongolia was officially established.
- d. The IAPPS trial test and training hosted by the Ministry of Finance were conducted in April 2016 assisted by JICA expert team and IIA Mongolia.

3. Output 3 (Internal Audit Practice and Manuals)

- a. The activities were implemented as initially planned as shown in Annex.1.
- b. The inherent risks in the priority organization were identified by priority ministry's Internal Auditors in terms of developing practical internal audit manual assisted by JICA expert team.
The 1st draft of Internal Audit Manual and Model Working Papers were created and submitted to BC-RM Dept. by the Project Team.
- c. The internal audit practical trainings in 2 rural areas and Ulaabaatar were implemented to Internal Auditors by BC-RM Dept. and the Project Team.
- d. OTSs were conducted to the priority ministries by the Project Team.



4. Output 4 (Internal Audit Quality Assurance Manuals)

- a. The activities were not implemented as initially planned such as the revision of Quality Assurance Manual and implementation of Quality Assurance Activities in rural area due to the delay of finalizing the Practical Manual in Output 3.
- b. The Quality Assessment Manual for the Internal Audit Activity by IIA was translated into Mongolian language and submitted to BC-RM Dept. for future Quality Assurance Manual and Checklist after reviewing through trial utilization at rural area.
- c. Draft Annual Plan was submitted from the Project Team to BC-RM Dept.

III. Proposed Activities to be taken for the Project 3rd Year Plan of Operation. (Annex-2)

1. Output 1 (Legal institutionalization for Internal Audit)

- a. The Concept Paper and the Bill would be submitted to the Parliament, under the responsibility of the Mongolian related parties toward the establishment of Governmental Internal Audit Law.

2. Output 2 (IAPPS & CPE and Internal Audit Practical Instructors)

- a. The contents of IAPPS trial test and training would be improved for the first time.
- b. The second and third IAPPS trial test and training would be conducted in the third Year of the Project.

3. Output 3 (Internal Audit Practice and Manuals)

- a. The Internal Audit Manual and Model Working Papers would be finalized by the Project Team and BC-RM Dept.
- b. The Internal Audit Practical Trainings would be conducted for utilizing the Internal Audit manual and Model Working Paper at priority ministries by the Project Team and at all government institutions by BC-RM Dept.
- c. OTSs would be conducted to the priority ministries by the Project Team.

4. Output 4 (Internal Audit Quality Assurance Manuals)

- a. The Quality Assurance Manual and Checklist would be finalized after completion of the practical manuals for internal audit by BC-RM Dept.
- b. The Quality Assurance Manual and Checklist would be utilized at trial

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training in three rural areas.

5. Others

- a. Although the following activities are not included in the current Plan of Operation, BC-RM Dept. proposed additional activities as follows;
 - Assistance for the formulation of BC-RM Dept.'s Mid-term strategy (2017-2019) will be planned and added in Project Output with related activities.
 - Assistance for conducting the Consultation Meeting for related persons and conducting Needs Survey and Impact Study of the Internal Audit Law based on the law of Legislation Law of Mongolia (enforcement from 1st January, 2017).
 - Conduct trainings to promote the understanding of Internal Audit activities for Ministers, State Secretaries and Directors who are newly appointed after the elections.
- b. Mr. Sawami will be formally appointed as the Chief Adviser of this project who is successor of Mr. Endo by JICA from 30th June, 2016.

Annex:

Annex 1: Monitoring Sheets ver4.

Annex 2: Plan of Operations

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TO CR of JICA HEADQUARTERS & MONGOLIA OFFICE

Annex-1-01

PROJECT MONITORING SHEET**Project Title : Capacity Development Project for Internal Audits in Mongolia Phase 2****Version of the Sheet: Ver.042016****Name: KENJI SAWAMI****Title: Acting Chief Advisor****JCC Date: June. 24th 2016****Submission Date: July. 31th 2016****I. Summary****1 Progress****1-1 Progress of Inputs**

Resource input 26.77MM out of Total 26.77MM

1-2 Progress of Activities

Activities	Status
0-1. Collect basic information on internal audit	Completed
0-2. Conduct self-diagnosis based on IA-CM	Completed
0-3. Hold discussions on progress and achievements of introducing internal audit practices in Mongolia based on activities 0-1 & 0-2	Completed

1-1. Develop a work plan	Completed (1 st and 2 nd Project Year)
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors	Completed
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors	Completed
1-4. Develop concept paper of possible legal framework based on the activities 1-1~1-3. (NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.	Completed




1-5. [By C/P] Develop original draft of legal framework based on 1-4 above	In progress by C/P
1-6. [By C/P] Develop draft bill of legal framework based on 1-4 above	In progress by C/P

2-1. Develop a work plan and set up a working group	Completed (1 st and 2 nd Project Year)
2-2. Collect & analyze other countries experiences relating to IAPPS & CPE	Completed
2-3. Develop IAPPS &CPE and IAPI framework documents	Completed
2-4. Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI	Completed for 1 st Meeting but need discussion
2-5. Designate responsible organization for implementation of IAPPS & CPE	Completed
2-6. Design IAPPS trial test & pre-test training contents	Completed
2-7. Conduct trainings for IAPPS candidates	In progress Implemented 1 st training in the 2 nd Project Year
2-8. Conduct IAPPS trial test	In progress Implemented 1 st training in the 2 nd Project Year
2-9. Develop IAPPS participators and other training participators records	In progress
2-10. Support providing training for IAPPS	In progress
2-11. Train the IAPIs and its candidates to acquire practical skills required to disseminate internal audit	In progress

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2-12. Certifying candidates who satisfy necessary conditions as the IAPIs	In progress (Completed for 2 nd year activities)
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3-1. Develop a work plan and set up working groups	Completed (1 st and 2 nd Project Year)
3-2. Conduct financial planning exercise on implementation of trainings and OJT	Completed for 1 st Meeting but need discussion
3-3. Develop the internal audit manuals in priority areas and common manual for specialized public organization(e.g. local governments, schools, hospitals, customs etc.)	In progress 1 st draft was submitted to C/P
3-4. Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations	In progress
3-5. [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1	In progress Need more discussion

4-1. Develop a work plan	Completed (1 st and 2 nd Project Year)
4-2. Develop first version of check-lists for quality assurance of internal audit	Completed
4-3. Develop an annual plan to conduct the quality assurance activities.	Completed (1 st Project Year in the Work Plan)
4-4. Train staff for quality assurance of internal audit using the check lists.	In progress
4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis	Completed for 1 st year activities. Will continue in the 3 rd year for local governmental organizations
4-6. Develop final version of check-lists for quality assurance of internal audit	Will be started in project year 3 rd

1-3 Achievement of Output

Output 1. The solution of establishing a more solid legal foundation of internal audit is identified.	Completed
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KS *Jan Sun*

Jan S.m.

Output 2. Qualified internal auditor certification system is introduced.	In progress
Output 3. Internal auditors' capacity of practicing internal audit is further strengthened.	In progress
Output 4. Internal Audit Quality Assurance system is introduced.	In progress

1-4 Achievement of the Project Purpose

Project Purpose	Status
The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16.	In progress, but need discussion

1-5 Changes of Risks and Actions for Mitigation

A comprehensive discussion is needed among the BC-RM Dept. Ministry of Finance (hereinafter called C/P), JICA, and JICA experts team regarding changes in human resources and responsible personnel of the C/P organizations and the prioritized ministries after the Parliament Election in terms of to secure the sustainable entire project activities.

1-6 Progress of Actions undertaken by JICA

Support activities for submission of the draft law and the Concept Paper
 Conduct trainings for IAPPS candidates
 Support providing training for IAPPS and IAPIs
 Develop the common manual for specialized public organization
 Conduct training for internal auditors to use developed internal audit manuals
 Preparing revised quality assurance manual and check list
 Support implementing quality assurance activities for local government organizations
 Train staff for quality assurance of internal audit using the check lists.

1-7 Progress of Actions undertaken by Gov. of Mongolia

Develop draft bill of legal framework

1-8 Progress of Environmental and Social Considerations (if applicable)

Not applicable

1-9 Progress of Considerations on Gender/Peace Building/Poverty

KS Jantson

Jonny S.m.

Reduction (if applicable)

Not applicable

1-10 Other remarkable/considerable issues related/affect to the project (such as other JICA's projects, activities of counterparts, other donors, private sectors, NGOs etc.)

- It is recommended that C/P and JICA experts team shall share the information and work with harmonization between the theoretical manual funded by World Bank and the practical manual which is developed by our project of Output 3.
- Delay in the completion of theoretical manual funded by World Bank as mentioned above, will affect activities related to reviewing quality assurance check list and its implementation in the local governmental organizations.
- For the cost-sharing between C/P and JICA on various training activities, both C/P and JICA agreed as the result of discussion at JCC (June 2016) that, with a compliance with basic rules, there is a case that additional discussion is necessary at every activity in consideration to the regime change and economic conditions.
- The nationwide election will be held in summer, 2016. The member of stakeholders may be drastically replaced after the election.

2 Delay of Work Schedule and/or Problems (if any)

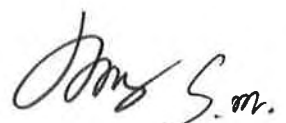
- The first version of practical manual will be released in delay (Output3).

3 Modification of the Project Implementation Plan

- Need to be discussed on the next JCC in terms of adding the activities for comprehensive assistance of Internal Audit mid-term strategy formulation for 2017-2019.

4 Preparation of Gov. of Mongolia toward after completion of the Project

Not applicable

II. Project Monitoring Sheet I & II

As Attached

III. Other

C/P management provided signed documents as Attached for being in agreement with the Monitoring Sheets.

JS Jansun

John S. Sr.

Project Monitoring Sheet I (Project Design Matrix) Version 4

Project Title: Capacity Development Project for Internal Audit Phase 2
Implementing Agency: Ministry of Finance, Mongolia
Target Group: Ministry of Finance, Central Government Ministries and Local Governments
Period of Project: Three Years (Tentatively From 2014/09 To 2017/08)

Annex-1-02

< Based on the Project Design Matrix used for Working Plan as of July 2016 >

Project Site: Mongolia **Model Site:** N.A.

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions	Achievement	Remarks
Overall Goal The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 2. Established legal framework of internal audit 3. Continued implementation of internal audit: increase number of IA reports, recommendations, follow-up 4. Increased number (and/or percentage) of audited organizations, Internal Auditor Professionals for Public Sector (IAPPS) and Internal Audit Practical Instructors (IAP)	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM 1) Enacted law and/or regulations 1) Assessment at the final JCC 1) Assessment at the final JCC		It is premature to reach a conclusion (In progress)	Self diagnosed and introduced the base level of IA-CM in working plan Concept paper and draft bill have been prepared and submitted to CP Internal Audit field activities are conducted with experts The first trial test was conducted and trainings were provided
Project Purpose The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 on the Project scope areas in IA-CM *Level of the other area will be checked in Overall goal indicator 2. Continued progresses of actions for enhancing internal audit and internal auditors in legal framework(e.g. draft laws & regulations, etc.) 3. Increased number of IAPPS: 1) 100 IAPPS training participants 4-1 Continued implementation of internal audit using the developed manuals in the priority areas 4-2 Continued implementation of internal audit in specialized public organizations: "16" (number of IA reports, recommendations, follow-up) 4-3 [reference] Continued implementation of ordinary internal audit in the other areas "8" (number of IA reports, recommendations, follow-up) 5. Increased number (and/or percentage) of audited organizations, IAPPSs and IAPIs: 100(number and/or percentage) 6. Implemented Internal Audit Quality Assurance systems: 2-3 reports are made	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM 1) The original draft and the draft bill 1) Assessment at the final JCC 1) IA reports made by using practical internal audit manuals(including risk-based approach) in priority areas 2) IA reports made by using risk-based internal audit manuals in the other areas 1) Reports made by International Audit Quality Assurance system	1. The Mongolian government will not change the policy for enhancement of internal audit function which meets international standards and practices. 2. Any changes in organizational structures of the Mongolian government which may affect the project activities will not happen. 3. A significant reduction of the necessary budgetary and human resource allocation and other institutional arrangements in CPs as to prevent the project from proceeding will not happen	Continue to support CP for progress Continue to support CP for progress IAPPS training and pre-test was conducted with participation of more than 100 government internal audit officials. In progress, however implementation will be started after releasing manual IAPPS and IAPI practical training was conducted for internal auditors (Participants: IAPPS 120 officials, IAPI 20 officials) Certificate of attendance was given to the IAPI training participants from JICA Project Team The first report was submitted in the first year Checklist review was completed in the second year	Self diagnosed and the result was introduced in the working plan. CP is in Level-2 The concept paper and the draft bill have been submitted to CP. The first IAPPS pre-test was conducted. Stakeholder should discuss the contents and plan for practical manual Stakeholders should discuss about timing and participants of the next training QA will be conducted, using the revised check list and prepare QA manual based on implementation result in the third year.
Outputs	Objectively Verifiable Indicators	Means of Verification	Important Assumptions		
1. The solution of establishing a more solid legal foundation of internal audit is identified	1-1. Developed working paper(s) on other countries experiences and appropriate options of enhancing legal foundation 1-2. Developed concept paper of new legal framework on internal audit	1) The working paper(s) 1) The concept paper		Completed. The working paper was created and the option (the independent IA law) was taken. Completed. The concept paper and the draft bill, which are reflected comments from IIA Global, were submitted	N/A Continue to support CP
2. Qualified internal auditor certification system is introduced	2-1. Developed IAPPS trial test & Continuing Professional Education (CPE) framework documents 2-2. Developed IAPPS trial test & learning materials and program 2-3. Continued implementation of IAPPS trial test and pre-test training 2-4. Developed IAPPS participants and personal other training records 2-5. Continued implementation of training for IAPI: "5" trainings are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings 2-6. Number of IAPI who are deployed at ministries, local governments and government agencies is more than "100"	1) The IAPPS framework documents 1) Training schedule, 2) Learning materials on IAPPS 1) Result of IAPPS trial test 1) The participants and personal records for administration 1) The report on trainings 1) Certification documents		Completed. Due to CP's decision to accept IIA qualification framework, IAPPS framework was developed based on it. Completed for 2nd year Training and pre-test materials and training curriculum were developed Completed for 2nd year The first IAPPS exam was conducted for measuring the baseline In progress In progress In progress	Continue to support CP Continue to support CP Continue to support CP Continue to record further participants. Continue to provide trainings Continue to provide trainings
3. Internal auditors' capacity of practicing internal audit is further strengthened.	3-1. Demonstrated group ownership and leadership: 4 working groups lead by C/P. Each group makes 4 activity reports. (Total:16 activity reports) 3-2. Developed practical internal audit manuals in priority areas 3-3. Continued implementation of training for using the manuals in priority area: "40" trainings and OJT(On the Job Training) are conducted 3-4. Developed practical internal audit manual on specialized public organizations 3-5. Continued implementation of training for using the manuals on small organizations: "10" trainings and OJT(On the Job Training) are conducted 3-6. [Reference] Continued engagement in ordinary internal audit with/without involvement of the JICA Expert team	• Procedure guidance 1) 4 groups are unified in priority areas, 16 activity reports are submitted (4groups X 4 audit processes-preliminary, fieldwork, reporting follow-up) 1) The internal audit manuals for the designated four priority areas at least if completed 1) The reports on trainings		In progress In progress In progress In progress In progress	Continue accordingly CP needs to review the manual including the consistency with manual developed by World Bank and finalize and determine the release date. Training and OJT using manual will be conducted after releasing manual CP needs to review the manual including the consistency with manual developed by World Bank and finalize and determine the release date. Training and OJT using manual will be conducted after releasing manual In progress
4. Internal Audit is improved.	4-1. Developed quality assurance framework documents 4-2. Developed quality assurance manuals (including checklists) 4-3. Developed implementation plans of the quality assurance activities 4-4. Continued implementation of quality assurance activities on a plan basis	1) The quality assurance framework documents. 1) The quality assurance manuals (including checklists) for both internal and external quality controls 1) The implementation plans of the quality assurance activities 1) Status report of implementation plan 2) Monitoring reports after the quality assurance activities started		The framework documents were developed Checklist review was completed in the second year The implementation plan was developed for the first year Checklist review, which will be used in the third year QA activities, was completed in the second year	N/A will conduct QA using the revised check list and prepare QA manual based on implementation result in the third year. Continue in 3rd year for local governmental organizations Continue in 3rd year for local governmental organizations
Activities	Inputs	Pre-Conditions			
<i>KL</i>	The Japanese Side	The Mongolian Side			<i>S.m.</i>

Output 1. The solution of establishing a more solid legal foundation of internal audit is identified.				(I) Concept & Draft-making	(II) Approval & Implementation					
1-1. Develop a work plan	Plan						⊙	○	Completed as scheduled in the first and second year.	N/A
	Actual		Study tour							
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors	Plan		★				⊙	○	Completed in the first year.	N/A
	Actual		★							
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors	Plan						○	⊙	Completed in the first year.	N/A
	Actual									
1-4. Develop concept paper of possible legal framework based on the activities 1-1~1-3. (NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.	Plan						○	⊙	Completed in the second year.	N/A
	Actual									
1-5. [By C/P] Develop original draft of legal framework based on 1-4 above	Plan						×	⊙	In progress by C/P	N/A
	Actual				N/A					
1-6. [By C/P] Develop draft bill of legal framework based on 1-4 above	Plan						×	⊙	In progress by C/P	N/A
	Actual				N/A					
Output 2. Qualified internal auditor certification system is introduced.				(I) Regulation by Ministry of MOF	(II) Internal audit law					
2-1. Develop a work plan and set up a working group	Plan						⊙	○	Completed as scheduled in the first and second year.	N/A
	Actual									
2-2. Collect & analyze other countries experiences relating to CIAPPS & CPE	Plan						⊙	○	Completed in the first year.	N/A
	Actual									
2-3. Develop IAPPS & CPE and IAPI framework documents	Plan						○	○	Completed of 1st Meeting but need discussion	N/A
	Actual									
2-4. Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI	Plan						○	○	Completed of 1st Meeting but need discussion	Need to discuss at next JCC
	Actual									
2-5. Designate responsible organization for implementation of IAPPS & CPE	Plan						○	⊙	Completed	N/A
	Actual				Study tour					
2-6. Design IAPPS trial test & pre-test training contents	Plan				★		○	○	Completed	This activity will be support as necessary as a part of Activity.
	Actual									
2-7. Conduct trainings for IAPPS candidates	Plan						○	○	In progress Implemented 1st training in the 2nd Project Year	N/A
	Actual									

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Output 3. Internal auditors' capacity of practicing internal audit is further strengthened.				(I) Develop manuals	(II) Trainings				
3-1. Develop a work plan and set up working groups	Plan					⊙	○	Completed as scheduled in the first and second year.	N/A
	Actual								
3-2. Conduct financial planning exercise on implementation of trainings and OJT	Plan					○	○	Completed in the first year.	N/A
	Actual								
3-3. Develop the internal audit manuals in priority areas and common manual for specialized public organization(e.g. local governments, schools, hospitals, customs etc.)	Plan				*	○	○	1st draft was submitted to C/P	Need to discuss to determine the date of release
	Actual				The first version delayed				
3-4. Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations	Plan					○	○	Will be conducted in delay	The manuals is still under draft. Training will be started after releasing it.
	Actual								
3-5. [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1	Plan					×	⊙	In progress by C/P	N/A
	Actual							Need more discussion	
Output 4. Internal Audit Quality Assurance system is introduced.				(I) Develop a checklist					
4-1. Develop a work plan	Plan					⊙	○	Completed as scheduled in the first and second year.	N/A
	Actual								
4-2. Develop first version of check-lists for quality assurance of internal audit	Plan					⊙	○	Completed as scheduled in the first and second year.	N/A
	Actual								
4-3. Develop an annual plan to conduct the quality assurance activities.	Plan					○	○	Completed (1st Project Year in the Work Plan)	N/A
	Actual								
4-4. Train staff for quality assurance of internal audit using the check lists.	Plan					○	○	In progress	N/A
	Actual								
4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis	Plan					○	○	Completed for 1st year activities.	N/A
	Actual							Will continue in the third year for local governmental organizations	
4-6. Develop final version of check-lists for quality assurance of internal audit	Plan					⊙	○	Will be developed in project 3 rd year	N/A
	Actual								

HR *Jandana*


S.m.

**MINUTES OF MEETING
ON
THE SIXTH JOINT COORDINATION COMMITTEE
ON
CAPACITY DEVELOPMENT PROJECT FOR INTERNAL AUDIT PHASE 2
IN MONGOLIA**


Japan International Cooperation Agency (hereinafter referred to as "JICA") and Budget Control and Risk Management Department (hereinafter referred to as "BC-RM Dept.") of Ministry of Finance of the Government of Mongolia (hereinafter referred to as "MOF") held the Joint Coordination Committee (hereinafter referred to as "JCC") Meeting within as stipulated in the framework of the Record of Discussions (hereinafter referred to as "R/D") for " Capacity Development Project for Internal Audit Phase 2" (hereinafter referred to as "the Project").

As a result of the discussions, JICA and BC-RM Dept. made this Minutes of Meeting in order to confirm the mutual understanding and the matters agreed in the discussions attached hereto.

