

Country Name	Capacity Development Project for Internal Audit Phase 2
Mongolia	

I. Project Outline

Background	<p>In Mongolia, economic growth had accelerated (17.5% in 2011, 12.3% in 2012) aided by the active international market of coal and copper and capital inflows associated with mineral resource development. On the other hand, the fiscal conditions of the country were tight due to the expanding financial demand for public infrastructure investments. Thus, it was highly required for the government of Mongolia to strengthen its public financial management. With this background, in order to cope with the increasing need for strengthening internal audit functions, the Internal Auditing, Monitoring and Evaluation Department (IA-ME Department) was established in the Ministry of Finance in 2009 (IA-ME Department was reorganized as the Budget Control and Risk Management Department (BC-RM Department) in 2013 and as the Financial Control and Risk Management Department (FC-RM Department) in 2016). However, since IA-ME Department encountered challenges caused by insufficient human resources and experience of internal audit management, the technical cooperation project “Capacity Building of Internal Auditing and Performance Monitoring” (2012-2014) (the Phase 1 project) was implemented with the assistance of the government of Japan for improving capacity of the IA-ME Department. The Phase 1 project carried out awareness raising activities for internal audit, supported internal auditing in organizations concerned, and formulated the draft of the “Internal Audit Strategic Plan 2014-2016.” However, there were remaining issues to meet with the Strategic Plan including the improvement of legal environment for internal audit, training of internal auditors, introduction of an internal audit quality assurance system, and others.</p>										
Objectives of the Project	<p>Through establishment of a solid legal foundation, introduction of a certification system, strengthening of execution capacity, introduction of a quality assurance system, and development of the medium-term strategic plan for internal audit (2014-2016), the project aimed at establishment of a solid framework of internal audit, thereby contributing to capacity building of Mongolian governmental internal auditors to conduct internal audit in a sustainable environment.</p> <ol style="list-style-type: none"> 1. Overall Goal: The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment. 2. Project Purpose: The Mongolian government establishes a more solid framework of internal audits in accordance with the Internal Audit Strategic Plan 2014-2016. 										
Activities of the Project	<ol style="list-style-type: none"> 1. Project Site: Entire area of Mongolia focusing on Ulaanbaatar 2. Main Activities: <ol style="list-style-type: none"> 1) identification of solutions for establishing a more solid legal foundation of internal audit, 2) introduction of a qualified internal auditor certification system, 3) strengthening of internal auditors' capacity of practicing internal audit, 4) introduction of an internal audit quality assurance system, 5) development of the medium-term strategic plan. 3. Inputs (to carry out above activities) <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Japanese Side</td> <td style="width: 50%;">Mongolian Side</td> </tr> <tr> <td>1) Experts: 8 persons</td> <td>1) Staff allocated: 6 persons</td> </tr> <tr> <td>2) Training in the third country: 6 persons (USA)</td> <td>2) Land and facilities: Project office</td> </tr> <tr> <td>3) Equipment: PCs, copy machines, scanners, voice recorders, etc.</td> <td>3) Local cost: Utility costs for the project offices (electricity, water and telephone)</td> </tr> </table> 			Japanese Side	Mongolian Side	1) Experts: 8 persons	1) Staff allocated: 6 persons	2) Training in the third country: 6 persons (USA)	2) Land and facilities: Project office	3) Equipment: PCs, copy machines, scanners, voice recorders, etc.	3) Local cost: Utility costs for the project offices (electricity, water and telephone)
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Project Period	(ex-ante) November 2014 - October 2017 (actual) September 2014 - August 2017	Project Cost	(ex-ante) 300 million yen (actual) 341 million yen								
Implementing Agency	Financial Control and Risk Management Department (FC-RM Department), Ministry of Finance										
Cooperation Agency in Japan	Ernst & Young ShinNihon LLC										

II. Result of the Evaluation

<Constraints on Evaluation>

- In this ex-post evaluation, the evaluation judgement was made by analyzing information acquired by questionnaire survey, online meetings, and telephone interviews with persons concerned in FC-RM Department, four priority ministries (the Ministry of Construction and Urban Development, the Ministry of Roads and Transportation Development, the Ministry of Education and Science, and the Ministry of Health), three local governments (Dornod province, Orkhon province, Uvurkhantai province), and the Institute of Internal Auditors Mongolia (IIA Mongolia). No field survey was conducted due to the incidence of COVID 19.

