

# **SAI Performance Report**

## **Audit Office of Guyana**

**Final**

**3 May 2019**

***Prepared by:***

***Frank Grogan, External Consultant and Team leader***

***Ayodeji Ogunyemi, External Consultant***

***Mike Thomson, External Consultant***

## Contents

<b>Foreword</b> .....	<b>6</b>
<b>(a) Executive Summary</b> .....	<b>7</b>
<b>(b) Quality Assurance Statement</b> .....	<b>9</b>
<b>(c) Observations on the AOG’s Performance and Impact</b> .....	<b>10</b>
(i) Integrated Assessment of AOG’s Performance.....	10
(ii) The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens .....	16
(iii) Analysis of AOG’s Capacity Development Efforts and Prospects for Further Improvement.....	19
<b>(d) SAI Management and Use of Results</b> .....	<b>21</b>
<b>Chapter 1: Introduction</b> .....	<b>23</b>
<b>Chapter 2: Methodology</b> .....	<b>24</b>
<b>Chapter 3: Country and SAI Background Information</b> .....	<b>27</b>
<b>Chapter 4: Assessment of the SAI’s Performance</b> .....	<b>45</b>
4.1 Domain A: Independence and Legal Framework .....	45
4.2 Domain B: Internal Governance and Ethics.....	60
4.3 Domain C: Audit Quality and Reporting .....	93
4.4 Domain D: Financial Management, Assets and Support Services .....	165
4.5 Domain E: Human Resources and Training .....	172
4.6 Domain F: Communication and Stakeholder Management .....	185
<b>Chapter 5: SAI Capacity Development Process</b> .....	<b>197</b>
5.1 Recent and On-going Reforms.....	197
5.2 Use of SAI Results by External Providers of Financial Support.....	200
<b>Annex 1: Performance Indicator Summary</b> .....	<b>201</b>
<b>Annex 2: Sources of Information and Evidence to Support Indicator Scoring</b> .....	<b>203</b>

## Abbreviations

ACCA	Association of Chartered Certified Accountants
AG	Auditor General
AOG	Audit Office of Guyana
APNU	A Partnership for National Unity
BA	Budget Agency
CARICOM	Caribbean Community
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
CDB	Caribbean Development Bank
CDF	CARICOM Development Fund
CCAF	The Canadian Comprehensive Audit Foundation / The Canadian Audit and Accountability Foundation
CESO	Canadian Executive Service Organisation
CIDA	Canadian International Development Agency
CoA	Chart of Accounts
FFMP	Fiscal and Financial Management Programme
FMAA	Fiscal Management and Accountability Act
GDP	Gross Domestic Product
GCSL	Guyana Civil Society Leadership
HDI	Human Development Index
HIPC	Highly Indebted Poor Country
HR	Human Resources
IA	Internal Audit
IDA	International Development Association
IDB	Inter-American Development Bank
IDI	INTOSAI Development Initiative
IFMAS	Integrated Financial Management Accounting System
INTOSAI	International Organization of Supreme Audit Institutions
ISA	International Standards of Auditing
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
ITEC	Indian Technical and Economic Cooperation
LAC	Latin America and the Caribbean
LAN	Local Area Network
LCDS	Low Carbon Development Strategy
MDAs	Ministries, Departments and Agencies
MISU	Management Information System Unit
MOF	Ministry of Finance
MPS	Ministry of Public Service
NCC	National Coordinating Coalition Inc.

NCN	National Communications Network
NDCs	Neighbourhood Democratic Councils
NGO	Non-Government Organisation
NPTB	National Procurement and Tender Board
OVE	IDB Office of Evaluation and Oversight
PAC	Public Accounts Committee
PE	Procuring Entity
PEFA	Public Expenditure and Financial Accountability
PMF	Performance Measurement Framework
PRSP	Poverty Reduction Strategy Paper
PSIP	Public Sector Investment Programme
QA	Quality Assurance
QC	Quality Control
RDC	Regional Democratic Council
RPPM	Rules, Policies and Procedures Manual
SAA	Supplementary Appropriations Acts
SAI	Supreme Audit Institution
UNDP	United Nations Development Programme
USAID	United States Agency for International Development



## Foreword

This performance report assesses the performance of the Audit Office of Guyana (AOG) against the International Standards for Supreme Audit Institutions (ISSAIs) following the methodology prescribed by the Supreme Audit Institutions' Performance Measurement Framework (SAI-PMF) issued by the International Organisation of Supreme Audit Institutions' (INTOSAI) Working Group on the Values and Benefits of SAIs. The assessment measures the current performance of the AOG across 6 domains and provides a performance baseline against a set of pre-determined indicators within those domains. The domains covered are as follows:

- A. Independence and Legal Framework;
- B. Internal Governance and Ethics;
- C. Audit Quality and Reporting;
- D. Financial Management, Assets and Support Services;
- E. Human Resources and Training; and
- F. Communication and Stakeholder Management.

The assessment was commissioned and funded by the Inter-American Development Bank (IDB). The team that carried out the assessment comprised three independent, international experts: Mr Frank Grogan, Team Leader; Ayodeji Ogunyemi; and Mike Thomson.

***The assessment team would like to thank all those individuals both within and outside the AOG who gave up their time to assist the team in their efforts and for their openness and cooperation. We would also like to acknowledge the support of Paula Louis-Grant and Mariko Russell from the office of the Inter-American Development Bank (IDB) in Georgetown.***

## (a) Executive Summary

In 2018, the Auditor General of Guyana in conjunction with the Inter-American Development Bank (IDB) requested an assessment of the performance of the Audit Office of Guyana (AOG) using the SAI-PMF methodology to get an objective assessment of the Office's current capability in delivering on its mandate in line with the ISSAIs.

The specific objectives of the SAI-PMF assessment were to:

- Benchmark the performance of the AOG against the ISSAIs and INTOSAI best practices;
- Establish a baseline of AOG performance against which future improvements can be measured;
- Identify immediate priorities for capacity building and human resource development; and
- Provide the basis for updating the AOG's current strategic plan for future capacity building and institutional strengthening.

### Summary of Overall Performance

The AOG's level of performance recorded in this assessment fluctuates across the full range of the assessment scores available on the SAI-PMF scale from 0 – 4. <sup>[11]</sup>A summary of the scores achieved by indicator and dimension is shown at Annex 1.

It is important for readers to understand that the performance is measured specifically within the context in which the AOG operates and, as such, comparisons with the performance scores of other SAIs are inappropriate.

### Key Findings

The assessment concluded that overall the Audit Office of Guyana (AOG) performed predominantly between the founding and established levels, scoring mainly in the 1 to 3 range across the SAI-PMF indicators. The AOG scored particularly highly in relation to its constitutional and statutory framework. The assessment found that the Auditor General and the AOG work within a strong and robust framework that guarantees the Auditor General's independence. It also gives him a wide mandate to audit not just government ministries and departments but also statutory bodies, constitutional agencies and public enterprises as well as local government at all levels. The AOG carries out financial audit, compliance audit and performance audit. In addition, in line with its statutory framework, the AOG is also active in carrying out forensic audits.

The AOG also achieved some relatively high scores in relation to important aspects of its professional audit activities. The assessment did, however, identify scope for improvement in this area. The AOG needs to update its audit manuals to bring them more explicitly into line with the requirements of the ISSAIs. There is also scope for improving the AOG's audit

planning, for example by assessing risk more systematically. On performance audit, the AOG's ambition to substantially expand its work in this area represents a significant challenge for the organisation.

The SAI-PMF assessment also identified scope for improvement in a number of areas linked mainly to the management and organisation of the Office. These generally reflect the need for the AOG to take a more strategic approach to key planning processes and procedures; to update and revise important audit, management and human resources (HR) processes and procedures to comply more closely with ISSAI requirements and thus reflect best international practice; and to fill gaps in a number of key areas of the management of the organisation, in particular the need for strategies for HR and communications.

In particular, the assessment identified scope for the AOG to improve its arrangements for the professional training of its staff, the area where it scored lowest in the assessment. In this regard, the AOG has taken advantage of extensive programmes of professional training provided with the assistance its development partners. However, this has tended to be supply driven rather than demand driven. Accordingly, the AOG recognises that it needs to take a more strategic approach to professional training by developing and implementing processes for identifying training needs at the organisational and individual level and then, in the light of this, selecting appropriate training programmes and the individuals who would benefit most from attending those programmes.

Currently, the AOG does not measure the impact it is having on the accountability, transparency and integrity of government and public sector entities. Consequently, it was difficult to establish whether the AOG is contributing to strengthened accountability, transparency and accountability of public sector entities.

The assessment team, however, concluded that, taken together, the fact that the AOG has a close working relationship with the Public Accounts Committee, that the Executive routinely looks to the Auditor General for advice on key aspects of public financial management and that it has an active forensic audit unit all contribute to the strengthening of the integrity of government and the public sector in Guyana.

The AOG has clearly capitalised on, and benefitted from, extensive programmes of capacity development support. The AOG recognises that it needs to continue building on the achievements of these programmes as it faces a set of significant challenges. Some of these flow from the need to update, revise and, in some cases, introduce enhanced processes and procedures that it needs to operate more efficiently and effectively. Others will flow from the need to continually enhance and improve its professional audit methods and procedures as it gears up to meet the two major tests of its professional capacity. The first will be the need to deal with, and respond to, the impact on government of the revenues that will flow from the exploitation of the oil reserves off the coast of Guyana. The second test will be to take forward the AOG's ambitions to expand significantly its performance audit programme and to make much greater use of information technology (IT) to deliver its financial and compliance audits. The scale of both these challenges points to the AOG's need for continuing, appropriate support from its development partners, at least in the short to medium term.



## (b) Quality Assurance Statement

SAI Performance Report of the Audit Office

of Guyana dated 3 May 2019

### Independent Review Statement

*The INTOSAI Development Initiative (IDI), as operational lead on SAI PMF, provides support to SAI PMF assessments where requested. Such support includes conducting independent reviews (IR) of draft assessment reports. A request for such an IR was received from the Audit Office of Guyana at May 2018.*

This SAI Performance Report (SAI-PR) was prepared by three independent international experts Mr Frank Grogan (Team Leader), Mr Ayodeji Ogunyemi, and Mr Mike Thomson. The team leader and other team members together are considered to have the appropriate skills and experience to produce a high-quality assessment.

The independent reviewers were selected by IDI. The design of the independent review process was included in the assessment Terms of Reference and approved by the Head of the Audit Office of Guyana. The Terms of Reference for the assessment was also sent to IDI for comment. The assessment was funded by the Inter-American Development Bank.

In compliance with recommended SAI PMF methodology, the Head of the Audit Office of Guyana received the draft report for review and official comment with the objective of ensuring that the report is factually correct.

The independent review arranged by IDI was carried out by Ms Irina Sprenglewski and Ms Yngvild Herje Arnesen, IDI certified SAI PMF independent reviewers who had no responsibility for preparing the SAI-PR and is considered to have the appropriate knowledge and experience necessary for this task. The objective of this review was to ensure that the SAI PMF methodology had been adhered to, that the evidence in the SAI-PR was sufficient to justify the indicator scores, that the analysis was consistent with the evidence, and that the executive summary was consistent with the analysis in the rest of the SAI-PR. The review concluded that all objectives have been satisfactorily met in the final report dated 3 May 2019.

Significant matters raised during the independent review process have been addressed in this version of the SAI-PR.

Prepared by: Irina Sprenglewski and Yngvild Herje

Arnesen Date: 3. May 2019

## **(c) Observations on the AOG's Performance and Impact**

### **(i) Integrated Assessment of AOG's Performance**

*The detailed assessment results set out in Chapter 4 of this Report show a broadly sound performance on the part of the Audit Office of Guyana (AOG). The AOG scores particularly highly in relation to the constitutional and statutory framework within which it operates and also in relation to important aspects of its professional audit activities. The assessment has, however, identified scope for improvement in a number of areas linked mainly to the management and organisation of the Office. These generally reflect the need for the AOG to take a more strategic, risk-based approach to key audit and organisational planning processes and procedures; to update and revise important audit, management and HR processes and procedures to comply more closely with ISSAI requirements and thus reflect best international practice; and to fill gaps in a number of key areas of the management of the organisation, in particular the need for strategies for HR and communications as well as a competency framework and a better method for assessing professional training needs at the organisational and individual level.*

It is important to begin by placing this assessment in the context of the initiatives that the AOG, with the support of its development partners, in particular the IDB, has taken in the course of the past fifteen years or so to enhance the professional, management and organisational capacity of the Office. These initiatives were part of the wider programme of public sector reform in Guyana. For the AOG, the most significant landmark was the Audit Act approved by the National Assembly in 2004. This reinforced the provisions of the Constitution of Guyana in relation to the Auditor General and established a strong, robust constitutional and statutory framework for the independence, remit and mandate of the Auditor General. The AOG subsequently received substantial capacity building support, principally from the IDB, to build on and implement this framework. The benefits of these programmes are evident in the quality of the AOG's audit processes and methods, particularly its financial audit methods.

The AOG, however, faces two sets of significant strategic challenges.

The first flows from the consequences for the economy and public sector of Guyana of the discovery of major recoverable reserves of oil off the coast of the country. The AOG recognises, in this regard, the need to put in place the expertise necessary for the audit of the new additional revenue that the government of Guyana will have to account for, probably from 2020 onwards. The AOG also accepts that it will need to have in place the capacity to deal with other challenges linked to this such as assessing the government's response to the potential environmental impact of drilling for oil off the coast.

The second set accentuates the challenges for the governance of Guyana flowing from the discovery of oil, as it comprises the strategic challenges that are the product of the low level of skills, expertise and capacity evident in the public sector of Guyana. These encompass an absence of strategic and long-term operational planning processes and skills at the national level in Guyana; low-level programme and project management capacity; and a lack of expertise and resource in particular in relation to IT, data collection and statistical analysis. These combine to produce poor policy design and implementation and poor public service administration. This in turn is illustrated by the poor outcomes achieved in key sectors such as health and education.

Against this background, the government of Guyana with the support of the IDB has identified the establishment of a modern national strategy and planning framework as a key strategic priority for the period 2017 to 2021. Underpinning their ambitions in this regard is the shared view that sound institutions and a clear national planning framework are central to designing appropriate policies to address the challenges that Guyana will face.

Given this context and the challenges that it faces, the AOG is to be commended for the improvements it has achieved in its own performance since the passage of the 2004 Audit Act. This is best illustrated by its financial audit. By enhancing and developing its audit methods and procedures, the AOG has successfully eliminated backlogs of financial statements waiting to be audited. Now, each year, where financial statements are properly prepared and submitted to the Auditor General, the AOG fulfils its mandate by successfully meeting statutory and other deadlines for the submission of audited accounts to the National Assembly of Guyana and to its other clients. This is a significant contribution to enhancing the quality of public financial management in Guyana. However, there remain continuing weaknesses and a lack of capacity within the broader systems of Public Financial Management within Guyana. The impact of this is reflected in the extended delay in the preparation and submission to the Auditor General of some financial statements. This is evident particularly in the financial statements prepared by entities responsible for local administration. In these cases, we noted examples where the accounts submitted for audit by the Auditor General were several years in arrears.

In addition, the context within which the AOG operates has helped shape and define its current strategic aims. This is evident, in particular, in the significant expansion in the volume and scale of its performance audit that the Office wants to achieve. This in turn represents a considered and constructive response on the part of the AOG to the lack of capacity and expertise within the Guyanese public sector. The AOG's ambition to make much more extensive use of IT to enhance the efficiency and effectiveness of its audit work and its administration also reflects its recognition of the need to address the lack of IT resource within the public sector of Guyana.

Despite the improvements that it has made, the AOG recognises that the strategic priorities that it has identified together with the significant strategic challenges it faces mean that it will have to address a range of major issues in the coming years. In this regard, the SAI-PMF assessment identified significant scope for improving the AOG's approach to strategic and operational planning, for modernising and updating a range of the Office's policies and procedures and, in other areas where the assessment identified important gaps, for the implementation of new policies and procedures. Taken together, the AOG's initiatives to address these issues will help the Office respond effectively to the strategic and professional challenges it faces.

It is, though, important to recognise three constraints that limit the AOG's room for manoeuvre in responding to the issues raised by the assessment.

- First, the resources available to the AOG are limited. To illustrate this, since 2015, the Minister of Finance has designated each budget proposed by the Public Accounts Committee for the AOG as 'not acceptable' and this has resulted in cuts each year to the AOG's overall budget submission. The Auditor General argues that this has had a detrimental effect on the Audit Office.
- Second, the AOG's Rules, Policies and Procedures Manual (RPPM) incorporates a number of policies and procedures such as the Office's code of ethics and its performance appraisal procedures that the assessment identified as needing

updating. The RPPM forms part of the 2005 statutory regulations that implemented the 2004 Audit Act. Consequently, any change to the contents of the RPPM would require the formal approval of the National Assembly. Understandably given the likely complexity of this process, the AOG has been reluctant to initiate a process to review and update the RPPM. Consequently, key processes and documents that the AOG uses and relies on will continue to be unsuitable for a modern, twenty-first century SAI and will not meet the relevant ISSAI and INTOSAI requirements.

- Third, the wider economic and social context of Guyana has an impact on the AOG's ability to attract the type of professionally qualified individuals it will need to respond to the strategic challenges it faces. This is result of a chronic shortage of semiskilled and skilled labour in Guyana and the striking statistic that nearly ninety per cent of university educated Guyanese eventually emigrate to other countries. To date, the challenge for the AOG has been to provide incentives for individual members of staff to pursue the demanding courses of training that lead to a professional qualification and, then, once an individual has obtained a professional qualification providing competitive packages of remuneration and reward.

The need for a more strategic and more systematic risk-based approach to AOG audit and organisational planning and management is a key theme running through the whole of the SAI-PMF assessment.

In this regard, the assessment identified a range of different perspectives relevant to this issue. The most straightforward related to the AOG's financial audit and compliance audit processes and methodology. The SAI-PMF highlighted the need for better documentation of risk assessments to demonstrate full compliance with the relevant ISSAI requirements and standards. Building on this, the assessment also pointed to the need to improve the implementation and impact of the AOG's financial audit and compliance audit procedures by reinforcing and enhancing the professionalism of AOG audit staff. The development and implementation of continuing professional audit training for staff at all levels in the organisation remains a significant challenge for the AOG. This was the area where the AOG achieved its lowest scores across the whole of the SAI-PMF assessment.

The relevant issues around the AOG's performance audit were complex and reflected the relatively under-developed nature of the Office's current performance audit practice. The assessment noted that the AOG had relied on external support to develop its performance audit approach and to secure the delivery of the limited number of performance audit reports that it has published to date. This in turn reflected the major constraint on the AOG's performance audit activities, namely a lack of resources available for this stream of work. A more structured, systematic approach to identifying and selecting topics for performance audits would have the benefit of enabling the AOG to focus its audit effort on subjects that would generate significant impacts in terms of, for example, financial savings and improved public financial management and administration. This in turn would help the AOG reinforce and strengthen the case it presents to the National Assembly and other key stakeholders to increase the resources available to it.

As for issues pertaining to the management and administration of the AOG, the SAI-PMF highlighted the need for the AOG to enhance and refine its methods for preparing its strategic plan. This included, in particular, the need to identify and monitor risks to the successful achievement of its strategic objectives. This in turn would entail the implementation of a framework for the regular operational monitoring of risk encompassing not just the identification of risks to achieving success but also tracking the likelihood and

potential impact of major risks over time. The AOG needs to build on this approach and extend it to other aspects of the management of the organisation, in particular its operational and business planning, its quality assurance processes, and its arrangements for contracting out audits. Taken together, and drawing on the experience of other SAIs that have taken similar initiatives, the fundamental purpose of a more risk focused AOG management and administration would be to enable the AOG to deploy its resources as effectively and efficiently as possible, to maximise the impact of its audit work, and to ensure that by having a clear view of its strategic priorities and the potential risks linked to those priorities the AOG can respond appropriately to any threats that materialise and also to unforeseen shocks that may occur for any organisation.

Turning to the detailed results of the SAI-PMF assessment, the table below sets out the indicators where the AOG has scored a two (2) or less, along with the specific dimensions where these scores were achieved and key standards and guidelines against which the dimensions have been measured.