Ulaanbaatar, December 8th, 2016




Mr. Mutsumi Sato
Chief Representative
Mongolia Office
Japan International Cooperation Agency



Mr. Kenji Sawami
Chief, JICA Expert Team



Mr. Nyamaa Buyantogtokh
State Secretary, Ministry of Finance of
Mongolia



Mr. Gantulga Badamkhatan
Director, Development Financing and Debt
Management Department, Ministry of
Finance of Mongolia

The Environment of Internal Audit in Mongolia

1. MOF (hereinafter referred to as “Counterparts”) and JICA confirmed the current situation of Mongolia with respect to internal auditing and activities since the JCC on 24th June, 2016.
2. After the Parliament election held June 30, 2016, the Minister and State Secretary of Finance have newly appointed. In addition, internal auditors of other Ministries and Implementing Agencies have also changed drastically.

I. The review of the second year activities

Counterparts reviewed the second year activities and the JCC members agreed with the achievement. (Annex 3)

II. The third year work plan was introduced by Counterparts.

Counterparts introduced the work plan of the Project regarding the third year activities. (Annex 4) The JCC members agreed with the work plan and will promote the project proactively to achieve outputs. The outputs to be achieved are the followings;

1. Output 1 (Legal institutionalization for internal audit)
 - i. Support activities relating with submission of the “Internal Audit Bill for Public Sector” to the Parliament Fall Session, which have newly added as Activity 1-7 in the Project Design Matrix (hereinafter referred to as “PDM”). Please refer to “III. Main Point Discussion, ii. Addition of Activity 1-7” for the background.
 - ii. Support Counterparts to organize opinion exchange meeting and conducting Needs and Impact Survey, which are mandatory under the Legislation Law (enforcement from 1st January, 2017) of Mongolia during the submission of Draft Bill to the Parliament.
 - iii. Support Counterparts conducting activities to promote understanding on internal audit for newly assigned Ministers, State Secretaries and Directors of Internal Audit Departments and other stakeholders.
2. Output 2 (Internal Auditor Professionals for Public Sector (hereinafter referred to as “IAPPS”),& Continuing Professional Education (hereinafter referred to as “CPE”) and Internal Audit Practical Instructors(hereinafter referred to as “IAPI”))
 - i. Assist Counterparts in conducting IAPPS trial tests and trainings, which are planned 2 times in fall 2016 and spring 2017 with cooperation of the Institute of

Internal Auditors Mongolia (hereinafter referred to as "IIA Mongolia").

- ii. Assist Counterparts in organizing IAPI trainings for high score candidates from the IAPPS trial tests and trainings.
 - iii. Assist Counterparts to finalize overall Training framework for internal auditors of public sector in order to improve the capacity of the internal auditors of the government organizations in Mongolia.
3. Output 3 (Internal Audit Practical Trainings and Manual Development)
- JICA Expert Team together with Counterparts will revise the preliminary version of Internal Audit Manual and Model Working Papers, which have been prepared through practical training implemented as On-the Job Training (hereinafter referred to as "OJT").
- i. Internal Audit Practical Trainings to the priority Ministries and other government organizations will be held using the revised Internal Audit Manual and Model Working Paper. Technology transfer will be implemented to Counterparts to conduct such trainings from the JICA experts through trainings for priority Ministries.
 - ii. Support conducting regional trainings, using revised Internal audit manual for Local Government internal auditors, which are planned in November, December 2016 and spring 2017
 - iii. JICA Expert Team will implement OJTs to the priority Ministries on a continuing basis from the previous year activities.
 - iv. Counterparts review and finalize Internal Audit Manual and Model Working Paper revised and submitted by JICA Expert Team in April for bookbinding.
4. Output 4 (Internal Audit Quality Assurance Manuals)
- i. Trial quality assurance will be done in three local provinces, selected by Counterparts, using Quality Assurance Manual, which includes Checklist (hereinafter referred to as "Quality Assurance Manual") drafted by JICA Expert Team.
 - ii. JICA Expert Team will finalize the Quality Assurance Manual by April, based on IIA standards through the above mentioned Quality Assurance activities.
 - iii. Counterparts review and finalize the IIA based Quality Assurance Manual in May for bookbinding.
 - iv. Counterparts will finalize the Quality Assurance Framework.

5. Output 5 (Development of Medium -term strategic plan)

This output is newly added in the third year project activity for assisting Counterparts in formulation of the Internal Audit Medium-term Strategic Plan (2017-2020). Please refer to “III. Main Point Discussion, i. Addition of Output 5” for the background.

- i. Working group consists of the JICA Expert Team and Counterpart members will be formulated and prepare working plan, which specifies works to be done and person in charge.
- ii. Draft Medium-term Strategic Plan will be discussed by related parties through opinion exchange meeting and/or collect opinions from Government organization by official letter and the opinion is reflected to the Plan if appropriate.
- iii. Counterparts finalize and take approval action by the Minister of Finance. Approved Medium-term Strategic Plan will be printed and distributed to the appropriate organizations.

III. Main Point Discussion

1. Background

i. Addition of Output 5

Both CP and JICA Expert Team recognize that Mongolia is in a transition periods as Mongolian government decided to follow international standards for their internal audit system and that for the next four years (2017-2020) after new government from June 2016 is a significant period to steer the internal audit in Mongolia. For this reason, development of a feasible, sustainable and viable plan is essential and JICA Expert Team assists in developing the plan.

ii. Addition of Activity 1-7

JICA Expert Team assisted to develop the concept paper and the bill of Law of Internal Audit in the Public Sector. This bill is the significant base for further development of internal audit system in Mongolia. Accordingly JICA Expert Team additionally supports activities relating with submission of the bill to the parliament in order to conduce the bill to surely come into force.

2. Changes in PDM and Plan of Operations

JICA Expert Team explained about the points that have to be changed on PDM and Plan of Operation mainly due to new addition of Output 5, Activity 1-7 and other

changes (e.g. ensuring consistency between output and indicator etc.) in the third year activities. The JCC members agreed with the changes in PDM and Plan of Operation. (Annex 1 & 2)

Annex:

Annex 1: Project Design Matrix ver.2.0

Annex 2: Plan of Operation

Annex 3: Monitoring Sheets ver.4.1

Annex 4: Work Plan (3rd Year)

Revised Project Design Matrix

Project Title: Capacity Development Project for Internal Audit Phase 2
Implementing Agency: Ministry of Finance, Mongolia
Target Group: Ministry of Finance, Central Government Ministries and Local Governments
Period of Project: Three Years (From 2014/09 To 2017/08)

Version 2.0
Dated December 2016

Project Site: Mongolia **Model Site:** N.A.

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions	Achievement	Remarks
Overall Goal The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 2. Established legal framework of internal audit 3. Continued implementation of internal audit: increase number of IA reports, recommendations, follow-up 4. Increased number (and/or percentage) of audited organizations, Internal Auditor Professionals for Public Sector (IAPPS) and Internal Audit Practical Instructors (IAPI)	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM in 2020 1) Enacted law and/or regulations 1) Assessment of quality assurance in 2020 1) More than 40% of Mongolian governmental internal auditors finish trainings provided by MOF			
Project Purpose The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 on the Project scope areas in IA-CM *Level of the other area will be checked in Overall goal indicator 2. Continued progresses of actions for enhancing internal audit and internal auditors in legal framework(e.g. draft laws & regulations, etc.) 3. Increased number of IAPPS: 1) 100 IAPPSs training participators 4-1. Continued implementation of internal audit using the manuals under development in the priority areas 4-2 Continued implementation of internal audit in specialized public organizations: "16" (number of IA reports, recommendations, follow-up) 4-3. [reference] Continued implementation of ordinary internal audit in the other areas "8" (number of IA reports, recommendations, follow-up) 5. Increased number (and/or percentage) of audited organizations, IAPPSs and IAPIs: 100(number and/or percentage) 6. Implemented Internal Audit Quality Assurance systems: 2-3 reports" are made	1) [reference]Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM 1) The original draft and the draft bill 1) Assessment at the final JCC 1) IA reports made by using practical internal audit manuals(including risk-based approach) in priority areas 2)[reference] IA reports made by using risk-based internal audit manuals in the other areas 1) Reports made by International Audit Quality Assurance system	1. The Mongolian government will not change the policy for enhancement of internal audit function which meets international standards and practices. 2. Any changes in organizational structures of the Mongolian government which may affect the project activities will not happen. 3. A significant reduction of the necessary budgetary and human resource allocation and other institutional arrangements in CPs as to prevent the project from proceeding will not happen.		
Outputs	Objectively Verifiable Indicators	Means of Verification	Important Assumptions		

1. The solution of establishing a more solid legal foundation of internal audit is identified.	1-1. Developed working paper(s) on other countries experienced appropriate options of enhancing legal foundation	1) The working paper(s)			
	1-2. Developed concept paper of new legal framework on internal audit	1) The concept paper			
2. Qualified internal auditor certification system is introduced.	2-1. Developed IAPPS training framework documents	1) The IAPPS training framework documents			
	2-2. Developed IAPPS trial test & learning materials and program	1) Training schedule, 2) Learning materials on IAPPS			
	2-3. Continued implementation of IAPPS trial test and pre-test training	1) Result of IAPPS trial test			
	2-4. Developed IAPPS participators and personal other training records	1) The participators and personal records for administration			
	2-5. Continued implementation of training for IAPI: "3" trainings" are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings	1) The report on trainings			
	2-6. Number of IAPI who are deployed at ministries, local governments and government agencies is more than "100"	1) List of Participant who received certificates			
3. Internal auditors' capacity of practicing internal audit is further strengthened.	3-1. Document workingpapers of each audit phase (total of 4 audit phases- planning, fieldwork, reporting and follow-up) through internal audit practice conducted by priority ministries lead by C/P	1) 16 activity reports are submitted (16 activities mean that 4 priority ministries submit workingpapers of each of 4 audit phase-planning, fieldwork, reporting and follow-up)			
	3-2. Developed practical internal audit manuals in priority areas	1) Practical internal audit manual			
	3-3. Continued implementation of training for using the manuals under development in priority area: "40" trainings and OJT(On the Job Training) are conducted	1) The reports on trainings and OJT			
	3-4. Developed practical internal audit manual on specialized public organizations	1) Practical internal audit manual			
	3-5. Continued implementation of training for using the manuals under development on specialized public organizations: "10" trainings and OJT(On the Job Training) are conducted	1) The reports on trainings and OJT			
	3-6. [Reference] Continued engagement in ordinary internal audit with/without involvement of the JICA Expert team				

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6.1.

4. Internal Audit Quality Assurance system is introduced	4-1. Developed quality assurance framework documents	1) The quality assurance framework documents
	4-2. Developed quality assurance manuals (including checklists)	1) The quality assurance manuals (including checklists) for both internal and external quality controls
	4-3. Developed implementation plans of the quality assurance activities	1) The implementation plans of the quality assurance activities
	4-4. Continued implementation of quality assurance activities on a plan basis	1) Status report of implementation plan 2) Monitoring reports after the quality assurance activities started
5. Medium-term strategic plan is developed	5-1. Support to draft 2017-2020 medium-term strategic plan	1) Enforcement items proposed by JICA experts
	5-2. Review the progress for the 1st quarter of 2017 or after, along with the medium-term strategic plan	1) Summary of review

Activities	Inputs		Pre-Conditions
	The Japanese Side	The Mongolian Side	
0-1. Collect basic information on internal audit (e.g. number of internal audit conducted, established audit committee and developed internal audit charter, and internal auditor in each organization)			
0-2. [By C/P] Conduct self diagnosis based on IA-CM			
0-3. Hold discussions on progress and achievements of introducing internal audit practices in Mongolia based on activities 0-1 & 0-2			
1-1. Develop a work plan			
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors			
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors			
1-4. Develop concept paper of possible legal framework based on the activities 1-1~1-3. (NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.			
1-5. [By C/P] Develop original draft of legal framework based on 1-4 above			
1-6. [By C/P] Develop draft bill of legal framework based on 1-4 above			
1-7. Support activities relating with submission of the bill to the parliament until April			
2-1. Develop a work plan and set up a working group			
2-2. Collect & analyze other countries experiences relating to IAPPS & CPE			
2-3. Develop IAPPS training framework documents			
2-4. Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI			

6.1.

2-5. Designate responsible organization for implementation of IAPPS training
2-6. Design IAPPS trial test & pre-test training contents
2-7. Conduct trainings for IAPPS candidates
2-8. Conduct IAPPS trial test
2-9. Develop IAPPS participators and other training participators records
2-10. Support providing training for IAPPS
2-11. Train the IAPIs and its candidates to acquire practical skills required to disseminate internal audit
2-12. Certifying candidates who satisfy necessary conditions as the IAPIs
3-1. Develop a work plan and set up working groups
3-2. Conduct financial planning exercise on implementation of trainings and OJT
3-3. Develop the internal audit manuals in priority areas and common manual for specialized public organization(e.g. local governments, schools, hospitals, customs etc.)
3-4. Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations
3-5. [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1
4-1. Develop a work plan
4-2. Develop first version of check-lists for quality assurance of internal audit
4-3. Develop an annual plan to conduct the quality assurance activities.
4-4. Train staff for quality assurance of internal audit using the check lists.
4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis
4-6. Develop final version of check-lists for quality assurance of internal audit
5-1. Develop a work plan and set up a working group
5-2. [By C/P] Decide the basic policy of medium-term strategic and enforcement items
5-3. Support to draft 2017-2020 medium-term strategic plan
5-4. [By C/P] Finalize 2017-2020 medium-term strategic plan
5-5. Review the progress for the first quarter of 2017 and revise medium-term strategic plan if necessary

Cooperation with Mongolian speaking trainer who has relevant knowledge and experience preferably in Project Phase1 and the IAPIs is necessary to deliver the training.

Team working with the IAPIs and its candidates on the ground is essential and critical in order to carry out activity 3-3.



<Issues and countermeasures>
N/A

6.2.

[reference] indicates activities performed by C/P which does not need JICA experts' assistance in the aim of sustainability

【PDM revision summary table】

№	Narrative Summary	Before	After	Before	After	Revised reasons	
		Objectively Verifiable Indicators		Means of Verification			
1	Overall goal	1			1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM in 2020	Clarified timing of verification
		3			1) Assessment at the final JCC	1) Assessment of quality assurance in 2020	Readjusted measuring method and timing of verification
		4			1) Assessment at the final JCC	1) More than 40% of Mongolian governmental internal auditors finish trainings provided by MOF	Readjusted measuring method.
2	Project Purpose	1			1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM	1) [reference]Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM	Ensured consistency with Indicator
		4-1	Continued implementation of internal audit using the developed manuals in the priority areas	Continued implementation of internal audit using the manuals under development in the priority areas			Ensured consistency with Indicator
		4-3			2) IA reports made by using risk-based internal audit manuals in the other areas	2)[reference] IA reports made by using risk-based internal audit manuals in the other areas	Ensured consistency with Indicator
		2-1	Developed IAPPS trial test & Continuing Professional Education (CPE) framework documents	Developed IAPPS training framework documents	1) The IAPPS framework documents	1) The IAPPS training framework documents	Rephrased to clarify its intent
		2-5	Continued implementation of training for IAPI : "5" trainings" are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings	Continued implementation of training for IAPI : "3 " trainings" are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings			Changed based on current situation

3	Outputs	2-6		1) Certification documents.	1) List of Participant who received certificates	Rephrased to clarify its intent	
		3-1	Demonstrated group ownership and leadership: 4 working groups lead by C/P. Each group makes 4 activity reports. (Total:16 activity reports)	Document workingpapers of each audit phase (total of 4 audit phases- planning, fieldwork, reporting and follow-up) through internal audit practice conducted by priority ministries lead by C/P.	• Procedure guidance	1) 16 activity reports are submitted (16 activities mean that 4 priority ministries submit workingpapers of each of 4 audit phase-planning, fieldwork, reporting and follow-up)	Rephrased to clarify its intent
		3-2			1) 4 groups are unified in priority areas, 16 activity reports are submitted (4groups X 4 audit processes- preliminary, fieldwork, reporting follow-up)	1) Practical internal audit manual	Ensured consistency with Indicator
		3-3	Continued implementation of training for using the manuals in priority area: "40" trainings and OJT(On the Job Training) are conducted	Continued implementation of training for using the manuals under development in priority area: "40" trainings and OJT(On the Job Training) are conducted	1) The internal audit manuals for the designated four priority areas at least if completed	1) The reports on trainings and OJT	Ensured consistency with Indicator Changed based on current situation
		3-4			1) The reports on trainings	1) Practical internal audit manual	Ensured consistency with Indicator
		3-5	Continued implementation of training for using the manuals on small organizations: "10" trainings and OJT(On the Job Training) are conducted	Continued implementation of training for using the manuals under development on specialized public organizations: "10" trainings and OJT(On the Job Training) are conducted		1) The reports on trainings and OJT	Ensured consistency with Indicator Changed based on current situation
		5-1		Develop the basic policy of medium-term strategic and enforcement items		1) Enforcement items' draft proposed by JICA experts	Newly added
		5-2		Review the progress for the 1st quarter of 2017 or after, along with medium-term strategic plan		1) Summary of review	Newly added

		Before	After	Revised reasons	
4	Activities	0-2	Conduct self diagnosis based on IA-CM	[By C/P] Conduct self diagnosis based on IA-CM	Ensured consistency with Project Purpose
		1-7		Support activities relating with submission of the bill to the parliament until April, 2017	Newly added as Output 1 Activity
		2-3	Develop IAPPS & CPE and IAPI framework documents	Develop IAPPS training framework documents	Rephrased to clarify its intent
		2-5	Designate responsible organization for implementation of IAPPS & CPE	Designate responsible organization for implementation of IAPPS training	Rephrased to clarify its intent
		5-1		Develop a work plan and set up a working group	Newly added as Output 5 Activity
		5-2		[By C/P] Decide the basic policy of medium-term strategic and enforcement items	Newly added as Output 5 Activity
		5-3		Draft 2017-2020 medium-term strategic plan	Newly added as Output 5 Activity
		5-4		[By C/P] Finalize 2017-2020 medium-term strategic plan	Newly added as Output 5 Activity
		5-5		Review the progress for the first quarter of 2017 and revise medium-term strategic plan if necessary	Newly added as Output 5 Activity

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PM Form 3-1 Monitoring Sheet Summary

TO CR of JICA HEADQUARTERS & MONGOLIA OFFICE

PROJECT MONITORING SHEET**Project Title : Capacity Development Project for Internal Audits in Mongolia Phase 2****Version of the Sheet: Ver.4.1(4.0 revised)****Name: KENJI SAWAMI****Title: Team Leader****Submission Date: Dec. 8th 2016****I. Summary****1 Progress****1-1 Progress of Inputs**

Resource input 5.13MM out of Total 25.68MM

Updated 1-2 and 1-3 only at this JCC.

1-2 Progress of Activities

Activities	Status
0-1. Collect basic information on internal audit	In progress
0-2. [By C/P] Conduct self-diagnosis based on IA-CM	In progress
0-3. Hold discussions on progress and achievements of introducing internal audit practices in Mongolia based on activities 0-1 & 0-2	In progress

1-1. Develop a work plan	In progress (Completed 1st and 2 nd Project Year)
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors	Completed
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors	Completed

PM Form 3-1 Monitoring Sheet Summary

1-4. Develop concept paper of possible legal framework based on the activities 1-1~1-3. (NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.	Completed
1-5. [By C/P] Develop original draft of legal framework based on 1-4 above	In progress by C/P
1-6. [By C/P] Develop draft bill of legal framework based on 1-4 above	In progress by C/P
1-7. Support activities relating with submission of the bill to the parliament untill April, 2017	
2-1. Develop a work plan and set up a working group	In progress (Completed 1st and 2 nd Project Year)
2-2. Collect & analyze other countries experiences relating to IAPPS & CPE	Completed
2-3. Develop IAPPS training framework documents	In progress
2-4. Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI	In progress (Completed for 1 st Meeting but need discussion)
2-5. Designate responsible organization for implementation of IAPPS training	Completed
2-6. Design IAPPS trial test & pre-test training contents	Completed
2-7. Conduct trainings for IAPPS candidates	In progress (Implemented 1 st training in the 2 nd Project Year)
2-8. Conduct IAPPS trial test	In progress (Implemented 1 st training in the 2 nd Project Year)
2-9. Develop IAPPS participators and other training participators records	In progress

PM Form 3-1 Monitoring Sheet Summary

2-10. Support providing training for IAPPS	In progress
2-11. Train the IAPIs and its candidates to acquire practical skills required to disseminate internal audit	In progress
2-12. Certifying candidates who satisfy necessary conditions as the IAPIs	In progress (Completed for 2 nd year activities)

3-1. Develop a work plan and set up working groups	In progress (Completed 1st and 2 nd Project Year)
3-2. Conduct financial planning exercise on implementation of trainings and OJT	In progress (Completed for 1 st Meeting but need discussion)
3-3. Develop the internal audit manuals in priority areas and common manual for specialized public organization(e.g. local governments, schools, hospitals, customs etc.)	In progress (The 1 st draft was submitted to C/P)
3-4. Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations	In progress
3-5. [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1	In progress (Need more discussion)

4-1. Develop a work plan	In progress (Completed 1st and 2 nd Project Year)
4-2. Develop first version of check-lists for quality assurance of internal audit	Completed
4-3. Develop an annual plan to conduct the quality assurance activities.	In progress (Completed 1 st Project Year in the Work Plan)
4-4. Train staff for quality assurance of internal audit using the check lists.	In progress
4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis	In progress (Completed for 1 st year activities. Will continue in the 3 rd year for local governmental organizations.)