<Special Perspectives Considered in the Ex-Post Evaluation>

- As for the Indicator 4-2 and 4-3 for the Project Purpose, the achievement at the time of project completion were evaluated by the continuous implementation of internal audits and the achievement of the target values (16, 8) of the number of internal audit documentations. That was because the continuous implementation of internal audit was clearly stated in the indicators and the Project Completion Report (July 2017) reported the indicators' achievements by the number of audit documentations. The achievements at the time of ex-post evaluation were evaluated only by the continuous implementation of internal audits but not by the number of audit documentations. That was because the target values of the number of audit documentations were targets to be achieved during the project period and no target value was specified for the time after the completion of the project. Audit documentation is the detail record of all procedures performed including planning, field work, reporting, and follow-up. Audit report is a part of

1 Relevance

<Consistency with the Development Policy of Mongolia at the Time of Ex-Ante Evaluation>

The new Budget Law effective in 2013 comprehensively ruled the budget management process including budget formulation, budget execution and internal auditing of execution of budget in order to ensure viability of the Fiscal Stabilization Act. The Budget Law was set out to reinforce internal audit by defining internal audit, clarifying the power of internal audit, stipulating the internal audit system, and others. Therefore, the project was consistent with the development policies of Mongolia at the time of ex-ante evaluation.

<Consistency with the Development Needs of Mongolia at the Time of Ex-Ante Evaluation>

To improve the environment of internal audit, the Phase 1 project carried out awareness raising activities, supported execution of internal audit in governmental organizations, and drafted the “Internal Audit Strategic Plan 2014-2016.” However, there were remaining issues to meet with the Strategic Plan including the improvement of legal environment for internal audit, training of internal auditors, introduction of an internal audit quality assurance system, and others. Therefore, the project was consistent with the development needs of Mongolia at the time of ex-ante evaluation.

<Consistency with Japan’s ODA Policy at the Time of Ex-Ante Evaluation>

In the “Country Assistance Policy for Mongolia” (April 2012), sustainable development of mineral resources and strengthening of governance was declared as one of the priority areas (intermediary goals). In order to increase income from mineral resources for long-term economic growth, establishment and stabilization of the governance system was identified as high priority assistances for Mongolia. The governance system included strengthening of financial management and financing functions through the improvement of administrative capacity and transparency, development of human resources with high level skills and knowledge, improvement of legal systems and enhancement of their operation capabilities, and others. Therefore, the project was consistent with the Japan’s ODA policy for Mongolia at the time of ex-ante evaluation.

<Appropriateness of Project Design/Approach>

The project planned to prepare the draft of internal audit bill, and on a premise its legislation, making manuals, establishing a training framework, introduction of a quality assurance system, and development of the medium-term strategic plan for internal audit were planned. However, the bill was not submitted to the parliament due to some circumstances in the Ministry of Finance. Therefore, after the completion of the project, the manuals, training framework and quality assurance system were approved by the finance minister based on the exiting Budget Law. But, because the Budget Law had no provisions about the compliance with the international audit standards, the structure of internal audit committee, legal authorities and responsibilities of internal auditors, and others. Therefore, the manuals, training framework and quality assurance system were approved but with some constraints. The medium-term strategic plan has yet to be approved at the time of ex-post evaluation waiting for the enactment of new internal audit law. This was a change of the course of actions and the delay of project activities caused by the plan subject to the approval of the bill, which was highly dependent on the external factors. It is to be noted, however, that those constraints did not directly affect the achievements of Project Purpose and Overall Goal as far as their indicators concerned, thus, did not affect the evaluation of effectiveness and impact.

<Evaluation Result>

In light of the above, the relevance of the project is high.