Indicator	Indicator Name	Affected dimensions / areas	Relevant ISSAIs	Other relevant guidelines
<b>Domain B</b>	<b>Internal Governance and Ethics</b>			
SAI-3	Strategic Planning Cycle	<ul style="list-style-type: none"> <li>Content of the Strategic Plan</li> <li>Organizational Planning Process, Monitoring and Performance Reporting</li> </ul>	12, 20	The IDI Strategic Planning Handbook
SAI-4	Organisational Control Environment	<ul style="list-style-type: none"> <li>Internal Control Environment – Ethics, Integrity and Organisational Structure</li> <li>System of Internal Control</li> <li>Quality Control System</li> </ul>	10, 20, 30, 40	INTOSAI GOV 9100
SAI-6	Leadership and Internal Communication	<ul style="list-style-type: none"> <li>Leadership</li> </ul>	20, 30, 40	INTOSAI GOV 9100
SAI-7	Overall Audit Planning	<ul style="list-style-type: none"> <li>Overall Audit/Control Planning Process</li> </ul>	12, 40, 100	
<b>Domain C</b>	<b>Audit Quality and Reporting</b>			
SAI-8	Audit Coverage	<ul style="list-style-type: none"> <li>Financial Audit Coverage</li> </ul>	1, 12, 40, 100, 300	

		<ul style="list-style-type: none"> <li>Coverage, Selection and Objective of Performance Audit</li> <li>Coverage, Selection and Objective of Compliance Audit</li> </ul>		
SAI-10	Financial Audit Process	<ul style="list-style-type: none"> <li>Planning Financial audits.</li> <li>Evaluating Audit Evidence, Concluding and Reporting in Financial Audits.</li> </ul>	20, 30, 100, 200, 1210	
SAI-14	Performance Audit Results	<ul style="list-style-type: none"> <li>Timely Submission of Audit Reports</li> </ul>	20	
SAI-16	Compliance Audit Process	<ul style="list-style-type: none"> <li>Planning Compliance Audits,</li> <li>Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits.</li> </ul>	20, 30, 100, 400, 4000	
<b>Domain E</b>	<b>Human Resources and Training</b>			
SAI-22	Human Resource Management	<ul style="list-style-type: none"> <li>Human Resources Function,</li> <li>Human Resources Strategy,</li> <li>Remuneration, Promotion and Staff Welfare</li> </ul>	40	AFROSAI-E ICBF, The CBC HRM Guide
SAI-23	Professional Development and Training	<ul style="list-style-type: none"> <li>Plans and Processes for Professional Development and Training</li> <li>Financial Audit Professional Development and Training</li> <li>Performance Audit Professional Development and Training.</li> <li>Compliance Audit Professional Development and Training</li> </ul>	40	IDI Learning for Impact: A Practice Guide for SAIs, The CBC HRM Guide, The AFROSAI-E ICBF
<b>Domain F</b>	<b>Communication and Stakeholder Management</b>			
SAI-25	Communication with the Media, the Citizens and Civil Society	<ul style="list-style-type: none"> <li>Good Practice Regarding Communication with the Media</li> <li>Good practice Regarding</li> </ul>	12	INTOSAI Guideline “Communicating and Promoting the Value and Benefits of SAIs”.

	Organisations	Communication with Citizens and Civil Society Organizations		INTOSAI Guideline “How to Increase the Use and Impact of Audit Reports”.
--	---------------	---	--	--

Taken together, the results of the SAI-PMF assessment highlight, first, the scope for further refining and enhancing the AOG’s audit procedures and methods. They also show the need for the Office to expand and overhaul its management and planning processes. And, finally, they identify weaknesses in the structure and organisation of the AOG that the Office needs to address.

As the experience of other SAIs shows, these three dimensions are interlinked. Better management and planning processes that are embedded within a sound organisational structure facilitates the more efficient and effective use of the SAI’s audit resources. This in turn contributes to audits and audit reports that have more significant and measurable impacts. These in turn contribute to beneficial improvement in the management of public money, better accountability for the use of public resources and, ultimately, to greater confidence on the part of the legislature, the executive and wider civil society in the SAI, in its audit work and in the judgements and conclusions that can be drawn from that audit work.

Accordingly, taking the findings of the SAI-PMF assessment together, the challenges they pose for the AOG fall into three categories:

- Professional Audit Challenges;
- Capacity and Resource Challenges; and
- Structural and Organisational Challenges.

#### *Professional Audit Challenges*

Overall, the assessment concluded that the AOG’s procedures and methods for its three streams of professional audit activities (financial audit, compliance audit and performance audit) were broadly sound. Nevertheless, there is room for improvement.

- All the AOG’s manuals need to be updated to bring them more explicitly into line with ISSAI requirements.
- There is scope for improving the AOG’s audit planning by assessing risk more systematically and, where appropriate, incorporating stakeholder consultation in the planning process.
- There is scope for further refinement and improvement in technical aspects of the AOG’s different streams of audit work.
- For performance audit, in the light of the AOG’s ambition to expand substantially its work in this area, the Office needs to ensure it has a proper structure in place to support that work by establishing a dedicated technical unit to provide technical advice as well as a quality control and quality assurance function.

#### *Capacity and Resource Challenges*

In common with other aspects of the SAI-PMF findings, a key challenge facing the AOG is to develop a much more strategic approach to assessing its capacity and resource needs. The

AOG currently has a limited HR function. Accordingly, it needs to give priority to developing a strategy for its HR needs as well as other elements of a modern HR function such as a competency framework and arrangements for concerns such as succession planning. It also needs to review and update its staff performance appraisal system in the light of these other recommended initiatives.

There is also scope for the AOG to improve its arrangements for the professional training of its staff, the area where it scored lowest in the assessment. In this regard, we recognise that the AOG takes advantage of extensive programmes of professional training provided with the assistance its development partners. However, this has tended to be supply driven rather than demand driven. Accordingly, the AOG needs to take a more strategic approach to professional training by developing and implementing processes for identifying training needs at the organisational and individual level and then, in the light of this, selecting appropriate training programmes and the individuals who would benefit most from attending those programmes.

#### *Structural and Organisational Challenges*

As with other areas, the assessment found that the AOG had a reasonably sound structure and organisation in place. There were, though, some significant gaps and other areas where the AOG need either to put more formal processes in place or where modernising and refining AOG management processes is required.

- The AOG needs to strengthen its strategic planning to identify strategic risks and opportunities more systematically and to consult more widely about its aims and objectives.
- The AOG also needs to develop its processes in relation quality assurance across the organisation and refine these processes so that they are more risk focussed. In this regard, there is also scope for the AOG to develop a more risk-based approach to the selection of audits to be contracted out.
- The AOG could usefully adopt more formal arrangements in relation to the management of the Office. In particular, the AOG should put meetings of its Executive Management Meeting on a more formal footing with standing items about the strategic management of the AOG on its agenda and the decisions taken in the course of its meetings formally minuted.
- The AOG also needs to develop and put in place a communications strategy.

### **(ii) The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens**

ISSAI 12 encompasses three mechanisms by which SAIs can have an impact on society and deliver value and benefits that improve the life of the citizens:

- By strengthening the accountability, transparency and integrity of government and public sector entities;
- By demonstrating on-going relevance to citizens, Parliaments and other stakeholders;
- By being a model organisation through leading by example. <sup>2</sup>



## **Strengthening the Accountability, Transparency and Integrity of Government and Public Sector Entities**

The concept of accountability is at the heart of a democratic system. It describes the relationship between the duties of the state and the entitlements of citizens. In a democracy, elected representatives are empowered to implement the will of people and act on their behalf through legislative and executive bodies. A risk in a democracy is that power and resources can be mismanaged or misused, leading to an erosion of trust that can undermine the democratic system. An independent, effective and credible SAI that scrutinises the use and impact of public resources is an important component of making the government accountable.

The impact of AOG's work is dependent on: the quality and credibility of the audit reports, and also how effectively, the AOG engages with the entities subject to audit and those institutions in the National Assembly and elsewhere that uses its reports. The wider public finance environment within which the organisation operates – and in particular whether that environment is conducive to a “culture of accountability” – also has a significant contribution to the quality and impact of audit reports. Included within this wider environment is the legal framework within which the SAI operates and the extent to which it meets the basic principles for public sector auditing defined by INTOSAI and by INTOSAI's declarations and standards as supported by the United Nations.

Currently, the AOG does not measure the impact it is having on the accountability, transparency and integrity of government and public sector entities. It is therefore difficult for the AOG to know whether it is contributing to strengthened accountability, transparency and accountability of public sector entities.

As the experience of other SAIs shows, this is a significant gap. In discussion with the Auditor General and senior AOG officials, the assessment team outlined the steps taken by some SAIs to demonstrate to their legislatures and to wider society the beneficial impact of their audit work and audit reports. This is most often expressed in terms of financial savings where the SAI can demonstrate that, for each \$1 it spends, it saves the public purse a significantly greater amount, usually expressed as \$X. A key consideration is that these savings are planned for from the outset of individual audits (in particular for individual performance audits); they are recorded during the course of the audits; they are checked and agreed with the audited entity; and, in some cases, they are also subject to annual review and validation by some form of external review. A key consideration underpinning this process is that the SAI's identification of where the most significant financial savings and efficiency gains may be found should be the result of a structured, methodical, well-documented risk-based analysis – again this is a theme that runs through the findings and conclusions of the SAI-PMF.

However, it is important to note that the assessment team recognised that the work of the AOG was having an impact. We concluded that, taken together, the fact that the AOG exists and is active, that it has a close working relationship with the Public Accounts Committee and that the Executive routinely looks to the Auditor General for advice on key aspects of public financial management all contribute to reinforcing the impact of the work of the AOG even though that impact is not currently assessed or measured.

In this context, it is also important to take account of another aspect of the work of the AOG - its Forensic Audit Unit. Because of the confidential nature of its work, the success and impact of the Unit in working with the police and prosecution authorities is not measured or

assessed. However, in the view of the assessment team, through the work of its Forensic Audit Unit, the AOG is making an important contribution to the strengthening of the integrity of government and the public sector in Guyana.

### **Demonstrating On-going Relevance to Citizens, Parliament and other Stakeholders**

SAIs demonstrate their on-going relevance by responding appropriately to the challenges of citizens, the expectations of different stakeholders, and the emerging risks and changing environments in which audits are conducted.

For Guyana, as we noted above, there are two sets of key strategic challenges that the National Assembly and the government have to meet. The first comprises the fiscal and environmental consequences of the discovery of significant oil reserves off the coast of the country. The second set is the product of the low level of skills, expertise and capacity evident in the public sector of Guyana. Against this background, the government of Guyana with the support of the IDB has identified the establishment of a modern national strategy and planning framework as a key strategic priority for the period 2017 to 2021. Underpinning their ambitions in this regard is the shared view that sound institutions and a clear national planning framework are central to designing appropriate policies to address the challenges that Guyana will face.

Throughout the SAI-PMF assessment we have highlighted the need for the AOG to take a more strategic approach to the management of the organisation. This includes better and more focussed strategic planning. In our view, there is an opportunity for the AOG to develop its strategic plan and its strategic thinking in the light of the priorities and other strategic imperatives identified for the national strategy and planning framework for Guyana. At one level, this would involve tailoring its own strategic priorities in the light of those specified at the national level. Operationally, there would also be scope to shape its work programme (and in particular an evolving programme of performance audits) and tie it more closely to the national strategy by taking full account of the range of management, capacity and other risks that could inhibit or prevent the government of Guyana and its partners from meeting the objectives defined in the national strategy or from performing as intended against any indicators specified in the strategy for monitoring and assessing progress. Linked to this, the AOG would also then be able to report publicly and authoritatively about progress with the development and implementation of the national strategy and linked planning framework and also about the performance achieved against the various indicators defined for the plan and framework. Taken together, all this would amount to a significant beneficial impact on the part of the AOG by encouraging and supporting better public administration in Guyana.

With the support of its international development partners, the AOG has taken a number of commendable steps to raise its profile and knowledge of the nature of its audits with the public of Guyana. In particular, it has taken the initiative to establish channels of communication with indigenous communities living in the more remote areas of Guyana. The AOG has had little contact with civil society organisations in Guyana and this is an area that it could develop as part of its ambition to increase the volume of its performance audit work.

There appear to be real opportunities for enhancing impact by engaging more actively with stakeholders and strengthening audit quality to become a more credible organisation that is respected by stakeholders. Encouraging greater public and media interest in its reports would have the benefit of exposing weaknesses in transparency and governance thus

generating pressure for improvement in the stewardship of public on funds the part of the Executive. Similarly working even more closely with the Public Accounts Committee of the National Assembly to encourage the Committee to focus more on the Auditor General's performance audit reports would, we believe, encourage members of the National Assembly to hold public servants to account for their delivery of public services and spending of public funds.

Currently, the AOG does not actively seeking feedback on its performance from its stakeholders and the Office's lack of a communications strategy demonstrates that there is scope for improvement in responding appropriately to the expectations and challenges of different stakeholders. In this regard, currently the AOG does not actively engage with its stakeholders when determining how best to use its resources by ensuring stakeholders have an opportunity to interact with the organisation.

### **Being a Model Organisation through Leading by Example**

The assessment team understand that the AOG plans to publish this report which itself sets a positive example on transparency and a willingness to open itself to external scrutiny. More broadly, it was clear from the assessment team's discussions with the Auditor General that he wants to encourage other SAIs in the region to commission their own SAI-PMF assessments.

The assessment identified a number of areas where the AOG needs to improve if it is to be seen as an exemplar for others and to demonstrate clearly that it fulfils its functions in an efficient and effective manner. These include: improved stakeholder communication; improved strategic and annual planning processes; the updating of its Code of Ethics; the updating of its audit manuals to bring them more explicitly into line with ISSAI requirements; improved and fully effective quality control and quality assurance processes; the development of an HR strategy and the implementation of better processes for managing the professional training and continuing development of its staff; and the implementation of improvements to its audit methods and procedures. A number of these issues can be addressed quickly whereas other will take a little longer and may require external support.

### **(iii) Analysis of AOG's Capacity Development Efforts and Prospects for Further Improvement**

Following the passage of the 2004 Audit Act and in the context of a broader strategy to support improved public financial management in Guyana, the AOG received significant capacity building support from IDB (See Chapter 5.1 below for a more detailed analysis). The IDB has provided this support totalling approximately US\$2m in the course of four separate, consecutive projects that ran between 2005 and 2017. Taken together, these projects encompassed supporting the process of modernising and strengthening AOG's audits and audit methodology; supporting the development of organisational and management systems; implementing enhanced, better IT systems; and supporting the creation of new, specialist units in the AOG, specifically its Value For Money (Performance) Audit Unit, its Forensic Audit Unit and its Quality Assurance Unit.

The AOG has built on this support from the AOG by drawing on the professional audit training and advice provided by three other organisations:

- The Canadian Executive Service Organisation (CESO)

- The Canadian Comprehensive Audit Foundation / The Canadian Audit and Accountability Foundation (CCAF)
- The Indian Technical and Economic Cooperation (ITEC)

The SAI-PMF assessment concluded that the AOG had capitalised on the benefits of these capacity development programmes in improving the professionalism of its audits and also in underpinning this with improvements in its IT and organisational structure and support. In this context, we noted that the IDB's Office of Evaluation and Oversight (OVE) had come to a similar finding. It concluded that the successful strengthening of the AOG was a highlight of the IDB's country strategy for Guyana for the period 2012 to 2016.

In this context, it also is important to note that the AOG has been commissioned by a number of international development agencies, including the IDB, to audit the financial statements of some of their projects and programmes (see Chapter 5.2).

The SAI-PMF assessment Team concluded that, in the light of the low level of professional expertise and capacity in the public sector in Guyana, the AOG would continue to need a broad range of support from its international partners. It will be crucial for the AOG to build on the achievements of its previous IDB capacity development programmes, as it will face significant challenges going forward. Some of these will flow from the need to update, revise and, in some cases, introduce the processes and procedures that it needs to manage and run the organisation more efficiently and effectively. Others will flow from the need to continually enhance and improve its professional audit methods and procedures as it gears up to meet the three major challenges. The first is the challenge of dealing with, and responding to, the impact on government of the revenues that will flow from the exploitation of the oil reserves off the coast of Guyana. The second challenge will be to take forward the AOG's ambitions to expand significantly its performance audit programme. To date the AOG has placed significant reliance on the support and advice provided by an independent consultant to develop its performance audit practice and deliver its performance audit programme. In the short to medium term, the AOG will continue to rely on this type of support in achieving its performance audit objectives. The third challenge facing the AOG is to improve the quality and professionalism of its financial audit and compliance audit practices by significantly expanding its professional audit training programmes and by making much greater use of IT to deliver its financial and compliance audits. The scale of the challenges that it faces points to the AOG's need for continuing, appropriate support from its development partners, at least in the short to medium term.

## **(d) SAI Management and Use of Results**

The AOG welcomes the results of the SAI-PMF Assessment, specifically its recognition of the initiatives that we, as an organisation, have taken (and continue to take) to improve our performance and the service that we provide for the National Assembly and people of Guyana. In the past decade, we have invested considerable effort through the training of staff and other initiatives in raising the quality of our financial audits. The success of this endeavour is evident in the results of the SAI-PMF, in particular our success in eliminating backlogs of financial statements waiting to be audited and in ensuring, each year, that we complete our audits of the financial statements of the government of Guyana in compliance with international audit standards and that we meet our constitutional and statutory responsibilities when we present the results of that work to the National Assembly. International confidence in the quality of our audit is evident from the reliance that Guyana's international partners, such as the Inter-American Development Bank and the World Bank, place on our audits of their programmes and projects.

We are pleased that the SAI-PMF assessment also acknowledges the steps we have taken to improve the management and organisation of the AOG and the investment we have made in strengthening and consolidating our working relationships with the National Assembly (and with the Public Accounts Committee in particular), with the Executive, and with the law enforcement and prosecuting agencies of Guyana. We are also gratified by the SAI-PMF Assessment's recognition of the steps we have taken to make our responsibilities and work more accessible to wider society in Guyana and, in particular, the steps we have taken in this regard to the indigenous population.

We recognise, however, that we face significant strategic challenges. We are pleased that the SAI-PMF Assessment endorses our ambition to expand significantly the volume and coverage of our performance audit work and to make much more use of IT as we move towards creating a more sustainable, paper-free working environment in the Office. The SAI-PMF has also helpfully identified a range of other challenges that we need to address. These include giving our management of the Office a much more strategic focus. This will include, in particular, reviewing and improving our strategic planning processes so that in developing our strategy for the Office we take full account of the challenges that Guyana faces, specifically the impact of exploiting the oil reserves discovered off the coast of our country, and the priorities that the government of Guyana may specify within its own national planning framework. In addition, we accept that, as an organisation, we should take a more strategic focus in relation to planning for the number and nature of the staff and other resources that we will require; that we should also adopt a more risk-based approach to the planning, management and review of our audit work and other activities; and that we need to review our training needs and develop a more strategic approach to staff training programmes. Finally, we agree that there is scope for further improving and enhancing our audit work and that as part of this process we need to develop mechanisms that measure and capture the beneficial impact of our audits.

We confirm that we intend to address all the issues raised by the SAI-PMF Assessment. However, there are limitations on the resources and expertise available to us and, so, to take forward an effective and comprehensive programme of change and reform on the scale required, we will need the support of our international partners. We have begun this process of consultation with the IDB and with other partners. We want to use the findings

and conclusions of the SAI-PMF Assessment to formulate a comprehensive and practical development strategy and implementation plan for the AOG.

Finally and more generally, we think it is important to acknowledge the significant benefits that flow from the SAI-PMF Assessment process and, given this, we would encourage those SAIs in the Caribbean region that have not already done so to commission an SAI-PMF Assessment.

Deodat Sharma

Auditor General

3 May 2019

## Chapter 1: Introduction

The Office of the Auditor General of Guyana (AOG) is the Supreme Audit Institution (SAI) of the Co-Operative Republic of Guyana. In 2018, the Auditor General with the support of the Inter-American Development Bank (IDB) opted to invite a team of international experts to carry out an assessment of the AOG using the SAI-PMF framework and methodology. Consistent with the objectives of the INTOSAI Working Group on the Value and Benefits of SAIs, the SAI-PMF assessment was also intended to review the internal capabilities of the AOG, its external performance and the value and benefits its work brings to wider society in Guyana.

The IDB appointed a team of three consultants to carry out the SAI-PMF assessment: Mr Frank Grogan (Key Expert 1 and Team Leader); Mr Mike Thomson (Key Expert 2); and Mr Ayodeji Ogunyemi (Key Expert 3). Between them, the three members of the team have extensive experience of working both within developed SAIs; in providing strategic and capacity development assistance to SAIs and public financial management institutions around the world; and in using the SAI-PMF methodology.

The specific objectives of the SAI-PMF assessment were to:

- Benchmark the performance of the Audit Office of Guyana (AOG) against the ISSAIs and INTOSAI best practices;
- Establish a baseline of AOG performance against which future improvements can be measured;
- Identify immediate priorities for capacity building and human resource development; and
- Provide the basis for updating the AOG's current strategic plan for future capacity building and institutional strengthening.

The assessment covered all domains set out in the SAI-PMF guidance and all indicators set out in the endorsement version of the SAI-PMF with three exceptions: SAI-18, SAI-19 and SAI-20 were not assessed as these are not applicable to "Westminster-style" SAIs such as the AOG. In addition certain dimensions within remaining indicators were also assessed as 'Not Applicable' for reasons explained in this report. The assessment was based on the AOG structure and legal framework that was applicable in May 2018 and on a sample of audits completed in 2017 and 2018 and reports issued in 2017.

## Chapter 2: Methodology

In the course of April 2018, IDB finalised its requirements for an SAI-PMF assessment of the Audit Office of Guyana (AOG) and appointed a team of independent international consultants to carry out this assessment. The assessment team first focussed on developing draft terms of reference for the assessment to be agreed with the AOG in line with IDI guidance. The team also began to plan and organise the fieldwork that it would need to carry out in Guyana.

The assessment team implemented the SAI-PMF project over 5 phases.

**Phase 1 (9 - 11 May 2018):** The Team Leader visited Georgetown, Guyana, to brief the Auditor General and AOG staff on the process and procedures that the assessment team planned to follow in carrying out the SAI-PMF. The Team Leader also gathered some initial basic information about the AOG, the environment in which it operates, its constitutional and legal framework and mandate, recent annual reports, the AOG's organisation structure and strategic, corporate and audit plans. In the light of these discussions, the Team Leader finalised and agreed the Terms of Reference for the SAI-PMF assessment with the AOG. In this regard, the Team Leader also incorporated in this final version comments that he had received from the IDI on an earlier version of the draft Terms of Reference.