PM Form 3-1 Monitoring Sheet Summary

4-6. Develop final version of check-lists for quality assurance of internal audit	In progress (Will be started in project year 3 rd)
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5-1. Develop a work plan and set up working group	
5-2. [By C/P] Decide the basic policy of medium-term strategy and enforcement items	
5-3. Support to draft 2017-2020 medium-term strategy plan	
5-4. [By C/P] Finalize 2017-2020 medium-term strategy plan	
5-5. Review the progress for the first quarter of 2017 and revise medium-term strategy plan if necessary	

1-3 Achievement of Output

Output 1. The solution of establishing a more solid legal foundation of internal audit is identified.	Completed
Output 2. Qualified internal auditor certification system is introduced.	In progress
Output 3. Internal auditors' capacity of practicing internal audit is further strengthened.	In progress
Output 4. Internal Audit Quality Assurance system is introduced.	In progress
Output 5. Medium-term strategic plan is developed.	

Update the followings (1-4~4) at the time of submitting the monitoring sheets v.5.

1-4 Achievement of the Project Purpose

Project Purpose	Status
The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16.	In progress, but need discussion

1-5 Changes of Risks and Actions for Mitigation

A comprehensive discussion is needed among the BC-RM Dept. Ministry of Finance (hereinafter called C/P), JICA, and JICA experts team regarding changes in human resources and responsible personnel of the C/P organizations and the prioritized ministries after the Parliament Election in terms of to secure the sustainable entire project activities.

1-6 Progress of Actions undertaken by JICA

Support activities for submission of the draft law and the Concept Paper
 Conduct trainings for IAPPS candidates
 Support providing training for IAPPS and IAPIs
 Develop the common manual for specialized public organization
 Conduct training for internal auditors to use developed internal audit manuals
 Preparing revised quality assurance manual and check list
 Support implementing quality assurance activities for local government organizations
 Train staff for quality assurance of internal audit using the check lists.

1-7 Progress of Actions undertaken by Gov. of Mongolia

Develop draft bill of legal framework

1-8 Progress of Environmental and Social Considerations (if applicable)

Not applicable

1-9 Progress of Considerations on Gender/Peace Building/Poverty Reduction (if applicable)

Not applicable

1-10 Other remarkable/considerable issues related/affect to the project (such as other JICA's projects, activities of counterparts, other donors, private sectors, NGOs etc.)

- It is recommended that C/P and JICA experts team shall share the information and work with harmonization between the theoretical manual funded by World

PM Form 3-1 Monitoring Sheet Summary

Bank and the practical manual which is developed by our project of Output 3.

- Delay in the completion of theoretical manual funded by World Bank as mentioned above, will affect activities related to reviewing quality assurance check list and its implementation in the local governmental organizations.
- For the cost-sharing between C/P and JICA on various training activities, both C/P and JICA agreed as the result of discussion at JCC (June 2016) that, with a compliance with basic rules, there is a case that additional discussion is necessary at every activity in consideration to the regime change and economic conditions.
- The nationwide election was held in summer, 2016. The member of stakeholders have been drastically replaced after the election.

2 Delay of Work Schedule and/or Problems (if any)

- The first version of practical manual will be released in delay (Output3).

3 Modification of the Project Implementation Plan

- Need to be discussed on the next JCC in terms of adding the activities for comprehensive assistance of Internal Audit mid-term strategy formulation for 2017-2019.

4 Preparation of Gov. of Mongolia toward after completion of the Project

Not applicable

II. Project Monitoring Sheet I & II

As Attached

III. Other

C/P management provided signed documents as Attached for being in agreement with the Monitoring Sheets.

Project Monitoring Sheet I (Project Design Matrix) Version 4.1(revised 4.0)

Project Title: Capacity Development Project for Internal Audit Phase 2
Implementing Agency: Ministry of Finance, Mongolia
Target Group: Ministry of Finance, Central Government Ministries and Local Governments
Period of Project: Three Years (From 2014/09 To 2017/08)

Version 4.1
Dated December 2016

< Based on the Project Design Matrix used for Working Plan as of December 2016 >

Project Site: Mongolia **Model Site:** N.A.

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions	Achievement	Remarks
Overall Goal The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 2. Established legal framework of internal audit 3. Continued implementation of internal audit: increase number of IA reports, recommendations, follow-up 4. Increased number (and/or percentage) of audited organizations, Internal Auditor Professionals for Public Sector (IAPPS) and Internal Audit Practical Instructors (IAPI)	1) Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM in 2020 1) Enacted law and/or regulations 1) Assessment of quality assurance in 2020 1) More than 40% of Mongolian governmental internal auditors finish trainings provided by MOF		It is premature to reach a conclusion (In progress)	Self diagnosed and introduced the base level of IA-CM in working plan Concept paper and draft bill have been prepared and submitted to CP Internal Audit field activities are conducted with experts The first trial test was conducted and trainings were provided
Project Purpose The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16.	1. [reference] Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2 on the Project scope areas in IA-CM *Level of the other area will be checked in Overall goal indicator 2. Continued progresses of actions for enhancing internal audit and internal auditors in legal framework (e.g. draft laws & regulations, etc.) 3. Increased number of IAPPS: 1) 100 IAPPSs training participants 4-1. Continued implementation of internal audit using the manuals under development in the priority areas 4-2 Continued implementation of internal audit in specialized public organizations: "16" (number of IA reports, recommendations, follow-up) 4-3. [reference] Continued implementation of ordinary internal audit in the other areas "8" (number of IA reports, recommendations, follow-up) 5. Increased number (and/or percentage) of audited organizations, IAPPSs and IAPIs: 100(number and/or percentage) 6. Implemented Internal Audit Quality Assurance systems: 2-3 reports" are made	1) [reference] Assessment by BC-RM Dept. and/or third parties (e.g. WB) and JICA based on IA-CM 1) The original draft and the draft bill 1) Assessment at the final JCC 1) IA reports made by using practical internal audit manuals (including risk-based approach) in priority areas 2) [reference] IA reports made by using risk-based internal audit manuals in the other areas 1) Reports made by International Audit Quality Assurance system	1. The Mongolian government will not change the policy for enhancement of internal audit function which meets international standards and practices. 2. Any changes in organizational structures of the Mongolian government which may affect the project activities will not happen. 3. A significant reduction of the necessary budgetary and human resource allocation and other institutional arrangements in CPs as to prevent the project from proceeding will not happen.	Continue to support CP for progress Continue to support CP for progress IAPPS training and pre-test was conducted with participation of more than 100 government internal audit officials In progress, however implementation will be started after releasing manual IAPPS and IAPI practical training was conducted for internal auditors. (Participants: IAPPS 120 officials, IAPI 20 officials) Certificate of attendance was given to the IAPI training participants from JICA Project Team. The first report was submitted in the first year Checklist review was completed in the second year	Self diagnosed and the result was introduced in the working plan. CP is in Level-2. The concept paper and the draft bill have been submitted to CP. The first IAPPS pre-test was conducted Stakeholder should discuss the contents and plan for practical manual Stakeholders should discuss about timing and participants of the next training QA will be conducted, using the revised check list and prepare QA manual based on implementation result in the third year.
Outputs	Objectively Verifiable Indicators	Means of Verification	Important Assumptions		
1. The solution of establishing a more solid legal foundation of internal audit is identified.	1-1. Developed working paper(s) on other countries experiences and appropriate options of enhancing legal foundation 1-2. Developed concept paper of new legal framework on internal audit	1) The working paper(s) 1) The concept paper		Completed. The working paper was created and the option (the independent IA law) was taken Completed. The concept paper and the draft bill, which are reflected comments from IIA Global, were submitted	N/A Continue to support CP
2. Qualified internal auditor certification system is introduced.	2-1. Developed IAPPS training framework documents 2-2. Developed IAPPS trial test & learning materials and program 2-3. Continued implementation of IAPPS trial test and pre-test training 2-4. Developed IAPPS participators and personal other training records 2-5. Continued implementation of training for IAPI: "3" trainings" are conducted, grades after the trainings, coverage of government organization conducted trainings, grades after the trainings 2-6. Number of IAPI who are deployed at ministries, local governments and government agencies is more than "100"	1) The IAPPS training framework documents 1) Training schedule, 2) Learning materials on IAPPS 1) Result of IAPPS trial test 1) The participators and personal records for administration 1) The report on trainings 1) List of Participant who received certificates		In progress. Due to CP's decision to accept IIA qualification framework, IAPPS framework is developing based on it. Completed for 2nd year Training and pre-test materials and training curriculum were developed Completed for 2nd year The first IAPPS exam was conducted for measuring the baseline In progress In progress In progress Participants in the second year: 26	Continue to support CP Continue to support CP Continue to support CP Continue to record further participants. Continue to provide trainings Continue to provide trainings
3. Internal auditors' capacity of practicing internal audit is further strengthened.	3-1. Document workingpapers of each audit phase (total of 4 audit phases- planning, fieldwork, reporting and follow-up) through internal audit practice conducted by priority ministries lead by C/P. 3-2. Developed practical internal audit manuals in priority areas 3-3. Continued implementation of training for using the manuals under development in priority area: "40" trainings and OJT(On the Job Training) are conducted 3-4. Developed practical internal audit manual on specialized public organizations 3-5. Continued implementation of training for using the manuals under development on specialized public organizations: "10" trainings and OJT(On the Job Training) are conducted 3-6. [Reference] Continued engagement in ordinary internal audit with/without involvement of the JICA Expert team	1) 16 activity reports are submitted (16 activities mean that 4 priority ministries submit workingpapers of each of 4 audit phase-planning, fieldwork, reporting and follow-up) 1) Practical internal audit manual 1) The reports on trainings and OJT 1) Practical internal audit manual 1) The reports on trainings and OJT		In progress Responsible personnels were assigned at the 4 priority areas and had begun their works. In progress Risk assessment in priority areas and working paper templates were finalized by JICA Experts and submitted to CP In progress In progress In progress	Continue accordingly CP needs to review the manual including the consistency with manual developed by World Bank and finalize and determine the release date. Training and OJT using manual will be conducted after releasing manual CP needs to review the manual including the consistency with manual developed by World Bank and finalize and determine the release date. Training and OJT using manual will be conducted after releasing manual In progress
4. Internal Audit Quality Assurance system is introduced	4-1. Developed quality assurance framework documents	1) The quality assurance framework documents.		In progress	The framework documents based on IIA's quality assurance are developing

Handwritten initials or mark.

15.7.

	4-2. Developed quality assurance manuals (including checklists)	1) The quality assurance manuals (including checklists) for both internal and external quality controls		In progress	Checklist review, which will be used in the third year QA activities, was completed in the second year QA manual and checklists will be revised based on IIA's quality assurance throughout QA activities in the third year
	4-3. Developed implementation plans of the quality assurance activities	1) The implementation plans of the quality assurance activities		In progress	The implementation plan was developed for the first year Continue in 3rd year for local governmental organizations.
	4-4. Continued implementation of quality assurance activities on a plan basis	1) Status report of implementation plan 2) Monitoring reports after the quality assurance activities started		In progress	Continue in 3rd year for local governmental organizations.
5 Medium-term strategic plan is developed	5-1. Support to draft 2017-2020 medium-term strategic plan	1) Enforcement items proposed by JICA experts			
	5-2. Review the progress for the 1st quarter of 2017 or after, along with the medium-term strategic plan	1) Summary of review			

Activities	Inputs		Pre-Conditions	See the Monitoring Sheet Summary	See the Monitoring Sheet Summary
	The Japanese Side	The Mongolian Side			
0-1. Collect basic information on internal audit (e.g. number of internal audit conducted, established audit committee and developed internal audit charter, and internal auditor in each organization)					
0-2. [By C/P] Conduct self diagnosis based on IA-CM					
0-3. Hold discussions on progress and achievements of introducing internal audit practices in Mongolia based on activities 0-1 & 0-2					
1-1. Develop a work plan					
1-2. Collect & analyze other countries experiences relating to legal foundation of internal audit and status of internal auditors					
1-3. Identify the appropriate options of enhancing legal foundation of internal audit and internal auditors					
1-4. Develop concept paper of possible legal framework based on the activities 1-1-1-3. (NOTE) The way of taking subsequent actions will be decided between BC-RM Dept. and JICA sides based on the concept paper.					
1-5. [By C/P] Develop original draft of legal framework based on 1-4 above					
1-6. [By C/P] Develop draft bill of legal framework based on 1-4 above					
1-7. Support activities relating with submission of the bill to the parliament until April					
2-1. Develop a work plan and set up a working group					
2-2. Collect & analyze other countries experiences relating to IAPPS & CPE					
2-3. Develop IAPPS training framework documents					
2-4. Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI					
2-5. Designate responsible organization for implementation of IAPPS training			Cooperation with Mongolian speaking trainer who has relevant knowledge and experience preferably in Project Phase1 and the IAPPs is necessary to deliver the training.		
2-6. Design IAPPS trial test & pre-test training contents					
2-7. Conduct trainings for IAPPS candidates					
2-8. Conduct IAPPS trial test					
2-9. Develop IAPPS participators and other training participators records					
2-10. Support providing training for IAPPS					
2-11. Train the IAPPs and its candidates to acquire practical skills required to disseminate internal audit					
2-12. Certifying candidates who satisfy necessary conditions as the IAPPs					
3-1. Develop a work plan and set up working groups					
3-2. Conduct financial planning exercise on implementation of trainings and OJT					
3-3. Develop the internal audit manuals in priority areas and common manual for specialized public organization(e.g. local governments, schools, hospitals, customs etc.)					
3-4. Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations			Team working with the IAPPs and its candidates on the ground is essential and critical in order to carry out activity 3-3.		
3-5. [By C/P] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1					
4-1. Develop a work plan					
4-2. Develop first version of check-lists for quality assurance of internal audit					
4-3. Develop an annual plan to conduct the quality assurance activities.					
4-4. Train staff for quality assurance of internal audit using the check lists.					
4-5. Practice quality assurance activities and make reports on an activity 4-3 plan basis					
4-6. Develop final version of check-lists for quality assurance of internal audit					
5-1. Develop a work plan and set up a working group					
5-2. [By C/P] Decide the basic policy of medium-term strategic and enforcement items					
5-3. Support to draft 2017-2020 medium-term strategic plan					
5-4. [By C/P] Finalize 2017-2020 medium-term strategic plan					
5-5. Review the progress for the first quarter of 2017 and revise medium-term strategic plan if necessary					

↓

<Issues and countermeasures>
N/A

[reference] indicates activities performed by C/P which does not need JICA experts' assistance in the aim of sustainability

15.7

Project Monitoring Sheet II (Plan of Operation) ver. 4.1 (4.0 revised)

Version 4.1
Dated Dec.2016

Project Title: Capacity Development Project for Internal Audit Phase 2

Inputs	Actual Year	2014		2015				2016				2017				Remarks	Monitoring												
		Project 1st Year (2014)								Project 2nd Year (2015)				Project 3rd Year (2016)				Issue	Solution										
		Project Year																											
Expert	Month	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8				
Mr. Kenji Sawami (Chief Consultant) Auditing (Legal Framework 1)	Plan																												
Mr. Hiroshi, ENDO (ex Chief Consultant)	Actual																										Mr. Endo has been absent from project field work since Dec 2015 because of his poor health.	Mr. Sawami has taken over Mr. Endo's role with additional input by experienced experts	
Ms. Sandagsuren, NARMANDAKH Auditing (Legal framework 2 / Quality Assurance 2)	Plan																												
Mr. Motoya, TAMINO Auditing (Medium-term strategy 2)	Actual																												
Mr. Amane, IMADA Auditing (Certification System 2 / Practical Training 3)	Plan																												
Mr. Masaki, TANABE Auditing (ex Legal framework 1)	Actual																												
Ms. Kumi, KODAMA (Acting team leader) Auditing (Legal framework 3 / Practical Training 1 / Medium-term strategy 1)	Plan																												
Ms. Ai, MANABE Auditing (Certification system 1 / Practical Training 2)	Actual																												
Mr. Yoshitaka TANIWAKI Auditing (Practical Training 4 / Quality Assurance 1)	Plan																												
Ms. Yoko SUZUKI Auditing (Practical Training 5)	Actual																												
Ms. Noriko Taniguchi Project coordinator	Plan																												
Ms. Mao Tsuiki Project coordinator	Actual																												
Equipment	Plan																												
Equipment necessary for the Project activities by experts	Actual																										The equipment has been provided with CP as scheduled	N/A	
In-country/Third country Training	Plan																												
Foreign country study visits (Australia / United State of America)	Actual																										The study tour was conducted as scheduled.	N/A	

15

AT

АЖЛЫН ТӨЛӨВЛӨГӨӨ

Монгол Улс

**МОНГОЛ УЛСЫН
ДОТООД АУДИТЫН ЧАДАВХИЙГ
БЭХЖҮҮЛЭХ ТӨСӨЛ
(2-р шатны 3 дахь жил)**

2016 он 12 сар

Эрнст энд Янг Шиннихон Саснабили ХХК

Товчилсон үг

Товчилсон үг	Англи	Монгол
BC-RM Dept.	Budget Monitoring & Risk management Department	Төсвийн Хяналт, Эрсдэлийн Удирдлагын Газар (ТХЭУГ) (Засгийн газрын 2013 оны 2 сарын 16-ны 56-р тогтоолоор “Дотоод аудит, Хяналт шинжилгээ үнэлгээний газар”-ыг “Төсвийн хяналт, эрсдэлийн удирдлагын газар” болгон өөрчилсөн)
CP	Counterpart	Хамтран ажиллагч тал/ Төсөл хэрэгжүүлэгч байгууллага
CPE	Continuing Professional Education	Мэргэжлийн тасралтгүй сургалт
IA-CM	Internal Audit Capability Model	Дотоод аудитын чадварын үнэлгээ
IAPI	Internal Audit Practical Instructors	Дотоод аудитын зааварлагч
IAPPS	Internal Auditor Professionals for Public Sector	Улсын салбарын дотоод аудитор
IIA	The Institute of Internal Auditors	Дотоод Аудиторуудын Институт
JCC	Joint Coordinating Committee	Хамтарсан Удирдах Хороо (ХУХ)
JICA	Japan International Cooperation Agency	Японы Олон Улсын Хамтын Ажиллагааны Байгууллага (ЖАЙКА)
MOF	Ministry of Finance	Сангийн Яам (СЯ)
OJT	On the Job Training	Ажлын Байран дахь Сургалт
PDM	Project Design Matrix	Прожект Дизайн Матрикс / Төслийн агуулгыг тусгасан хүснэгт
R/D	Record of Discussion	Засгийн Газар хоорондын Техник туслалцааны хамтын ажиллагааны төслийн хэлэлцүүлгийн тэмдэглэл
WB	World Bank	Дэлхийн Банк (ДБ)

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1 Төслийн агуулга

1.1 Үйл ажиллагааны танилцуулга

Тус төслийн эхний шатны үйл ажиллагааг 2011 оны 12 сараас 2014 оны 6 сарын хооронд хэрэгжүүлсэн ба Монголын талын хамтран ажиллагч тал болох Сангийн яамны Төсвийн хяналт, эрдэлийн удирдлагын газартай хамтран туршилтанд хамрагдах зорилтот байгууллагуудыг сонгон, дотоод аудиттай холбоотой сургалтын болон бусад материал боловсруулах, дотоод аудитын сургагч багш бэлтгэх, холбогдох талуудад зориулсан сургалт, семинар зохион байгуулах ажлуудыг хийснээс гадна, дотоод аудитын хөгжлийн стратеги төлөвлөгөө боловсруулах зэрэг, төв болон орон нутгийн засаг захиргааны байгууллагуудад дотоод аудитыг нэвтрүүлэх суурийг тавих төслийн зорилгод нийцэх үйл ажиллагаануудыг хэрэгжүүлсэн билээ.

Төслийн хоёрдугаар шатны хүрээнд эхний шатанд хэрэгжүүлсэн агуулгад (дотоод аудитын талаар ойлголт өгөх, дотоод аудиторыг чадавхижуулах, дунд хугацааны хөгжлийн төлөвлөгөө боловсруулах) тулгуурлан, Монгол Улсын төв, орон нутгийн засаг захиргааны байгууллагуудын дотоод аудитын хууль эрх зүйн орчныг бүрдүүлэх, дотоод аудиторын зэрэг олгох тогтолцоог нэвтрүүлэх, аудиторуудын практик чадавхийг сайжруулах болон дотоод аудитын чанарын баталгаажуулалтын тогтолцоог нэвтрүүлэх ажлуудыг хийхээр төлөвлөж байна. Дотоод аудитын дунд хугацааны хөгжлийн стратеги төлөвлөгөөний дагуу дотоод аудитын тогтолцоог бэхжүүлснээр Монгол Улсын дотоод аудит нь бүтэц зохион байгуулалт, тогтолцооны болоод хүний нөөцийн хүрээнд илүү тогтвортой хэрэгжих боломжтой орчин бүрдэнэ гэж үзэж байна.

1.2 Үйл ажиллагааны зорилго, хамрах хүрээ

1.2.1 Төслийн агуулга

Тус төслийг 2014 оны 6 сард гарын үсэг зурагдсан R/D болон PDM-д үндэслэн хэрэгжүүлж байгаа бөгөөд төслийн эрхэм зорилго, төслийн зорилго, гарах үр дүнг дараах байдлаар тодорхойлсон.

Эрхэм зорилго: Монгол Улсын улсын салбарын дотоод аудитор нь бүтэц зохион байгуулалт, тогтолцоо, хүний нөөцийн хувьд тасралтгүй хөгжсөн нөхцөл дор дотоод аудит хийх боломжтой болно.