2 Effectiveness/Impact

<Status of Achievement of the Project Purpose at the time of Project Completion>

The Project Purpose was achieved at the time of project completion. The level of internal audit capacities of the priority ministries upgraded from level 2 to level 3 by the standard of the Internal Audit - Capacity Model (IA-CM) (Indicator 1). Activities to improve the legal framework for internal audit and internal auditors were conducted including drafting of the “Concept Paper of Legal Framework on Internal Audit,” “Internal Audit Practical Manual” and others (Indicator 2). The total number of participants in the Internal Auditor Professionals for Public Sector (IAPPS) training was 359 which went largely beyond the target of 100 (Indicator 3). Internal audits with on-the-job training were conducted 128 times for the four priority ministries (Indicator 4-1) and 13 times for other governmental organizations (Indicator 4-3). Out of 128 times, 53 times were implemented applying the “Internal Audit Practical Manual (draft)” drafted by the project (Indicator 4-1). In the internal audits implemented in the four priority ministries stated above, 12 documentations about any of four audit stages (planning, fieldwork, reporting, follow-up) were confirmed to be made. However, the number of documentations did not reach the indicator’s target value of 16 (Indicator 4-2). The number of governmental organizations implementing internal audit and the number of internal auditors increased from 76 auditors in 11 organizations in 2014 to 132 auditors in 44 organizations in 2017 (Indicator 5). Internal audit quality assurance activities were conducted in eight governmental organizations, i.e., the Ministry of Finance, four priority ministries, and the three provinces. Out of eight quality assurance activities, three activities produced reports (Indicator 6).

<Continuation Status of Project Effects at the time of Ex-post Evaluation>

The project effects have been continued at the time of ex-post evaluation. After the project completion, the action plans prepared by the project were implemented and preparation of manuals and formulation of rules and regulations except the approval of internal audit bill by the parliament has been progressed. Therefore, according to the assessment by the FC-RM Department, the maturity level of internal audit of the four priority ministries reached level 4 of the standard of IA-CM. As for the internal audit law, updating of the bill has been continued for submitting the bill to the parliament. IAPPS training has not been implemented after the project completion. The Ministry of Finance has developed training programs based on IAPPS training and implemented them 20 times in three years from 2017 to 2020 with the total number of participants of 2,788. The number of governmental organizations implementing internal audit and the number of internal auditors increased from 132 auditors in 44 organizations in 2017 at the time of project completion to 291 auditors in 45 organizations in 2020. During the period from 2018 to 2020, internal audits were conducted 90 cases in the four priority ministries and 1,702 cases in other governmental organizations including local governments, and audit reports were made in all of those audits. As for internal audit quality assurance, the “Internal Audit Quality Assurance Manual” was revised in 2019 and published in 2020, and external evaluations on internal audit of 20 provinces were implemented in 2021 online under the circumstances of epidemic of COVID 19.

<Status of Achievement for Overall Goal at the time of Ex-post Evaluation>

The Overall Goal was achieved at the time of ex-post evaluation. As stated above, the maturity level of internal audit of the four priority ministries have upgraded to the level 4 of IA-CM (Indicator 1), and the revision of internal audit bill has been conducted to submit the bill

to the parliament (Indicator 2). Public internal audit has been continuously implemented, and the number of audit reports, the number of recommendations, and the rate of follow-up of them have maintained at high level (Indicator 3). Training programs substitute to IAPPS training have been continuously implemented, and the number of organizations implementing internal audit and internal auditors has increased year by year (Indicator 4).

<Other Impacts at the time of Ex-post Evaluation>

The manuals and rules and regulations for internal audit were approved by the ministry, recommendations for improvement based on the results of internal audits were issued by the minister, and other system improvements of public internal audit have been progressed. Along with those movements, understanding of the effectiveness of internal audit has become pervasive in central government's top managements. The IIA Mongolia, officially certified by the Institute of Internal Auditors (IIA) taking the opportunity of collaboration with the project, improved the capacity of trainers through activities of the project. After the completion of the project, IIA Mongolia has implemented training and certification examinations for the international certification of the Certified Internal Auditor (CIA) and the Certified Internal Auditor Professionals for Public Sector (CIAPPS). The participants in the programs of IIA Mongolia widely includes internal auditors in governmental and government-owned organizations including the Secretariat of the Parliament, the Board of Audit, the National Police Agency, the Bank of Mongolia, and others. No negative impact on natural, social and economic environment has been observed.