**Phase 2 (14 - 25 May 2018):** The assessment team visited Georgetown to carry out its fieldwork to collect and begin analysing the information and evidence required for the SAI-PMF assessment.

**Phase 3 (June/July 2018):** The assessment team finalised its analysis of the information and evidence collected in the course of their fieldwork. In the light of that analysis, the team prepared the first complete draft of the SAI-PMF performance report.

**Phase 4 (August 2018):** The Team Leader and one other member of the assessment team visited AOG for a final briefing on the results of the SAI-PMF assessment and linked discussions focussed on the strategic ramifications of its findings and conclusions.

**Phase 5 (Autumn 2018 / Winter 2019):** The Team Leader with support and advice from the other assessment team members finalised the SAI-PMF assessment performance report in the light of comments provided in the course of the IDB and IDI quality assurance procedures.

The main sources of information used were: detailed, structured interviews based on the SAI-PMF criteria with the Auditor General and key staff of the AOG; the review of relevant AOG internal documents; the review of relevant external reports and documents; and the review of specific audit files relating to the most recent completed audits at the time of the SAI-PMF assessment.

The financial and compliance audits selected for detailed review were selected judgements by the assessment team to provide a reasonable cross-section of the AOG's 'audit universe' including the audits of projects in Guyana funded by international donors. In line with IDI's advice on the Terms of Reference for the SAI-PMF, the assessment team structured its sample to ensure that it included audits undertaken by each of the AOG's three business units. The AOG has traditionally combined its financial and compliance audits into single assignments or regularity audits. Accordingly, the assessment team used the



same sample of audits for its assessment of the AOG's financial audit and its compliance audit.

The sample comprised audits of the financial statements of 2 Statutory Bodies, 2 Public Enterprises, 1 Constitutional Entity, 1 Regional Administration, and 2 Donor Funded projects. The sample also cut across a range of financial, regularity and compliance reporting frameworks including the Laws and Statutes of Guyana, Financial Rules and Regulations of the Government of Guyana and requirements set out within agreements between the Government and international donors.

The eight audits the assessment team reviewed were as follows:

- Ministry of Public Infrastructure, 2016;
- Chambers of the Director of Public Prosecutions, 2016;
- IDB Loan 2741/BL-GY The Road Network Upgrade and Expansion Programme, 2016;
- Property Holdings Incorporated, 2016;
- Bank of Guyana, 2016;
- IDB Loan 3369/BL-GY Citizens Security Strengthening Programme, 2016;
- Regional Democratic Council 4, 2016;
- Ministry of the Presidency, 2016.

To date, the AOG has published four performance audit reports. The assessment team reviewed the audit files for each of these performance audits. The four performance audits are as follows:

- An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (Published November 2009).
- A Review of the Old Age Pension Programme in Guyana – Ministry of Social Protection (Published October 2010).
- Follow-up Report: An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (Published October 2015).
- The Construction of the New Access Road to the Cheddi Jagan International Airport – Ministry of Public Infrastructure (Published September 2017).

The SAI-PMF assessment team carried out all its work at the AOG's headquarters building in Georgetown. The team discussed with AOG senior management the option of visiting one of the AOG's regional offices. In the light of that discussion, we concluded that such a visit was not necessary. All AOG audit files and working papers are held centrally at the headquarters building and all audits are conducted in a uniform manner. Also, the team decided that the time required to travel to and from a regional office was not an efficient use of the limited amount of time available to carry out all the fieldwork necessary for completing the SAI-PMF assessment.

In the course of the SAI-PMF assessment, the assessment team also met senior officials from the Ministry of Finance and the Governor of the Bank of Guyana. The assessment team did seek to interview members of the Public Accounts Committee of the National Assembly of Guyana. Unfortunately, they were not available during our visit. The assessment team do not believe such interviews would have made any material difference to its findings.

Initially, responsibility for assessing each of the specific SAI-PMF indicators was allocated to individual team members. The assessment team then worked together to agree the final scoring and to determine the content of the non-scoring chapters of the SAI-PMF performance report.

The Team Leader was responsible for quality control of the evidence gathering process and for finalising the draft report that was sent to the IDB and AOG in July 2018 for factual review.

The AOG carried out quality control of the facts presented in the draft report as well as the process of data collection used by the assessment team. In the course of the fieldwork stage, the Auditor General and the senior management group held regular meetings with the assessment team to discuss emerging findings and to ensure the accuracy and completeness of the facts and information gathered by the team. Subsequently, in a process led by the Auditor General, the AOG reviewed the draft report prepared by the assessment for factual accuracy. The team incorporated in the draft reports submitted for the IDI's Independent Review process all comments and changes recommended by the AOG.

A list of interviewees and files and documents examined during the course of the assessment can be found at Annex 2.

## Chapter 3: Country and SAI Background Information

### 3.1 Guyana country context and governance arrangements

#### Country Context

##### General Economic Development<sup>1</sup>

Guyana is a country located on the mainland of the continent of South America. It is bordered by the Atlantic Ocean to the north, Brazil to the south and southwest, Suriname to the east and Venezuela to the west. Its capital city is Georgetown. Guyana has a land area of 215,000 square kilometres (83,000 square miles). The current population is 737,718 people of whom 71.5 per cent live in primarily rural areas along the coast.<sup>2</sup>

Prior to gaining independence in 1966, Guyana was a British colony. The key event that continues to influence Guyanese society was the abolition of slavery in the nineteenth century. This led to the creation of urban settlements of former slaves and the recruitment of indentured labour from India to work on sugar plantations.

Consequently, Guyana is ethnically diverse with its population comprising of 39.8 per cent people of Indian origin, 29.3 per cent of African origin, 19.9 per cent of mixed origin, 10.5 per cent Amerindian (the original indigenous population of the country), and 0.5 per cent defined as 'other' which includes people of Portuguese and Chinese origin. Guyana is also religiously diverse with a population made up of 34.8 per cent Protestant, 24.8 per cent Hindu, 20.8 per cent other Christian, 7.1 per cent Catholic, 6.8 per cent Muslim and 6.39 per cent whose religious beliefs are categorised as 'other'. This ethno-cultural divide has contributed to turbulent politics in the country.

Guyana's population is relatively very young with a median age of 26. There is, however, a chronic shortage of semiskilled and skilled labour. And nearly ninety per cent of university educated Guyanese eventually emigrate to other countries.

Guyana's official language is English. Guyanese Creole is also widely spoken.

Since 2016, Guyana has been categorised as an upper middle-income country. It has a GDP per Capita of US\$8,300, while the country as a whole has a GDP of US\$6.367 billion. One third of the population, however, lives below the poverty line, most of whom are indigenous and live in isolated communities.

Policy reforms starting with the Economic Reform Programme in the early 1990s helped to transform Guyana's economy from an inward looking economic model to a market oriented one, and put Guyana on a more robust growth path. However, following the Asian financial crisis of 1997, adverse world prices for Guyana's main export commodities, some loss of

<sup>1</sup> Note on sources: The primary source for this section of the SAI-PMF Assessment Report (unless otherwise indicated) is the *IDB Group Country Strategy with the Cooperative Republic of Guyana 2017 – 2021*, October 2017. The strategy drew on a wide range of other sources, specifically material published by the International Monetary Fund, the World Bank and the World Health Organisation as well as reports, papers and statistics published by the Government of Guyana.

<sup>2</sup> Population and other linked statistics as recorded by the World Bank and CIA Yearbook for Guyana.

social cohesion and deterioration of the security infrastructure resulted in suppressed economic performance and average GDP growth of less than 1 per cent from 1998 to 2004.

During this period, Guyana also completed debt reduction processes under the HIPC initiatives. From 2003 onwards, the government of Guyana began a programme of public sector reform spearheaded by the IDB funded Fiscal and Financial Management Programme (FFMP). The objective of the programme was to assist the government of Guyana in implementing a reform agenda aimed at improving the management of public finances and, so, provide a strong fiscal basis for sustained growth. The FFMP was completed in 2009 and helped improve Guyana's tax policy and tax administration capabilities, fiscal management and public accounting infrastructure.

The period 2005 to 2012 saw relatively solid economic growth followed by a period of slower, more moderate economic growth, as a result of lower global gold prices in 2013. In 2017 Guyana achieved 3.7 per cent GDP growth. However, the country's economic growth remains vulnerable, as its economy is currently heavily dependent on the export of six commodities - sugar, gold, bauxite, shrimp, timber, and rice – which are highly susceptible to adverse weather conditions and fluctuations in commodity prices. Internationally Guyana has strong trade links with Canada, the United States and Trinidad & Tobago. Guyana has traditionally been a strong supporter of regional integration and played an important role in establishing the Caribbean Community (CARICOM). Guyana is a member of CARICOM and the CARICOM secretariat is located in Georgetown.

The economic growth that Guyana has achieved has not contributed to better living standards. Despite a steady increase since the 1990s, per capita income remains among the lowest in the English-speaking Caribbean. Guyana's Human Development Index (HDI) score has not improved significantly when compared with Latin America and the Caribbean (LAC) and has been consistently lower than the regional average since the 1990s. Guyana's most recent HDI score stood at 0.64 compared with 0.75 for LAC. Also, the government of Guyana spends less on key public services compared with other countries in the region. The most recent data shows that on health Guyana spent US\$222 per capita compared with a LAC average of US\$694. While, on education, the government of Guyana's expenditure amounted to 3.6 per cent of GDP compared with a LAC average of 5.2 per cent. The country's current unemployment rate is slightly above the medium-term average at around 9 per cent.

In 2015, Exxon Mobil made a significant discovery of substantial oil reserves off the coast of Guyana. The size of the reserves is conservatively estimated at 2 billion barrels. Commercial production is planned to begin by the mid-2020s with a predicted output of 100,000 barrels a day for up to eight years. Oil is expected to have the largest impact on GDP through fiscal revenue. Consequently, economic growth in Guyana is expected to hover around 3.5 per cent till 2019. Once oil production starts, the IMF estimates GDP growth at 38.5 per cent in 2021. The country's current account is projected to run a consistent surplus with a significant increase in official reserves and a gradual decline in the public debt-to-GDP ratio. This pronounced dependence on natural resources will make Guyana's economy vulnerable to external shocks and could reduce the competitiveness of the non-oil economy as a result of the potential appreciation of the exchange rate.

Taken together, this discovery of oil and its impact on the economy will create a significant political challenge for Guyana to ensure that government has the capacity to deal with the potential rapid growth in public revenues, specifically to manage those revenues effectively and ensure that the potential benefits they should bring are fairly and equitably shared at all

levels in Guyanese society. In addition, it will be a major challenge for the Audit Office of Guyana to ensure it has the professional and organisational capacity to deal with the audit of the revenues and the linked technical and environmental issues that oil will bring to the government of Guyana.

Government revenues for 2017 were US\$939.1 million while government expenditure was US\$1.152 billion, accruing a budget deficit of 5.9 per cent of GDP. Since 2007, the government's stock of debt has been reduced significantly with external debt now less than half of what it was in the early 1990s. Despite recent improvements, the government is still juggling with a sizable external debt. Against this, there is an urgent need for expanded public investment especially in infrastructure.

The government of Guyana has made infrastructure a priority area and is undertaking a programme of maintenance work on the country's roads and bridges network. It is also undertaking a programme of targeted infrastructure development, for example the construction of strategic climate resilient main thoroughfares linking the country's coastal and interior regions. It is also developing better social amenities in the more remote townships.

In general, Guyana underperforms on many indices related to the quality of its institutions. On the World Bank's Government Effectiveness ranking, Guyana was placed in the 42<sup>nd</sup> percentile compared with 58<sup>th</sup> for LAC. The World Bank's 2017 Doing Business Index ranked Guyana 124<sup>th</sup> out of 190 countries.<sup>3</sup>

In 2018, the Heritage Foundation based in Washington DC ranked Guyana as 102<sup>nd</sup> out of one hundred and eighty countries in its Index of Economic Freedom.<sup>4</sup> This represented a modest improvement in Guyana's overall score compared with previous years. This was the result of improvements in judicial effectiveness and property rights offsetting declines in the index's scores for Guyana in the indicators for fiscal health, business freedom and government spending. Guyana was ranked 21<sup>st</sup> among the thirty-two countries in the Americas region and its overall score was below the regional and world averages. The Index's authors commented that long-standing constraints on economic freedom in Guyana included inefficient bureaucracy, widespread corruption, fragile protection of property rights, and weak rule of law. Finally, by way of context, it is important to note that violent crime and drug trafficking are endemic.

As for Public Financial Management, public expenditure and financial accountability assessments have identified weaknesses across six key areas in Guyana. These are: (i) a lack of transparency in intergovernmental fiscal relations; (ii) a lack of information on the resources received by delivery units; (iii) no internal audit process; (iv) insufficient legislative scrutiny of external audit reports; (v) absent, uncompetitive, and poorly monitored annual procurement planning, resulting in substandard provision and low value for money; and (vi) ineffective tax collection.

Against this background, the government of Guyana has set its medium-term strategic vision to improve institutional capacity and create a prosperous climate for private sector development. As the country does not have the fiscal and legal framework to manage its natural resource wealth in a sustainable manner, since taking office the government has worked to prepare for the new oil-producing framework while simultaneously addressing

---

<sup>3</sup> World Bank WGI *Government Effectiveness: Percentile Rank*, Washington DC, 2017; World Bank *Doing Business Index*, Washington DC, 2017.

<sup>4</sup> The Heritage Foundation *2018 Index of Economic Freedom*, Washington DC, February 2018.

the current developmental challenges hindering social advancement by laying the foundations for stronger institutions. Specifically, the Government of Guyana's objectives are to: (i) stabilise the economy and public finances; (ii) prioritise quality education and health services; (iii) design the necessary legislative, regulatory, and policy frameworks to manage oil and gas revenues and oversee the sector; (iv) encourage and support entrepreneurship; (v) create more job opportunities; (vi) boost innovation; (vii) reform business facilitation; (viii) build climate-resilient infrastructure (including renewable energy investments); (ix) improve the overall quality of life; (x) address poverty; (xi) reform the public and financial sectors; and (xii) linking coastland and diversification of the economy.

In this context, the Government of Guyana and the IDB Group have agreed on four strategic areas that for the period 2017 to 2021 will underpin the capacity support provided for Guyana. These four strategic areas are as follows:

- Establishing a modern national strategy and planning framework;
- Strengthening fiscal policies and the corresponding framework for management of natural resource revenues;
- Facilitating private sector development; and
- Delivering critical infrastructure.

In relation to establishing a modern national strategy and planning framework, the key consideration is that sound institutions and a clear planning framework are crucial to designing appropriate policies to address future challenges. There is, however, evidence that the capacity of the public sector in Guyana has stagnated. On the World Bank's Government Effectiveness ranking, Guyana is in the 42<sup>nd</sup> percentile compared with the 58<sup>th</sup> for LAC. Additionally, there is widespread public perception in Guyana of corruption involving officials at all levels, including the police and judiciary. Apart from anecdotal evidence, there are few publicly available sources of information about corruption and anti-corruption in Guyana beyond the major international indicators. These do suggest some improvement. In the 2016 Transparency International Corruption Perceptions Index Guyana was ranked at 108<sup>th</sup> out of a total of one hundred and seventy-six countries that were assessed. In the 2017 Index, Guyana rose to 91<sup>st</sup> out of one hundred and eighty countries. Its 2017 overall score of '38' compares with an overall score of '28' in 2012.<sup>5</sup>

These challenges have constrained service delivery in sectors such as health and education and contributed to a general pattern of stagnation and decline. For example, life expectancy in Guyana was 63 years in 1990 rising to 66 years by 2014. During the same period, the LAC region saw a steady increase from 67 to 75 years. The country's education system is marked by low examination pass rates, a lack of qualified teachers and a low enrolment rate in tertiary education. This contributes to a shortage of skills among the Guyanese workforce and this in turn acts as a constraint on economic development.

---

<sup>5</sup> Transparency International Corruption Perceptions Index, 2016; Transparency International Corruption Perceptions Index, 2017.

## Governance Arrangements<sup>6</sup>

Guyana achieved independence in 1966 and became a republic in 1970. Under the country's Constitution, legislative power rests in a unicameral National Assembly comprising sixty-five members in total. Forty members are chosen on the basis of proportional representation from national lists compiled by the political parties. A further twenty-five members are elected from Guyana's ten regional administrative districts. The legislature is not directly elected. Each political party presents slates of candidates for the National Assembly. After the election, each party leader selects from the party lists the individuals who will represent the party in the National Assembly.

Executive authority is exercised by the President, who appoints and supervises the Prime Minister and other Ministers of the Cabinet. The President is not directly elected; each party presenting a slate of candidates for the assembly must designate in advance a leader who will become president if that party receives the largest number of votes. The President has the authority to dissolve the parliament, but in contrast to a parliamentary regime, the Constitution of Guyana does not provide any mechanism for parliament to replace the President during his or her term of office, except in case of mental incapacity or gross constitutional violations.

Only the Prime Minister is required to be a member of the assembly. In practice, most other ministers also are members. Those who are not elected serve as nonelected members. This permits them to participate in National Assembly debates but not to vote. The President is not a member of the National Assembly but may address it at any time or have his address read by any member he may designate at a convenient time for the Assembly. Under Guyana's constitution the President is both the Head of State and Head of Government of the Co-operative Republic of Guyana

The most recent national elections were held in May 2015 and were won by a coalition comprised of A Partnership for National Unity (APNU) and Alliance For Change who both ran on a platform of democratic reform, constitutional reform, and the holding of long-delayed local elections. They took over from the PPP/C, People's Progressive Party and Civic movement, who had been in power since 1992. The current President is David Granger, who is leader of APNU. Guyana is a highly centralized system with political power concentrated in the executive, and more specifically with the President.

The Judicial branch vests its authority in the courts. The courts determine and interpret the law. The legal system of Guyana is based on a common-law system, which is the English model; there is also some Roman-Dutch civil law influence. The courts are meant to be independent and impartial and subject only to the Constitution and the law.

Guyana local governance is divided into 10 regions for administrative purposes, which are then sub-divided into nine Municipal Councils, 62 Neighbourhood Democratic Councils (NDCs) and more than 75 Village Councils. In 2016, for the first time in 12 years elections were held for the regional development councils with the Coalition winning 3 councils and the PPP/C retaining 7. The Ministry of Local Government and Regional Development is responsible for local government.

---

<sup>6</sup> The primary sources for this section of the SAI-PMF assessment report are Nexus Commonwealth Network Guyana – Government; and *Democracy, Human Rights and Governance Assessment of Guyana* USAID, 2016.

The municipalities and neighbourhood democratic councils have revenue-raising powers, and they receive transfers from national government. The regional development councils are responsible for health, education and agriculture support services; the neighbourhood democratic councils for waste collection and sanitation, roads, dams and markets; and the municipalities for drainage, irrigation, waste collection and infrastructure maintenance

### **Education, media and civil society**

The broadcast media in Guyana is government-dominated. The main TV channel is the National Communications Network (NCN) and is state-owned. In addition, there are a few private TV stations that have been more critical of the government. The state also owns and operates two radio stations. These broadcast on multiple frequencies and are capable of reaching the entire country. There have been allegations that the government has limited licensing of new private radio stations to suppress dissenting views. The major newspapers in Guyana are the daily, state-owned Guyana Chronicle and two privately owned daily newspapers, the Stabroek News and the Kaieteur News. The country also has around 300,000 Internet users.<sup>7</sup>

Government expenditure on education is 3.2 per cent of GDP. The education system is similar to the British system and is free. It is sub-divided into primary, secondary and tertiary education. Participation in secondary school education is 76 per cent and the country has a literacy rate of 93 per cent. The legal system of Guyana is based on a common law system based on the English model; there is also some Roman-Dutch civil law influence.<sup>8</sup>

There is a wide range of civil society organisations in Guyana. They appear to be particularly active in the spheres of education and health.

In relation to education, examples include the Adult Education Association which seeks to provide vital education to Guyanese citizens without access to the formal system; and the Guyana Forum for Lifelong Learning, an organisation aiming to provide a forum for providers and stakeholders in the realm of adult education and promote and support programmes that will empower Guyanese citizens through lifelong education and training. The Guyana Teachers' Union can trace its origins back to 1884 when it was established as the British Guiana Teachers' Association during British colonial rule. Its name was changed upon the country's independence in 1966. The organisation aims to promote the interests of all teachers employed in education from nursery through to tertiary level.<sup>9</sup>

In relation to health, an initiative taken by the United States Agency for International Development (USAID) provides a useful illustration of the steps international donors are taking to help strengthen the effectiveness of civil society organisations in Guyana. In 2016, USAID entered into a three year Cooperative Agreement with the Guyana Civil Society Leadership (GCSL) with the aim of strengthening the National Coordinating Coalition Inc. (NCC), a registered not-for-profit group that currently comprises twenty leading NGOs in Guyana that are focused on reducing the impact of HIV/AIDS/STIs along with other health and social issues affecting the development of Guyana.<sup>10</sup>

---

<sup>7</sup> BBC Guyana Profile – BBC Website.

<sup>8</sup> World Bank – Guyana (2018); UNICEF Guyana Statistics, 2015.

<sup>9</sup> Nexus Commonwealth Network Guyana – Education NGOs and CSOs in Guyana.