Төслийн зорилго: Монгол Улс нь дотоод аудитын дунд хугацааны хөгжлийн стратеги төлөвлөгөөний дагуу илүү хүчирхэг дотоод аудитын тогтолцоог бүрдүүлнэ.

Үр дүн 1: Дотоод аудиттай холбоотой хууль эрх зүйн орчныг бэхжүүлэх чиг баримтлал тодорхойлогдоно.

• **Үр дүн 2:** Мэргэшсэн дотоод аудиторын зэрэг олгох тогтолцоо нэвтэрнэ.

Үр дүн 3: Дотоод аудиторын аудит хийх ур чадвар дээшилнэ.

Үр дүн 4: Дотоод аудитын чанарын баталгаажуулалтын тогтолцоо нэвтэрнэ.

Үр дүн 5: Дотоод аудитын тасралтгүй хөгжлийг хангасан дунд хугацааны стратегийг боловсруулна.

1.2.2 Төсөл хамрагдах объект

Төсөлд хамруулах салбар: Монгол Улсын улсын салбарын дотоод аудит

Төсөлд хамрагдах этгээд: Монголын талын хамтран ажиллагсад болон холбогдох байгууллагуудын дотоод аудиторрууд

Төсөлд хамрагдах бүс нутаг: Нийт Монгол Улс (Төслийн хүрээнд Улаанбаатар хот болон сонгогдсон орон нутгийн засаг захиргаа хамаарна)

Зорилтот байгууллага: 2016 оны 12 сарын байдлаар, Барилга, Хот Байгуулалтын Яам; Зам, Тээврийн Хөгжлийн Яам; Боловсрол, Соёл, Шинжлэх Ухаан, Спортын Яам; Эрүүл Мэндийн Яамыг зорилтот яамдаар сонгоод байна

1.3 3 дахь жилийн үйл ажиллагааны чиглэл

(1) Дотоод аудитын хууль эрх зүйн тогтолцоог бүрдүүлэх :

Дотоод аудитын хуулийг намрын чуулганд хэлэлцэх асуудлын жагсаалтад оруулах, цаашилбал их хуралд өргөн барихаар төлөвлөж байгаа бөгөөд, аль болох хурдан хугацаанд хэлэлцүүлгээр оруулахын тулд төслийн багийнхан дэмжлэг үзүүлж явах болно. Төслийн багийн үзүүлэх дэмжлэгт, жишээлбэл “Хууль тогтоомжийн тухай хууль” (2017.1.1-ээс үйлчлэх) –иар тогтоосон төрийн байгууллагын мэргэжилтнүүд болон эрдэмтэн судлаачдын дунд хэлэлцүүлэг (1-Зудаа) хийх, Дотоод аудитын хуулийн хэрэгцээ шаардлагын судалгаа болон үр нөлөөний үнэлгээ хийх, мөн дээрх саналуудыг нэгтгэн УИХ-д өргөн барих материал бүрдүүлэх, тайлан боловсруулах зэрэг ажлуудыг хийхээр төлөвлөж байна. Мөн хууль батлагдсаны дараа дотоод аудитын хууль эрх зүйн үндэс суурийг бүрдүүлж, дотоод аудиторын байр суурийг бэхжүүлэх үүднээс, таниулан сурталчлах үйл ажиллагааг идэвхтэй явуулна. Түүнчлэн, Монголын Үндэсний Дотоод Аудиторуудын Холбоо (МУДАХ) албан ёсоор байгуулагдаж, Монгол улс дотооддоо дотоод аудитын мэргэшлийн зэрэг олгох тогтолцоог бүрдүүлэх ажлыг эхлүүлсэн байгаа. Хамтарсан сургалт, семинар зохион байгуулах, Дотоод аудитын олон улсын стандартын орчуулгыг хийх, мэргэжлийн чиглэлийн сургалтын материал боловсруулахад урьдын адил дэмжлэг үзүүлж, Монгол улсын дотоод аудитын тогтолцоог бэхжүүлэх болно.

(2) Дунд хугацааны стратеги төлөвлөгөөг боловсруулахад дэмжлэг үзүүлэх :

Тус төслийн 1-р үе шатанд 2014-2016 оны Дунд хугацааны стратегийн төлөвлөгөөг

боловсруулахад хамтран оролцсон. Тэрхүү төлөвлөгөө энэ онд дуусч байгаа бөгөөд 2017 оноос хойшх шинэ төлөвлөгөөг боловсруулах шаардлагатай байгаа юм. Одоогийн байдлаар, Монгол улсын дотоод аудитыг олон улсын стандартад нийцүүлж явуулах чиг шугамыг баримталж явахаа тодорхойлсон бөгөөд, 2016 оны 6-р сараас томилогдсон шинэ засгийн газрын эрх барих 4 жилийн хугацаанд (2017-2020 он) хэрэгжүүлэх стратегийн төлөвлөгөө нь цаашдын Монгол улсын дотоод аудитын хандлагад чухал нөлөө үзүүлнэ гэж СЯ болон ЖАЙКА төслийн баг үзэж байгаа юм. Үүний тулд, ЖАЙКА төслийн мэргэжилтнүүд өмнөх төслөөр хэрэгжүүлсэн ажлын туршлага дээрээ тулгуурлан, Монгол улсын хувьд тогтвортой, тасралтгүй хөгжих боломжтой төлөвлөгөөг боловсруулахад дэмжлэг үзүүлэхээр төлөвлөж байна. Хэрэгжүүлэх аргын тухайд, хэдийнээ боловсруулагдсан Монгол улсын дотоод аудитын урт хугацааны үзэл баримтлал ба Сангийн яамны үйл ажиллагааны хөтөлбөр (2016.10.15-ны байдлаар гараагүй байгаа) зэрэгтэй уялдуулж холбосон, ур чадвар (хүний нөөцийн хөгжил, дотоод аудитын хууль, төсвийн төлөвлөлт, хяналт) болон байгууллага (хараат бус байдал хангагдахуйц байгууллагын бүтцийг тогтоох, ТХЭУГ-ын хүчин чадлыг илүү оновчтой, хүртээмжтэй байдлаар тогтоох) гэсэн аль аль талыг нь хүчитгэн бэхжүүлэх агуулгыг оруулна.

(3) Удирдлагын түвшинд дотоод аудитын ойлголтыг гүнзгийрүүлэх :

Удирдлагын түвшний ойлголт өндөртэй яам, тамгын газрын хувьд дотоод аудитын ажил илүү саадгүй үр дүнтэй явагддаг. Өнгөрсөн 6 сард болж өнгөрсөн УИХ-ын сонгуулийн үр дүнд, яамдын сайд, газрын дарга нарын ихэнх нь өөрчлөгдсөн гэж үзэж байгаа бөгөөд, дараагийн сонгууль хүртэлх 4 жилийн хугацаанд тус тусын яамдыг тэргүүлж явах чухал байр суурин дээрх хүмүүс тул гурав дахь жилд өмнөхөөс ч илүү яам, агентлагийн дээд удирдлагуудыг оролцуулсан сургалт, уулзалтыг зохион байгуулна. Нэн ялангуяа, дээд удирдлагын дотоод аудитын талаарх анхаарал сонирхлыг татахын тулд УИХ-ын сонгуулийн дараа шинээр томилогдсон сайд, төрийн нарийн бичгийн дарга, газрын дарга нарт зориулсан, зөвхөн тогтолцоо бус, улсын салбарын аудитад анхаарах зүйл, илэрдэг зөрчлийн талаар мэдээллээ солилцон ярилцах зэргээр дотоод аудитын талаарх ойлголт, хандлагыг илүү дээшлүүлж, гүнзгийрүүлэх арга хэмжээг төлөвлөж байна.

(4) Санхүүгийн хяналт шалгалт ба дотоод аудитыг үр дүнтэй, хамтад нь хэрэгжүүлэх :

2014 оны 11 сараас санхүүгийн хяналт шалгалтын мэргэжилтнүүдийг яам, агентлаг (СЯ-ыг оруулаад) болон орон нутгийн тамгын газрын дотоод аудитын хэлтэс, газарт шилжүүлж, түүний дараа дотоод аудитын дүрэмд санхүүгийн хяналт шалгалтын талаар нэмэлт өөрчлөлт оруулсан бөгөөд, үүнтэй холбогдуулан СЯ-ны дотоод аудитын дунд, урт хугацааны чиг хандлагын талаар СЯ болон ЖАЙКА-ын төслийн мэргэжилтнүүд хэд хэдэн удаагийн яриа хэлэлцүүлгийг хийж ирсэн билээ. Санхүүгийн хяналт шалгалтын ажил үүргийн талаар дээрх дүрэмд дэлгэрэнгүй оруулж өгсөн. Гэхдээ, санхүүгийн хяналт шалгалт хариуцсан ажилтан нь хууль дүрэм зөрчсөн эсэхийг шалгаж торгууль оноох үүрэгтэй байдаг бөгөөд, ингэснээрээ дотоод аудит ба санхүүгийн хяналт шалгалт нь хэрхэн хамтран оршин тогтнох вэ гэдэг асуудал гарч ирсэн. 2016 оны 1 сараас 4 сар хүртэл хугацаанд төслийн баг СЯ-тай ярилцаж хэлэлцсэний үндсэн дээр СЯ-ны зүгээс ПА-ийн дэвшүүлсэн дотоод аудитын зарчмаар аудитаа хэрэгжүүлэх болно гэдгээ төслийн Удирдах Хорооны Хурал дээр илэрхийлсэн. Үүгээр санхүүгийн хяналт шалгалт нь дотоод аудитын нэг бүрэлдэхүүн бөгөөд ПА-ын зарчмыг баримталсан дотоод аудитыг хэрэгжүүлэх зорилтыг тавьж ажиллах тал дээр санал нэгдсэн. 3 дахь жилд дотоод аудитын нэг бүрэлдэхүүн болгож санхүүгийн хяналт шалгалтыг хэрэгжүүлэх тохиолдолд, дотоод аудит ба санхүүгийн хяналт шалгалтын зорилго, хэрэгжүүлэх арга, тайлагнал, зөвлөмжийн хэрэгжилтийг хянах тогтолцоон дахь тулгарсан асуудал болоод шийдвэрлэх асуудлын талаар газрын даргын түвшинд ярилцаж шийдэх шаардлага буй. Ингэснээр, санхүүгийн хяналт шалгалтыг дотоод аудитын нэг хэсэг гэж үзэж хэрэгжүүлэх чиг хандлага тогтох болно.

(5) Мэргэжилтний түвшинд хийгдэх практик дадал эзэмшүүлэх ажлын эрэмбэ дараалал :

Технологи дамжуулалтыг үр өгөөжтэй хэрэгжүүлэхийн тулд, (1) ба (2)-т дурдагдсан дотоод аудитын хуультай болох, мөн дээд удирдлагын ойлголт хандлагыг гүнзгийрүүлэх явдал туйлын чухал гэж үзэж байна. Тиймээс, мэргэжилтнүүдийн түвшинд практик ажлын гарын авлага ба ажлын баримтад тулгуурласан аудитын төлөвлөлт, гүйцэтгэл, тайлагнал, зөвлөмжийн хэрэгжилтийг эргэн хянах гэсэн дотоод аудитын нэг цогц урсгалыг бат ноттой бий болгохын тулд, дотоод аудитын хууль батлагдсаны дараа төслийн нөөцийг төвлөрүүлэх нь илүү үр дүнтэй гэж үзэж байна.

Үүний тулд, СЯ-ны хамтран ажиллагсад хандан төслийн мэргэжилтнүүдийн зүгээс дотоод аудитын орон нутгийн сургалт болон чанарын баталгаажуулалтын талаар ямар ч төлөвлөгөө байсан, хуулийн төслийг их хуралд өргөн барих, батлуулахад чиглэсэн үйл ажиллагааг нэн тэргүүнд тавьж ажиллах шаардлагатай талаар санал дэвшүүлнэ.

2 Үр дүн тус бүрээр ажил хэрэгжүүлэх арга

2.1 [Төслийн нийт үйл ажиллагаатай холбоотой зүйл]

1 Ажил хэрэгжүүлэх чиг шугамаа тогтоох

Япон дахь ажил : Мэргэжилтнүүдийн баг нь төслийн хоёр дахь жилийн үйл ажиллагааны үр дүнд тулгуурлан, зорилтоо тодорхойлсны үндсэн дээр гурав дахь жилийн үр дүнд хүрэхийн тулд ажил үүргийн төлөвлөгөөг боловсруулж, холбогдох байгууллагад өргөн барина.

Монгол дахь ажил : Дээр дурдсан ажил үүрэг хэрэгжүүлэх төлөвлөгөөнд тулгуурлан ажлын төлөвлөгөөг боловсруулна. Төлөвлөгөөг боловсруулахдаа СЯ-ны мэргэжилтнүүдтэй хэлэлцэж зөвшилцсөний үндсэн дээр үйл ажиллагаагаа нарийвчлан тогтооно.

0-1 Ажил үүргээ хэрэгжүүлэхийн тулд үндсэн мэдээллийг цуглуулах.

СЯ-ны мэргэжилтнүүд болон төслийн баг хамтдаа, тус бүрийн үр дүнг хангах шаардлагад тулгуурлан хийнэ.

0-2 IA-СМ-ыг ашиглан өөрийн үнэлгээг гүйцэтгэх

3 дахь жилийн төслийн үйл ажиллагаа дуусах үед СЯ-ны мэргэжилтнүүд ба төслийн багийнхан IA-СМ (Internal Audit Capability Model for the Public Sector) –ыг ашиглан өөрийн үнэлгээг хийж, тэр тухай ажлын төгсгөлийн тайланд бичнэ.

0-3 Төслийн үйл явцын талаар хэлэлцэж ярилцах

Шаардлагатай бол холбогдох хүмүүсийн хооронд төслийн явцын талаар уулзалтыг явуулна.

0-5 Хамтарсан Удирдах Хороог хуралдуулах

Здахь жилийн ХУХ-ны хурлыг зохион байгуулах өдрийн тухайд, Здахь жилийн ажлыг эхлүүлэх 10 сар, мөн төсөл дуусах үеийн 6 сард хийх нь зүйтэй боловч, СЯ-ны мэргэжилтнүүд ба төслийн багийнхан хоорондоо ярилцаж хэлэлцсэний үндсэн дээр өдрийг товлож, оролцох хүмүүсийг тогтооно.

0-6 Monitoring Sheet-ыг боловсруулах

Төслийн үйл явцаас хамаарч, СЯ-ны мэргэжилтнүүд болон төслийн баг хамтран Monitoring Sheet Ver.5-ыг боловсруулна.

0-7 Ажлын төгсгөлийн тайланг боловсруулах

3 дахь жилийн төслийн үйл ажиллагаа дуусах үед СЯ-ны мэргэжилтнүүд болон төслийн баг ажлын төгсгөлийн тайланг боловсруулж, хоёр тал харилцан зөвшилцсөний үндсэн дээр ЖАЙКА-д өргөн барина.

2.2 【Үр дүн 1 : Дотоод аудитын илүү хүчирхэг хууль зүйн орчныг бүрдүүлэх чиг баримтлалыг тодорхойлох】

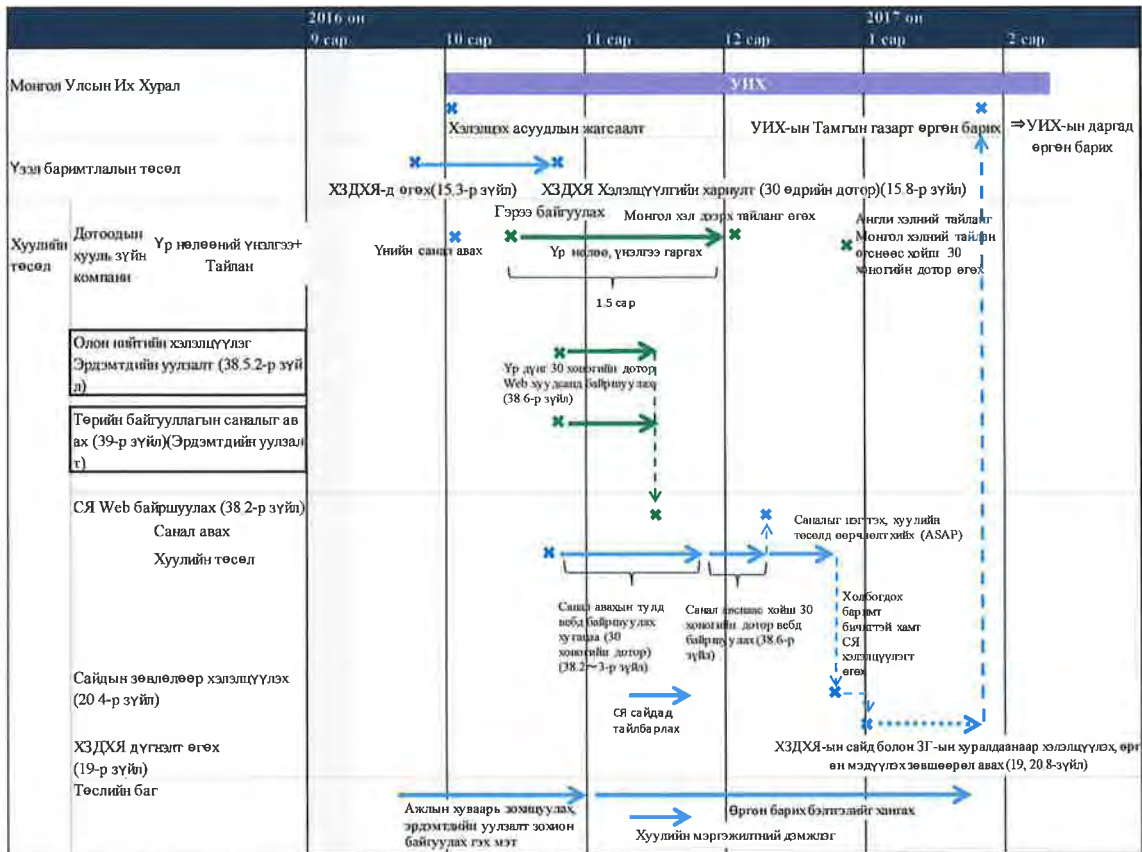
Төслийн баг PDM-д дурдагдсан үйл ажиллагаан доторх **1-1**、**1-2**、**1-3**、**1-4**、**1-5**、**1-6** –ыг өмнөх 1、 2 дахь жилд хийж дуусгасан.

1-7 Хуулийн төслийг УИХ-д өргөн барих бэлтгэл ажлыг хангахад 2017 оны 4 сар хүртэл дэмжлэг үзүүлнэ

Дээр дурдсанчлан, 1-2 дахь жилд төслийн багаас хуулийн үзэл баримтлал болон хуулийн төсөл боловсруулах (2 дахь хувилбар) ажлыг гүйцэтгэж, СЯ-нд өгсөн бөгөөд 2016 оны 4 сард болсон төслийн Хамтарсан хорооны хурал дээр үүн дээр санал нэгдсэн байгаа.

СЯ-аас Дотоод аудитын хуулийн төслийг 2016 оны намрын чуулган (2016.10-2017.2)-д өргөн барихын тулд зохих арга хэмжээнүүдийг авч хэрэгжүүлэхээр 2016 оны 4 сард хуралдсан төслийн ХУХ-дээр шийдвэрлэсэн бөгөөд, төслийн багийн зүгээс хуулийн төслийг өргөн барих, батлуулахад бүх талын дэмжлэг үзүүлэх болно. Жич, хуулийн төсөл өргөн барих хүртэл хийх ажил болон нарийвчилсан хуваарийг Хүснэгт 1-д үзүүлэв. Ялангуяа, хуулийн төслийн талаар “Үр дүн, нөлөөллийг үнэлэх урьдчилсан судалгаа болон тайлан боловсруулах” “Олон нийтийн хэлэлцүүлэг”, мөн “Төрийн байгууллагаас санал авах” гэсэн зүйлүүд дээр төслийн хөрөнгөөр хэрэгжүүлэхээр төлөвлөж байна.

(Хүснэгт 1)



Дэлгэрэнгүйгээр доорх хүснэгт 2-т үзүүлэв.

(Хүснэгт 2)

No	Ангилал	Үзүүлэлт	Агуулга	Хугацаа
1	Зайлшгүй хийх	Дотоод аудитын хуулийн төслийн олон нийтийн хэлэлцүүлэг (Анкет судалгаа, эрдэмтэн судлаачдын хэлэлцүүлэг)	2017 оны 1 сараас хэрэгжих “Хууль тогтоомжийн тухай хууль” –д заагдсан хэлэлцүүлгийг хийхэд зохион байгуулах тал дээр дэмжлэг үзүүлнэ. Дотоодын зөвлөх болон орон нутгийн хуулийн компанийг шалгаруулж ажиллах	2016 оны 10 сарын сүүл
2		Төрийн байгууллагын саналыг авах		
3		Шинэ хууль хэрэгжүүлэх хэрэгцээ, үр нөлөөний судалгаа хийх	Дээрх хуультай холбогдуулан, шинэ хууль батлуулахад чиглэсэн судалгаа, үнэлгээг хийх. Хийх ажлын тухайд СЯ-тай ярилцаж, дотоодын зөвлөхийг шалгаруулж ажиллуулах	2016.9~12с ар
4	Сайн дурын	УИХ гишүүн, Сайд, ТНБД, Газрын дарга нарт зориулсан дотоод аудитын сургалт	Дотоод аудитын үндсэн асуудал, дотоод аудитын хуулийн хэрэгцээ шаардлага, санхүүгийн хяналт шалгалтын ялгааны талаар тайлбарлах Гол зохион байгуулагч нь СЯ байх ба, хичээлийг мөн СЯ зааж, төслийн баг дэмжих үүрэгтэйгээр оролцох	Хугацааны талаар СЯ-тай ярилцаж шийдэх

2.3【Үр дүн 2 : Мэргэшсэн дотоод аудиторын зэрэг олгох тогтолцоог нэвтрүүлэх】

PDM-д заагдсан үйл ажиллагаан дотроос **2-2**、**2-5**、**2-8** нь өмнөх 1, 2 дахь жилд хийгдээд дууссан. Үлдсэн ажлыг дараах байдлаар хийж гүйцэтгэхээр төлөвлөж байна.