<Evaluation Result>

Therefore, the effectiveness/impact of the project is high.

Achievement of Project Purpose and Overall Goal

Aim	Indicators	Results	Source
Project Purpose: The Mongolian government establishes a more solid framework of internal audits in accordance with the Strategic Plan 2014-16.	Indicator 1: Upgraded level of assessment results of IA-CM in Mongolia: move up more than one from level 2 on the project scope areas in IA-CM.	Status of the Achievement: Achieved (continued) (Project Completion) According to the assessment by the FC-RM Department, the level of internal audit capacities of the four priority ministries by the standard of IA-CM prepared by IIA upgraded from level 2 to level 3 although some issues were pointed out by the Japanese experts. (Ex-post Evaluation) Action plans suggested by the Japanese experts at the time of project completion were implemented except the parliament approval of internal audit bill. Because of these performances, the FC-RM Department assessed the maturity level of internal audit of the four priority ministries to be level 4 of the standard of IA-CM.	Project Completion Report, Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.
	Indicator 2: Continued progresses of actions for enhancing internal audit and internal auditors in legal framework (e.g., draft laws & regulations, etc.).	Status of the Achievement: Achieved (continued) (Project Completion) Actions for enhancing internal audit and internal auditors in legal framework were carried out by the project including the drafting of "Concept Paper of Legal Framework on Internal Audit," "Training Framework," "Internal Audit Practical Manual," "Internal Audit Quality Assurance Checklist," and others. (Ex-post Evaluation) Tasks suggested by the project to be finalized and authorized by the Mongolian side after the completion of the project have been completed except the approval of the internal audit bill by the parliament. The "Internal Audit Practical Manual" was integrated with the manual prepared by the "Strengthening Fiscal and Financial Stability Project" (2017-2022) assisted by the World Bank as the "Public Sector Internal Audit Guidance" approved by the ministry in 2019, and has been utilized at the time of this ex-post evaluation. The "IAPPS Training Framework" and the framework and manuals for internal audit quality assurance system were taken in the "Human Resource Development Program for 2019-29" and the "Internal Audit Quality Assessment Guidance" respectively and approved by the ministry. Thus, the system development of internal audit has continuously progressed after the completion of the project. On the other hand, although the internal audit bill was finalized by the FC-RM Department after the completion of the project, it has yet been submitted to the parliament due to the priority of bills in the Ministry of Finance. At the time of ex-post evaluation, for submitting the bill to the parliament, updating of the bill has been continued at the initiative of the FC-RM Department.	Project Completion Report, Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.
	Indicator 3: 100 IAPPSs training participants.	Status of the Achievement: Achieved (continued) (Project Completion) IAPPS training was implemented three times with the total number of participants of 359 during the project period. (Ex-post Evaluation)	Project Completion Report, Questionnaire and interview surveys on the FC-RM Department, the