<sup>10</sup> National Coordinating Coalition Inc. *Advocacy Plan – A guide towards creating positive change for the National Coordinating Coalition*, Guyana, November 2016.



---

## 3.2 Guyana public sector budgetary environment<sup>11</sup>

---

### Structure of the Public Sector

There are three spheres of government in Guyana: central, regional and local.

Central government in Guyana comprises the following:

- 18 Government Ministries and Departments, each headed by a Permanent Secretary who, under the general direction and control of a Minister, supervises its operation and administration;
- 57 Statutory Bodies created by an Act of Parliament and operating across many areas of economic and social development, environment, infrastructure and education. Examples include the Environmental Protection Agency, the Guyana Elections Commission, the Guyana Forestry Commission and the Guyana Tourism Authority;
- 36 Public Enterprises – these are corporations where government owns more than fifty per cent of the entity; and
- 13 Constitutional Agencies, a category that includes the AOG.

Guyana local government is divided into 10 regions for administrative purposes. Each region is overseen by a Regional Democratic Council (RDC). These are then sub-divided into nine Municipal Councils, 62 Neighbourhood Democratic Councils (NDCs) and more than 75 Amerindian Village Councils. The ten RDCs deliver services on behalf of central government to citizens within their jurisdiction and also have an oversight role with regards to NDCs. The nine Municipal Councils are headed by an elected mayor and are responsible for allocating services to those in their jurisdiction. The NDCs provide services to citizens under the 1998 Local Government Act. The Amerindian Village Councils have similar powers to NDCs. RDC Councillors are elected for five-year terms whereas those in Municipal Councils and NDCs are elected for three years. The Ministry of Local Government and Regional Development is the government agency linking various local government authorities to central government.

The municipalities and neighbourhood democratic councils have revenue-raising powers, and they receive transfers from national government. The regional development councils are responsible for health, education and agriculture support services; the neighbourhood democratic councils for waste collection and sanitation, roads, dams and markets; and the municipalities for drainage, irrigation, waste collection and infrastructure maintenance

### Public Sector Capacity Constraints

In common with other sectors, the capacity of the public sector in Guyana is constrained by a lack of skills within the public sector workforce. This is manifested in a number of ways.

IDB analysis, for example, shows that Guyana does not perform well in terms of results-oriented planning. Its institutions lack the ability to conduct long-term operational planning. This encompasses the ability to define programmes and targets and to establish roles and

---

<sup>11</sup> The key sources for this section of the SAI-PMF Report are as follows: the *IDB Group Country Strategy with the Cooperative Republic of Guyana 2017 – 2021*, October 2017; World Bank Guyana statistics and CIA Yearbook for Guyana; Nexus Commonwealth Network Guyana – Government; Auditor General of Guyana, Annual Reports 2014 to 2016.

responsibilities. Long-term plans prepared by public sector organisations are generally not annualised and do contain indicators for monitoring implementation. Overarching strategies such as Guyana’s Poverty Reduction Strategy Paper (PRSP) expired in 2005 and has not yet been replaced. Consequently, in the absence of strategic documents of this kind, national policy tends to be articulated in statements and documents linked to the government’s budget. Central government management of public institutions is complex and inefficient. The three key institutions in this regard are the Public Service Commission, the Department of Public Service (which is situated within the Ministry of the Presidency) and the Establishment Division of the Ministry of Finance. They have overlapping responsibilities and lack coordination. Taken together, all these factors contribute to poor implementation of policy, poor inter-agency coordination and cooperation, and a lack of strategic planning and strategic management.

A recent Presidential Commission concluded that Guyana’s Civil Service lacks a culture embodying a set of core values and standards. IDB analysis shows that public servants lack the necessary training and skills and that the country falls below the regional average in terms of public sector programme and project management capacity. In this context, we also note that the Ministry of Finance has attributed challenges with the implementation of the Public Sector Investment Programme (PSIP) to a shortage of skilled staff.

Another important factor limiting the government of Guyana’s ability to design and implement appropriate policies is a lack of statistical capacity. In this regard, Guyana’s underperforms when compared with its LAC counterparts. IDB review has highlighted the need for staff training to build statistical capacity; the provision of technical assistance in the areas of sampling, data analysis, dissemination and mapping; the modernisation of technology for data collection and monitoring of field operations; and the alignment of the statistical products that are available in Guyana with priority data needs. In IDB’s view, the limited use of this technology impedes the development of a robust data gathering / dissemination mechanism necessary for evidence-based decision making. It also affects the government’s services directed at citizens and businesses. This in turn is reflected in Guyana’s position in the United Nations’ e-Government Survey where it ranks 126<sup>th</sup> out of 193 countries, with a score of 0.37 out of 1, below the average for other LAC countries.

### Public Sector Budget

Table 1 summarises details taken from the 2016 Annual Report of the Auditor General of the revenue and expenditure of the Government of Guyana for the period 2014 to 2016.

**Table 1: AOG Government Revenue and Expenditure – All Figures G\$M**

	2014	2015	2016
<b>Current Revenue</b>	146,014	163,032	177,531
<b>Capital Revenue</b>	17,299	15,876	19,678
<b>Total Revenue</b>	163,313	178,908	197,209

<b>Current Expenditure</b>	137,252	156,245	174,985
<b>Capital Expenditure</b>	51,013	30,665	46,618
<b>Total Expenditure</b>	188,265	186,910	221,603
<b>Source: 2016 Annual Report, Auditor General of Guyana</b>			

## Public Financial Management System (PFM)

### *Governance reforms*

Guyana has embarked on several programmes of governance and PFM reform since the beginning of the 2000s. In 2003, the framework for current PFM arrangements was put in place when the National Assembly of Guyana passed the Procurement Act and the Fiscal Management and Accountability Act (FMAA), which laid out reforms to improve budgeting and the financial management system. This was followed in 2004, when the National Assembly passed the Audit Act. This codified the powers and responsibilities of the Auditor General of Guyana. Overall, the reform PFM environment in Guyana has not resulted in constraints, unforeseen or otherwise, on the performance of the AOG. The main issue for the AOG is the lack of financial management capacity and expertise within the government and wider public sector of Guyana. This can best be seen in the delay at the local and regional level in preparing financial statements suitable for audit by the AOG. This in turn has an impact on the performance of the AOG in that it makes the flow of work into the Office unpredictable and, so, difficult to plan the efficient use of AOG resources.

The elaboration of the FMAA marked the beginning of Guyana's transition toward a programme-based budgeting structure. Governance reforms continued as economic conditions improved. Recent initiatives include the elaboration of two national strategic planning documents: the Low Carbon Development Strategy (LCDS) 2009–2020, and the Poverty Reduction Strategy Paper (PRSP) 2011–2015.

### *Procurement*

In line with the requirements of the 2003 Procurement Act, some 38 procuring entities (PEs), comprising the Ministries, Departments and Agencies (MDAs) of the Government of Guyana, are responsible for conducting procurement, using funds allocated from the Government and also from Development Partners. Within each PE staff are assigned to conduct procurement, and each PE has a Tender Board with designated value thresholds for approving purchases. Purchases above these thresholds are approved by the National Procurement and Tender Board (NPTB); purchases above G\$15 million are reviewed by the Cabinet. The Government of Guyana uses four methods of procurement: open; restricted; sole source; and low value methods that may involve requests for quotations and community participation.

### *Internal audit*

The Government of Guyana's Internal Audit (IA) function is not well developed. Only six out of 38 budget agencies have a functioning IA unit, only three more than in 2007. Higher salaries in the private sector, which also has a demand for internal auditors, are thought to hinder efforts to expand the Government's Internal Audit function.

### ***Personnel and payroll***

The Government of Guyana's main personnel database is maintained by Ministry of Public Service (MPS). However, it does not include teachers, health specialists, the judiciary and the military, which have their own databases. It also does not include employees of semi-autonomous/autonomous government agencies. Although the different personnel databases are not integrated, the entire payroll of the Government of Guyana is paid by the Ministry of Finance using the SmartStream software, which is administered by the Management Information System Unit (MISU), located in the Ministry of Finance (MoF).

### ***Budget setting and funds release***

The 2003 the Fiscal Management and Accountability Act sets out the budgeting process in Guyana. Once the draft Budget is approved, the head of each Budget Agency (BA) informs the Minister of Finance on the allotments of its approved appropriation, that is on the division of expenditure of the appropriation according to the Chart of Accounts (CoA). Allotments are not effective until approved by the Minister of Finance. Approved appropriation allotments may not be varied or amended without the prior written approval of the Minister of Finance.

The Budget process goes through the following general steps:

- The issue of the Budget Circular;
- Receipt by the Ministry of Finance of budget submissions from all Budget Agencies (BAs);
- Completion of national Budget Review Meetings between the Ministry of Finance and all Budget Agencies;
- Submission of the draft budget proposal to the Cabinet by the Ministry of Finance;
- The issue of the Cabinet Decision on the budget proposal; and
- The presentation of the budget proposal to the National Assembly.

Supplementary Appropriations Acts (SAA) allow for a variation of an appropriation and must be approved prior to the incurring of any expenditure under the FMAA. The Minister of Finance also has the authority to approve advances from the Contingencies Fund in the event of 'urgent, unavoidable and unforeseen need for expenditure'.

The process for managing the budget within each year of operation is as follows.

- *Allotment 1* at the beginning of the year is a BA's approved budgetary allocation as specified in the Appropriations Act. The amount may be adjusted later in the year due to approved allotment transfers (virements), Contingency Fund Advance Approvals and Supplementary Provisions.
- *Allotment 2* is Allotment One broken down by programme and economic classification for each month (cash flow forecasts), as revised each quarter, and based on work plans and procurement plans. Monthly Budget Releases are based on the quarterly cash flow forecasts that underpin Allotment 2. Revisions to cash flows and justifications for Allotment 2 must be completed before/on the first working day of each month. All agencies are required to submit monthly reports to the Ministry of Finance indicating success achieved, problems encountered and proposals for addressing these, and projections for the next quarter.

The MoF publishes a mid-year report at the end of August (as specified in the FMAA) showing budget execution for the first half of the year, which can then be compared with

the approved budget. The Bank of Guyana publishes quarterly reports and statistical bulletins on its website, including a report on public finances, consisting of a fiscal summary table, a revenue table and an expenditure table. The Ministry of Finance produces annual reports of government expenditures compared to budgets

---

### **3.3 The AOG'S legal and institutional framework, organisational structure and resources**

---

#### **Legal Framework**

The AOG is based on the Westminster model for SAIs separating the Auditor General from the Executive. The main constitutional and legal provisions relating to the AG and his Office are as follows.

#### ***Constitutional and Legal provisions***

The constitutional, statutory and legal framework for the Auditor General of Guyana and the Audit Office of Guyana comprises three key elements. These are:

- The Constitution of the Cooperative Republic of Guyana, in particular Article 223;
- The 2004 Audit Act; and
- The Regulations made under Section 11 of the Audit Act – these are concerned with the administration of the Act.

Article 223 of the Constitution stipulates that the Auditor General shall be the external auditor of 'the public accounts of Guyana and of all officers and authorities of the Government of Guyana (including the Commissions established by this Constitution) and the accounts of the Clerk of the National Assembly and of all courts in Guyana'. Section 24(1) of the 2004 Audit Act amplifies this provision. It stipulates that the Auditor General is responsible for conducting financial and compliance audits and performance and value-for-money audits with respect to:

- The consolidated financial statements of Guyana;
- The accounts of all budget agencies of Guyana;
- The accounts of all local government bodies;
- The accounts of all bodies and entities in which the State has a controlling interest; and
- The accounts of all projects funded by way of loans or grants by any foreign State or organisation.

The Constitution stipulates that the Auditor General 'shall act independently in the discharge of his functions'. It also provides for the appointment, salary, retirement and removal of the Auditor General.

In addition to reinforcing the provisions of the Constitution, the 2004 Audit Act also establishes a framework for the accountability and oversight of the Auditor General and the AOG. In this regard, the Public Accounts Committee of the National Assembly plays the pivotal role. As well as dealing with the reports issued by the Auditor General, the Committee oversees the preparation of the AOG's annual budget. It may comment on the

proposed budget and then forwards the recommended budget to the Ministry of Finance for inclusion in the overall budget document to be submitted to the National Assembly. In addition, the Committee is responsible for the oversight of the performance of the AOG. To facilitate the Committee's discharge of this responsibility, each year the Auditor General provides the Committee with his annual work plan and programme for the year ahead. In addition during the year in question, the Auditor General gives the Committee a report each year setting out the progress that he has made in implementing his annual work plan.

The Auditor General, within the framework of the budget approved for the Audit Office, can assess staffing needs, and appoint, pay, train, assign, promote, and discipline officers and employees. The expenditure of the Audit Office should, in accordance with article 222A(a) of the Constitution, be financed as a direct charge on the Consolidated Fund, determined as a lump sum by way of an annual subvention approved by the National Assembly after review and approval of the Audit Office's budget as a part of the process of the determination of the national budget. *Prima facie* this constitutional and statutory framework provides strong safeguards for the Auditor General in relation to the financial independence of the AOG. However, this is not the case in practice. Under Section 3(b)(2) of the Fiscal Management and Accountability (Amendment) Act 2015 (Act No.4 of 2015), since 2015, the Minister of Finance has designated each budget proposed by the Public Accounts Committee for the AOG as 'not acceptable' and this has resulted in cuts each year to the AOG's overall budget submission. The Auditor General argues that this has had a detrimental effect on the Audit Office: the AOG has not been able to fill vacancies at a senior level in the organisation; the Office has not been able to contract in specialist support and expertise for its value-for-money audits; and there has been an adverse impact on meeting travel costs required to facilitate travel to remote regions within Guyana for operational, audit purposes.

### Organisation Structure

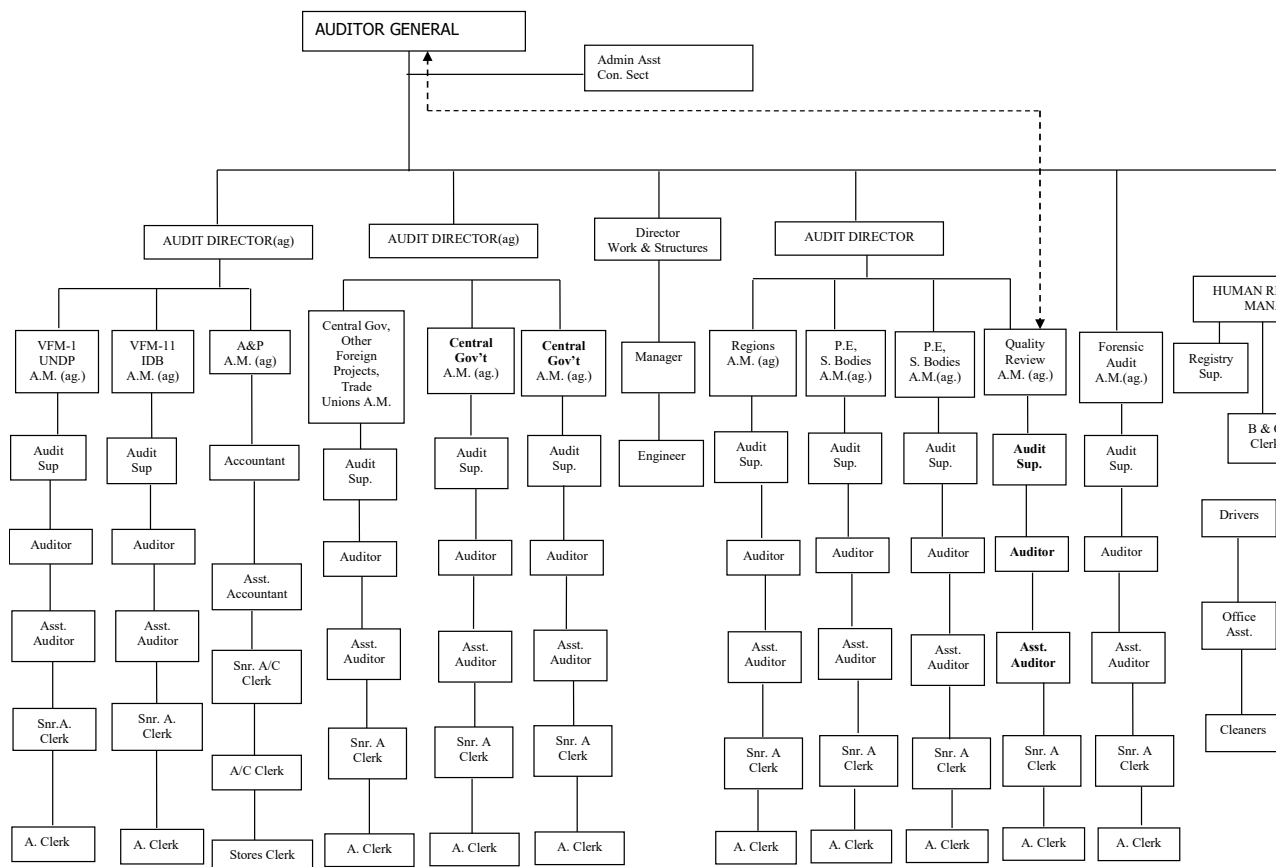
The AOG's headquarters building is located in Georgetown. The majority of AOG staff are located either in this building or in other buildings in Georgetown occupied by the departments and ministries that the AOG audits. A small number of staff are located in five of the ten regional administrative areas of Guyana.

The AOG has a hierarchical structure. In addition to the Auditor General there are seven audit grades with Audit Clerks the most junior and Audit Directors the most senior. The AOG is organised into three Business Units each headed by a Director. The division of work between these three Units for 2018 is as follows.

- **Business Unit 1** is responsible for audits of a number of central government departments and for the administration of the AOG which comprises finance and accounts, human resources, information technology and systems management and the Office's specialist works and structures team;
- **Business Unit 2** is responsible for the audit of some central government departments, the audit of statutory bodies, the audit of donor funded projects and value for money audits;
- **Business Unit 3** is responsible for the audit of regional administrations, the audit of statutory bodies, quality assurance including coverage of contracted out audits, and the management of the forensic audit unit. On forensic audit, we understand that the forensic audit unit reports direct to the Auditor General.

Figure 1 below sets out the Organisation structure of the OAG.

**Figure 1: AOG Organisation Chart**



**AOG Resources**

**Budgetary**

Section 40(2) of the 2004 Audit Act sets out the process for the preparation of the AOG’s annual budget. It gives the Auditor General the responsibility for formulating the AOG’s budget as part of a five-stage process.

- First, the Auditor General is required to prepare the AOG budget submission in accordance with any general guidance issued for this process.
- Second, the Public Accounts Committee reviews the budget submission and provides comments ‘for consideration by the Auditor General’.



- Third, 'after considering comments from the Public Accounts Committee, the Auditor General shall revise the budget submission and re-submit it to the Public Accounts Committee for endorsement'.
- Fourth, the Public Accounts Committee forwards the revised budget submission to the Minister of Finance 'for consideration and inclusion in the annual budget proposal'.
- For the fifth and final stage, the Minister of Finance is required to 'include in the annual budget proposal a subvention for the Audit Office within the allocations of the Parliament Office to be voted on by the National Assembly'.

Under Article 222A(b) of the Constitution and Section 41 of the 2004 Audit Act, the Auditor General 'shall manage the subvention of the Audit Office in such manner as he deems fit for the efficient discharge of his functions, subject only to conformity with the financial practices and procedures approved by the National Assembly to ensure accountability'. Expenses paid from the subvention are to include salaries and allowances, travel and subsistence costs, and training and professional development activity costs.

As noted above, since 2015 the annual budgets that the Public Accounts Committee have endorsed have been subject to reduction by the Ministry of Finance.

The AOG's budget for 2018 is G\$783m. This represents approximately 0.2 per cent of Guyana's national budget.

As Table 2 illustrates, the AOG manages its finances tightly. In the three years immediately prior to the SAI-PMF assessment, the AOG's overall actual expenditure exactly matched planned expenditure for the year.

**Table 2: AOG's budget and actual expenditure 2015-2017, in G\$m.**

	2015 (G\$m)		2016 (G\$m)		2017 (G\$m)	
	Budget	Actual	Budget	Actual	Budget	Actual
<b>Wages and Salaries</b>	371	381	433	417	424	410
<b>Employment overheads</b>	129	119	141	140	154	156
<b>Other expenses</b>	83	82	90	103	116	127
<b>Statutory expenditure</b>	24	25	23	27	28	29
<b>Total</b>	<b>607</b>	<b>607</b>	<b>687</b>	<b>687</b>	<b>722</b>	<b>722</b>

Source: Data provided by AOG.

### **Staffing**

In principle, the Auditor General enjoys wide discretion in relation to human resources and the staffing of the AOG. Section 14(1) of the 2004 Audit Act stipulates that 'within the

framework of the budget approved for the Audit Office, the Auditor General shall assess staffing needs, and appoint, pay, train, assign, promote and discipline officers and employees in accordance with the Constitution, this Act, the Rules, Policies and Procedures Manual and any other law'. However, Section 14(3) of the 2004 Audit Act also stipulates that 'the Auditor General's appointment and discipline of all senior officers and employees shall be subject to approval by the Public Accounts Committee'. Although the Public Accounts Committee has never withheld its approval of the senior appointments recommended by the Auditor General, this does represent an important restriction on his powers with regard to the management of the AOG's human resource function.