2-1 Ажлын төлөвлөгөөг боловсруулах

Төслийн 3 дахь жилийн үйл ажиллагааны талаар Plan of Operation-ы дагуу СЯ-тай хамтран ярилцаж, доорх Хүснэгт 3-д заасан хуваарийн дагуу ажлаа гүйцэтгэнэ.

(Хүснэгт 3)

	2016 он				2017 он			
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Мэргэшлийн зэрэг олгох мэргэжил дээшлүүлэх сургалт (IAPPS · IAPI)	Сургалтын тогтолцооны талаар санал солицох IAPPS сургалт ↔ IAPI сургалт				Сургалтын тогтолцооны цар хүрээг эгзрэх IAPPS сургалт ↔ IAPI сургалт			
	Жилийн турш зохион байгуулсан сургалтанд хамрагдагсдын бүртгэл хийж хадгалах							

2-3 IAPPS -ийн зохион байгуулалтын тогтолцоог боловсруулах

Төслийн нэг дэх жилд сургалтын тогтолцооны төслийн саналыг СЯ-нд гаргаж өгсөн. Гэвч, монголд дотоод аудитын эрхийн тогтолцоог хэрэгжүүлэх байгууллага болох ИА Монголыг албан ёсоор ИА Global-аас баталгаажуулсан бөгөөд одоо олон улсын стандартад нийцүүлсэн тогтолцоог бүрдүүлэх шатандаа явж буй. Ингэснээр, Монгол улсын хувьд, өөрийн гэсэн дотоод аудиторын зэргийг олгох боломжгүй болсон. Тиймээс ИА Монголоос олгох зэрэгт улсын салбарын агуулгыг багтаах тул ИА-ын зарчмыг тусгасан сургалтын тогтолцооны зураглал болгон өөрчлөх шаардлагатай. Тухайлбал, төсөл хэрэгжүүлэх хугацаанд IAPI-ийн сургалтад оролцох хүмүүс нь IAPPS-ийн туршилтын шалгалтад өндөр оноо авсан нэгэн ижил түвшний мэдлэгтэй хүмүүс байх бөгөөд, лекц болон Эрсдэл Хяналтын Матриц, Урсгал диаграм зурах зэрэг практик дадал олгох хичээлийг үзнэ.

2-4 IAPPS болон IAPI-ийн сургалтанд зарцуулах санхүүгийн төлөвлөлт (зардлын тооцоо)-ийг хийнэ.

Төслийн мэргэжилтнүүдийн зүгээс технологи дамжуулалт хийж дууссаны дараа СЯ-ны хамтран ажиллагсад нь өөрийн хүчээр тасралтгүйгээр үйл ажиллагаагаа хэрэгжүүлэх төсвөө авахад зориулж, нарийвчилсан тоон үзүүлэлт дээр тулгуурласан ирээдүйн санхүүгийн төлөвлөлтийг симуляци хийх зэргээр шаардлагатай дэмжлэгийг үзүүлнэ. Хийгдэх симуляцийн үр дүнд үндэслэн, зөвхөн төслийн үйл ажиллагааны зардлыг харуулаад зогсохгүй, орон даяар, тасралтгүй үйл ажиллагааг хангахад шаардагдах, Монгол улсын Засгийн газрын төсвийг боловсруулах суурь материал болгон үр ашигтайгаар хэрэглэх боломжийг олгохын хамт, бодит төсөвт нь тусгах байдлаар зөвлөмж өгнө.

2-6 IAPPS шалгалт ба урьдчилсан сургалтын контентыг боловсруулах

IAPPS-ийн сургалт болон туршилтын шалгалтыг төслийн хоёр дахь жилд яамд болон төвийн бүсийн дотоод аудаторуудыг оролцуулан хийсэн бөгөөд, шалгалтын контентыг боловсруулж дууссан. Хойшид ИА Монгол ба СЯ-тай санал бодлоо солилцон 2 дахь жилийн шалгалтын үр дүн, шалгалтын онооны тархалт, асуулгын үр дүн зэрэг дээр тулгуурлан шаардлагатай контентыг бэлдэнэ. Жишээлбэл, төслийн багийн туршилтын шалгалтаар хэрэглэсэн сургалтын материалыг ашиглан, бодит жишээгээр нэмж баяжуулж явна.

2-7&2-8 IAPPS-д оролцох хүсэлтэй хүмүүсийг хамруулан сургалт хийх. IAPPS туршилтын шалгалт авах.

Дээрх **2-6**-д дурдсан сургалтын контент болон шалгалтын агуулгаар IAPPS-г зохион байгуулна. Хамруулах хүнийг СЯ-тай ярилцаж хэлэлцсэний үндсэн дээр шийдвэрлэх бөгөөд, зохион байгуулалтыг СЯ ба ИА Монгол хариуцан хийнэ. Төсөл дууссаны дараа Монголын холбогдох талууд сургалтыг бие даан явуулах шаардлагатай учраас төслийн баг нь үүнд дэмжлэг үзүүлэх үүрэгтэй оролцоно. 3 дахь жилийн төсвийг хэмнэх үүднээс сургалтын заалыг СЯ-ны том танхимыг хэрэглэхээр тооцоолж, 2 дахь жилийнхтэй ижилхэн сургалтын сүүлийн өдөр шалгалт авах байдлаар зохицуулна.

3 дахь жилийн IAPPS сургалт ба туршилтын шалгалтыг хоёр удаа хэрэгжүүлэхээр төлөвлөж байна.

2-9 IAPPS сургалтад хамрагдагсад болон бусад сургалтад оролцогсдын сургалтын бүртгэлийг хийх

Одоо СЯ нь улсын салбарын дотоод аудиторын мэдээллийг СЯ-ын системд бүртгэж оруулах ажлыг хийж байгаа. Хоёр дахь жилд хэрэгжүүлсэн IAPPS-ын сургалтад оролцсон хүмүүсийн нэрсийн жагсаалтыг эксэл программ дээр бичиж тэмдэглэсэн. Эдгээр мэдээллийг нэгтгэснээр дотоод аудиторын хийж буй ажлыг мэдэх боломжтойгоос гадна, сургалтад оролцох хүмүүсийг сонгох, мөн сургалтад оролцсон мэдээллийг тэр даруйд нь мэдэж авах боломжтой болох юм. Төслийн багийн зүгээс сургалтад оролцсон хүмүүсийн нэрсийн жагсаалтыг СЯ-нд гаргаж өгөх байдлаар дэмжлэг үзүүлэх боломжтой юм.

2-10 IAPPS сургалтад хамрагдсан хүмүүст зориулсан практик ажлын дэмжлэгийг үзүүлэх

IAPPS сургалтад хамрагдсан хүмүүсийн мэдлэг ур чадварыг дээшлүүлэхийн тулд сургалт зохион байгуулах, дотоод аудитын практик дадал олгох тал дээр дэмжлэг туслалцаа үзүүлнэ. Хоёр дахь жилд хэрэгжүүлсэнтэй адил, IAPPS сургалтад хамрагдсан хүмүүст зориулан IAPI сургалтыг зохион байгуулна. Жишээлбэл, өнгөрсөн жилийн тухайд туршилтын шалгалтын дүнг харгалзан IAPI сургалтад хамрагдах хүнээ сонгосон авч, энэ удаад нийт дотоод аудиторын хүний нөөцийн ур чадварыг дээшлүүлэх үүднээс ажилласан жил, сургалтад оролцож байсан

байдал зэргийг харгалзан сонголтоо хийнэ.

2-11 IAPI-ийн сургалтад хамрагдагсдад зориулан дотоод аудитыг дэлгэрүүлэхэд шаардлагатай практик ур чадварыг дээшлүүлэх сургалтыг зохион байгуулах

Төслийн хоёр дахь жилд хэрэгжүүлсэн IAPI сургалтын агуулга нь аудитын практикт тулгуурласан ажлын баримт боловсруулахад голлон анхаарч байсан бол гуравдахь жилд өнгөрсөн сургалтын асуулгын үр дүнг харгалзан сургалтад хамрагдагсдын хүсэл шаардлагад нийцсэн агуулгатай хийнэ. Түүнчлэн, жишээлбэл, төслийн багийнхан өмнөх IAPI сургалтад оролцсон хүмүүсийн ажилладаг яам, агентлаг дээр очиж, тэдэнтэй хамтран жижиг хэмжээний сургалтыг зохион байгуулах юмуу, ПА Монголтой хамтран сургалт явуулахаар төлөвлөж байна.

Здахь жилд IAPI сургалтыг хоёр удаа зохион байгуулна.

2-12 Шаардагдах нөхцөлийг хангасан хүмүүсийг Дотоод аудитын зааварлагч багш хэмээн батламжилна.

IAPI-ын батламжийг авах нөхцөлийн талаар СЯ болон ПА Монголтой харилцан зөвшилцөн сургалтын тогтолцооны бүдүүвч зураглалыг гаргана.

2.4 【Үр дүн 3 : Дотоод аудиторын ур чадварыг хөгжүүлэн бэхжүүлэх】

3-1 Ажлын төлөвлөгөөг боловсруулах

Төслийн 3 дахь жилийн үйл ажиллагааны талаар Plan of Operation-ы дагуу СЯ-тай ярилцаж, доорх Хүснэгт 4-д заасан хуваарийн дагуу үйл ажиллагааг хэрэгжүүлнэ.

(Хүснэгт 4)

	2016 он				2017 он							
	9 сар	10 сар	11 сар	12 сар	1 сар	2 сар	3 сар	4 сар	5 сар	6 сар	7 сар	
Практик ажлын гарын авлага (Загвар ажлын баримт)	→ СЯ үзэж танилцах	→ Шинэчилж заса		→ Хялбаршуулсан хэвлэл	→ Практик дээр туршиж засч сайжруулах							→ Эцэслэн хэвлүүлэх
	← СЯ дотоод аудитын хороогоор батлуулах											
Практик сургалт ↔ Төвийн бүсийн сургалт			 ↔ Зүүн бүсийн сургалт							
 ↔ Баруун бүсийн сургалт											

3-2 Практик ажлын гарын авлагын сургалт болон ажлын байран дээрх сургалтад шаардагдах санхүүгийн төлөвлөгөө (зардлын тооцоо)-г гаргана. Дээрх **2-4**-тэй ижил ажлыг хэрэгжүүлэх.

3-3 Зорилтот салбарын гарын авлага болон тухайлсан байгууллага (Орон нутгийн засаг захиргаа, сургууль, эмнэлэг, татвар зэрэг жижиг байгууллага)-ын дотоод аудитын хялбарчилсан гарын авлагыг боловсруулах.

Зорилтот салбар (Зорилтот яам, агентлаг) –ын дотоод аудитын практик ажлын гарын авлагын төслийг боловсруулах, мөн загвар ажлын баримтын төслийг хоёр дахь жилд боловсруулан гаргасан. Тус практик ажлын гарын авлага нь нийт дөрвөн салбарын талаарх мэдээлэл болон тус тусын эрсдэлийн жагсаалтыг оруулсан. Харин орон нутгийн засаг захиргаа зэрэг бусад тухайлсан салбарын аудитын талаар бас дурдсан байгаа бөгөөд, тэдгээрийн дотоод аудитад хэрэглэгдэх шалгах хуудсыг тус гарын авлагад багтаасан. Монголын улсын салбарын гарын авлагын тухайд, 2011 онд Дэлхийн Банкнаас гаргасан гарын авлага байдаг хэдий ч хэрэглэхэд хүндрэлтэй гэдэг санал их гардаг ба Дэлхийн банкны зөвлөх түүнийг сайжруулах ажлыг хийж байгаа. Тиймээс төслийн баг нь Дэлхийн банкны зөвлөхтэй хамтран ажиллаж, төслийн багийн зүгээс практик ажилд нь хэрэг болохуйц гарын авлагыг боловсруулахаар болсон ба загвар ажлын баримтыг Дэлхийн банкны гарын авлагад хавсаргаж өгнө. Ингэснээр, нэгдмэл гарын авлага гарах тул дотоод аудиторуд ажлаа гүйцэтгэхдээ эргэлзэж төөрөлдөх зүйлгүй нэг ижил ойлголттой болно гэж үзэж байна.

Харин тухайлсан жижиг байгууллагад зориулсан хялбарчилсан гарын авлагын тухайд, ажлын байран дээрх сургалтыг хийснээр анх төлөвлөж байсан сургууль, эмнэлэг зэрэг нь Монгол улсын хувьд жижиг байгууллага бус дунд буюу түүнээс том хэмжээний байгууллага болох нь тодорхой болсон учир, тус тусын салбарын гарын авлагад тусгах нь дээр гэж үзсэн. Энэхүү гарын авлага нь хэдийгээр зорилтот яамдын гарын авлага гэж нэрлэгдэж байгаа хэдий ч, түүний агуулга нь бүхий л салбарт хэрэглэж болохуйцаар боловсруулагдсан байгаа бөгөөд, харин дотоод аудитын арга (эрсдэлийн хандлага)-ыг ашиглах боломжгүй жижиг байгууллага дээр л тусад нь бүлэг гаргаж өгсөн. Төслийн гурав дахь жилд, өнгөрсөн жил төслийг нь боловсруулсан практик ажлын гарын авлагыг хэрэглүүлж, дахин сайжруулалт хийж эцэслэх юм.

3-4 Боловсруулсан гарын авлагыг хэрхэн хэрэглэх талаар дотоод аудиторудад зориулсан сургалтыг зохион байгуулах.

3-3-т боловсруулсан гарын авлагыг ашиглах арга болон загвар ажлын баримтыг ашиглан хийх ажлын баримтын талаар гарын авлагын сургалт (СЯ-ны хамтран ажиллагсад, зорилтот яамдын мэргэжилтнүүд, УБ хотын ойр орчмын аймаг зэрэг нийт 2 удаа) зохион байгуулж, практик дадал олгоход анхаарч ажиллана. Мөн түүнчлэн, СЯ-тай хамтран орон нутгийн дотоод аудиторудад зориулсан сургалт (төв, зүүн, баруун бүс)-ыг зохион байгуулах зэргээр орон нутгийн дотоод аудиторудын ур чадварыг дээшлүүлэхэд чиглэсэн ажлыг төлөвлөж байна.

3-5 Төслийн 1-р үе шатанд хэрэгжүүлсэн аргад үндэслэн, дээрхээс бусад салбарын тухайд ч СЯ-ны мэргэжилтнүүд дотоод аудитын сургалт болон ажлын байран дээрх сургалтыг явуулах бөгөөд, төслийн зөвлөх багийн зүгээс эдгээр сургалтын байдалтай танилцах, шаардлагатай бол сургалтын агуулга болон зохион байгуулах арга хэлбэр дээр зөвлөмж өгөх байдлаар оролцоно.

Монгол дахь холбогдох хүмүүсийн ажилдаа хандах хандлага өндөр байдаг тул, тэдний зүгээс ирсэн хүсэлтийн дагуу төлөвлөснөөс гадуур сургалт семинарууд зохиогдох магадлалтай. СЯ-ны хамтран ажиллагсад болон төслийн зөвлөхүүд хамтран хоёр дахь жилд боловсруулсан гарын авлагыг танилцуулах семинарыг зохион байгуулаад зогсохгүй, ажлын хэсэг дээр кейс судалгаа хийх, ажлын явцад гарч буй асуудлууд зэргийг танилцуулж, дотоод аудиторчуудын хооронд санал солилцон, бусадтай мэдлэгээ хуваалцах ажлыг зохион байгуулна.

2.5 【Үр дүн 4 : Дотоод аудитын чанарын баталгаажуулалтын тогтолцоог нэвтрүүлэх】

Төслийн баг PDM-д дурдагдсан үйл ажиллагаан дотроос **4-2** –ыг эхний 2 жилд хийж дуусгасан. Доорх үлдсэн ажлуудыг хийхээр төлөвлөж байна.

4-1 Ажлын төлөвлөгөө боловсруулах.

Төслийн гуравдахь жилийн үйл ажиллагааны талаар Plan of Operation-ыг баримтлан СЯ-ны хамтран ажиллагсадтай ярилцаж хэлэлцэн, доорх Хүснэгт 5-д заасан хуваарийн дагуу ажлаа гүйцэтгэнэ.

(Хүснэгт 5)

	2016 он				2017 он						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Чанарын баталгаажуулалтын үйл ажиллагаа	Үйл ажиллагааны төлөвлөгөөг гаргах	TOR боловсруулах (Төвийн ба баруун бүс)	(Төвийн бүс) Чанарын баталгаажуулалтыг хэрэгжүүлэх	TOR боловсруулах (Зүүн бүс)	(Баруун бүс) Чанарын баталгаажуулалтын тайлан боловсруулах	Чанарын баталгаажуулалтын нарийвчилсан гүйцэтгэл, агуулга тогтоох, тайлбар хийх	(Зүүн бүс) Чанарын баталгаажуулалтыг хэрэгжүүлэх	(Зөвлөмжийн хэрэгжилтийг шалгах) Чанарын баталгаажуулалтын тайланг дуусгах			
					Чанарын баталгаажуулалтаар дамжуулж, чанарын баталгаажуулалтын гарын авлага болон шалгах хуудсыг шинэчлэх						

4-3 Чанарын баталгаажуулалтыг хэрэгжүүлэх нарийвчилсан төлөвлөгөөг боловсруулах

3 дахь жилд СЯ-тай ярилцсаны үндсэн дээр, **3 аймагт** чанарын баталгаажуулалтыг хийж гүйцэтгэнэ. Зөвлөхийн зүгээс чанарын баталгаажуулалтыг хийхийн өмнө чанарын баталгаажуулалтыг гүйцэтгэх байгууллага (**4-4** –аас харах)-д хандан, ажил үүргийн хамрах хүрээ болон агуулга, шалгах хуудас бөглөх арга, үнэлэх арга, тайлан бичих арга зэргийг бичиж тэмдэглэсэн ажлын удирдамжийг боловсруулж тараана. Энэхүү удирдамжийг СЯ-аас агуулгыг хянаж үзсэний үндсэн дээр хэрэгжүүлэх байгууллагад дэлгэрэнгүй тайлбарыг хийнэ.

4-4 Шалгах хуудсыг ашиглан, дотоод аудитын чанарын баталгаажуулалт хийх мэргэжилтнүүдэд сургалт хийх.

Төслийн хугацаанд ИА Монгол нь чанарын баталгаажуулалт хийхээр болсон байгаа тул,

тэдэнд хандсан сургалтыг явуулна. Сургалтаар өмнөх 1, 2 дахь жилд боловсруулсан гарын авлагыг 3 дахь жилд **3-3**-т дурдсан гарын авлагатай уялдуулан сайжруулахаар төлөвлөсөн чанарын баталгаажуулалтын шалгах хуудас ба чанарын баталгаажуулалтын гарын авлагыг ашиглан явуулна. Сургалтанд, шалгах хуудас болон гарын авлагыг боловсруулсан хүн, мөн эхний жилийн чанарын баталгаажуулалтыг гүйцэтгэсэн хүнээр багшлуулахаар төлөвлөж байна. Үүгээр, **4-5**-д гүйцэтгэх үйл ажиллагаан дээр хийх шалгах хуудсыг улам сайжруулж чанаржуулна.

4-5 Боловсруулсан жилийн ажлын төлөвлөгөөний дагуу дотоод аудитын чанарын баталгаажуулалтыг хийж, тайланг гаргана.

Чанарын баталгаажуулалт хийх аймгуудад урьдчилан, чанарын баталгаажуулалтын талаар тайлбар, хийх ажлын агуулга, шаардлагатай материалын талаар тайлбар хийнэ. Тэгэхдээ ДБ-ын нэмэлт өөрчлөлт хийж буй “Улсын салбарын дотоод аудитын гарын авлага” болон Үр дүн 3 дээр боловсруулсан “Дотоод аудитын практик ажлын гарын авлага”-ыг явуулж, түүнийг хэрхэн хэрэглэх талаар тайлбарлах ба түүний дагуу дотоод аудитыг хэрэгжүүлсний дараа чанарын баталгаажуулалтын баг тэнд ажиллаж, ажлын тайлангаа боловсруулан СЯ болон төслийн зөвлөхөд өгнө.

4-6 Дотоод аудитын чанарын баталгаажуулалтын шалгах хуудсыг эцэслэн гаргах

СЯ болон төслийн зөвлөхүүд ДБ-ны зөвлөхүүдийн шинэчилж буй “Улсын салбарын дотоод аудитын гарын авлага” болон Үр дүн 3 дээр боловсруулсан “Дотоод аудитын практик ажлын гарын авлага” –ын агуулга дээр, орон нутагт хийгдэх чанарын баталгаажуулалтын үр дүнг тусгаад шалгах хуудсыг сайжруулж, эцэслэнэ.