		After the completion of the project, IAPPS training has not been implemented due to the change of human development policy of the government. As alternated to that, the Ministry of Finance has developed training programs based on IAPPS training reflecting the government policy and has been implemented. The training programs were conducted 20 times in three years from 2017 with the total number of participants of 2,788.	four priority ministries, and three provinces.
Indicator 4-1: Continued implementation of internal audit using the manuals under development in the priority areas.	Status of the Achievement: Achieved (continued) (Project Completion) Internal audits with on-the-job training were conducted 141 times in total, i.e., 128 times in the four priority ministries and 13 times in other governmental organizations. Out of 128 times, 53 times were implemented in the third year of the project applying the “Internal Audit Practical Manual (draft)” drafted by the project. (Ex-post Evaluation) The four priority ministries and three provinces surveyed in the ex-post evaluation have conducted internal audit after the completion of the project according to the “Internal Audit Practical Manual (draft)” prepared by the project. After 2019, they have conducted internal audit according to the “Public Sector Internal Audit Manual” updated and authorized by the Minister of Finance of Mongolia.	Project Completion Report, Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.	
Indicator 4-2: Continued implementation of internal audit in priority areas specialized public organizations: "16" (number of internal audit reports, recommendations, follow-up).	Status of the Achievement: Partially achieved (continued) (Project Completion) As stated above in Indicator 4-1, internal audits with on-the-job training were conducted 53 times for the four priority ministries applying the “Internal Audit Practical Manual (draft)” prepared by the project. In the internal audits conducted in those four ministries, 12 audit documentations were confirmed. (Ex-post Evaluation) After the project completion, from 2018 to 2020, internal audits were conducted 90 cases in total, i.e., 18 cases in the Ministry of Roads and Transportation Development, 31 cases in the Ministry of Education and Science, 21 cases in the Ministry of Health, and 20 cases in the Ministry of Construction and Urban Development. Audit reports were prepared in all internal audits according to the “Internal Audit Rules” (2015). Quarterly follow-up of recommendations has been conducted in all those four ministries.	Project Completion Report, Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.	
Indicator 4-3: Continued implementation of ordinary internal audit in the other areas "8" (number of internal audit reports, recommendations, follow-up).	Status of the Achievement: Achieved (continued) (Project Completion) As stated above in Indicator 4-1, internal audits with on-the-job training were conducted 13 times in other governmental organizations other than the four priority ministries applying the “Internal Audit Practical Manual (draft)” prepared by the project. Though the data of the number of documentations were not available, audit reports were prepared in all those internal audits according to the “Internal Audit Rules” (2015). Quarterly follow-up of recommendations has been conducted in all those organizations. (Ex-post Evaluation) After the completion of the project, internal audit was conducted 1,702 cases during the period from 2018 to 2020 in other governmental organizations other than the four priority ministries including the Mongolian Securities Clearing House & Central Depository Co., Ltd., Ulaanbaatar Custom Office, and others, and audit reports were prepared in all those internal audits according to the “Internal Audit Rules” (2015). Quarterly follow-up of recommendations has been conducted at a rate of 80% to 100% in those organizations.	Project Completion Report, Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.	
Indicator 5: Increased number (and/or percentage) of audited organizations, IAPPSs and IAPIs: 100 (number and/or percentage)	Status of the Achievement: Achieved (continued) (Project Completion) At the time of project commencement in 2014, 76 internal auditors were appointed in 11 governmental organizations, i.e., one ministry and 10 districts. At the time of project completion in 2017, 132 internal auditors were appointed in 44 governmental organizations, i.e., 13 ministries, 21 provinces and 10 districts. Thus, the number of organizations conducted internal audit increased fourfold and the	Project Completion Report, Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.	

