

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: ECGF

TA No. and Name 3913-MON: Capacity Building for Accounting and Auditing Professionals			Amount Approved: \$500,000.00	
			Revised Amount: \$393,412.00	
Executing Agency: Ministry of Finance		Source of Funding: TASF	TA Amount Undisbursed \$2,027.52	TA Amount Utilized \$391,384.48
Date			Completion Date	
Approval	Signing	Fielding of Consultants	Original 30 November 2003	Actual 31 December 2004
4 September 2002	18 October 2002	15 January 2003	Closing Date	
			Original 30 November 2003	Actual 31 May 2005
Description <p>The TA's goal was a part of ADB's long-term efforts to support Mongolia's continuing efforts to align its accounting and auditing arrangements and practices with the needs of a market economy and with international best practices.</p>				
Objectives and Scope <p>The TA's objectives were to assist the Mongolia Institute of Certified Public Accountants (MICPA) to promote the adoption by enterprises of International Accounting Standards (IAS) and International Standards of Auditing (ISA) by (i) training and capacity building programs to enhance trainers' accounting and auditing skills, and (ii) developing for MICPA a critical mass of IAS and ISA knowledgeable accountants and auditors.</p> <p>Its scope concentrated on (i) facilitating the full adoption of IAS by 100 small and medium enterprises (SMEs), (ii) training in accounting covering IAS to a total of 50 teachers/lecturers, (iii) training in ISA principles to 200 Mongolian auditors specialized in audits of different types of institutions¹ by MICPA on a cost recovery basis (iv) institutional strengthening of MICPA through (a) improvement of Certified Public Accountant (CPA) examination methodology, (b) developing a continuing professional education (CPE) program for Mongolian CPAs, (c) design of web page for MICPA for enhancing accounting, auditing, and CPE, (d) developing for MICPA accounting and auditing manuals, (e) developing for MICPA an enhanced ethical code and uniform internal procedure code, and (f) improving MICPA's interaction with accounting and auditing institutes of developed countries through the establishment of twinning arrangements with international audit firms, and (v) strengthening the Ministry of Finance (MOF)'s Accounting Policy and Methodology Department (APMD) to improve the professional skills of its 13 officers. A minor change in scope was requested by MOF to include training on cost and management accounting (CMA) for SMEs and for tax reconciliation accounting for tax inspectors.</p> <p>While the TA's goal was consistent with ADB's overall Country Strategy and Program for Mongolia, its objectives could have been better targeted towards addressing those specific accounting and auditing issues not covered by ADB's 2 earlier TAs² instead of overlapping with them. Particularly (as was stated in paras. 7 and 8 of the TA paper) the legislative framework for accountancy and auditing was strong but that practitioners were deficient in knowledge of application of IAS and ISA. It would have been more appropriate for the TA's scope to sequence to a later date, twinning of Mongolian auditing firms with international ones, only after the former had acquired critical mass of IAS and ISA application preferably after MICPA's admission to the International Federation of Accountants (IFAC).</p>				
Evaluation of Inputs <p>The TA's formulation and its consultants' terms of reference (TOR) were generally consistent with its objectives and scope. The consultants (i) assisted 100 SMEs to adopt IAS, (ii) trained 44 teachers/lecturers in accounting, (iii) trained a core group of MICPA members in ISA, who in turn trained 200 Mongolian auditors in the same discipline, (iv) recommended for MICPA an enhanced internal procedural ethical code, (v) developed for MICPA a continuing professional education (CPE) program for its members and steps for its implementation, including amendments to the Audit Law, (vi) recommended improved certified public accountants (CPA) examination methodologies, (vii) developed for MICPA a web page including therein appropriate training, audit and CPE components, and (viii) facilitated MICPA's associate membership in IFAC, and (ix) conducted a training workshop for the 13 officers of MOF's APMD. Additionally, at MOF's request the consultants conducted specialized courses on cost and management accounting (CMA) for SMEs and tax reconciliation accounting³ for tax inspectors. The consultants prepared detailed manuals on (i) conversion of</p>				

¹ Of commercial banks, insurance companies, educational institutions, private enterprises and projects implemented through foreign assistance.