At 31 December 2017, the AOG's staff complement was 227 and the Office currently had 211 staff in post. Table 3 provides an analysis by grade of staff complements and strength for 2016 and 2017. The most significant shortfall in this regard is among the senior grades in the AOG where the number of staff in post falls short of the complement for those grades. This reflects the effects of the reductions in the AOG's annual budget proposals that we refer to above. The Auditor General decided in these circumstances it was more prudent to keep the more junior, operational audit grades as close to full strength as possible. In the case of the most senior Director grade, the Auditor General has filled the vacant posts by appointing individuals on an acting basis. While this situation is clearly not ideal, we understand that the practice of officials occupying senior positions on an acting basis for an extended period is a common practice across all the public sector in Guyana.

**Table 3: AOG Staff Complement and Actual Staff as at 31 December 2016 and 31 December 2017.**

	2016 Complement	2016 Actual	2017 Complement	2017 Actual
Auditor General	1	1	1	1
Audit Director	3	1	3	1
Audit Manager	12	8	12	6
Audit Supervisor	30	29	30	30
Auditor	31	30	31	31
Assistant Auditor	31	31	31	31
Senior Audit Clerk	31	30	31	31
Audit Clerk	50	49	50	50
<b>Total audit staff</b>	<b>189</b>	<b>179</b>	<b>189</b>	<b>181</b>
AG Secretariat	2	2	2	1
HR Division Manager	1	0	1	1
HR Division Other Staff	17	14	17	15
Finance & Accounts Manager	1	0	1	0
Finance & Accounts Accountant	1	0	1	1
Finance & Accounts Other Staff	5	5	5	5
Information Systems Manager	1	1	1	1
Information Systems Other Staff	6	5	6	4
Works & Structure Director	1	0	1	0
Works & Structure Manager	1	0	1	0
Works & Structure Engineers	2	2	2	1
<b>Total non-audit staff</b>	<b>38</b>	<b>30</b>	<b>38</b>	<b>30</b>
<b>Total Audit and non-audit staff</b>	<b>227</b>	<b>209</b>	<b>227</b>	<b>211</b>

Source: AOG Annual Work Plan and Programme for the year 2017; AOG Annual Work Plan for the year 2018.

## **Impact of Country Environment on SAI Performance**

The country environment clearly will have a significant impact on the performance of the SAI. In the context of Guyana, we would highlight three aspects of the country's environment that have a direct effect on the performance of the AOG.

As we have referred to elsewhere in this report, the first is the product of the challenge that flows from the low level of skills, expertise and capacity evident in the public sector of Guyana. This encompasses an absence of strategic and long-term operational planning processes and skills at the national level in Guyana; low-level programme and project management capacity; and a lack of expertise and resource in particular in relation to information technology, data collection and statistical analysis. These combine to produce poor policy design and implementation and poor public service administration. This in turn is illustrated by the poor outcomes achieved in key sectors such as health and education. The impact that this has on the AOG is twofold. First, it creates a greater risk of poor financial management and this, in turn, has implications for the nature of audit tests and procedures that the AOG has to undertake. The second impact is, in a sense, the reverse, in that poor public sector management creates the opportunity for performance audits designed to highlight the consequences of poor performance and to make the case for beneficial change.

However, the AOG's ability to expand its professional expertise to address these issues is constrained by the impact of a second aspect of the country environment. This relates to education and the chronic shortage of semiskilled and skilled labour in the country. This is exacerbated on the part of the AOG by the striking statistic that nearly ninety per cent of university educated Guyanese eventually emigrate to other countries. Consequently, the route followed by other SAIs around the world (the recruitment of University graduates to train as professional auditors) is not a realistic option for the AOG.

The third impact of the country's environment reflects the geography and history of Guyana. The bulk of Guyana's population live in communities along its coast. Communities located in the interior of the country tend to be more remote and inaccessible and populated by the indigenous population of the country who tend to be poorer with limited access to public services. Accordingly, in planning and carrying out its audits, the AOG has to factor in the need to carry out audit procedures in remote locations in the country. It also has the challenge of communicating with these remote communities about the work it does and the opportunities for those communities to bring relevant issues to the attention of AOG auditors, something that the Office has been addressing with the support of the IDB.

## Chapter 4: Assessment of the SAI's Performance

### 4.1 Domain A: Independence and Legal Framework

Domain A comprises two indicators. The following table provides an overview of the dimension and indicator scores. Section 4.1.1 and 4.1.2 provide further details.

Domain A: Independence and legal framework		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-1	Independence of the SAI	3	2	3	4	3
SAI-2	Mandate of the SAI	4	4	4		4

#### 4.1.1 SAI-1: Independence of the SAI – Score 3

##### Narrative

SAI-1 measures the degree of independence enjoyed by the SAI, by assessing the key aspects of independence as identified by INTOSAI members themselves, through the Lima Declaration (ISSAI 1) and the Mexico Declaration (ISSAI 10).

The indicator consists of four dimensions:

- **Dimension (i) Appropriate and Effective Constitutional Framework;**
- **Dimension (ii) Financial Independence / Autonomy;**
- **Dimension (iii) Organisational Independence / Autonomy;**
- **Dimension (iv) Independence of the Head of SAI and its Officials.**

*The constitutional and statutory framework for the Auditor General of Guyana and the Audit Office of Guyana (AOG) is, in principle, strong and robust. There are, however, three important caveats.*

*The first concerns the financial independence of the Auditor General. Although prima facie the AOG enjoys considerable independence of the Executive in the process of deciding and approving its budget, this is not the case in practice. Under Section 3(b)(2) of the Fiscal Management and Accountability (Amendment) Act 2015 (Act No.4 of 2015), since 2015, the Minister of Finance has designated each budget proposed by the Public Accounts Committee for the AOG as 'not acceptable' and this has resulted in cuts each year to the AOG's overall budget submission. The Auditor General argues that this has had a detrimental effect on the Audit Office: the AOG has not been able to fill vacancies at a senior level in the organisation; the Office has not been able to contract in specialist support and expertise for its value-for-money audits; and there has been an adverse impact on meeting travel costs required to facilitate travel to remote regions within Guyana for operational, audit purposes.*

*The second caveat stems from the detailed provisions included in the constitutional and statutory framework concerning the management of the AOG. Under the 2004 Audit Act, the Auditor General has, for example, to secure the approval of the Public Accounts Committee for the appointment and discipline of all senior officers and employees. Although to date the Committee has never objected to any senior appointments proposed by the Auditor General, this statutory requirement could constrain the Auditor General's ability to promote or recruit the individuals who he believes are best suited to take forward the work of the AOG.*

*The third caveat relates to the AOG's Rules, Policies and Procedures Manual. This Manual encompasses all the policies, processes and procedures required to manage and run the Office. The Manual is enshrined within the 2004 Audit Act and is incorporated in the 2005 statutory regulations that implemented that Act. Consequently, to change any of the contents included in the original 2005 version of Manual, the AOG would have to seek the consent of the National Assembly. Understandably, the AOG has been reluctant to initiate such a course of action. However, as a consequence, some sections of the Manual are now out of date in that they do not reflect current best practice as required by the ISSAIs or the Manual contains gaps because of requirements that have emerged since the Manual was given statutory status in 2005. We draw out the adverse impact this is having on the management and administration of the AOG in the relevant sections of this report.*

#### **Dimension (i) Appropriate and Effective Constitutional Framework**

The constitutional, statutory and legal framework for the Auditor General of Guyana and the Audit Office of Guyana comprises three key elements. These are:

- The Constitution of the Cooperative Republic of Guyana, in particular Article 223;
- The 2004 Audit Act; and
- The Regulations made in 2005 under Section 11 of the Audit Act – these are concerned with the administration of the Act.

The Articles of the Constitution relevant to the Auditor General are as follows.

- Article 223(1) stipulates that 'there shall be an Auditor General for Guyana whose office shall be a public office'.
- Article 223(2) provides for the Auditor General's mandate and his rights of access to the information that he requires. This Article states that the public accounts of Guyana and of all officers and authorities of the Government of Guyana (including the Commissions established by the Constitution) and the accounts of the Clerk of the National Assembly and of all courts in Guyana shall be audited and reported on by the Auditor General, and for that purpose the Auditor General or any person authorised by him or her in that behalf shall have access to all books, records, returns and other documents relating to those accounts.
- Article 223(3) provides for the Auditor General to submit his or her reports to the Speaker of the National Assembly 'who shall cause them to be laid before the National Assembly'.
- Article 223(4) provides for the independence of the Auditor General. It stipulates that, in the exercise of his or her functions under the Constitution, the Auditor General shall not be subject to the direction or control of any person or authority.

- Articles 223(5), 223(6) and 223(7) provides for the Public Accounts of Committee of the National Assembly of Guyana to exercise 'general supervision over the functioning of the office of the Auditor General'. This includes the requirement for the Auditor General to submit reports to the Committee on a quarterly basis on the performance and operation of the Audit Office of Guyana and to submit annually to the Committee an Annual Systems and Financial Audit Report.
- Article 204(1) of the Constitution provides for the appointment of the Auditor General by the President acting in accordance with the advice of the Public Services Commission.
- Article 204(3) provides for the Auditor General to 'vacate his or her office when he or she attains such age as may be prescribed by Parliament'. Section 8 of the 2004 Audit Act stipulates that 'the salary, superannuation, benefits and other conditions of service of the Auditor General shall be the same as those of the Chief Justice'. Under the Constitution, the Chief Justice is required to vacate office when he or she reaches the age of sixty-eight years (Articles 131 and 197) and, so, this also applies to the Auditor General.
- Article 225 of the Constitution sets out the process to be followed for the removal of an individual from the office of Auditor General whether because of misbehaviour or because of the inability to discharge the functions of the office of Auditor General as the result of 'infirmity of body or mind or any other cause'. Also Article 227 of the Constitution provides, more generally, for the disqualification from office of any individual 'convicted by a court of an offence relating to excitement of hostility or ill-will against any person or class of persons on the grounds of his or her or their race'.

The 2004 Audit Act reinforces the constitutional position of the Auditor General.

- Section 3(2) of the Act makes explicit that there shall be an Audit Office 'comprising the Auditor General and the officers and employees appointed thereto'.
- Section 5 of the Act stipulates that, in accordance with article 223(4) of the Constitution, the Auditor General 'shall act independently in the discharge of his functions'.
- Section 9 of the Act stipulates that the Auditor General 'may be removed from office only in accordance with the provisions of article 225 of the Constitution'.
- Part V of the Act (sections 24 to 39) sets out in detail the Auditor General's remit, mandate and reporting responsibilities. The Auditor General enjoys significant discretion in deciding how to discharge his responsibilities under the Act. This includes the power 'to conduct special audits and at his discretion prepare special reports when such audits are completed'.
- Part VII (sections 40 to 45) of the Act sets out in detail how the Public Accounts Committee will discharge the responsibilities that the Constitution places on the Committee for its oversight of the office of the Auditor General and the mechanisms for the Auditor General's accountability to the Committee by reporting quarterly on the performance and operation of the AOG and submitting annually an Annual Systems and Financial Audit Report (sections 42 and 43 of the 2004 Act). This process provides the mechanism for the Auditor General to report to the legislature on any matters that may affect his ability to perform his work in accordance with his mandate and legislative framework. We note that the Auditor General has used this mechanism to draw the attention of the Public Accounts Committee to the detrimental impact that a reduction in the proposed budget of the AOG would have on the performance of the Office. The narrative for our assessment of SAI-1

Dimension (ii) below provides more information on this development. These mechanisms for the Auditor General's accountability to the Public Accounts Committee also enable the Auditor General, where he judges it necessary and appropriate, to promote, secure and maintain an appropriate and effective constitutional, statutory and legal framework. In practice, since the implementation of the 2004 Act the circumstances have not arisen where the Auditor General has needed to trigger this mechanism.

Taken overall, the Auditor General of Guyana and his Office enjoy a strong constitutional, statutory framework. Accordingly, all the criteria for Dimension (i) are met with one exception. This relates to criterion (e). The constitutional and legislative framework for the Auditor General and the Audit Office of Guyana does not provide for 'adequate legal protection by a supreme court against any interference' with the independence of the Auditor General and the AOG.

***Dimension (ii): Financial Independence / Autonomy***

This dimension measures the SAI's financial independence.

The constitutional and statutory framework provides specifically for the financial independence of the Auditor General and the AOG.

- Section 40(1) of the 2004 Audit Act stipulates that, in line with the provisions of Article 222A(a) of the Constitution, the AOG is 'financed as a direct charge on the Consolidated Fund, determined as a lump sum by way of an annual subvention approved by the National Assembly after review and approval of the Audit Office's budget as part of the process of the determination of the national budget'.
- Section 40(2) of the 2004 Audit Act sets out the process for preparing the AOG's budget. It gives the Auditor General the responsibility for formulating the AOG's budget as part of a five-stage process. First, the Auditor General is required to prepare the AOG budget submission in accordance with any general guidance issued for this process. Second, the Public Accounts Committee reviews the budget submission and provides comments 'for consideration by the Auditor General'. Third, 'after considering comments from the Public Accounts Committee, the Auditor General shall revise the budget submission and re-submit it to the Public Accounts Committee for endorsement'. Fourth, the Public Accounts Committee forwards the revised budget submission to the Minister of Finance 'for consideration and inclusion in the annual budget proposal'. For the fifth and final stage, the Minister of Finance is required to 'include in the annual budget proposal a subvention for the Audit Office within the allocations of the Parliament Office to be voted on by the National Assembly'.
- Under Article 222A(b) of the Constitution and Section 41 of the 2004 Audit Act, the Auditor General 'shall manage the subvention of the Audit Office in such manner as he deems fit for the efficient discharge of his functions, subject only to conformity with the financial practices and procedures approved by the National Assembly to ensure accountability'. Expenses paid from the subvention are to include salaries and allowances, travel and subsistence costs, and training and professional development activity costs.

Although *prima facie* the AOG enjoys considerable independence of the Executive in the process of deciding and approving its budget, this is not the case in practice.



Under Section 40 (1) of the 2004 Audit Act, the AOG's subvention should be paid as a lump sum direct from the Consolidated Fund. In practice, the subvention is paid in instalments each month by the Ministry of Finance. Consequently, the Ministry of Finance, in effect, exercises control over the AOG's access to the resources approved for it by the National Assembly.

More significantly, under Section 3(b)(2) of the Fiscal Management and Accountability (Amendment) Act 2015 (Act No.4 of 2015), the Minister of Finance 'shall submit to the National Assembly the Minister's comments on the annual budget of a Constitutional Agency, including recommendations in sufficient time to enable consideration by the Assembly and those recommendations shall be limited to the overall request rather than line items'. The Minister of Finance uses this provision to comment on the budget put forward for the AOG (and for other constitutional agencies) and designate it as either 'acceptable' or 'not acceptable'. According to the Auditor General, since 2015, the Minister of Finance has designated each budget proposed by the Public Accounts Committee for the AOG as 'not acceptable' and this has resulted in cuts each year to the AOG's overall budget submission. The Auditor General argues that this has had a detrimental effect on the Audit Office: the Auditor General has not been able to fill vacancies at a senior level in the organisation; the Office has not been able to contract in specialist support and expertise for its value-for-money audits; and there has been an adverse impact on meeting travel costs required to facilitate travel to remote regions within Guyana for operational, audit purposes.

In this context, paragraph 4.8, page 10, of the AOG's Annual Work Plan and Programme for 2017 notes the following:

*'For the year 2017 the Audit Office put forward a budget proposal of \$771.215M comprising of \$738.373M Current Expenditure. However, the budget was approved for \$754.910M with current expenditure being \$722.068M and capital expenditure \$32.842M. This reduction in budget would have serious implication for the performance of the Audit Office, since filling of key positions within the office would not be able to be accomplished'.*

Paragraph 4.8, page 10, of the AOG's Work Plan and Programme for 2018 notes the following:

*'For the year 2018 the Audit Office put forward a budget proposal of \$844.422M comprising of \$826.903M Current Expenditure. However the budget was approved for \$783.876M with current expenditure being \$766.357M and capital expenditure \$17.519M. This reduction in budget would have serious implication for the performance of the Audit Office, since the filling of key positions within the office would not be able to be accomplished'.*

The AOG has no right of appeal to the National Assembly about these reductions in its proposed budget. Nor does it have the opportunity to ask the Minister of Finance to reconsider his comments where these have resulted in reductions in the proposed budget submission for the AOG.

### ***Dimension (iii): Organizational Independence / Autonomy***

This dimension assesses whether the Auditor General enjoys autonomy in the organisation and management of his office in order to fulfil his mandate effectively.

The constitutional and statutory framework governing the Auditor General and his Office provides, specifically, for considerable organizational independence and autonomy.

- Taken together, the Constitution of Guyana and the 2004 Audit Act ensure that the Auditor General is completely independent of the Executive and that he reports to the National Assembly and is accountable for his performance to the National Assembly through the Public Accounts Committee.
- Article 223(4) of the Constitution stipulates that the Auditor General ‘shall not be subject to the direction or control of any person or authority’ in exercising his functions. This is reinforced by the 2004 Audit Act. Section 5 of the Act states that the Auditor General shall act independently in the discharge of his functions under the Constitution. Within the legislative structure established by the 2004 Audit Act, the Auditor General enjoys complete discretion in deciding how he discharges his functions and how he uses the resources made available to him by the National Assembly.
- Section 12 of the 2004 Audit Act stipulates that, for the purpose of discharging the functions of his office, the Auditor General may ‘do anything and enter into any transaction’ subject to the provision of the Audit Act and any other law. The Act states that this includes: ‘establishing and implementing human resource management systems and policies’; ‘developing and maintaining such systems, whether by computer or other means, for the collection, storage, analysis, and retrieval of information’; and ‘formulating procedures for conducting audit work’.
- Between them, the constitution of Guyana and the 2004 Audit Act provide for an elaborate system for the oversight of the work of the Auditor General and his accountability to the National Assembly through the Public Accounts Committee.
- Article 223(5) of the Constitution stipulates that ‘the Public Accounts Committee may exercise general supervision over the functioning of the office of the Auditor General in accordance with the Rules, Policies and Procedures Manual for the functioning of the office of the Auditor General as prepared by the Auditor General and approved by the Public Accounts Committee’. Under Article 223(6) of the Constitution, the Auditor General must prepare and submit to the Public Accounts Committee reports, on a quarterly basis, on the performance and operation of the office of the Auditor General. Under Article 223(7) of the Constitution, the Auditor General must submit annually a copy of an Annual Systems and Financial Audit Report with respect to the office of the Auditor General to the Public Accounts Committee.
- These constitutional requirements are reinforced by the provisions set out in sections 42 to 45 of the 2004 Audit Act.
- Section 42 of the 2004 Act requires the Auditor General to prepare and submit to the Public Accounts Committee each quarter a quarterly report on the performance and operation of the Audit Office in the form of a Programme Performance Statement. Section 43 requires the Auditor General to submit to the Public Accounts Committee an Annual Performance and Financial Audit Report that should include a Programme Performance Statement for the Audit Office for the year. Section 44 requires the Public Accounts Committee to appoint an independent auditor to ‘audit and report on the financial statements, accounts, and other information relating to the performance of the Audit Office in that year’. Finally, section 45 provides for the Public Accounts Committee to ‘exercise general supervision over the functioning of the Audit Office, including the functions of the Auditor General under Part III [of the 2004 Audit Act – Officers and Employees of the Audit Office] in accordance with the Rules, Policies and Procedures Manual and any other law’.

- Part IV (Sections 18 to 23) of the 2004 Audit Act enables the Auditor General to call on and pay for external expertise as necessary. Section 18 stipulates that, in the discharge of his functions, the Auditor General may 'engage the services of technical experts and Chartered Accountants in public practice to serve on contract basis for limited audit engagements including those required as part of agreements with international agreements'.

In the course of the SAI-PMF assessment, we did not identify any instances or examples of direction of, or interference with, the work of the AOG by the National Assembly or the Executive.

There is, in practice, one important practical limitation on the AOG's ability to introduce changes or reform aspects of its organisation and management. This relates to the AOG's Rules, Policies and Procedures Manual (RPPM). This Manual encompasses all the policies, processes and procedures required to manage and run the Office. The Manual is enshrined within the 2004 Audit Act and is incorporated in the 2005 statutory regulations that implemented that Act. Consequently, to change any of the contents included in the original 2005 version of Manual, the AOG would have to seek the consent of the National Assembly. Understandably, the AOG has been reluctant to initiate such a course of action. Accordingly, we conclude that criterion (c) of SAI-1 Dimension (iii) is not met.

There is also an important restriction on the powers of the Auditor General with regard to human resource matters. In principle, the Auditor General does enjoy wide discretion in relation to human resources. Section 14(1) of the 2004 Audit Act stipulates that 'within the framework of the budget approved for the Audit Office, the Auditor General shall assess staffing needs, and appoint, pay, train, assign, promote and discipline officers and employees in accordance with the Constitution, this Act, the Rules, Policies and Procedures Manual and any other law'. However, Section 14(3) of the 2004 Audit Act stipulates that 'the Auditor General's appointment and discipline of all senior officers and employees shall be subject to approval by the Public Accounts Committee'. Although the Public Accounts Committee has never withheld its approval of the senior appointments recommended by the Auditor General, this does represent an important restriction on his powers with regard to the management of the AOG's human resource function. Accordingly, we conclude that criterion (d) of SAI-1 Dimension (iii) is not met.