		<p>number of internal auditors by 1.7 times. At the time of project completion, the total number of participants to IAPPS training and the Internal Audit Practical Instructors (IAPI) training were 359 and 115 respectively.</p> <p>(Ex-post Evaluation)</p> <p>As of October 2020, 291 internal auditors were appointed in 14 ministries, 21 provinces, and 10 districts. Comparing with the number at the time of project commencement, the number of organizations conducted internal audit increased by 4.1 times and the number of internal auditors by 3.8 times. Although IAPPS training and IAPI training have not been implemented after the completion of the project, training programs alternative to IAPPS training have been implemented (see Indicator 3).</p>	
	<p>Indicator 6: Implemented Internal Audit Quality Assurance systems: 2-3 reports are made.</p>	<p>Status of the Achievement: Achieved (continued) (Project Completion)</p> <p>Internal audit quality assurance activities were conducted in eight governmental organizations, i.e., the Ministry of Finance, four priority ministries, and three provinces. Three reports were made from those activities.</p> <p>(Ex-post Evaluation)</p> <p>After the completion of the project, internal audit quality assurance activities were conducted in 2017 in three organizations of the Ministry of Energy and two local governments. Along with the revision of the “International Professional Practices Framework” (IPPF) in 2017 by IIA, the FC-MR Department revised the “Internal Audit Quality Assurance Manual” drafted by the project and formulated the “Internal Audit Quality Assurance Rules and Methods” which was authorized by the Ministry of Finance in 2019 and published in 2020. According to the Rules and Methods, external evaluations of internal audit of 20 provinces were made in 2021 online under the circumstances of epidemic of COVID 19.</p>	<p>Project Completion Report, Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.</p>
<p>Overall Goal: The Mongolian governmental internal auditors are able to conduct internal audits in a more sustainable environment.</p>	<p>Indicator 1: Upgraded level of assessment results of Internal Audit Capacity Model (IA-CM) in Mongolia: Move up more than one from Level 2.</p>	<p>(Ex-post Evaluation) Achieved</p> <p>Preparation of the manuals and regulations stated above in Indicator 2 for the Project Purpose, provision of training applying those manuals and regulations, implementation of internal audit and internal audit quality assurance activities, and other activities have been conducted after the completion of the project. According to the assessment made by the FC-RM Department, through those activities, the level of capacity of internal audit of the Mongolian governmental organizations has been upgraded to the level 4 of IA-CM.</p>	<p>Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.</p>
	<p>Indicator 2: Established legal framework of internal audit.</p>	<p>(Ex-post Evaluation) Partially achieved</p> <p>As stated above in Indicator 2 for Project Purpose, the internal audit bill prepared by the project was finalized after the completion of the project but has yet been submitted to the parliament. At the time of this ex-post evaluation, preparatory works such as comment collection from governmental organizations including local governments and other surveys have been conducted at the initiative of the FC-RM Department for submitting the bill to the parliament.</p>	<p>Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.</p>
	<p>Indicator 3: Continued implementation of internal audit: increase number of IA reports, recommendations, follow-up.</p>	<p>(Ex-post Evaluation) Achieved</p> <p>The total number of internal audits implemented in Mongolia was 1,792 during the period from 2018 to 2020 and audit reports were produced in all those internal audits according to the Internal Audit Rules (2015). Although the number of recommendations made in audits in a year was not identified, according to the FC/RM department, the number of recommendations has increased along with the increase of the number of internal audits.</p>	<p>Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.</p>
	<p>Indicator 4: Increased number (and/or percentage) of audited organizations, Internal Auditor Professionals for Public Sector (IAPPS) and Internal Audit Practical Instructors (IAPI).</p>	<p>(Ex-post Evaluation) Achieved</p> <p>See above the Indicator 5 for the Project Purpose.</p>	<p>Questionnaire and interview surveys on the FC-RM Department, the four priority ministries, and three provinces.</p>

3 Efficiency

Although the project period was as planned (the ratio against the plan: 100%), the project cost exceeded the plan (the ratio against the plan: 114%). The outputs were produced as originally planned by the end of the project period. Therefore, efficiency of the project is fair.

4 Sustainability

<Policy Aspect>

One of the development targets stated in the “Mongolia’s Five-year General Guidelines for 2021-2025” (2020) was the establishment of sustainable governance through development of legal systems to decentralize and balance the power. Improvement of audit systems including internal audit is included in it. Besides, the “Government Action Plan 2020-2024” (2020) plans to develop an infrastructure integrating budgeting and financing aiming at the speed up of public service delivery and higher transparency of public expenditure management. Along with drafting the internal audit law, the medium-term strategic plan for public sector internal audit is currently in process of development.

<Institutional/Organizational Aspect>

No major change of institutional/organizational setup and responsibilities and mandates took place in the Ministry of Finance, the three priority ministries, and local governments except the Ministry of Education, Culture, Science and Sports which was divided into the Ministry of Education and Science and the Ministry of Culture in July 2020. In the FC-RM Department, there are eight staff members in the Internal Audit, Monitoring and Evaluation Division. Out of eight staff members, four of them are assigned to the internal audit tasks. The number of internal auditors in other organizations are: one in the Ministry of Construction and Urban Development, two in the Ministry of Roads and Transportation Development, three in the Ministry of Education and Science, five in the Ministry of Culture, five in the Ministry of Health, nine in Dornod province, five in Orkhon province, and six in Uvurkhangaï province. According to the questionnaire survey, all of these organizations except the FC-RM Department have faced the shortage of internal auditors for the workload.

<Technical Aspect>

Knowledge learned in the project has been updated as needed with the assistance of the World Bank project and others and shared widely with persons concerned through training programs and other opportunities. The manuals and other documents prepared by the project have also been updated and revised as needed. Updated versions were approved by the ministry and utilized in practice of public internal audit. The Dornod province, in collaboration with other neighboring provinces, has conducted internal audit training sessions for local government officials, thus shared and disseminated the knowledge and manuals gained in the project. On the other hand, some local governments including Uvurkhangaï province call for the on and off the job training because they still do not have enough knowledge and experience of internal audit.