2.6 【 Үр дүн 5 : Дотоод аудитын дунд хугацааны стратеги төлөвлөгөөг боловсруулах】

5-1 Ажлын хэсгийг байгуулж, үйл ажиллагааны төлөвлөгөөг боловсруулах

3 дахь жилийн нэмэлт ажил болох Үр дүн 5-тай холбоотой төслийн үйл ажиллагааны талаар PDM-ын төсөл (Хүснэгт 6), Plan of Operation-ыг (Хүснэгт 7)-ийн талаар СЯ-тай ярилцаж, доорх (Хүснэгт 8) ажлын төлөвлөгөөний дагуу ажлаа хэрэгжүүлнэ.

(Хүснэгт 6: PDM)

	Өөрчлөгдөхийн өмнөх	Өөрчлөгдсөний дараа
Үр дүн 5	N/A	Дотоод аудитын дунд хугацааны стратеги төлөвлөгөөг боловсруулах.
	(Үзүүлэлт) 5-1 : Дунд хугацааны стратеги төлөвлөгөөний төсөл боловсруулахад дэмжлэг үзүүлэх => Хэрэгжүүлэх ажлын талаар ЖАЙКА санал дэвшүүлэх 5-2 : Төлөвлөгөөний хэрэгжилтийн дараах үнэлэлт дүгнэлт => Үнэлэлт дүгнэлтийн үр дүнгийн товч тайлан	
Үйл ажиллагаа	5-1 : Ажлын хэсгийг байгуулах, үйл ажиллагааны төлөвлөгөөг боловсруулах	
	5-2 : [Бу С/Р] Дунд хугацааны стратегийн үндсэн чиг баримтлал ба агуулгыг тогтоох	
	5-3 : 2017-2020 онд хэрэгжүүлэх Дунд хугацааны стратеги төлөвлөгөөний төслийг боловсруулахад дэмжлэг үзүүлэх	
	5-4 : [Бу С/Р] 2017-2020 Дунд хугацааны стратеги төлөвлөгөөг эцэслэх	
	5-5 : 2017 оны эхний улирлын байдлыг үнэлэх, шаардлагатай бол сайжруулалт хийх	

(Хүснэгт 7: Plan of Operation)

Үйл ажиллагаа	Эцсийн бүтээгдэхүүн	2016				2017								
		9	10	11	12	1	2	3	4	5	6	7		
1 Ажлын хэсэг байгуулах, үйл ажиллагааны төлөвлөгөө боловсруулах			■											
2 Дунд хугацааны стратеги төлөвлөгөөний үндсэн чиглэл, агуулгыг тогтоох	Хэрэгжүүлэх ажлыг санал болгох		■											
3 2017-2020 оны Дунд хугацааны стратеги төлөвлөгөөний төслийг боловсруулах				■										
4 Дунд хугацааны стратеги төлөвлөгөөг эгсрэх	Батлагдсан Дунд хугацааны стратеги төлөвлөгөө				■									
5 2017 оны 1-р улиралд дүгнэлт өгөх, шаардлагатай бол засвар оруулах	Үнэлэлт дүгнэлтийн үр дүнгийн товч тайлан									■				

(Хүснэгт 8)

	2016 он				2017 он						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Дунд хугацааны стратеги төлөвлөгөө боловсруулах	Үндсэн чиглэл, агуулгыг тогтоох ↓ Төлөвлөгөө боловсруулах ↓ Батлах				Эхний үнэлгээ дүгнэлтийг өгөх						

5-2 СЯ-аас Дунд хугацааны стратеги төлөвлөгөөний үндсэн чиглэл болон агуулгыг тогтоох ба шаардлагатай бол төслийн багийн зүгээс дэмжлэг үзүүлнэ.

СЯ-ны хамтран ажиллагсад Дунд хугацааны стратегийн зорилт болон үндсэн чиглэлийг тогтоож, Дунд хугацааны стратеги төлөвлөгөөнд оруулах агуулгыг тогтооно. Дэлгэрэнгүй хэлбэл, одоо боловсруулж буй урт хугацааны төлөвлөгөө ба IA-СМ-ын үнэлгээний агуулгыг үндэслэн хэрэгжүүлэх ажлын агуулга, хугацаа, төсвийг төлөвлөнө.

5-3 2017-2020 оны Дунд хугацааны стратеги төлөвлөгөөний төслийг боловсруулах

5-2-дээр гаргаж тавьсан зорилт, үндсэн чиглэл, үйл ажиллагааны агуулгыг Дунд хугацааны стратеги төлөвлөгөөний төсөлд нарийвчлан оруулна. Төсөлд ТХЭУГ-ын урт хугацааны төлөвлөгөөнөөс тусган, Монгол улсын дотоод аудитын тогтвортой хөгжлийг хангах боломж, бодитоор хэрэгжих боломж зэргийн талаар дурдаж, улсын салбарын дотоод аудитын үндсэн удирдлагыг хангах газрын хувьд үйл ажиллагааны зорилтоо тодорхойлж, саналаа дэвшүүлэх боломжийг бүрдүүлнэ. Мөн төслийн зөвлөх багаас 2014-2016 оны Дунд хугацааны стратеги төлөвлөгөөний хэрэгжилтийн байдал болон хэдийнээ боловсруулагдсан Монгол улсын дотоод аудитын урт хугацааны үзэл баримтлал ба Сангийн яамны үйл ажиллагааны хөтөлбөр (2016.10.15-ны байдлаар гараагүй байгаа) зэрэгтэй уялдуулж холбосон, ур чадвар (хүний нөөцийн хөгжил, дотоод аудитын хууль, төсвийн төлөвлөлт, хяналт) болон байгууллага (хараат бус байдал хангагдахуйц байгууллагын бүтцийг тогтоох, ТХЭУГ-ын хүчин чадлыг илүү оновчтой, хүртээмжтэй байдлаар тогтоох) гэсэн аль аль талыг нь хүчитгэн бэхжүүлэх агуулга бүхий төлөвлөгөөний төслийг боловсруулахад дэмжлэг үзүүлнэ.

5-4 2017-2020 оны Дунд хугацааны стратеги төлөвлөгөөг эцэслэх

5-3-д хийж гүйцэтгэсэн Дунд хугацааны стратеги төлөвлөгөөний төслийн талаар Сангийн Яаман дээр хэлэлцээд эцэслэн боловсруулна. Шаардлагатай бол ажлын хэсгээс холбогдох байгууллагад танилцуулга хийх ба түүнд төслийн багаас дэмжлэг үзүүлнэ.

5-5 2017 оны 1-р улиралд үнэлэлт дүгнэлт өгч, шаардлагатай бол засвар оруулах

Боловсруулсан төлөвлөгөөн дээр тулгуурлан, 2017 оны эхний улиралд юмуу төсөл дуусахын өмнө Дунд хугацааны стратеги төлөвлөгөөний явц байдлын талаар ажлын хэсэг болон ТХЭУГ-ын удирдлага үнэлэлт дүгнэлт өгнө. Түүн дээр үндэслэн, шаардлагатай бол Дунд хугацааны стратеги төлөвлөгөөнд засвар өөрчлөлт оруулна.

3 Төслийн багийн бүрэлдэхүүний ажиллах төлөвлөгөө

3.1 Мэргэжилтний бүрэлдэхүүн

Зөвлөх багийн мэргэжилтнүүдийн бүрэлдэхүүнийг доорх хүснэгтэд харуулав.

Хариуцсан ажил	Овог нэр	Харьяалах албан газар
Төслийн удирдагч/ Хууль эрх зүй	Савами Кэнжи	ЕҮ Шиннихон Саснабилити ХХК
Дунд хугацааны стратеги төлөвлөгөө	Тамино Мотоя	ЕҮ Шиннихон Саснабилити ХХК
Төслийн удирдагчийн орлогч /Хууль эрх зүй/ Практик дадал/ Дунд хугацааны стратеги төлөвлөгөө	Кодама Күми	Делойт Томас аудитын компани
Хууль эрх зүй/ Чанарын баталгаажуулалт	Сандагсүрэн Нармандах	Кинзай Төсөв санхүүгийн судалгааны институт
Зэрэг олгох тогтолцоо/ Практик дадал	Имада Аманэ	ЕҮ Шиннихон Саснабилити ХХК
Зэрэг олгох тогтолцоо/ Практик дадал/ Ажил үүргийн зохицуулагч	Манабэ Ай	ЕҮ Шиннихон Саснабилити ХХК
Практик дадал	Таниваки Ёшитака	Делойт Томас аудитын компани
Практик дадал/ Ажил үүргийн зохицуулагч	Сүзүки Ёоко	Делойт Томас аудитын компани

3.2 Мэргэжилтний ажлын хуваарь

Төслийн нэр : Монгол Улсын Дотоод аудитын чадавхийг бэхжүүлэх төсөл 2-р үе шат (3 дахь жил)

Төмнцөлт		Зэрэг сгэл	Явах хугацаа	2016 он								2017 он				Нийт өдөр	Хүн/сар нийлбэр
Оног нэр (Хариуцаж ажил)				9	10	11	12	1	2	3	4	5	6	7	8		
Савами Кэнжи <small>Төслийн удирдлагын Дотоод аудит (Сууль эрх зүйн хүрээ 1)</small>	2	5													27	0.90	
Тамино Мотоя <small>Дотоод аудит (Дунд зунгааны төлөвлөгөө 2)</small>	3	0														0.00	
Кодама Күми <small>Төслийн удирдлагын өргөтгөл / Дотоод аудит (Сууль эрх зүйн 3) (Практик дадал 1) (Дунд зунгааны төлөвлөгөө 2)</small>	3	5													163	5.43	
Манабэ Ай <small>Дотоод аудит (Эзрэг онох тогтоолоо 1) (Практик дадал 2) / Ажил үүргийн зохицуулалт</small>	3	5													163	5.43	
Имада Аманэ <small>Дотоод аудит (Практик дадал 3) / Чиг арын хяналт 1)</small>	3	2													52	1.73	
Таниваки Ешитака <small>Дотоод аудит (Практик дадал 4) / Чиг арын багцлалтуулалт 1)</small>	4	3													101	3.37	
Сүзүки Ёоко <small>Дотоод аудит (Сууль эрх зүйн хүрээ 2, чиг арын хяналт 2)</small>	5	3													101	3.37	
Төмнцөлт (өөрийн зардлыг эс тооцох)													Төлөвлөгөө Гүйцэтгэл	607	20.23		
2. Суурин																	
Савами Кэнжи <small>Төслийн удирдлагын Дотоод аудит (Сууль эрх зүйн хүрээ 1)</small>	2														8	0.40	
Тамино Мотоя <small>Дотоод аудит (Дунд зунгааны төлөвлөгөө 2)</small>	3														15	0.75	
Кодама Күми <small>Төслийн удирдлагын өргөтгөл / Дотоод аудит (Сууль эрх зүйн 3) (Практик дадал 1) (Дунд зунгааны төлөвлөгөө 2)</small>	3														20	1.00	
Манабэ Ай <small>Дотоод аудит (Эзрэг онох тогтоолоо 1) (Практик дадал 2) / Ажил үүргийн зохицуулалт</small>	3														6	0.30	
Сацдагсүрэн Нарманда <small>Дотоод аудит (Сууль эрх зүйн 2)</small>	3														60	3.00	
Суурин ажил													Төлөвлөгөө Гүйцэтгэл	109	5.45		
Нийлбэр (өөрийн зардлыг эс тооцох)													Төлөвлөгөө Гүйцэтгэл	2568			
Тайлан, гэх мэт		△ Ажилын төлөвлөгөө	△ Work Plan	▲ M/S ver.5	△ Төслийн гэрээний хэргийн үйлдлийн ажлын гэрээний тайлан												

Төслийн зөвлөхүүдийн хариуцсан ажил үүргийн агуулга

Зөвлөх тус бүрийн хариуцсан ажлыг доорх хүснэгтэд нэгтгэв.

Овог нэрс	Хариуцсан ажил	Ажлын агуулга
Савами Кэнжи	Төслийн удирдагч /дотоод аудит (хууль эрх зүйн хүрээ 1)	<Төслийн ерөнхий удирдлага> <ul style="list-style-type: none"> ● Ажил үүргийг хэрэгжүүлэх, зохицуулалт, удирдлага ● Хамтран ажиллагч нартай хийх ажлын зохицуулалт ● Холбогдох байгууллагуудтай мэдээлэл солилцох, зохицуулалт, судалгаа ● Удирдах Хорооны Хурал зохион байгуулах ● Мониторинг хуудас болон ажлын гүйцэтгэлийн тайлан боловсруулах ● Холбогдох байгууллагуудад тайлан өгөх, хэлэлцэх ● Үйл ажиллагааг хэрэгжүүлэхэд шаардлагатай мэдээллийг цуглуулах, судалгаа хийх ● Ажлын байран дээр аудитын зааварчилгаа өгөх, сургалтын төлөвлөгөө хийх, хэрэгжүүлэх ● Хэрэгжилтийн үр дүнгийн тайлан
Тамино Мотоя	Дотоод аудит (Дунд хугацааны төлөвлөгөө 2)	<Дунд хугацааны стратеги төлөвлөгөөтэй холбоотой ажил үүрэг> <ul style="list-style-type: none"> ● Үйл ажиллагааг хэрэгжүүлэхэд шаардлагатай мэдээллийг цуглуулах, судалгаа хийх ● Хэрэгжилтийн үр дүнгийн тайлан
Кодама Күми	Төслийн удирдагчийн орлогч /Дотоод аудит (Хууль эрх зүй 3) (Практик дадал 1)(Дунд хугацааны стратеги төлөвлөгөө 2)	<Төслийн удирдагчийн туслах, Үр дүн 1, Үр дүн 3, Дунд хугацааны стратеги төлөвлөгөөтэй холбоотой ажил үүрэг> <ul style="list-style-type: none"> ● Ажил үүргийг ерөнхийд нь хариуцах, зохицуулалт хийх ● Үйл ажиллагааг хэрэгжүүлэхэд шаардлагатай мэдээллийг цуглуулах, судалгаа хийх ● Ажлын байран дээр аудитын зааварчилгаа өгөх, сургалтын төлөвлөгөө хийх, хэрэгжүүлэх ● Хэрэгжилтийн үр дүнгийн тайлан
Сандагсүрэн Нармандах	Дотоод аудит (Хууль эрх зүй 2) (Чанарын баталгаажуулалт2)	<Үр дүн 1, 4-тэй холбоотой ажил үүрэг> <ul style="list-style-type: none"> ● Ажил үүргийг ерөнхийд нь хариуцах, зохицуулалт хийх ● Үйл ажиллагааг хэрэгжүүлэхэд шаардлагатай мэдээллийг цуглуулах, судалгаа хийх ● Ажлын байран дээр аудитын зааварчилгаа өгөх, сургалтын төлөвлөгөө хийх, хэрэгжүүлэх ● Хэрэгжилтийн үр дүнгийн тайлан
Манабэ Ай	Дотоод аудит (Зэрэг олгох тогтолцоо 1) (Практик дадал 2) /ажил үүргийн зохицуулалт	<Үр дүн 2, 3-тай холбоотой ажил үүрэг> <ul style="list-style-type: none"> ● Үйл ажиллагааг хэрэгжүүлэхэд шаардлагатай мэдээллийг цуглуулах, судалгаа хийх ● Ажлын байран дээр аудитын зааварчилгаа өгөх, сургалтын төлөвлөгөө хийх, хэрэгжүүлэх ● Хэрэгжилтийн үр дүнгийн тайлан ● <Ажил үүргийн зохицуулалт> ● Ажил үүргийг хэрэгжүүлэлт, зохицуулалтын туслах ● Холбогдох байгууллагуудтай мэдээлэл солилцох, зохицуулалт, судалгааны ажил

		<ul style="list-style-type: none"> ● Удирдах Хорооны Хурал зохион байгуулахад туслах ● Сургалт төлөвлөх, явуулах ● Нийт ажлын арын алба ● Төслийн контор, орон нутгийн ажилчдын удирдлага ● Төслийн ажлыг сурталчлах ● Хариуцсан ажлын тайлан гаргах ● Төслийн үйл ажиллагааны мөнгө санхүүг хариуцах
Имада Аманэ	Дотоод аудит (практик ажил 3/Чанарын хяналт 1)	<p><Үр дүн 2, Үр дүн 3-тай холбоотой ажил үүрэг></p> <ul style="list-style-type: none"> ● Үйл ажиллагааг хэрэгжүүлэхэд шаардлагатай мэдээллийг цуглуулах, судалгаа хийх ● Тухайн газар дээр аудитын зааварчилгаа өгөх, сургалтын төлөвлөгөө хийх, хэрэгжүүлэх ● Хэрэгжилтийн үр дүнгийн тайлан
Таниваки Ёшитака	Дотоод аудит (Практик дадал 4) (Чанарын баталгаажуулалт 1)	<p><Үр дүн 3, Үр дүн 4-тэй холбоотой ажил үүрэг></p> <ul style="list-style-type: none"> ● Ажил үүргийн хэрэгжилт, зохицуулалт ● Үйл ажиллагааг хэрэгжүүлэхэд шаардлагатай мэдээллийг цуглуулах, судалгаа хийх ● Тухайн газар дээр аудитын зааварчилгаа өгөх, сургалтын төлөвлөгөө хийх, хэрэгжүүлэх ● Хэрэгжилтийн үр дүнгийн тайлан
Сүзүки Ёоко	Дотоод аудит (Хууль эрх зүйн хүрээ 2, чанарын хяналт 2)	<p><Үр дүн 3-тай холбоотой ажил үүрэг></p> <ul style="list-style-type: none"> ● Үйл ажиллагааг хэрэгжүүлэхэд шаардлагатай мэдээллийг цуглуулах, судалгаа хийх ● Ажлын байран дээр аудитын зааварчилгаа өгөх, сургалтын төлөвлөгөө хийх, хэрэгжүүлэх ● Хэрэгжилтийн үр дүнгийн тайлан <p><Ажил үүргийн зохицуулалт></p> <ul style="list-style-type: none"> ● Ажил үүргийг хэрэгжүүлэлт, зохицуулалтын туслах ● Холбогдох байгууллагуудтай мэдээлэл солилцох, зохицуулалт, судалгааны ажил ● Удирдах Хорооны Хурал зохион байгуулахад туслах ● Сургалт төлөвлөх, зохицуулалт, хэрэгжилтэд туслах ● Нийт ажлын арын алба ● Төслийн контор, орон нутгийн ажилчдын удирдлага ● Төслийн ажлыг сурталчлах ● Хариуцсан ажлын тайлан гаргах

Work Plan

Capacity Development Project for Internal Audit Phase 2 in Mongolia (Project Year 3)

December 2016

Ernst & Young Sustainability Co., Ltd.

Abbreviations

Abbreviation	Meaning
BC-RM Dept.	Budget Monitoring and Risk Management Department
CP	Counterpart
CPE	Continuing Professional Education
IA-CM	Internal Audit Capability Model
IAPI	Internal Audit Practical Instructors
IAPPS	Internal Auditor Professionals for Public Sector
IIA	Institute of Internal Auditors
JCC	Joint Coordinating Committee
JICA	Japan International Cooperation Agency
MOF	Ministry of Finance
OJT	On the Job Training
PDM	Project Design Matrix
R/D	Record of Discussion
WB	World Bank

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CHAPTER 1: Project Features

1.1 Background of the Project

Our prior phase (project phase 1) was conducted from December 2011 and to June 2014.

In this period, the BC-RM Dept. specified the pilot organizations institutions as well as carried out the training of internal audit trainers, and the develop of materials related to internal audits, workshops and seminars for the relevant personnel, and the establishment of a strategic plan that contributes to the project purpose the basic ability to disseminate the introduction of internal audit functions to central and local government agencies.

In Phase 2, which inherits the contexts of the Phase 1 (formulate internal audit awareness, internal auditors strengthening of internal audit mid-term deployment plan), the project aims to raise awareness of the legal framework related to internal audits, introduce a qualification system for internal auditors, enhance the quality assurance system and practical audit skills for the Mongolian government in terms of the capacity building of internal auditors. Moreover, in accordance with the internal audit mid-term deployment plan, the project aims to establish the strengthened formation of an internal audit framework in terms of institutional and organizational aspects and human resources, in order for the internal auditors of the Mongolian government to conduct audits in a more sustainable environment.

1.2 Project Objectives and Scope

1.2.1 Project Objectives

This project is implemented under the PDM and R/D which was prepared in June 2014. The overall goal, project objectives and results are as follows.

Overall Goal: The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment.

Project Purpose: The Mongolian government establishes a more solid framework for internal audits in accordance with the Strategic Plan 2014-16.

Output 1: The solution to establishing a more solid legal foundation for internal audits is identified.

Output 2: Qualified internal auditor certification system is introduced.

Output 3: Internal auditors' capacity to practice internal audits is further strengthened.

Output 4: Internal audit quality assurance system is introduced.

Output 5: Medium-term strategic plan is developed

1.2.2 Project Scope

Target area: Internal auditors of the Mongolian public sector

Target: Counterparts and relevant internal auditors

Geographic Area: Mongolia (However, the main targets in the project activity area are the selected local governments and the municipality of Ulaanbaatar)

Prioritized ministries: As of December 2016, the prioritized ministries are the Ministry of Construction and Urban Development, the Ministry of Roads and Transportation Development, the Ministry of Education, Culture, Science and Sports and the Ministry of Health.