#### ***Dimension (iv): Independence of the Head of the SAI and its Members***

This Dimension is concerned with establishing whether the conditions for the appointment of the Auditor General are specified in legislation and that arrangements for the Auditor General's appointment and tenure ensure his independence.

The current Auditor General was appointed on acting basis in 2005 following the resignation of the previous Auditor General. He was confirmed in office as Auditor General in 2012. The process used for his appointment in 2012 followed that specified by Article 204 of the Constitution. The Auditor General was appointed by the President on the recommendation of the Public Service Commission. The Auditor General explained that the practice of officials occupying senior positions on an acting basis for an extended period was a common practice across all the public sector in Guyana.

As for the Auditor General's tenure of office, there is not a fixed or renewable period during which the Auditor General may hold office. Instead, in line with the constitutional practice in Guyana, the length of time that the Auditor General may hold office is determined by the

Auditor General's age. Under Section 8 of the 2004 Audit Act the conditions governing the length of time the Auditor General may stay in office are the same as those governing the Chief Justice of Guyana. This means that the Auditor General must vacate his office when he or she reaches the age of sixty-eight, the age at which the Chief Justice of Guyana is required to vacate his or her office. Consequently, the length of time that an Auditor General is in office will depend on his or her age on appointment and, once appointed, the Auditor General's tenure is safeguarded by statute until he or she reaches the age of sixty-eight.

The constitutional and statutory framework governing the Auditor General and his Office include specific provisions intended to protect his independence.

- Article 204 of the Constitution deals with the appointment of the Auditor General. Article 204(1) stipulates 'The Auditor General shall be appointed by the President acting in accordance with the advice of the Public Service Commission'. Article 204(3) deals with tenure – 'the Auditor General shall vacate his or her office when he or she attains such age as may be prescribed by Parliament'. Article 204(2) provides for the temporary appointment to the post of Auditor General should a vacancy occur for any reason.
- Article 225 of the Constitution sets out the process to be followed where an individual holding an office under the Constitution (including the Auditor General) has to be removed for reasons of infirmity or misconduct. The Article requires that the question of removing an individual from a Constitutional office must be referred to an independent tribunal appointed by the President acting in accordance with the advice of the Judicial Service Commission. It will be the responsibility of the independent tribunal to consider whether or not the individual should be removed from office and the President will subsequently act on the advice of the tribunal.
- Article 204(3) of the Constitution deals with tenure – 'the Auditor General shall vacate his or her office when he or she attains such age as may be prescribed by Parliament'. Section 8 of the 2004 Audit Act stipulates that 'the salary, superannuation, benefits and other conditions of service of the Auditor General shall be the same as those of the Chief Justice'. Under the Constitution, the Chief Justice is required to vacate office when he or she reaches the age of sixty-eight years (Articles 131 and 197).
- The Auditor General is not subject to the direction or control of any other authority when carrying out his functions. This is evidenced by Article 223(4) of the Constitution – 'In the exercise of his or her functions under the Constitution, the Auditor General shall not be subject to the direction or control of any person or authority'; and by Section 5 of the 2004 Audit Act – 'The Auditor General shall, in accordance with article 223(4) of the Constitution, act independently in the discharge of his functions'. Accordingly, in line with SAI-PMF guidance, we conclude that criterion (c) of SAI-1 Dimension (iv) is met.
- As noted above, the current Auditor General has been in office since 2005 and, so, there has been no period of three months or more in the past three years when there has been no properly appointed Auditor General with tenure. He was initially appointed on an acting basis and was confirmed in office in 2012. The appointment process in 2012 followed that specified by Article 204 of the Constitution. We did not identify any cases in the three years prior to the SAI-PMF assessment where the Auditor General had been removed from office through an unlawful act or in a way that compromised the AOG's independence.
- Section 6(1) of the 2004 Audit Act stipulates that the Auditor General 'shall not have a direct or indirect official role in any private or professional entity or activity that he

could profit from or influence through his powers as Auditor General and he shall declare to the Public Accounts Committee any of his commitments, obligations or investments which may present a real or perceived conflict of interest’.

### Assessment Scores by Dimension

<i>Dimension</i>	<i>Score</i>
(i) Appropriate and Effective Constitutional and Legal Framework	3
(ii) Financial Independence/Autonomy	2
(iii) Organisational Independence/Autonomy	3
(iv) Independence of the Head of the SAI and its Officials	4
<b>Overall Score</b>	<b>3</b>

### Assessment Findings and Observations

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Appropriate and effective Constitutional and Legal Framework</b>	<p><b>Criteria (a) to (d) and (f) and (g) are met.</b></p> <ul style="list-style-type: none"> <li>The relevant Articles of the Constitution of Guyana dealing with the Auditor General, reinforced by the relevant sections of the 2004 Audit Act, specifically meet each of these criteria.</li> </ul> <p><b>Criterion (e) is not met.</b></p> <ul style="list-style-type: none"> <li>The constitutional and legislative framework does not provide for ‘adequate legal protection by a supreme court against any interference’ with the independence of the Auditor General and the AOG.</li> </ul>	<p><b>3</b></p> <p><b>Criteria (a), (b) and four other criteria are met.</b></p>
<b>(ii) Financial Independence/Autonomy</b>	<p><b>Criteria (a), (b) and (d) are met.</b></p> <ul style="list-style-type: none"> <li>In principle, Article 222A of the Constitution of Guyana and sections 40 and 41 of the 2004 Audit Act provide for the financial autonomy and independence of the Auditor General and the AOG.</li> </ul> <p><b>Criteria (c) and (e) to (g) are not met.</b></p> <ul style="list-style-type: none"> <li>In practice, since 2014-15, under Section 3(b)(2) of the Fiscal Management and Accountability (Amendment) Act 2015 (Act No.4 of 2015), the Minister of Finance has designated each budget proposed by the Public Accounts Committee for the AOG as ‘not acceptable’ and this has resulted in cuts each year to the AOG’s overall budget submission.</li> <li>The Ministry of Finance, in effect, controls the AOG’s access to the resources approved for it by the National Assembly.</li> </ul>	<p><b>2</b></p> <p><b>Criteria (a) and two other criteria are met.</b></p>

	<ul style="list-style-type: none"> <li>The AOG has no right of appeal to the National Assembly about these reductions in its proposed budget.</li> </ul>	
<b>(iii) Organizational Independence / Autonomy</b>	<p><b>Criteria (a), (b) and (e) to (g) are met.</b></p> <ul style="list-style-type: none"> <li>The relevant Articles of the Constitution of Guyana dealing with the Auditor General, reinforced by the relevant sections of the 2004 Audit Act, specifically meet each of these criteria.</li> <li>No instances or examples of direction of, or interference with, the work of the AOG by the National Assembly or the Executive were identified in the course of the SAI-PMF assessment.</li> </ul> <p><b>Criteria (c) and (d) are not met.</b></p> <ul style="list-style-type: none"> <li>The need to secure Parliamentary approval for any changes to the AOG RPPM limits the Office's ability to implement changes or reforms to aspects of its organisation and management.</li> <li>Under Section 14(3) of the 2004 Audit Act, 'the Auditor General's appointment and discipline of all senior officers and employees shall be subject to approval by the Public Accounts Committee'.</li> </ul>	<p><b>3</b></p> <p><b>Criterion (b) and four other criteria are met.</b></p>
<b>(iv) Independence of the Head of the SAI and its Officials</b>	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>The relevant Articles of the Constitution of Guyana dealing with the Auditor General, reinforced by the relevant sections of the 2004 Audit Act, meet the specific criteria.</li> <li>There have been no periods of three months or more in the past three years when there has been no properly appointed Auditor General with tenure.</li> <li>The current Auditor General was appointed in accordance with the relevant provisions of the Constitution.</li> <li>There were no cases in the three years prior to the SAI-PMF assessment where the Auditor General had been removed from office through an unlawful act or in a way that compromised the AOG's independence.</li> </ul>	<p><b>4</b></p> <p><b>All criteria met.</b></p>

#### 4.1.2 SAI-2: Mandate of the SAI - Score 4

##### Narrative

SAI-2 aims to assess the operational powers vested in the SAI through the legal framework. It focuses on three dimensions:

- **Dimension (i) Sufficiently Broad Mandate**
- **Dimension (ii) Access to Information**
- **Dimension (iii) Right and Obligation to Report**

*The constitutional and legislative framework governing the mandate of the Auditor General, his access to information and his right and obligation to report is strong and all encompassing. It comprises the relevant Articles of the Constitution of Guyana reinforced by the relevant sections of the 2004 Audit Act. We found no instances or examples in the previous three years of the Auditor General taking on tasks that would have influenced the independence of his mandate. Similarly, we did not find any instances or examples in the previous three years of interference in the AOG's selection either of audit clients or audit subjects that would have compromised its independence.*

##### **Dimension (i) Sufficiently Broad Mandate**

This dimension assesses the SAI's legal rights to carry out audits. It reflects the expectation of the ISSAIs that the SAI should have a broad mandate covering all or most public financial operations.

The key elements of the constitutional and statutory framework governing the Auditor General's mandate are as follows.

- Article 223(2) of the Constitution of the Co-operative Republic of Guyana stipulates that: *"The public accounts of Guyana and of all officers and authorities of the Government of Guyana (including the Commissions established by this Constitution) and the accounts of the Clerk of the National Assembly and of all courts in Guyana shall be audited and reported on by the Auditor General, and for that purpose the Auditor General or any person authorised by him shall have access to all books, records, returns and other documents relating to those accounts".*
- Section 24(1) of the 2004 Audit Act amplifies this provision. It stipulates that the Auditor General is responsible for conducting financial and compliance audits and performance and value-for-money audits with respect to:
  - The consolidated financial statements of Guyana;
  - The accounts of all budget agencies of Guyana;
  - The accounts of all local government bodies;
  - The accounts of all bodies and entities in which the State has a controlling interest; and
  - The accounts of all projects funded by way of loans or grants by any foreign State or organisation.
- The Auditor General's audit of the consolidated financial statements of Guyana encompasses:
  - Receipts and Payments of the Consolidated Fund;
  - Receipts and Payments of the Contingencies Fund;
  - Assets and Liabilities of the Government; and

- The Statement of Public Debt.
- Article 223(4) of the Constitution stipulates that the Auditor General ‘shall not be subject to the direction or control of any person or authority’ in exercising his functions. This is reinforced by the 2004 Audit Act. Section 5 of the Act states that the Auditor General shall act independently in the discharge of his functions under the Constitution. Within the legislative structure established by the 2004 Audit Act, the Auditor General enjoys complete discretion in deciding how he discharges his functions and how he uses the resources made available to him by the National Assembly.
- Section 24(2) of the 2004 Audit Act provides for the AOG to examine and audit the ‘legality and regularity’ of all financial statements and accounts subject to audit by the Auditor General.
- Section 24(2) of the 2004 Audit Act contains a range of requirements that taken together enable the Auditor General to audit the quality of financial management and reporting of all the financial statements and accounts that are subject to his audit.
- Section 24(3) of the 2004 Audit Act stipulates that, in carrying out performance audits and value-for-money audits, the Auditor General ‘shall examine the extent to which a public entity is applying its resources and carrying out its activities economically, efficiently and effectively’.
- In addition, the Auditor General’s mandate includes the audit of Trades Unions in Guyana. This responsibility predates Guyana’s independence. Prior to independence, the Director of Audit for British Guyana in the British Colonial Office was specifically responsible for the audit of Trades Unions. On independence, this requirement was maintained in the Laws of Guyana. Under Section 22(1) Cap. 98:03, trustees of the trade unions registered under this law are required to submit their accounts to the Auditor General for audit.

In the course of the SAI-PMF assessment, the team carrying out the assessment did not find any instances or examples in the previous three years of the AOG taking on tasks that would have influenced the independence of its mandate. Similarly, the assessment team did not find any instances or examples in the previous three years of interference in the AOG’s selection of audit clients or subjects that would have compromised the AOG’s independence. The assessment team did not find any evidence that the AOG had been subject to direction or interference in the planning, conduct, reporting and follow-up of its audit activities.

In the light of this strong constitutional and statutory framework, all criteria for *Dimension (i) Sufficiently Broad Mandate* are met.

#### ***Dimension (ii) Access to Information***

This dimension assesses the degree to which the SAI has free, timely and unrestricted access to all documents and information it might need for the proper discharge of its responsibilities.

The constitutional and statutory framework governing the Auditor General and the Audit Office of Guyana gives the Auditor General and his officials very strong rights of access to all the information, documents and material that they may require for audit purposes. The key provisions of this constitutional and statutory framework are as follows.

- Article 223(2) of the Constitution guarantees the Auditor General access to all the information he requires to discharge his constitutional responsibilities. The 2004



Audit Act amplifies this point. Sections 30 and 31 of the Act stipulate that audited entities must provide all the information that the Auditor General requires to discharge his functions and that the Auditor General may require 'a public entity or any officer or employee of a public entity' to provide the information or explanations that he requires to discharge his functions. Section 30 makes clear that this should include 'providing reasonable, suitable and secure space for the Audit Office to conduct its work'. In addition, the Auditor General also has the power to examine or audit any bank account of any person where the Auditor General believes that moneys belonging to a public entity have been fraudulently or wrongfully paid into that person's account (Section 33, 2004 Audit Act).

- Under Part VI of the 2004 Audit Act (Sections 37 to 39), where an individual or entity without lawful justification obstructs, hinders or resists the Auditor General or fails to comply with any lawful requirement of the Auditor General, the Auditor General may refer the matter to the Director of Public Prosecutions and the Commissioner of Police to take appropriate action including initiating the prosecution of the individual or entity. Any individual or entity convicted under this part of the 2004 Act is liable to a fine or imprisonment.
- Section 34 of the 2004 Audit Act gives the Auditor General or any officer authorised by him access to a public entity's premises 'for the purpose of obtaining documents, information or other evidence relevant to any matter arising in the discharge of his functions'.

In the light of this strong constitutional and statutory framework, all criteria for *Dimension (ii) Access to Information* are met.

#### ***Dimension (iii) Right and Obligation to report***

This dimension assesses the SAI's right and obligation to report its audit findings.

The constitutional and statutory framework governing the work of the Auditor General give him strong powers in relation to reporting the results of his all his audit work and activities. The key provisions in this regard are as follows.

- Article 223(3) of the Constitution requires the Auditor General to submit his reports to the Speaker of the National Assembly 'who shall cause them to be laid before the National Assembly'. Section 25 of the 2004 Audit Act requires the Auditor General to report 'at least annually, and within nine months of the end of each fiscal year, on the results of his audit of the consolidated financial statements and the accounts of budget agencies in relation to that fiscal year'.
- Section 29 of the 2004 Audit Act provides for the Auditor General's reports to be made available publicly when they are laid before the National Assembly. Once they have been formally laid, the Auditor General's Reports are available in hard copy and on the AOG's website.
- Under Section 25 of the 2004 Audit Act the Auditor General is required to report 'at least annually' and, so, by implication, may report more frequently. He also has the right to carry out and report the results of what the Act refers to as 'special audits'.
- Article 223(4) of the Constitution stipulates that the Auditor General 'shall not be subject to the direction or control of any person or authority' in exercising his functions. This is reinforced by the 2004 Audit Act. Section 5 of the Act states that the Auditor General shall act independently in the discharge of his functions under the Constitution. Within the legislative structure established by the 2004 Audit Act,

the Auditor General enjoys complete discretion in deciding how he discharges his functions including the content of his reports.

- The Auditor General is obliged under Section 25 of the 2004 Audit Act to present his annual report to the National Assembly within nine months of the end of the fiscal year that he is reporting on. He can present other reports to the National Assembly once the audits they refer to are completed (Section 26, 2004 Audit Act).

In the course of the SAI-PMF assessment, the team carrying out the assessment did not find any instances or examples in the previous three years of interference in the AOG's decisions on the content of its audit reports. Similarly, the assessment team did not find any instances or examples in the previous three years of interference in the AOG's efforts to publish its audit reports.

In the light of this strong constitutional and statutory framework, all criteria for *Dimension (iii) Right and obligation to report* are met.

#### **Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Sufficiently Broad Mandate	4
(ii) Access to Information	4
(iii) Right and Obligation to Report	4
<b>Overall Score</b>	<b>4</b>

#### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Sufficiently Broad Mandate</b>	<p><b>All criteria are met. Criterion (b) is not applicable.</b></p> <ul style="list-style-type: none"> <li>• The relevant Articles of the Constitution of Guyana dealing with the Auditor General, reinforced by the relevant sections of the 2004 Audit Act, meet all the specific criteria.</li> <li>• In the past 3 years the AOG has not taken on any tasks that influence the independence of its mandate nor have there been any cases of interference in its selection of audit clients over the same period.</li> </ul>	<p><b>4</b></p> <p><b>All criteria met.</b></p>
<b>(ii) Access to Information</b>	<p><b>All criteria are met. Criterion (d) is not applicable (applies only to jurisdictional controls).</b></p> <ul style="list-style-type: none"> <li>• The relevant Articles of the Constitution of Guyana dealing with the Auditor General, reinforced by the relevant sections of the 2004 Audit Act, meet all the</li> </ul>	<p><b>4</b></p> <p><b>All criteria met.</b></p>

	specific criteria.	
<b>(iii) Right and Obligation to Report</b>	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• The relevant Articles of the Constitution of Guyana dealing with the Auditor General, reinforced by the relevant sections of the 2004 Audit Act, meet all the specific criteria.</li> <li>• There is no restriction on the timing or content of his reports and there have been no examples of interference regarding the content of the reports. Similarly, the Auditor General may make his reports public after they have been tabled in the National Assembly. The AOG has received no interference in this regard in the last 3 years.</li> </ul>	<p><b>4</b></p> <p><b>All criteria met.</b></p>

## 4.2 Domain B: Internal Governance and Ethics

Domain B comprises five indicators. The following table provides an overview of the dimension and indicator scores. Section 4.2.1 to 4.2.5 provide further details.

Domain B: Internal Governance and Ethics		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-3	Strategic Planning Cycle	1	2	2	2	2
SAI-4	Organisational Control Environment	1	1	2	3	2
SAI-5	Outsourced Audits	2	3	3		3
SAI-6	Leadership and Internal Communication	2	3			2
SAI-7	Overall Audit Planning	2	3			2

### 4.2.1 SAI-3: Strategic Planning Cycle - Score 2

#### Narrative

SAI-3 assesses the SAI's strategic planning. It consists of four dimensions:

- Dimension (i) Content of the Strategic Plan
- Dimension (ii) Content of the Annual Plan / Operational Plan
- Dimension (iii) Organizational Planning Process
- Dimension (iv) Monitoring and Performance Reporting

*The 2005 Regulations for the implementation of the 2004 Audit Act provide for the AOG to prepare a three-year strategic plan. To comply with this, the AOG has a well-established process in place to prepare its Strategic Development Plan. That process is, however, deficient in some important respects and requires modernisation and updating to meet best international practice. In this regard, the process for preparing the Office's Strategic Development Plan does not specifically incorporate a process to identify potential risks and opportunities or the AOG's strengths and weaknesses. The Strategic Development Plan itself does not include a good, specific analysis of the major risks that would hinder the achievement of the AOG's strategic objectives. Careful analysis of risks linked to a review of the objectives themselves would provide a robust framework to ensure that the AOG stays on track to improve its performance by focussing on those issues and developments that are the most important or most critical to continuing to consistently improve the performance of the organisation. In this context, while some performance indicators and benchmarks are included in the Strategic Development Plan, these are mainly qualitative in nature. Finally, the process of preparing the AOG's Strategic Development Plan involves very limited, formal stakeholder consultation.*

***More broadly, in relation to the AOG's corporate planning processes, there are a number of areas where these processes could be enhanced and improved. The AOG does not, for example, have or use the type of indicator that enables it to assess the value of its audit work for the National Assembly, citizens of Guyana and other AOG stakeholders. In addition, it does not have in place mechanisms that would enable it to secure feedback about its public visibility and impact. The AOG does not have processes in place that would enable it to gather information and data about the impact of its audits and audit activities. More broadly, the process for monitoring the implementation of the AOG's Strategic Development Plan and its annual operational plan does not involve the explicit consideration or identification of the major risks that would potentially put in jeopardy the successful execution of the Strategic Development Plan and the annual operational plan. Regular operational monitoring should also include regular reviews of risks, with care given not just to the identification of risks to success but also to the tracking of the likelihood and potential impact of major risks over time. If this type of monitoring is not done, there is a danger that the efficiency, effectiveness and impact of the work of the AOG will inevitably be sub-optimal.***

### **Background**

Under section 6 of the Regulations approved by the National Assembly in 2005 for the implementation of the 2004 Audit Act, the AOG is required to prepare a three-year strategic plan. The Regulations also stipulate that the AOG Executive Management Committee should update the three-year strategic plan annually and discuss it with the Chairman of the Public Accounts. In line with these requirements, the AOG prepares what it refers to as a Strategic Development Plan. The AOG revises its Strategic Development Plan every 3 years, usually by simply updating its previous plan rather than through a dedicated, discrete process that involves, for example, a systematic reassessment of the strategic risks, threats and opportunities facing the AOG.