<Financial Aspect>

Budget for the Ministry of Finance for internal audit has steadily increased year by year as shown in the Table 1. According to the FC-RM Department, the amount of budget has been sufficient for its operations. And according to the questionnaire survey, budget for internal audit operations of the four priority ministries are also adequate. However, according to the questionnaire survey of provinces, Orkhon and Uvurkhangaï provinces mentioned that their budget for internal audit has not been sufficient and caused some difficulties in travel expense, fuel cost, equipment procurement, and others, and they need support for renewing their computers and related equipment.

Table 1: Annual budget of the Ministry of Finance

Unit: million Tugriks

Year	2017	2018	2019	2020
Total amount of budget	288	290	354	445
Budget for internal audit	23	34	89	98

<Evaluation Result>

In light of the above, some problems have been observed in terms of the policy, institutional/organizational, technical and financial aspects of the implementing agency. Therefore, the sustainability of the effectiveness through the project is fair.

5 Summary of the Evaluation

The project achieved the Project Purpose through preparing concept papers and manuals, implementing training including IAPPS training, conducting on-the-job training and other various activities, the level of IA-CM of the ministries targeted by the project raised, the number of organizations implementing internal audit and internal auditors increased, internal audit quality assurance activities implemented. Those improvements have been sustained after the completion of the project, and the Overall Goal was achieved except the parliament approval of the internal audit bill. However, an issue was identified in the appropriateness of the project design. Though it did not seriously affect the achievement of output indicators of the project, it caused the change of the course of actions and the delay of project activities. That was because of the plan assumed the parliament approval of the internal audit bill, which was highly dependent on external factors. As for sustainability, some problems have been observed in terms of the policy, institutional/organizational, technical, and financial aspects. As for efficiency, the project cost slightly exceeded the plan. Considering all the above points, this project is evaluated to be satisfactory.

III. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

- It is recommended that the FC-RM Department continues to prepare for submitting the internal audit bill to the parliament and make the bill approved at the earliest possible time. And after getting the approval for the bill, it is recommended to formulate and implement the medium-term strategic plan for public internal audit based on the new law, and update the manuals, training framework, and quality assurance systems if necessary.
- Some of the priority ministries and local governments suffer from insufficient staffing for internal audit. Therefore, it is recommended that the Ministry of Finance takes initiative to improve the staffing in public organizations as a part of the internal audit system development.
- The internal audit system in central government organizations has been developed through a variety of endeavors including the Phase 1 and the Phase 2 project. However, local governments still have issues particularly in institutional/organizational, technical, and financial aspects. Because of this, some of those organizations do not necessarily conduct internal audit adequately. Therefore, it is recommended that the Ministry of Finance to focus more on the system improvement for the local governments as a next stage of the system development of public internal audit.

Lessons Learned for JICA:

- The project planned to draft an internal audit bill as one of its major outputs, and on a premise its approval by the parliament, project

activities were planned to be conducted. During the project period, according to the plan, the Ministry of Finance tried to submit the bill to each parliament session biannually held. However, it was not realized due to some circumstances including the priority of agenda of the parliament and the change of regime. After the completion of the project, because of the priority of bills in the Ministry of Finance, the bill has yet been submitted to the parliament. Like this, an approval of a bill usually depends on external factors beyond the control of the project or the capacity of implementing agency. In the case of the project, it changed the course of actions and got approvals on some of its outputs under the existing law (budget law) with some constraints on internal audits but not under the new law. However, the medium-term strategic plan has yet been approved at the time of ex-post evaluation waiting for the enactment of the new law. It can be deduced from the above that it is not recommendable to plan a project based on the assumption of external factors such as an enactment of a bill. In addition, it is recommended that a project conducts risk analysis at its initiation stage and plans expecting the outset of risks with high probability and serious impacts if they are identified.



Internal Auditors' Conference in 2020 (Ulaanbaatar)
Almost all of them participated in the training
provided by the project.



Internal Auditors' Conference in 2020 (Ulaanbaatar)
Opening address by the Vice-Minister of Finance