² (a) TA 2390-MON: Improving Accounting and Auditing Systems approved in September 1995, and (b) TA 2964-MON: Improving Accounting and Auditing Systems II approved in November 1997.

³ This exercise involves the reconciliation of an enterprise's income according to IAS with that according to Mongolia's Tax Code.

SME accounts to IAS, (ii) cost and management accounting for SMEs, (iii) ISA standards for audit firms, and (iv) CPA examinations and enhanced ethical and internal procedure codes for MICPA. The consultants' performance was satisfactory and their inputs generally met their TORs. The consultants were fielded in January 2003. Their inception report was submitted in March 2003 and the final report was submitted in March 2004. Their completion of these activities was timely. MOF, the TA's executing agency, provided the consultants with satisfactory office space and other support in kind. MICPA provided the necessary counterpart staff. MOF's and MICPA's performance under the TA was satisfactory. ADB's supervision of the TA was also satisfactory. ADB fielded a TA inception mission in February 2003. No further missions were deemed necessary. The TA was twice extended, initially from 30 November 2003 to 31 December 2003 and then again up to 31 December 2004. These extensions were necessary to facilitate the (i) conduct of CMA courses for SMEs and tax reconciliation exercises for tax inspectors and (ii) the twinning program of Mongolian accountants with international firms. One international accounting firm in Malaysia agreed in principle to accept 6 Mongolian auditors on a secondment basis, but was unable to obtain for them the necessary work permits in Malaysia. The twinning program therefore could not be carried out.⁴ Nonetheless, the TA's contingencies financed MICPA's associate membership in IFAC. In doing so it facilitated improving MICPA's interactions with accounting bodies of developed countries.

The TA's activities were completed in December 2004 and the TA was closed financially on 31 May 2005 with cost savings of \$106,588. This cost savings is attributable to (i) the consultants' lower than budgeted remuneration, and (ii) the absence of having to finance from the TA's contingencies the cost of out of country travel by Mongolian accountants for the twinning program.

Evaluation of Outputs

The consultants' (i) training of SME accountants' use of IAS and (ii) course on ISA standards of auditing benefiting 200 auditors of MICPA, were well attended and participatory. Their additional course on CMA for SMEs was useful in providing SMEs with a conceptual link between financial accounting and CMA. Likewise the additional module on tax reconciliation for tax officers provided an important linkage between financial accounting and tax accounting. The consultants' manuals on (i) conversion of SME accounts to IAS, (ii) CMA for SMEs, (iii) ISA standards for audit firms, (iv) MICPA's CPA examination enhancement, and (v) enhanced ethical and internal procedures for MICPA, were of high quality and were appreciated by MICPA and MOF. The consultants' recommendations for MICPA members' CPE and MICPA's web page were also relevant and appreciated by MICPA.⁵ Importantly, the TA facilitated MICPA's associate membership in IFAC thereby improving MICPA's interactions with developed and established professional accounting bodies. The TA's outputs delivered met the TA's objectives satisfactorily and exceeded the consultants' deliverables stated in their TORs.

Overall Assessment and Rating

The TA is rated as successful.⁶ Its design was partly relevant, but it was implemented effectively and efficiently and within its timeframe and budget. Its benefits are likely to be sustainable.

Major Lessons Learned

The relevance of the design of future TAs can be enhanced if their objectives could focus on areas not addressed by earlier TAs. Also, it is necessary to first create a critical mass of domestic CPAs with thorough knowledge of IAS and ISA. Only if their knowledge of the above disciplines is accepted internationally, will foreign accounting firms be willing to accept them for employment under twinning programs.

Recommendations and Follow-Up Actions

For future TAs for strengthening accounting and auditing standards in transitional economies, it is preferable to sequence out of country exposure for CPAs only after creating a domestic critical mass of accountants and auditors of international standing.

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⁴ The Malaysian Government's non-granting of work permits to Mongolian accountants could be attributable to its non-recognition of Mongolian CPA qualifications for practice in Malaysia.

⁵ This was reflected in the consultants' performance evaluation report.

⁶ Using OED's criteria for overall project performance based on relevance, effectiveness, efficiency and sustainability, as stated in *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*, February 2006.