The Office's current Strategic Development Plan covers the period 2018 to 2020. The AOG's established practice is to prepare its Strategic Development Plan with the help of an independent consultant. Once the first draft of the revised Strategic Development Plan has been prepared, it is presented and discussed with the staff of the AOG at the Office's annual retreat. The final version of the draft Strategic Development Plan is approved by the AOG Executive Management Committee and, in line with the requirements of the 2005 Regulations, it is then forwarded to the Chairman of the Public Accounts Committee.

In line with the requirements of sections 42 and 43 of the 2004 Audit Act, the AOG also prepares an annual work plan and programme flowing from the Strategic Development Plan. In turn this is linked to the quarterly and annual reports on performance that the AOG provides for PAC.

The focus of the SAI-PMF assessment was the AOG Strategic Development Plan for the period 2018 to 2020. We also took account of the AOG's two previous Strategic Development Plans. The first covered 2011 to 2013 and the second 2014 to 2016. There was thus a gap of a year (2017) between the AOG's second Strategic Development Plan and the current Strategic Development Plan. The strategic goals specified for the three successive Strategic Development Plans were broadly similar with one exception – the first Strategic Development Plan we reviewed (2011 – 2013) included a sixth goal 'Enhance and Promote Independence and Financial Administrative Effectiveness'. This goal does not appear in the two most recent Strategic Development Plans.

***Dimension (i) Content of the Strategic Plan***

This dimension assesses the extent to which the SAI's strategic planning process has identified the desired future state the SAI is aiming at, whether it has assessed the SAI's current situation, recognised risks and identified the organisation's development needs on this basis.

The current AOG Strategic Development Plan covers the period 2018 to 2020. It contains:

- The AOG's Mission Statement;
- The purpose of the Strategic Development Plan, namely 'to address issues necessary for full and timely accountability of all public institutions and funds; [to] establish multi-year audit objectives; [to] outline strategies to accomplish broad objectives; [to] provide a framework for measuring the Audit Office's accomplishments; and to serve as the basis for annual planning;
- The five goals that the AOG aims to achieve on order to 'attain its general objectives and ensure the efficient functioning of a fully staffed office'. The five goals are set out in Section 4 of the Strategic Development Plan under the heading 'The Strategic Goals, the Supporting Strategies, the Anticipated Benefits, the Costs Effective January 1, 2018'.
- The specific goals listed in the Strategic Development Plan are as follows.
  - Strategic Goal 1: Enhance Personnel, Operational and Organizational Effectiveness. Sub Goal 1 (A): Adequate Staffing including Promotion, Recruitment and Retention; Sub Goal 1 (B): Implement Changes to Improve the Quality of Performance Appraisal Reporting; Sub Goal 1 (C): Enhance and Maximise Effectiveness of the Human Resource Function; Sub Goal 1 (D): Continue Strengthening Information Technology Capacity of the Office; Sub Goal 1 (E): Audit Files – Office Archives Maintenance;
  - Strategic Goal 2: Implement Modern Management Practices [No Sub Goals];
  - Strategic Goal 3: Institutionalizing Best Practices, Knowledge and Skills Transfers for Sustainability [No Sub Goals];
  - Strategic Goal 4: Enhance Professional Audit Practices and Standards [No Sub Goals];
  - Strategic Goal 5: Expand Stakeholder Awareness of Role of Office [No Sub Goals].
- For each Strategic Goal (and each Sub Goal in the case of Strategic Goal 1) the Strategic Development Plan provides the following:
  - a rationale for the Goal / Sub Goal; a set of objectives for each Goal / Sub Goal;
  - a set of strategies for achieving each of these objectives together with an annual timetable for action (the timetable shows in which year of the three years covered by the Plan that each specified strategy for the objective will be actioned);

- a set of benchmarks for the Goal / Sub Goal; a table of results and expected benefits for each Goal / Sub Goal; and,
- where applicable, the resources (in terms of the required expertise or financial resources) required for the Goal / Sub Goal.

In discussion, the Auditor General outlined the key strategic priorities for the Office as he sees them. These were as follows

- To move to 'paperless office' through, for example, the more extensive use of TeamMate;
- To substantially expand performance audit capacity;
- To increase AOG capacity for carrying out environmental audit given the risk to Guyana as a country of events that would have a major detrimental impact on the nation; and
- To respond to the audit and organisational implications for the AOG of the discovery of oil and gas off the coast of Guyana.

We noted that these points are touched on in the Office's Strategic Development Plan for the period 2018 to 2020. However, they are not explicitly drawn out to show the significance of these issues to the AOG.

Following on from this, we also noted that the process for preparing the Office's Strategic Development Plan did not specifically incorporate a process to identify potential risks and opportunities as well as the organisation's strengths and weaknesses. In this regard, the process for preparing the Office's Strategic Development Plan does not specifically incorporate a process to identify potential risks and opportunities or the AOG's strengths and weaknesses. The Strategic Development Plan itself does not include a good, specific analysis of the major risks that would hinder the achievement of the AOG's strategic objectives. Careful analysis of risks linked to a review of the objectives themselves would provide a robust framework to ensure that the AOG stays on track to improve its performance by focussing on those issues and developments that are the most important or most critical to continuing to consistently improve the performance of the organisation.

In this context, we also noted that, while some performance indicators and benchmarks are included in the Strategic Development Plan, these are mainly qualitative in nature.

Finally, the process of preparing the AOG's Strategic Development Plan involves some formal stakeholder consultation. This consultation focuses on discussion with the Public Accounts Committee, a reflection of the role Committee in overseeing and monitoring the work of the AOG, including the preparation of its Strategic Development Plan.

#### ***Dimension (ii) Content of the Annual Plan / Operational Plan***

Dimension (ii) assesses whether the SAI has operationalized its long-term objectives to facilitate the implementation of its strategic plan.

In line with the requirements of the 2004 Audit Act the AOG prepares an Annual Work Plan and Programme and submits this document to the PAC.

We focused our review on the AOG's 2018 Work Plan. We found that it is comprehensive in that it covers the work of the AOG's Audit Operations Unit (which accounts for the bulk of its

activities) as well as its Human Resources Division, its Finance and Accounts Division, its Information Technology Division and its other Administrative Operations. The summary of the work for each Division specifies its objectives and its strategies which link back to the relevant sections of the Office's Strategic Development Plan. The Annual Work Plan also provides details of all activities that the AOG's different operational Divisions plan to carry out in the course of 2018 and the responsibility for managing those different activities. These are costed where appropriate and linked to the AOG's total budget for the year. For example, Appendix IV of the Annual Operational Plan sets out for every audit that the AOG will be required to carry out in during 2018 the estimated inputs in terms of man hours required for each audit and the total cost of each audit reflecting both staff costs and any other costs associated with the planned audit.

In terms of indicators, these are mainly linked to the completion of the AOG's audits in accordance with the statutory deadlines for those audits. Given that the audit of financial statements accounts for around ninety per cent of all the AOG's activities, these indicators cover all the AOG's key operations and are an essential component of the effective management and administration of the organisation. For the other Office functions, the indicators, as such, are targets for the number of staff to be recruited. The AOG's annual Work Plan does not, however, include indicators that measure the outcomes, in the sense of the impact, of its audits and other activities.

Two key assumptions are built into the plan – first, that the approved resources will be made available to the AOG; and, second, in relation to its audit operations, that audited entities submit their draft financial statements to the Auditor General in good time to allow the AOG to meet its statutory deadlines.

Other than this, there is no explicit consideration or identification of the major risks associated with the efficient implementation of the annual operational plan.

***Dimension (iii) Organizational Planning Process (Development of Strategic Plan and Annual / Operational Plan)***

Dimension (iii) is concerned with assessing whether the SAI's planning process has followed principles of good governance, with clearly defined timelines, steps, roles and responsibilities.

The whole planning process is 'owned' by the Auditor General and the AOG's Executive Committee which the Auditor General chairs and comprises the three Directors who are the heads of the AOG's three Business Units. All plans and performance reports are finalised and agreed by the Executive Committee. The Auditor General then formally submits these plans and performance reports to the PAC.

All staff have the opportunity to see and comment on an early draft of the Strategic Development Plan. This is normally done at the annual retreat that the AOG holds for all staff. The AOG also holds regular meetings of its Management Committee which comprises all managers (Audit managers and Administration managers) and audit supervisors. The Auditor General and his senior staff use these meetings to brief colleagues on developments around the planning of the AOG's work. The Auditor General also emphasised that he operates an 'open door' policy for all staff and is always happy to discuss issues around the management and operation of the Audit Office with junior staff.

We noted that, in practice, external consultation about the AOG's development and preparation of the AOG's strategic plan and its annual operational plan is limited to the PAC



with a particular focus on the Chair of Committee. This reflects the central role that the PAC plays in approving the AOG's budget submission and in monitoring the performance of the Office.

in line with the requirements of Sections 43 and 44 of the 2004 Audit Act, the Auditor General submits a quarterly Programme Performance Statement to the PAC on performance in the course of the year and an Annual Performance and Financial Audit Report which includes a Programme Performance Statement for the year. The quarterly reports and the annual statement set out the AOG's progress in meeting the performance goals, targets and objectives set out in the Strategic Development Plan and the annual Work Plan and Programme. To meet these statutory requirements in relation to the quarterly and annual performance reports that the Auditor General is required to submit to the PAC, the AOG has to work to a well established timetable for preparing all the relevant documents in good time.

We noted that there was a gap of one year between the current plan and its predecessor. The current plan covers the period 2018 to 2020. The predecessor plan covered the period 2014 to 2016. Also, we found that the on-going, rolling nature of the process to prepare the AOG Strategic Development Plan, the annual work plan and programme, and the quarterly and annual performance reports for the PAC means that the AOG uses the same format and structure for each type of plan and report. Consequently, there is no process of evaluation of the planning process. Finally, we noted that at the time of the SAI-PMF assessment, the current AOG Strategic Development Plan was not available publicly. Only the Strategic Development Plan for 2011-2013 was available on the AOG website.

#### ***Dimension (iv) Monitoring and Performance Reporting***

This dimension assesses whether the SAI is reporting publicly on its own operations and performance to show that it is fulfilling its mandate and to demonstrate the SAI's performance against internal objectives, the value of its audit work to external stakeholders and the impact that the SAI has on society.

As noted above, in line with the requirements of Sections 43 and 44 of the 2004 Audit Act, the Auditor General submits a quarterly Programme Performance Statement to the PAC on performance in the course of the year and, at the end of the year in question, an Annual Performance and Financial Audit Report which includes a Programme Performance Statement for that year. The quarterly reports and the annual statement set out the AOG's progress in meeting the performance goals, targets and objectives set out in the Strategic Development Plan, and the annual Work Plan and Programme. These reports cover all areas of the AOG's activities.

In terms of indicators, the key ones that the AOG uses are linked to the completion of its audits in accordance with the statutory deadlines for those audits. For the Office's other functions, the indicators, as such, are targets for the number of staff to be recruited. The AOG's performance against the various indicators included in the Annual Work Plan and Programme is set out in the quarterly performance reports submitted to PAC during the year and in the annual performance report that the AOG submits to the Committee.

We noted that the Auditor General's annual report specifies the audit standards and core audit methodologies that the AOG uses. The Auditor General's Annual Report is published and made available to the public in Guyana.

In relation to the AOG's corporate planning processes, we also identified a number of areas where these processes could be enhanced and improved.

- The AOG does not have or use the type of indicator that enables it to assess the value of its audit work for 'Parliament, citizens and other stakeholders'.
- The AOG does not have in place mechanisms that would enable it to secure feedback about its public visibility and impact.
- The AOG does not have processes in place that would enable it to gather information and data about the impact of its audits and audit activities.

In addition, we noted that the process for monitoring the implementation of the AOG's Strategic Development Plan and its annual operational plan does not involve the explicit consideration or identification of the major risks that would potentially put in jeopardy the successful execution of the Strategic Development Plan and the annual operational plan. Regular operational monitoring should also include regular reviews of risks, with care given not just to the identification of risks to success but also to the tracking of the likelihood and potential impact of major risks over time. If this type of monitoring is not done, there is a danger that the efficiency, effectiveness and impact of the work of the AOG will inevitably be sub-optimal.

Finally, we noted that, to date, any external reviews of the work of the AOG have been commissioned by its development partners, in particular the IDB. These have been used for the development partners' own internal monitoring and assessment purposes and so have not been suitable to be made public. We understand the Auditor General intends publishing the results of the SAI-PMF assessment once they have been finalised.

#### **Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Content of the Strategic Plan	1
(ii) Content of the Annual/Operational Plan	2
(iii) Organisational Planning Process	2
(iv) Monitoring and Performance Reporting	2
<b>Overall Score</b>	<b>2</b>

#### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Content of the Strategic Plan</b>	<p><b>Criteria (b) and (g) are met.</b></p> <ul style="list-style-type: none"> <li>• Each Goal / sub Goal in the Strategic Development Plan is linked to a set of strategies for achieving each of these objectives together with a set of benchmarks for the Goal / Sub Goal; a table of results and expected benefits for each Goal / Sub Goal;</li> <li>• The need to take steps to strengthen the AOG's</li> </ul>	<p><b>1</b></p> <p><b>Two criteria are met.</b></p>

	<p>institutional environment has been reflected in previous Strategic Development Plans (for example, the Plan for 2011 – 2013). This is not considered to be a priority for the AOG’s current Strategic Development Plan.</p> <p><b>Criteria (a), (c), (d), (e) and (f) are not met.</b></p> <ul style="list-style-type: none"> <li>• While the AOG has a clear sense of its strategic challenges and priorities, these are not explicitly reflected in the Strategic Development Plan or in the process of preparing the Plan.</li> <li>• Only a limited number of mainly qualitative performance indicators and benchmarks are included in the Strategic Development Plan.</li> <li>• The Strategic Development Plan includes a set of strategies for each Goal / Sub Goal. In turn, these strategies are incorporated in the Annual Work Plan and Programme that the AOG presents to the PAC. However, the Plan does not specify the risks to achieving its stated goals.</li> <li>• Although there is some consultation with the AOG’s key stakeholder (the PAC), the identification of risk and the factoring in of emerging risks are not part of the AOG strategic planning process.</li> <li>• The process of preparing the Strategic Development Plan does not include reflections on the wider economic and public financial management challenges facing Guyana or the capacity of the PAC to deal as effectively as possible with the AOG’s outputs.</li> </ul>	
<p><b>(ii) Content of the Annual/Operational Plan</b></p>	<p><b>Criteria (a) to (d) and (g) are met.</b></p> <ul style="list-style-type: none"> <li>• The AOG Annual Operational Plan includes clearly defined activities, timetables and responsibilities.</li> <li>• The Annual Operational Plan covers all AOG administrative and support services.</li> <li>• The Annual Operational Plan is clearly linked to the AOG Strategic Development Plan.</li> <li>• The Annual Operational Plan costs the activities it contains and links them to the AOG’s total budget for the year.</li> <li>• The AOG’s performance against the various indicators included in the Annual Work Plan and Programme is set out in the quarterly performance reports submitted to PAC during the year and in the annual performance report that the AOG submits to the Committee. These cover in particular</li> </ul>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Five criteria are met.</b></p>

	<p>indicators for the completion and timely submission of audits of financial statements. Taken together they incorporate baselines for the assessment of current performance and the achievement of milestones.</p> <p><b>Criteria (e) and (f) are not met.</b></p> <ul style="list-style-type: none"> <li>• Although the Annual Operational Plan identifies some risks, this needs to be done in a more systematic and comprehensive way that includes some consideration at the organisational level of measures to mitigate these risks.</li> <li>• The Annual Operational Plan contains measurable indicators primarily at the output level linked to the AOG's financial audits. The Annual Operational Plan does not include indicators that measure the outcomes, in the sense of the impact, of the AOG's audits and other activities.</li> </ul>	
<p><b>(iii) Organisational Planning Process</b></p>	<p><b>Criteria (a) to (d) and criteria (f) and (g) are met.</b></p> <ul style="list-style-type: none"> <li>• The whole planning process is 'owned' by the Auditor General and the AOG's Executive Committee.</li> <li>• All staff have the opportunity to see and comment on an early draft of the Strategic Development Plan.</li> <li>• External consultation about the AOG's the development and preparation of the AOG's strategic plan and its annual operational plan is limited to the PAC with a particular focus on the Chair of Committee. This reflects the central role that the PAC plays in approving the AOG's budget submission and in monitoring the performance of the Office. Accordingly, on this basis, we judge criterion (c) is met.</li> <li>• AOG has a range of mechanisms in place that facilitate communication with all staff about the Office's annual plan. These include discussion at the annual retreat that the AOG holds for all staff as well as regular briefing meetings for its Management Committee which comprises all managers (Audit managers and Administration managers) and audit supervisors.</li> <li>• Annual and in-year monitoring is facilitated by the requirements of the 2004 Audit Act for the AOG to provide the PAC with quarterly and annual Programme Performance Statements.</li> <li>• To meet the statutory requirements in relation to</li> </ul>	<p><b>2</b></p> <p><b>Six criteria are met.</b></p>

	<p>providing PAC with planning and performance monitoring reports the AOG works within a well established timetable for preparing all the relevant documents to ensure the PAC deadlines are met.</p> <p><b>Criteria (e), (h) and (i) are not met.</b></p> <ul style="list-style-type: none"> <li>• At the time of the SAI-PMF assessment the current AOG Strategic Development Plan was not yet available publicly.</li> <li>• There was a gap of one year between the current Strategic Development Plan which covers the period 2018 to 2020 and its predecessor which covered the period 2014 to 2016.</li> <li>• The on-going, rolling nature of the process to prepare the AOG Strategic Development Plan, the annual work plan and programme, and the quarterly and annual performance reports for the PAC means that the AOG uses the same format and structure for each type of plan and report. Consequently, there is no process of evaluation of the planning process.</li> </ul>	
<p><b>(iv) Monitoring and Performance Reporting</b></p>	<p><b>Criteria (a), (b) and (g) are met.</b></p> <ul style="list-style-type: none"> <li>• In line with the requirements of the 2004 Audit Act, the Auditor General submits a quarterly Programme Performance Statement to the PAC on performance in the course of the year and, at the end of the year in question, an Annual Performance and Financial Audit Report which includes a Programme Performance Statement for that year.</li> <li>• The key indicators the AOG uses are linked to the completion of its audits in accordance with the statutory deadlines for those audits.</li> <li>• The Auditor General’s Annual report specifies the audit standards and core audit methodologies that the AOG uses. The report is published and available to the public in Guyana.</li> </ul> <p><b>Criteria (c) to (f) are not met.</b></p> <ul style="list-style-type: none"> <li>• The AOG does not have in place the type of indicator envisaged by criterion (c) to assess the value of its audit work.</li> <li>• The AOG does not have in place the type of mechanism envisaged by criterion (d) to secure feedback about its public visibility and impact.</li> <li>• The AOG does not have in place the type of</li> </ul>	<p><b>2</b></p> <p><b>Three criteria are met.</b></p>

	<p>processes envisaged by criterion (e) to gather information about the impact of its work.</p> <ul style="list-style-type: none"> <li>To date the AOG has not been subject to the type of peer review or independent external review envisaged by criterion (f).</li> </ul>	
--	--	--

#### 4.2.2 SAI-4: Organisational Control Environment - Score 2

##### Narrative

SAI-4 provides the principles and expectations for an SAI in terms of: ethical behaviour and standards; internal control within the SAI; quality control throughout the audit cycle; and quality assurance on selected completed audits to assess compliance with the auditing standards and audit manuals.

Well-developed arrangements for establishing, maintaining and developing these competencies are essential for an SAI to operate within an environment that results in audit outputs that can be relied upon by end-users.

This indicator has four-dimensions:

- **Dimension (i) Internal Control Environment – Ethics, Integrity and Organisational Structure.**
- **Dimension (ii) System of Internal Control.**
- **Dimension (iii) Quality Control System.**
- **Dimension (iv) Quality Assurance System.**

*All AOG Auditors sign an Oath of Professional Conduct each year, which covers aspects of audit standards, objectivity and independence, confidentiality and honesty. This Oath is documented in the RPPM. It was last updated in 2004 and, consequently, is in need of modernisation in line with ISSAI 30. Auditors also sign a Conflict of Interest form at the start of each new assignment. There is good rotation of auditors between client and the AOG is taking steps to introduce whistle blowing and witness protection legislation. Internal control systems within AOG are to a large extent informal and there is need a need to have stronger documentation of risk management procedures, as part of a stronger, more formalised system of risk management within the current well-defined system of planning, monitoring and reporting. For example, in our view, it would be advantageous to add a standing item to the agenda for Executive Management Committee meetings to cover issues of internal control*

*The scope of the engagement for the AOG external auditor could be widened to look more critically at the implementation of the AOG's internal controls. There are some good elements for overall quality control within the AOG, but again systems are too informal and more could be done to develop an organisation-wide quality control approach, linked to current planning and reporting systems with stronger identification and monitoring of key quality measures.*

*There are well-defined systems for the quality control of audit work, based mainly on the 'hot review' of the files and working papers of all on-going audits. The AOG should*

***consider whether its current approach is too broad and whether there is a need to conduct more in-depth quality control work in areas of highest risk.***

***Quality assurance is based primarily on the 'cold review' of sample of completed audit files. Issues identified in the course of these reviews are communicated to the Auditor General and appropriate remedial action is taken.***

#### ***Dimension (i) Internal Control Environment – Ethics, Integrity and Organisational Structure***

Section 9 of the 2005 Regulations for the implementation of the 2004 Audit Act requires all officers and employees of the Audit Office to observe the Conflict of Interest Code and to take the Oath of Professional Conduct. Taken together these requirements encapsulate the AOG's code of ethics.