1.3 Policies of Project Phase 2 (Project Year 3)

(1) Enhancing system of internal audit system including the Internal Audit Law at country-level

The bill of legal framework is intended to be listed for deliberation or submitted to Parliament in autumn 2016. We will commit ourselves to assist CP to pass legislation as soon as possible. In particular, for example, we envision holding a conference to hear opinions of government organizations or intellectuals, as stated in the law relevant to legislation which comes into force from January 2017, explore the needs and assess influence of legislation of Internal Audit Law, and summary these opinions and draft documents for submitting to the Parliament. After the legislation, we exercise awareness-raising activities to develop the legal infrastructure of internal audit and to enhance the legal status of internal auditors. In addition, IIA Mongolia is officially founded and has launched activities to establish the qualified internal auditor system in Mongolia. We will continuously assist in conducting training, providing exams, translating of the International Standard of Internal Audit, and making educational materials, in order to enhance system of internal audit system at country-level.

(2) Support in developing medium-term strategic plan

In phase 1 of this project, we assisted in formulating medium-term strategic plan for 2014 - 2016. The plan comes to the end this year and the time is to develop a new medium-term plan. Both CP and JICA project team recognize that Mongolia is in a transition periods as Mongolian government decided to follow international standards for their internal audit system and that the medium-term strategy for the next four years (2017-2020) is a significant guideline for the future of Mongolia.

For this reason, based on what the expert team has achieved in this project, expert team plans to assist in developing a sustainable and viable plan. Expert team assists in enhancing various aspects such as technical facet (human resource development, internal audit method, planning and management of budget etc.) and organizational facet (promoting organizational structure to secure independency, organizing for BC-RM Dept. to maximize function of the department etc.) in view of relevance with long-term vision of Mongolia and policy objectives of MOF (not disclosed as of October 15th, 2016).

(3) Enhancing awareness among the top management

It was seen that the introduction of the internal audit function was smoothly conducted in the ministries where the top management showed a high level of awareness of internal audits. Since it is supposed that many of the ministers and directors in the department of internal audit have changed as the results of an election in June 2016, we perform awareness-raising activities even harder to enhance awareness among the top management with the recognition that they play important roles for four years by next election. Especially, to draw attention and gain understanding of top management, we share and discuss the audit issues in departments of governmental audit area and findings with them in addition to introduction of institution of internal audit.

(4) Efficient coexistence of financial inspection and internal audit

From November 2014, since many of the financial inspection members were transferred to internal audit department in central government ministries (including Ministry of Finance) and local government, and the Internal Audit Rules was revised to include financial inspection, we held discussions between CP and JICA about the medium- to long-term vision of internal audit of CP. It was also decided that even detailed operation of financial inspection was included in the Rules. However, the coexistence of financial inspection and internal audit was recognized as a challenge because the financial inspection officers had been given the authority to set the fact situation of lawbreakers. The result of the discussion from January to April 2016, it was declared at JCC that CP aim internal audit recommended by IIA (IIA type of internal audit). Thus, it was agreed to promote the project aiming to introduce the IIA type of internal audit and financial inspection is a part of internal audit. In the third year of the project, it will be necessary to marshal challenges and issues with middle-class personnel such as Directors regarding to both parties' objectives, implementation, and reporting and follow-up procedures when financial inspection is conducted as one of the operation of internal audit. Thus, the policy to conduct financial inspection as a part of internal audit will be formed.

(5) The priority of practical training to level of working associates

The legislation of internal audit law and awareness among the top management as described in (1) and (2) above is indispensable in order to provide effective technical transfer. We assume that it is efficient to put resources of project to activities to radicate a series of internal audit procedures, which consists of planning, fieldwork, reporting and follow-up, using manuals and model working papers for working associates after the legislation. Therefore, we will suggest CP to focus on submitting the bill and legislation as the highest priority.

CHAPTER 2: Implementation Plan

2.1 Matters relative to the Entire Project

1 Develop work plan

Work in Japan: The expert team develops work plan about third year's activities to achieve project purposes according to results of the second year activity.

Work in Mongolia: The expert team updates the work plan. Experts decide the detail of activities by discussing with CP.

0-1 Collect basic information for implementation of work

CP and the expert team cooperate in collecting information as needed.

0-2 Conduct self-diagnosis based on IA-CM

At the end of the third year of the project, CP conducts self-assessment by using IA-CM and expert team assists the assessment as necessary.

0-3 Hold discussion on progress and achievements of the project

The discussion will be held among the people involved as necessary.

0-5 Conduct JCC meetings

In third year, JCC meeting will be held in October as Kick off and in June as the end of the project. CP and expert team will discuss in detail about date and members of the JCC.

0-6 Prepare Monitoring Sheet

CP and expert team prepare Monitoring Sheet Ver.5 according the progress of the project.

0-7 Prepare Completion Report

At the end of the project in third year, CP and the expert team make Completion Report and submit it to JICA by common consent.

2.2 (OUTPUT1) The solution of establishing a more solid legal foundation of internal audit is identified.

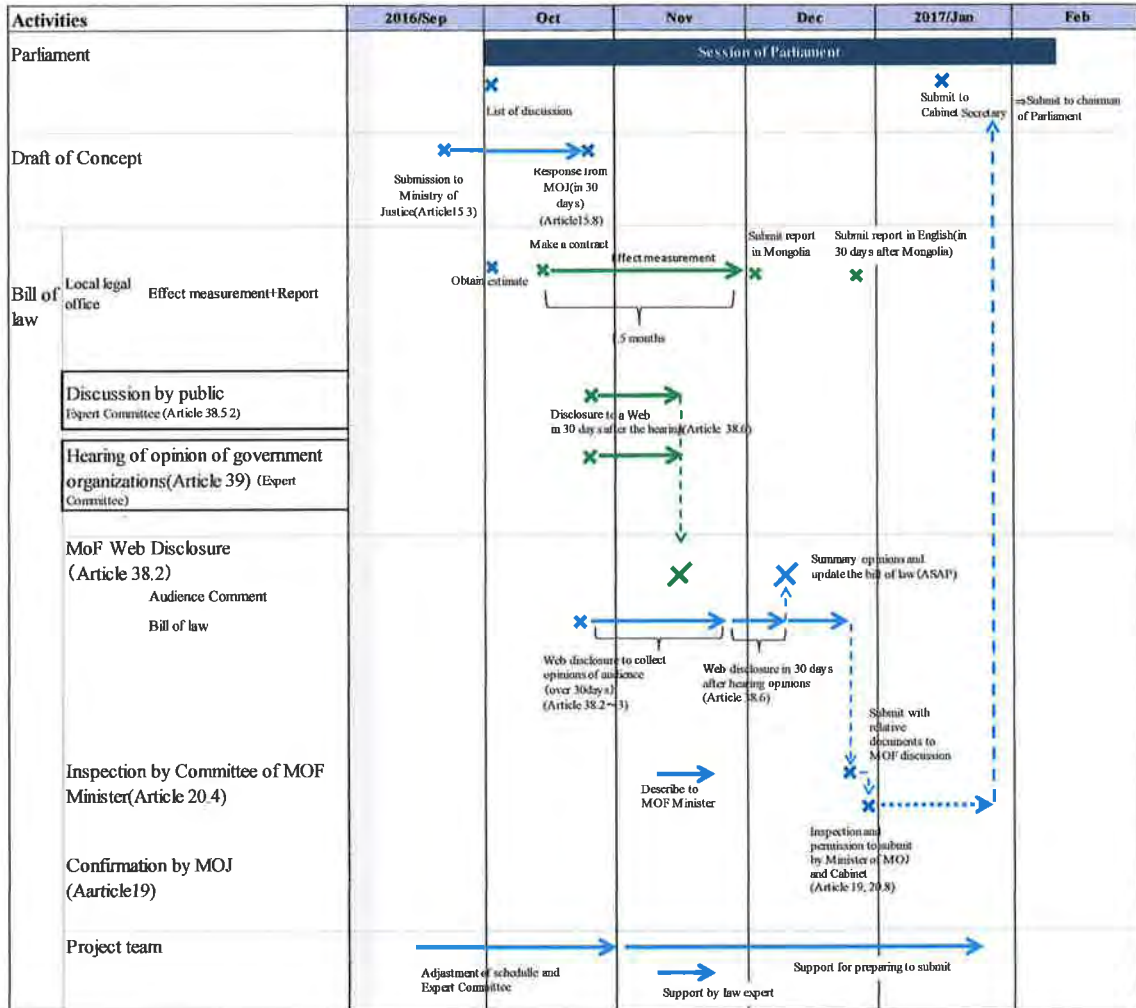
In the first and second year, the expert team substantially completed 1-1, 1-2, 1-3, 1-4, 1-5 & 1-6 activities.

1-7 Support activities relating with submission of the bill to the parliament until April 2017.

As mentioned above, in the first and second year, the expert team completed the concept paper and the first and revised draft of bill and submitted those to the BC-RM Dept. These revised concept paper and draft bill were agreed at JCC held in April, 2016.

From CP, it was declared at the JCC held in April 2016 that CP will try to submit the bill to Parliament in autumn 2016. The expert team will commit ourselves to assist CP to pass legislation. The below is the schedule and process which we recognize is needed for now to submit the bill. Especially, the expert team will provide funds from the project budget for investigation of effect and influence and making reports, discussion by public and hearing opinions of government institutions.

(Table 1)



The following is detailed supporting activities we are planning.

(Table 2)

No	Category	Activity	Content	Time
1	Required	Discuss about the internal audit law by public. (Questionnaire survey and the Expert Committee)	The Expert team support CP in holding councils specified in the law relevant to legislation which comes into force from January. We will employ local consultants.	The end of October 2016
2		Hearing of opinion of government organizations		
3		Conduct the survey of needs and impact of legislation.		
4	Optional	Enhance awareness of internal audit among members of the Diet, ministers, administrative vice-ministers and directors.	We will explain about basic points of internal audit and difference between financial inspection and internal audit. These awareness raising activities will be conducted mainly by CP while expert team will support it.	To Be Determined The holding date will be determined by discussion with CP

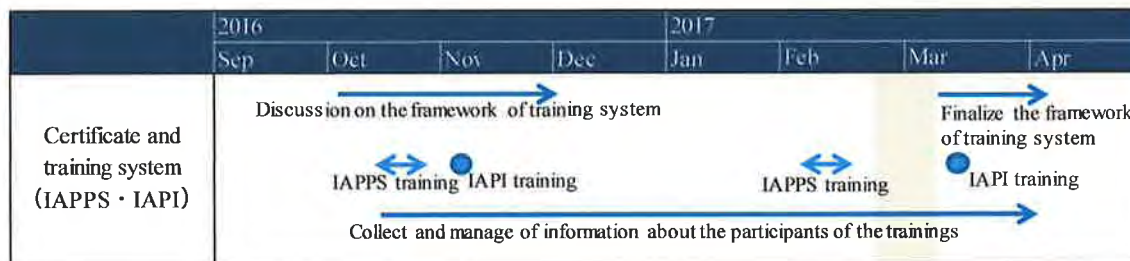
2.3 (OUTPUT2) Qualified internal auditor certification system is introduced.

In the first and second year, the expert team completed the activities 2-2, 2-5, and 2-8. The below is the implementation plan of the rest of the activities.

2-1 Develop work plan

The expert team develop work plan of the third year discussing with CP along Plan of Operation. The following is the schedule (Table 3) of the activities.

(Table 3)



2-3 Develop IAPPS training framework documents

The expert team has already submitted the framework in the first year of this project. However, the IIA Mongolia was formally recognized as a managing organization of internal auditor certification in Mongolia by the IIA so that the IIA Mongolia is now in a stage of establishing the system in compliance with the international standards. Therefore, it became inapplicable for CP to provide its own internal auditor certification or qualification in Mongolia. Thus, in order to incorporate nature of public sector into the certifications which IIA Mongolia will develop, it is necessary to revise the framework to take the idea of the IIA. Through training system, the framework will include contents to enhance the comprehensive ability of government internal auditors in Mongolia. For example, the target of IAPI should be high scored candidates of IAPPS trial examination in order to keep certain level of IAPI during the project term. In addition, classroom lectures and experience such as making Risk Control Matrix and FC and preparing audit report should be added to requirement of certification.

2-4 Conduct financial planning on implementation of IAPPS & pre-test training, and training for IAPI

The BC-RM Dept. will prepare a simulation model of future financial planning based on the specific actual figures for securely reserving the budget to be able to implement the activities after the technical cooperation project by the CP. The proto model will be refined to a final version through consideration of the actual business contexts, which may contain appropriate specifications learned from the experience in which the CP has calculated the required costs. The calculation consists of a comparison and analysis between the actual activities and future simulations in terms of the financial and other resources aspects. The results of the simulation will be used for the budget acquisition covering a nationwide business model that may enhance the sustainability of our future activities.

2-6 Design IAPPS trial test & pre-test training contents

In the second year, we developed the trial examination contents and conducted the IAPPS trial examination to internal auditors in Ministries and municipalities near Ulaanbaatar. Based on analysis of the results, score distribution, and questionnaire results, we prepare necessary content discussing with

IIA Mongolia and CP. For example, we add practical example to the contents while using the materials of trial examination.

2-7&2-8 Conduct training for IAPPS candidates. Conduct IAPPS trial test

We conduct trainings and trial tests by the contents described in 2-6. We will determine the candidates through discussion with CP but CP and the IIA Mongolia are the implementing organizations of trainings and examinations. The expert team will support them keeping in mind the continuity of the activity after the project ends. Because of budget restriction, we will arrange the meeting room as a training hall and conduct the trial test in the last day of the training as we conducted in the second year.

We plan twice or so of the IAPPS trainings and the trial examinations in the third year.

2-9 Develop IAPPS participators and other training participators records

Now CP registers the information of internal auditors all over the country to the system in MOF. On the other hand, we have the information of IAPPS training participants. By gathering the information, it will become easy to grasp the information of internal auditors, to select candidates and to manage the attendance records. The expert team make the participant nominal list and submit it to CP in order to support in developing a training attendance records.

2-10 Support providing training for IAPPS

In order to make IAPPS improve knowledge, the expert team considers technical assistance of internal audit. We conduct IAPI trainings to IAPPS participants as second year. In the second year, we selected IAPI participants taking the result of the test into account, but in the third year, we take the years of experience or application into consideration in order to raise the level of internal auditors.

2-11 Train the IAPIs and its candidates to acquire practical skills required to disseminate internal audit

In the second year, the main content of IAPI training was how to make working papers, but in the third year, we will make contents to meet their needs in taking the answers of questionnaire into consideration. For example, the experts visit the IAPI participants in their ministry and hold workshops or offer them trainings with IIA Mongolia. We plan twice or so of the IAPI trainings and the trial examinations in the third year.

2-12 Certifying candidates who satisfy necessary conditions as the IAPIs

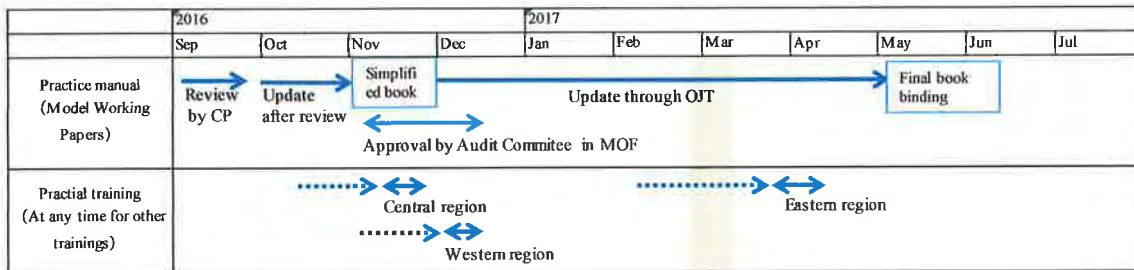
The requirements of certification of IAPI will be written in the framework, through discussion with CP and IIA Mongolia.

2.4 (OUTPUT3) Internal auditors' capacity to practice internal audit is further strengthened.

3-1 Develop a work plan

Through discussion with CP, the third year schedule is developed along with Plan of Operation. The following (Table 4) is the schedule of the activities.

(Table 4)



3-2 Conduct financial planning exercise on the implementation of training and OJT

Same as described in 2-4.

3-3 Develop the internal audit manuals in priority areas and common manual for specialized public organization (e.g. local governments, schools, hospitals, customs etc.)

In the second year, the expert team completed the draft of internal audit practice manuals and model working papers for priority areas. This manual includes risk lists of each priority area. In addition, the manual also covers an audit for small organizations including local governments and is added its checklist for the use of such internal audit. In 2011, the World Bank (WB) consultants have already developed an internal audit manual for internal auditors in the government organization. However, feedback from users was that the manual is not user-friendly and the WB consultants have currently been revising the manual. For this reason, the expert team will cooperate with WB consultants for internal audit manual development. The expert team will develop the manual which is specialized for practical part while the manual of WB consultants focus on the overview concept and overall steps of procedures of internal audit. The expert team will provide the templates of model working papers to WB to attach its blank templates to WB's manual. By providing common working paper templates from both manuals, internal auditors can avoid confusion of the use of these manuals.

In terms of the manuals for small organizations, it turned out during we conducted OJT that initially expected schools and hospitals are not small organizations, but bigger than initial expectation so that the expert team reached a conclusion that it is possible for such organizations to use the manual for priority area. Since the manual for priority area is also applicable to all other fields, the expert team decided to create a chapter in the manual for small organizations which would have a difficulty in applying internal audit techniques (e.g. risk based audit approach). In the third year, the expert team will finalize the

manual including model working paper by using in practice to update its contents.

3-4 Conduct training for internal auditors to use the internal audit manuals in priority areas and specialized public organizations

The expert team promotes internal auditors to document working papers in practice in accordance with the internal audit manuals and model working papers developed in 3-3 by providing manual trainings (two trainings for CP, priority areas, and government organizations near Ulaanbaatar area etc.). At the same time, the expert team will conduct the same trainings to internal auditors in local governments to expand the use of the manuals widely around Mongolia and to improve a practice level in local governments.

3-5 [by CP] Continue internal audit trainings and OJT in other areas which had been conducted under the Project phase 1, while the experts assess the training and provide assistance as necessary.

In Mongolia, it tends to increase the number of request-based seminars or workshops more than planned as stakeholders in Mongolia has a high awareness of challenges and problems in their internal audit practice. CP and the expert team work together to transfer knowledge to stakeholders and to enhance the awareness of internal auditors by not only providing seminars to introduce the manual but also to introduce audit case studies and practical issues.

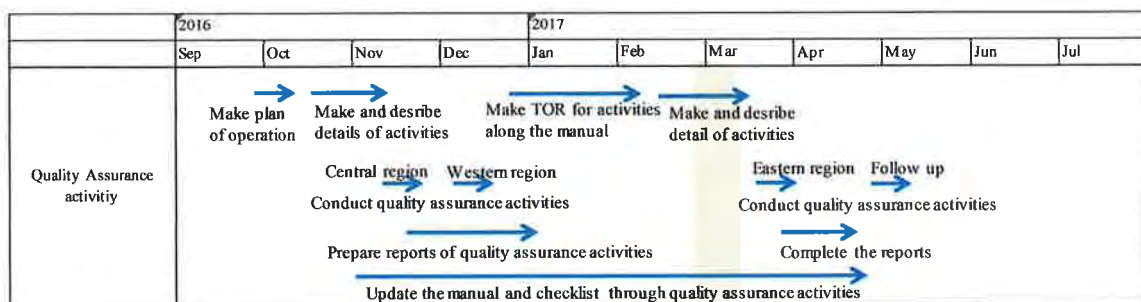
2.5 (OUTPUT4) An internal audit quality assurance system is introduced.

In the first and second year, the expert team completed the activity 4-2. The below is the implementation plan of the rest of the activities.

4-1 Develop a work plan.

The expert team discusses with CP on the third year activities along the Plan of Operation and Plan to conduct activities according to the following schedule (Table 5).

(Table 5)



b.f.

4-3 Develop an annual plan to conduct the quality assurance activities.

Per discussion with CP, quality assurance activities will be conducted to three local prefectures in the third year. Experts prepare and distribute to a conducting organization the instruction including work scope, how to fill in the checklist, evaluation method and reporting method etc. The instruction is reviewed by CP and then expert team explains the detail to the conducting organization.

4-4 Train staff for quality assurance of internal audit using the check lists.

The IIA Mongolia will conduct the trainings to staffs engaged in quality assurance of internal audit since the IIA Mongolia is an organization responsible for the quality assurance of internal audits. In the training, in addition to the description of how to assess in quality assurance and make reporting documents, the IIA Mongolia will use the check list of quality assurance which was drafted in the first and second year and will be revised in accordance with revise of the practical manuals described in **3-3**. The preparers of the check list and manual or people who have experience in quality assurance activities will be the lecturer for the trainings. In this way, it is expected to improve proficiency level of checklist to be used through activities in **4-5**.

4-5 Practice quality assurance activities and make reports on an activity 4-3 plan basis

Experts notify and explain about the activities and request of documents to each prefecture chosen for quality assurance activities prior to the visit of quality assurance members. In doing so the expert team send and explain how to use of the internal audit manual updated by WB consultants and internal audit practice manual developed in Output 3. Then quality assurance members visit the local prefecture after each local government finish one internal audit engagement, prepare and submit a report to CP and experts.

4-6 Develop final version of check-lists for quality assurance of internal audit

CP and experts finalize checklists for quality assurance by revising based on the results from quality assurance activities at local government in addition to the relevant contents in accordance with manual updated by WB, practical manual developed in Output 3.

2.6 (OUTPUT5) Medium-term strategic plan is developed

The expert team suggests CP to add the activity of “Output 5 Medium-term strategy targeted sustainable development of internal audit is developed” at the next revision of PDM. The following is tentative activities.

5-1 Develop a work plan and set up a working group

Expert team plans to conduct activities for newly added Output 5 in the third year pursuant to the following (Table 8) schedule by discussion with CP based on PDM (Table 6) and Plan of Operation (Table 7)

(Table 6: PDM)

	Before Revision	After Revision
Output 5	N/A	Medium-term strategic plan is developed
	(Indicator) 5-1: Support to draft 2017-2020 medium-term strategic plan → Proposal of enforcement items 5-2: Review the progress for the 1st quarter of 2017 or after, along with the medium-term strategic plan → Summary of result of the review	
Activities	5-1: Develop a work plan and set up a working group	
	5-2: [By C/P] Decide the basic policy of medium-term strategic and enforcement items	
	5-3: Support to draft 2017-2020 medium-term strategic plan	
	5-4: [By C/P] Finalize 2017-2020 medium-term strategic plan	
	5-5: Review the progress for the first quarter of 2017 and revise medium-term strategic plan if necessary	

(Table 7: Plan of Operation)

Activities	Deliverables	2016				2017								
		9	10	11	12	1	2	3	4	5	6	7		
1 Develop a work plan and set up a working group														
2 Decide the basic policy of medium-term strategic and enforcement items	Proposal of enforcement items													
3 Support to draft 2017-2020 medium-term strategic plan														
4 Finalize 2017-2020 medium-term strategic plan	Approved medium-term strategic plan													
5 Review the progress for the first quarter of 2017 and revise medium-term strategic plan if necessary	Summary of the result of the review													

(Table 8)

	2016				2017						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Medium-term Strategic Plan Development	Decide the basic policy and enforcement items							Q1 Review			
		Draft and finalize Plan									
			Approval								

5-2 [By C/P] Decide the basic policy of medium-term strategic and enforcement items

CP decides the basic policy and strategic goals and makes the list of contents to reflect in the medium-term strategy. In particular, CP make a plan, including enforcement items, timing and budget, based on long-term plan and assessment items in IA-CM

5-3 Support to draft 2017-2020 medium-term strategic plan

The working group drafts the medium-term strategy including goals, basic policies, activity items and details considered in 5-2 activity. The draft strategy contains future visions of BC-RM Dept. and is mentioned about the sustainability and feasibility of internal audit in Mongolia, which will be expected as an expression of opinion of BC-RM Dept. as the leading department for internal audit in Mongolia's public sector. Expert team also assists in preparing a draft to consider achievements of 2014-2016 strategic plan and to enhance various aspects such as technical facet (human resource development, internal audit method, planning and management of budget etc.) and organizational facet (promoting organizational structure to secure independency, organizing for BC-RM Dept. to maximize function of the department etc.) in view of relevance with long-term vision of Mongolia and policy objectives of MOF (not disclosed as of October 15th, 2016)

5-4 [By C/P] Finalize 2017-2020 medium-term strategic plan

Draft of the medium-term strategy in activity 5-3 is circulated within MOF and CP finalizes the plan. If necessary, CP gives presentations to relevant departments in regards to the finalized medium-term strategic plan. The expert team will support the working group.

5-5 Review the progress for the first quarter of 2017 and revise medium-term strategic plan if necessary

Working group and management members in BC-RM Dept. review the progress of medium-term strategic plan in the first quarter of fiscal year 2017 or before the completion of this project and revise it if necessary.

CHAPTER 3: Manpower Planning**3.1 Members of Expert Team**

This project is conducted by the following experts:

Position	Name	Company
Project Team Leader/ Legal Framework	Kenji Sawami	Ernst & Young Sustainability Co., Ltd.
Medium-term Strategy	Motoya Tamino	Ernst & Young Sustainability Co., Ltd.
Acting Team Leader /Legal Framework / Practice Training /Medium-term Strategy	Kumi Kodama	Deloitte Tohmatsu Financial Advisory LLC
Legal Framework /Quality Assurance	Sandagsuren Narmandakh	Kinzai Institute for Financial Affairs, INC.
Certification System /Practice Training	Amane Imada	Ernst & Young Sustainability Co., Ltd.
Certification System /Practice Training / Training Coordination	Ai Manabe	Ernst & Young Sustainability Co., Ltd.
Practice Training / Quality Assurance	Yoshitaka Taniwaki	Deloitte Tohmatsu Financial Advisory LLC
Training Coordination /Practice Training	Yoko Suzuki	Deloitte Tohmatsu Financial Advisory LLC

3.2 Assignment Schedule

Capacity Development Project for Internal Audit Phase 2 in Mongolia (Year 3)

1 Project Activities in Mongolia															Man-Days	Man-Months
Name	Rank	Trip	Year 2016					Year 2017								
			9	10	11	12	1	2	3	4	5	6	7	8		
Kenji Sawami Project Team Leader/Internal Audit (Legal Framework1)	2	Plan	5	■	■	■			■			■			27	0.90
		Actual														0.00
Kumi Kodama Acting team leader/Internal Audit (Legal framework3)(Practice training1)(Medium-term strategy1)	3	Plan	5	■		■		■	■			■			163	5.43
		Actual														0.00
Ai Manabe Internal Audit(Certification system1)(Practice training2)/Training Coordination 1	3	Plan	5	■		■		■		■		■			163	5.43
		Actual														0.00
Amane Imada Internal Audit (Certification system2)(Practice training3)	3	Plan	2	■					■						52	1.73
		Actual														0.00
Yoshitaka Taniwaki Internal Audit(Practice training4)(Quality Assurance1)	4	Plan	3		■				■			■			101	3.37
		Actual														0.00
Yoko Suzuki Training Coordination/Internal Audit (Practice training5)	5	Plan	3	■				■			■				101	3.37
		Actual														0.00
Sub-Total Project Activities in Mongolia													Plan	607	20.23	
													Actual			
2 Work in Japan															Man-Days	Man-Months
Name	Rank	Trip	9	10	11	12	1	2	3	4	5	6	7	8		
Kenji Sawami Project Team Leader/Internal Audit (Legal Framework1)	2	Plan			■		■			■			■		8	0.40
		Actual														0.00
Motoya Tamino Internal Audit(Medium-term Strategy)	3	Plan		■											15	0.75
		Actual														0.00
Kumi Kodama Acting team leader/Internal Audit (Legal framework3)(Practice training1)(Medium-term strategy1)	3	Plan			■		■					■			20	1.00
		Actual														0.00
Ai Manabe Internal Audit(Certification system1)(Practice training2)/Training Coordination 1	3	Plan											■		6	0.30
		Actual														0.00
Sandagsuren Narmandakh Internal Audit (Legal framework1/Quality assurance2)	3	Plan		■		■		■	■			■	■		60	3.00
		Actual														0.00
Sub-Total Work in Japan													Plan	109	5.45	
													Actual			
Total													Plan	716	25.68	
													Actual			

Legend: ■ Project activities (Actual) ■ Project activities (Original Plan) ■ Activities by own cost
 ▨ Project activities (Latest Plan)

Reports	△WorkPlan (Japanese)	△WorkPlan (English/Mongolian)	▲MS ver.5											△Completion Report
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b.f.

Responsible tasks of each expert are as follows;

Name	Position	Job Description
Kenji Sawami	Project Team Leader/Internal Audit (Legal Framework1)	<Lead the project > <ul style="list-style-type: none"> ● Promote, coordinate and lead the project ● Coordinate with CP management ● Discuss, coordinate and conduct survey with relevant organizations ● Lead in holding JCC ● Prepare monitoring sheet and completion report ● Report and discuss with JICA ● Conduct survey and gather information needed ● Plan and conduct practice training ● Report the result
Motoya Tamino	Internal Audit (Medium-term Strategy 2)	<Output5> <ul style="list-style-type: none"> ● Conduct survey and gather information needed ● Report the result
Kumi Kodama	Acting team leader/Internal Audit (Legal framework 3) (Practice training 1) (Medium-term strategy 1)	<Acting team leader · Output1, Output3 and Output5 > <ul style="list-style-type: none"> ● Promote, coordinate and lead the project ● Conduct survey and gather information needed ● Plan and conduct practice training ● Report the result
Sandagsuren Narmandakh	Internal Audit (Legal framework 2) (Quality Assurance 2)	<Output1 and Outout4 > <ul style="list-style-type: none"> ● Promote, coordinate and lead the project ● Conduct survey and gather information needed ● Plan and conduct practice training ● Report the result
Ai Manabe	Internal Audit (Certification system 1) (Practice Training) / Training Coordination 1	<Output2and Output3 > <ul style="list-style-type: none"> ● Conduct survey and gather information needed ● Plan and conduct practice training ● Report the result <Training Coordination > <ul style="list-style-type: none"> ● Assist in promoting, coordinating and leading the project ● Assist in discussing, coordinating and conducting survey with relative organizations ● Assist in holding JCC ● Coordinate plan of trainings and assist conducting ● Assist whole general operation of the project ● Manage project office and attendance of local staffs ● Assist in advertisement of this project ● Make reporting documents ● Manage the activity fund
Amane Imada	Internal Audit (Certification system 2) (Practice training 3)	<Output 2 and Output3 > <ul style="list-style-type: none"> ● Conduct survey and gather information needed ● Plan and conduct practice training ● Report the result

Yoshitaka Taniwaki	Internal Audit (Practice training 4) (Quality Assurance 1)	<Output3 and Output 4 > <ul style="list-style-type: none"> ● Promote, coordinate and lead the project ● Conduct survey and gather information needed ● Plan and conduct practice training ● Report the result
Yoko Suzuki	Training Coordination 2 / Internal Audit (Practice training 5)	<Output 3 > <ul style="list-style-type: none"> ● Conduct survey and gather information needed ● Plan and conduct practice training ● Report the result <Training Coordination > <ul style="list-style-type: none"> ● Assist in promoting, coordinating and leading the project ● Assist in discussing, coordinating and conducting survey with relative organizations ● Assist in holding JCC ● Coordinate plan of trainings and assist conducting ● Assist whole general operation of the project ● Manage project office and attendance of local staffs ● Assist in advertisement of this project ● Make reporting documents

**MINUTES OF MEETING
ON
THE SEVENTH JOINT COORDINATION COMMITTEE
ON
CAPACITY DEVELOPMENT PROJECT FOR INTERNAL AUDIT PHASE 2
IN MONGOLIA**

Japan International Cooperation Agency (hereinafter referred to as "JICA") and Financial Control and Risk Management Department (hereinafter referred to as "FC-RM Dept.") of Ministry of Finance of the Government of Mongolia (hereinafter referred to as "MOF") held the Joint Coordination Committee (hereinafter referred to as "JCC") Meeting within as stipulated in the framework of the Record of Discussions (hereinafter referred to as "R/D") for "Capacity Development Project for Internal Audit Phase 2" (hereinafter referred to as "the Project").

As a result of the discussions, JICA and FC-RM Dept. made this Minutes of Meeting in order to confirm the mutual understanding and the matters agreed in the discussions attached hereto.

Ulaanbaatar, June 12th, 2017

沢田 博美

Mr. Mutsumi Sato
Chief Representative
Mongolia Office
Japan International Cooperation Agency

Kenji Sawami

Mr. Kenji Sawami
Chief, JICA Expert Team

Nyamaa Buyantogtokh

Mr. Nyamaa Buyantogtokh
State Secretary, Ministry of Finance of
Mongolia

Dorjsembed Batsengee

Mr. Dorjsembed Batsengee
Director, Development Financing
Department, Ministry of Finance of
Mongolia

The Environment of Internal Audit in Mongolia

MOF (hereinafter referred to as “Counterparts”) and JICA confirmed the current situation of Mongolia with respect to internal auditing and activities since the JCC on 8th December, 2016.

I. The review of the third year activities

Counterparts reviewed the third year activities and the JCC members agreed with the achievement. (Annex 1) The outputs achieved are the followings;

1. Output 1

(The solution of establishing a more solid legal foundation of internal audit is identified.)

- i. Supported activities relating with submission of the “Internal Audit Bill for Public Sector” to the Parliament Fall Session in 2017, which have newly added as Activity 1-7 in the Project Design Matrix (hereinafter referred to as “PDM”).
- ii. Supported Counterparts to organize two opinion exchange meetings and conducting Needs and Impact Survey, which are mandatory under the Legislation Law (enforcement from 1st January, 2017) of Mongolia during the submission of Draft Bill to the Parliament. (Report on Needs and Impact Survey, including list of opinions from opinion exchange meeting has submitted to the Counterparts in December, 2016.)
- iii. Supported Counterparts conducting activities to promote understanding on internal audit for newly assigned State Secretaries and Directors of Internal Audit Departments of Ministries and local governments. Activity to promote understanding for newly assigned Ministers has not been implemented due to postponement of submission of Internal Audit Draft Bill to the Parliament by Counterparts. Counterparts will implement the activity before submitting the Draft Bill.

2. Output 2

(Qualified internal auditor certification system is introduced.)

- i. Assisted Counterparts in conducting two IAPPS trainings and trial tests, which are planned in fall 2016 and spring 2017, of which the fall training was held using the developed training materials based on the knowledge shared by the Institute of Internal Auditors (hereinafter referred to as “IIA”).

Counterparts conducted the spring training and trial tests by themselves.

- ii. Assisted Counterparts in organizing two IAPI trainings for high score candidates from the IAPPS trainings and trial tests.
- iii. Assisted Counterparts in drafting Training Framework and submitted to Counterparts. The draft will be revised by themselves after approval of the Internal Audit Bill at the Parliament Please refer to “II. Postponed Activities” for the background. (Annex 6)

3. Output 3

(Internal auditors' capacity of practicing internal audit is further strengthened.)

- i. JICA Expert Team together with Counterparts revised the preliminary version of Internal Audit Manual including Model Working Papers, which was prepared through practical trainings implemented as On-the-Job Training (hereinafter referred to as “OJT”). Final draft of Internal Audit Manual submitted to Counterparts by JICA Expert Team. Please refer to “II. Postponed Activities” for the background. (Annex 4)
- ii. Internal Audit Practical Trainings to the priority Ministries and other government organizations were held using the preliminary Internal Audit Manual. 5 practical trainings were held to the priority Ministries and other Government organizations such as Ministry of Legislation and Internal Affairs and Law Enforcement University.
- iii. Supported conducting regional trainings, using preliminary Internal Audit Manual for local government internal auditors, which were held in Central region, West region and 3 aimags in November 2016, December 2016 and April 2017, respectively.
- iv. JICA Expert Team implemented 61 OJTs to the priority Ministries, other Ministries and Government organizations on demand on a continuing basis from the previous year activities.

4. Output 4

(Internal Audit Quality Assurance system is introduced)

- i. Trial quality assurance was done in three local provinces such as Orkhon, Khovd and Dornod, selected by Counterparts, using Quality Assurance Manual, which includes Checklist (hereinafter referred to as “Quality Assurance Manual”) drafted by JICA Expert Team.
- ii. Counterparts finalized the Quality Assurance Manual, based on IIA standards,

which is taken into account with practical manner in the Mongolian Government, through the above mentioned Quality Assurance activities.

- iii. Internal Audit Quality Assurance Framework was drafted and submitted to Counterparts. The draft will be revised by themselves after approval of the Internal Audit Bill at the Parliament. Please refer to “II. Postponed Activities” for the background. (Annex 5)
- iv. Training for quality assurance activity was conducted for Counterparts before trial quality assurance in Dornod, which was implemented with purpose to finalize the Quality Assurance Manual, drafted by JICA Expert Team and submitted to Counterparts.

5. Output 5

(Medium-term strategic plan is developed)

This output was newly added in the third year project activity for assisting Counterparts in formulation of the Internal Audit Medium-term Strategic Plan (2017-2020). First draft was prepared and submitted November 2016 by JICA Expert Team to Counterparts for reference. The activity was postponed in relation to the submission of the Internal Audit Bill to the Parliament. Please refer to “II. Postponed Activities” for the background. (Annex 7)

6. Other activities

JICA Expert Team has assisted to prepare Indicators for Internal Audit Capacity Model (hereinafter referred to as “IA-CM”) self-assessment. Regarding IA-CM results (Internal audit capacity level and reason). Counterparts conducted self-assessment and concluded on June 8, 2017, which shows reaching level 3. Please refer to Annex 8.

II. Postponed activities

1. The following activities have postponed in relation to the submission of the Internal Audit Bill to the Parliament and its final approval:
 - i. Counterparts will complete the final version of the Training Framework for internal auditors of public sector, which was drafted and submitted by JICA Expert Team, obtain an approval of Counterparts’ audit committee for the final version of the Training Framework and enforce the approved Training Framework in order to develop capacity of the internal auditors of the government organizations in Mongolia.

- ii. Counterparts will review and finalize the Internal Audit Manual, including Model Working Papers revised and submitted by JICA Expert Team for bookbinding. JICA Expert Team is aware the necessity to complete the following matters in order to finalize the Internal Audit Manual.
 - a. Obtain an approval of Counterparts' audit committee
 - b. Bookbinding with JICA logo
 - c. Replace current working paper templates attached in internal audit manual by World Bank project with templates in the approved internal audit manual of JICA
 - d. Upload the internal audit manual and replace working paper templates on the MOF's web site after approval of the audit committee for easy access to internal auditors in the public sector of Mongolia.
 - iii. Counterparts will complete the final version of the Quality Assurance Framework, which was drafted and submitted by JICA Expert Team, obtain an approval of Counterparts' audit committee for the final version of the Quality Assurance Framework and enforce the approved Quality Assurance Framework.
 - iv. Counterparts will formulate Internal Audit Medium-term Strategic Plan. First Draft was submitted by JICA Expert Team in November 2016. JICA Expert Team is aware the necessity to complete the following matters in order to finalize Medium-term Strategic Plan.
 - a. Obtain an approval of the appropriate authorities
 - b. Explain the plan to related organizations and internal auditors
 - c. Disclose the Internal Audit Medium-term Strategic Plan on MOF's web site or other equivalent media for easy access by stakeholders.
2. Counterparts will obtain an approval of Counterparts' audit committee for the final version of the Quality Assurance Manual and bind it with JICA logo.

III. Main Points Discussed

1. Counterparts explained the reason and further action plan about the postponed activities mentioned above (Please refer to "II. Postponed Activities") and promised to fully implement the plan. JICA Expert Team noticed the importance to complete the activities for further development of internal audit system in Mongolia.

<Expected completion date for the postponed activities>

The word “Finalize” in the following list means that all the individual items mentioned in “II. Postponed Activities” are to be fully completed.

- Submit the Internal Audit Bill to the Parliament ; October 2017
- Finalize the Training Framework ; December 2017
- Finalize the Internal Audit Manual ; January 2018
- Finalize the Quality Assurance Framework ; November 2017
- Finalize the Quality Assurance Manual ; June 2017
- Finalize the Internal Audit Medium-term Strategic Plan ; December 2017

Counterparts promised to submit all deliverables with an official letter written that the postponed activities have been completed to JICA Mongolia.

2. JICA Expert Team assisted to develop the Concept Paper and the Bill of Internal Audit Law in the Public Sector, based on International Standard agreed and submitted at JCC in April 2016

<Assistance conducted in legislative framework throughout the Project>

Adopting IIA and international standard based internal audit was agreed between JICA Expert Team and Counterparts at JCC in April 2016. With this agreement, the Concept Paper and the Bill developed through the project were assisted by JICA Expert Team to develop based on international standard. These Concept Paper and Bill were submitted by JICA Expert Team and also agreed with Counterparts at JCC in April 2016. For this background the agreed Concept Paper and the Bill were considered the situation of Mongolia as well as to be consistent with international standard.

It is obvious that the Law will assume significant roles to establish an internal audit fundament and further development of internal audit system in Mongolia. Moreover, the enforcement of Internal Audit Law is essential for Counterparts who are responsible to supervise internal audit in the Public Sector in Mongolia to establish institutional base as well as the basis of conducting internal audit practice. Legislative framework taken in the IIA and international standard concept will definitely produce an effect to rationalize risk-based internal audit practice by adding value to the government in Mongolia and by supporting effective governance contributing to better improvement on operation and services.

Unfortunately the submission of the Bill to the Parliament did not come true by the end of the Project term, JICA Experts Team strongly expect that Counterparts will

succeed in the bill to be deliberated and approved as assisted as mentioned above by the Project.

3. Counterparts requested to implement next phase of the Project for enforcement of the Internal Audit Law after its approval and preparation for related legal acts necessary for implementation of the Internal Audit Law. They promised to complete all the postponed activities as mentioned in III.1 prior to next phase and to understand the nature of technical assistance project to implement the project effectively. After its approval of the Internal Audit Law, Counterparts strongly expect JICA to launch the CAPACITY DEVELOPMENT PROJECT FOR INTERNAL AUDIT PHASE 3 in Mongolia.
4. Based on the list of equipment attached to the Certificate of Handover, JICA Expert Team has transferred its ownership to Counterparts, and the Counterparts have confirmed the contents and agreed. (Annex 3)

Annex:

- | | |
|----------|---|
| Annex 1: | Project Design Matrix ver.2.1 |
| Annex 2: | Plan of Operation |
| Annex 3: | Certificate of Handover |
| Annex 4: | Internal Audit Practical Manual (Draft) |
| Annex 5: | Internal Audit Quality Assurance Framework (Draft) |
| Annex 6: | Internal Audit Training Framework (Draft) |
| Annex-7 | 2017-2020 Medium-term Strategic Plan (For Reference only) |
| Annex-8 | The result of IA-CM self-assessment |