The AOG relevant documents are set out in the Office's Rules, Policies and Procedures Manual (RPPM), in particular the Oath of Professional Conduct and the Conflict of Interest Code. The Oath of Professional Conduct includes an agreement to: comply with auditing standards, procedures and rules; maintain the highest degree of integrity, objectivity and independence; respect confidentiality; adhere to high standards of behaviour and honesty; and, to declare all conflicts of interest. The Conflict of Interest Code is signed by auditors for each individual audit.

The AOG positively encourages ethical behaviour. It has systems in place to ensure that codes of conduct are reviewed and signed each year and that a conflict of interest form is signed before each audit.

In the course of our review of AOG audit files and working papers, we noted that the most commonly stated conflicts are if an auditor has a relative at the entity in question of if he/she used to work there. The Auditor General reviews all potential conflicts and decides if there is a need to move the person off the audit. There is no formalised system to identify, log and analyse ethical risks, but auditors are free to talk to line managers about concerns or breaches to ethical values. The Auditor General commented that he has 'an open door' policy for anyone to raise concerns with him.

In relation to contracted out audits, section 20 of the 2004 Audit Act stipulates that 'In discharging their functions, technical experts and Chartered Accountants in public practice engaged under contract with the Audit Office shall be required to follow auditing standards approved for use by the Auditor General and shall be subject to the Rules, Policies and Procedures Manual'. In addition, the AOG also relies on the professional framework within which the accountancy firms operate to ensure compliance with ethical requirements. All AOG contracted firms are affiliated to ACCA which sets their ethical requirements. ACCA also conducts periodic visits to audit firms to review quality controls such as a visit to one of AOG's contracted firms, Nizam Ali and Co, in July 2017. However, the AOG's ethical requirements are not incorporated into contracts for outsourced audits.

There is no formal system for protecting those who report suspected wrongdoing, but there are plans to introduce whistle blowing and witness protection legislation. On balance, our view is that criteria g is just met.

We noted that the OAG's Oath of Professional Conduct has not been updated since 2004 and, so, does not reflect the provisions of ISSAI 30. Likewise, the OAG's job descriptions have not been updated since 2004 even though there have been some significant changes to the composition of the AOG's work, for example the introduction of performance audit and forensic audit. In addition, other roles such as those relating to information technology have changed significantly since that time. Consequently, a number of job descriptions are missing or out of date.

This is because all these documents were originally part of the OAG RPPM and, under the statutory regulations introduced in 2005 to implement the 2004 Audit Act, the RPPM itself forms part of the statutory regulations. Accordingly, any changes to the RPPM would involve discussion with and endorsement initially by the PAC and ultimately by the National Assembly. Consequently, the AOG has been reluctant to initiate discussion and consultation with the PAC about detailed organisational and management issues of this kind.

### ***Dimension (ii) System of Internal Control***

AOG Division and Business Unit plans are very generic and do not have sections focusing on risks. This suggests that managers and supervisors may not be aware of the major risks that might hinder the successful achievement of objectives and the delivery of those plans. Examples of the type of risk that are relevant in this context include poor succession planning to fill senior management and supervisor positions; the insufficient back-up of audit files and working papers; and a lack of preparation for, and investment in, equipping AOG auditors with the skills they need for new roles within the organisation and for meeting the challenges the Office will face in the future. While we acknowledge that the AOG may be managing some of the risks it faces informally, we believe that the AOG needs a much more formal system is required for identifying risks, documenting those risks and for formally reviewing, assessing and updating those risks at meetings of the AOG Executive Committee (which comprises the Auditor General and the three Directors who lead the three AOG Business Units).

The AOG Division and Business Unit plans are integrated and reviewed by the Executive Committee before submission of the AOG annual plan and budget to the PAC.

We noted that the 2018 plan was, to a large extent, a 'cut and paste' exercise from 2017 (we estimate that over 90 per cent of the text is identical in each of the two plan). AOG reports on progress on the implementation of the plan and its financial performance quarterly to PAC during the financial year. However, this does not include any formal or documented process of risk management. The RPPM does not contain guidance or material on risk management across the AOG. In discussion, the Auditor General commented that the Executive Management Committee meet regularly (often weekly) and do consider risks, but not in a structured way and no minutes are kept of the meetings.

The RPPM contains a section on the management (and control) of audits and sections on major non-audit functions, but there is no significant reference to broader aspects of internal control for the organisation. There are aspects of internal control within the AOG Financial Operations Manual, but no documentation of broader internal control procedures for the AOG.

There is a good, generally applied policy of rotating auditors between client entities every two years. This applies to audit teams based at the AOG's main building and to the audit



teams based at Ministries. There is a proviso to this in that audit supervisors sometimes stay up to three years to ensure that there is some institutional memory of audit work. Auditors based in 5 regional offices do not tend to rotate, as it is difficult to get auditors to move locations.

There is no internal audit function within AOG. However, there is an external auditor appointed each year who, in addition to providing an opinion on the financial statements of AOG, reviews the existence and application of internal controls in the AOG. We noted that the 2017 audit report identified one weakness. This was set out in the management letter – namely that staff vacancies in the AOG 'may affect the effective and efficient operations of the organisation'. We are not sure about the depth of review of internal controls conducted by the external auditor, but responsibility is assigned.

The Audit Act (2004) does not specifically state that external auditors have to comply with the Oath of Professional Conduct but it does state in section 20 that they 'shall be required to follow auditing standards approved for use by the AG and shall be subject to the RPPM'. All contracted firms are affiliated to the ACCA and this body sets their ethical requirements. AOG has a standard contract for contracted auditors which states that the audit 'will be conducted in accordance with the Audit Office's auditing standards and other standards.

Whistle blowing legislation is being drafted and there are plans to develop witness protection legislation alongside this. These are positive developments. Whistle blowing procedures, as they currently stand, are informal.

### ***Dimension (iii) Quality Control System***

The AOG does not have an integrated system of quality management. In this context, we noted that there are some aspects of quality management in the RPPM related specifically to governance, planning, and communications. While audit processes link to the promotion of quality, there is no over-arching summary of processes that specifically focus on quality across the whole of the AOG. Having said this, there are examples of individual systems that do seek to promote quality. The planning of audit work is rigorous and the conduct of audits is accompanied by good quality control. The main tool for quality control of audits is the 'hot review' of audit files during the conduct of all on-going audits.

There is a system of identifying good performers in each unit / division with an annual awards process. Also AOG has received accreditation from ACCA as an approved employer in terms of professional development.

The Auditor General retains overall responsibility for quality control. The Executive Management Committee reviews aspects of quality, but there is no standing agenda to guide this process and no documentation of minutes. The three directors are responsible for the quality of work done in their own business units.

We noted some aspects of quality management in the AOG. All divisions and business units prepare annual plans that are integrated into the AOG Annual Plan. The Auditor General reports quarterly to the PAC on the implementation of the plan - this focuses on key operational issues such as lists of audits performed and internal AOG issues like the purchase of TeamMate software. The reporting to the PAC is not significantly focused on a review of strategy or the achievement of any quality related performance indicators. The Executive Management Committee, led by the Auditor General, reviews quality in various ways but there is no standing agenda and no minutes are kept. There is no documented system that looks at risks to the quality of work.

Section 24 of the 2004 Audit Act states that the AOG has responsibility to audit the consolidated financial statements of government, the accounts of all budget agencies, the accounts of all local government bodies, the accounts of all bodies and entities in which the state has controlling interest and the accounts of all donor funded projects. In terms of prioritisation, most leeway is therefore provided to (i) the amount of resource devoted to each financial / compliance audit and (ii) the selection and focus of performance audits. The audit planning process is rigorous with days / resources allocated to individual audits in line with priorities. The Annual Work Plan for AOG includes a time line for the conduct of all audits, bearing in mind statutory deadlines. The Annual Work Plan also includes an allocation of staff days and associated cost for all financial / compliance audits. Non-audit divisions have less formalised systems for prioritising work, but informally prioritise based on staffing and resourcing.

#### ***Dimension (iv) Quality Assurance System***

The AOG has a Division for Quality Assurance and Contracted Audits, headed by an Audit Manager supported by five members of staff. The head of the Division reports direct to the Auditor General in relation to the Quality Assurance (QA) of audits conducted by the AOG. She also reports to the head of the AOG Business Unit three in relation to contracted out audit matters. She joined the AOG in 1992. She has a CAT qualification and is currently studying for the ACCA professional qualification. She helped to write the CAROSAI Handbook on Quality Assurance for Financial Audits in 2011.

The AOG Quality Assurance Manual provides guidance on

- on-going monitoring and supervision within audit teams;
- quality review of on-going audit work;
- practice review / QA after an audit;
- external review / QA by an external entity.

The quality review work in AOG undertaken by the QA Division is more commonly referred to as either 'hot review' (quality control of live audits) or 'cold review' (quality assurance after the completion of an audit). All audits are subjected to a 'hot review'. Approximately 80 per cent of qualified / disclaimer audits and 40 per cent of unqualified audits are subjected to a 'cold review'.

There are no written procedures for how cold reviews are selected. The QA Manager meets the Auditor General to agree the entities for the cold review and this is to some extent based on risk, but no rigorous process is followed to select audits for cold review. What is needed is a clearly specified procedure for identifying high-risk audits and for allocating more quality assurance time to those audits. If this is not done, there will be less confidence that the AOG is identifying significant, material errors or misstatements in the financial statements that it audits.

The AOG Quality Assurance process is well structured. There is a checklist which covers pre-planning and general standards (independence, acceptance of engagement, technical proficiency, management responsibility), field standards (planning, supervision and control, internal control, audit conduct, documentation and working papers), reporting standards (audit report, financial statements, communication to management), engagement quality review, efficiency, other practice movements, summary of good practices observed and conclusion of review. This is a comprehensive checklist which is the same as one developed by CAROSAI.

Organisationally, the Quality Assurance team is a separate division housed in its own discrete office. They are not fully independent of the audit process as they are often asked for advice on technical aspects of on-going audit work. In the quality control 'hot reviews' of live audits, the team focus on a general assessment of the draft audit opinion, the draft management letter and the draft financial statements. The quality assurance 'cold reviews' of completed audits involve a more thorough examination of audit files. Both hot and cold reviews are only fully independent where the Quality Assurance team did not advise on major technical aspects of the audit concerned.

CAROSAI conducted a review of the AOG's Quality Assurance for financial audit in 2011. This review concluded that there had been significant improvement in the Quality Assurance systems since 2008. The AOG now uses the CAROSAI handbook for Quality Assurance for Financial Audits that has been developed in a collaborative way by several Caribbean countries.

#### **Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Audit Planning Process	1
(ii) Audit Plan Content	1
(iii) Quality Control System	2
(iv) Quality Assurance System	3
<b>Overall Score</b>	<b>2</b>

#### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Internal Control Environment – Ethics, Integrity and Organisational Structure</b>	<p><b>Criteria (a), (d), (f), (g), (h) and (j) are met.</b></p> <ul style="list-style-type: none"> <li>Section 9 of the Audit Act Regulations (2005) states that all officers and employees of AOG shall comply with the Oath of Professional Conduct and with the Conflict of Interest Code.</li> <li>The RPPM contains the relevant forms for the Conflict of Interest Code and the Oath of Professional Conduct that auditors are required to sign.</li> <li>Audit staff are required to sign the Oath of Professional Conduct and a Declaration of Conflict of Interest in January of each year. This is witnessed by the line manager. Staff are encouraged to seek clarification on their understanding of ethics in these meetings and they are also able to discuss related issues with the Auditor General if they wish.</li> <li>The RPPM is available as a download on the AOG website. The home page of the AOG website states that the AOG has a commitment to 'ensuring that the</li> </ul>	<p><b>1</b></p> <p><b>Criteria (a), (d), (g) and three other criteria are met.</b></p>

	<p>independence, integrity and objectivity of the Audit Office is recognised'.</p> <ul style="list-style-type: none"> <li>• Steps are taken to encourage ethical behaviour. The Auditor General reviews all potential conflicts and decides if there is a need to move the person off the audit. There is a basic system (led by the Auditor General) to identify, document and analyse major ethical risks and to protect those who report suspected wrongdoing. There are plans to strengthen this, including the future introduction of whistle blowing and witness protection legislation.</li> <li>• The AOG is divided into three business units, each headed by a director and with clearly assigned functions and responsibilities.</li> <li>• There is a performance appraisal system whereby all staff meet their line manager to discuss performance and objectives on an annual basis. The organisational structure diagram is available for all staff.</li> </ul> <p><b>Criteria (b), (c), (e), (i), (k) and (l) are not met.</b></p> <ul style="list-style-type: none"> <li>• The RRPM contains the relevant forms for the Conflict of Interest Code and the Oath of Professional Conduct that auditors are required to sign. However, these forms have not been updated since 2004 and, so, do not fully reflect the provisions of ISSAI 30.</li> <li>• The Oath of Professional Conduct has not been updated since 2004.</li> <li>• All contracted firms are affiliated to the Association of Chartered Certified Accountants (ACCA) which sets ethical requirements. ACCA also conducts periodic visits to audit firms to review quality controls. However, the AOG's ethical requirements are not incorporated in contracts for outsourced audits.</li> <li>• Job descriptions are contained in the RPPM which dates back to 2004. Some job descriptions are missing or out of date.</li> <li>• There has been no review of vulnerability and resilience to integrity violation.</li> </ul>	
<p><b>(ii) System of Internal Control</b></p>	<p><b>Criteria (g), (h) and (j) are met.</b></p> <ul style="list-style-type: none"> <li>• Although there is no dedicated internal audit function within the AOG, there is an external auditor appointed each year who, in addition to providing an opinion on the financial statements of AOG, reviews the existence and application of internal controls in the AOG.</li> <li>• The external auditors' comments and recommendations on internal control are limited. However, there is a</li> </ul>	<p><b>1</b></p> <p><b>Three criteria (but not criterion (a)) met.</b></p>

	<p>system in place to act on these. This is a formal, stated and key responsibility of the AOG Executive Management Committee.</p> <ul style="list-style-type: none"> <li>• There is a general applied policy of rotating auditors every two years.</li> </ul> <p><b>Criteria (a), (b), (c), (d), (e), (f) and (i) are not met.</b></p> <ul style="list-style-type: none"> <li>• The AOG annual plan is very generic and does not have a section on risks. The AOG reports on progress on the implementation of the plan and its financial performance quarterly to PAC during the financial year, but this does not include any formal or documented process of risk management. There is no system on risk management across the AOG within the RPPM.</li> <li>• The RPPM contains a section on the management (and control) of audits and sections on major non-audit functions, but there is no significant reference to broader aspects of internal control for the organisation.</li> <li>• Annual plans of divisions / units do not refer to risk management. There is no evidence that heads of divisions / units review risk management in a formalised way.</li> <li>• The AOG Annual Performance Report does not include a statement of internal control.</li> <li>• There has been no review of the AOG internal control system within the past five years.</li> <li>• The external auditors perform some internal audit functions and are independent as such. They produce a management letter that is part of their audit report and highlights any issues around internal control. However, the scope of their work is extremely limited as evidenced by the lack of any in-depth findings or recommendations.</li> <li>• There is no reference to the reporting of suspected internal control violations in the RPPM.</li> </ul>	
<p><b>(iii) Quality Control System</b></p>	<p><b>Criteria (a), (c) and (e) are met.</b></p> <ul style="list-style-type: none"> <li>• There is no integrated system of quality management set out in the RPPM, but there are a significant number of quality management policies and procedures in place. Audit manuals include key aspects of quality management. The AOG also employs aspects of quality management related to governance, planning, communications and other non-audit areas that are set out in the relevant AOG documents.</li> <li>• The Auditor General retains overall responsibility for quality control.</li> </ul>	<p><b>2</b></p> <p><b>Three criteria are met.</b></p>

	<ul style="list-style-type: none"> <li>The audit planning process is rigorous with days / resources allocated to individual audits in line with priorities. Non-audit divisions have less formalised systems for prioritising work, but informally prioritise based on staffing and resourcing.</li> </ul> <p><b>Criteria (b) and (d) are not met</b></p> <ul style="list-style-type: none"> <li>There is no integrated system of quality management set out in the RPPM. But there are some aspects of quality management in the AOG. There is no documented system that looks at risks to the quality of work.</li> </ul>	
<p><b>(iv) Quality Assurance System</b></p>	<p><b>Criteria (a), (c), (d), (e), (g) and (h) are met.</b></p> <ul style="list-style-type: none"> <li>The AOG Quality Assurance Manual provides guidance on all key aspects of Quality Assurance work.</li> <li>There is a Division for Quality Assurance and Contracted Audits, headed by an Audit Manager. The head of the Division reports to the Auditor General in relation to Quality Assurance of audits conducted by AOG and to the Director of Business Unit 3 in relation to contracted out audit matters.</li> <li>The Quality Assurance process is well structured. There is a checklist which covers pre-planning and general standards, reporting standards, engagement quality review, efficiency, other practice movements, summary of good practices observed and conclusion of review. This is a comprehensive checklist which is the same as one developed by CAROSAI. The Quality Assurance process results in appropriate recommendations for remedial actions for adherence to standards, the collection of further audit evidence, and the reassessment of the proposed audit opinion.</li> <li>The Quality Assurance reports are signed off by the Audit Manager, Audit Director and the Auditor General. The Auditor General discusses major issues with the Directors in Executive Management Committee meetings but these are not minuted.</li> <li>Quality Assurance 'cold review' reports are made available to the Auditor General on a regular basis and allow him to review the strengths and weaknesses of the quality control system and take appropriate action.</li> <li>CAROSAI conducted a review of QA for financial audit in 2011. This review noted significant improvement in the QA systems since 2008.</li> </ul>	<p><b>3</b></p> <p><b>Criterion (a) and five other criteria are met.</b></p>

	<p><b>Criteria (b) and (f) are not met.</b></p> <ul style="list-style-type: none"> <li>• The QA Manager meets with the Auditor General to agree the entities for the cold review and this might to some extent be based on risk, but no rigorous process is followed.</li> <li>• The QA team are in a separate division in a separate office. They are not always fully independent of the audit process as they are often asked for advice on technical aspects of on-going audit work.</li> </ul>	
--	---	--

### 4.2.3 SAI-5: Outsourced Audits - Score 3

#### Narrative

SAI-5 provides the principles and expectations for an SAI in respect of outsourced audits: the basic requirements for the selection of those contracted to do audits on behalf of the Auditor General; the quality control needed; and, the quality assurance standards to be applied.

Similar to other heads of SAIs, the Auditor General of Guyana has the mandate to outsource audits and retains the ultimate responsibility for the opinion resulting from outsourced audit activities.

Therefore, it is crucial that before signing off on outsourced audit opinions that the Auditor General has a high-level of assurance of reliability and veracity of the audit opinion.

This indicator has three-dimensions:

- **Dimension (i) Process for Selection of Contracted Auditor.**
- **Dimension (ii) Quality Control of Outsourced Audits.**
- **Dimension (iii) Quality Assurance of Outsourced Audits.**

*In summary, the process for selecting and managing contracted auditors is good. All contracted auditors are audit firms based in Guyana. They are all affiliated to the Association of Chartered Certified Accountants (ACCA) which has its own quality standards and quality review procedures. AOG conducts an annual assessment of the capacity of the auditors, conducts a quality control 'hot review' and a quality assurance 'cold review' for every contracted audit and enforces a maximum 6-year policy for the audit of any individual entity. In addition, AOG should consider a more risk-based approach for the identification of audits to be contracted out and also for the extent and depth of quality control and quality assurance work on each contracted-out audit.*

***Dimension (i) Process for Selection of Contracted Auditor***

Section 18 of the 2004 Audit Act gives Auditor General the power to engage the services of technical experts and Chartered Accountants for audit work. The AOG contracts out around 40 audits each year for a selection of Statutory Bodies and Public Sector Enterprises (Corporations with over 50 per cent Government ownership). These audits are conducted by about 8 local accounting firms that are all affiliated to the UK Association of Chartered Certified Accountants (ACCA). ACCA sets the standards and codes for these firms. It also performs periodic reviews of their capacity.

The AOG conducts annual appraisals of the capacity of audit firms in Guyana. In the course of the appraisal process, the AOG assesses the number of staff, quality of staff, experience and past performance of each firm. Contracts for audits are awarded annually. While they run for a maximum of 6 years for any given entity, they do not specifically require the contracted firm to rotate key audit personnel during this period. However, at the end of the six year period, the AOG appoint new auditors and, so, in effect rotate auditors in this way.

The AOG has a standard contract for all its contracted-out audits. This covers of audit scope, audit objectives and audit methods. The section on methods stipulates that the 'audit will be conducted in accordance with the Audit Office's auditing standards and other standards, which are generally acceptable in Guyana'.

The AOG's standard contract also provides for confidentiality. Section 9 of the standard contract states that the auditor 'will not without the written consent of the Auditor General publish or disclose information obtained in the course of the audit to any person other than in the course of his duties or when lawfully required to do so by a court'. Audit working papers are sent to AOG after the completion of audits for safekeeping.

The AOG also makes it clear to contractors that it will use a standard audit plan checklist as part of its monitoring of the contractor's performance and that all contracted audits will be subject to 'cold review' quality assurance in line with the AOG's standard practices.

The AOG does not explicitly seek confirmation that the audit firms it contracts with have its own effective systems of quality control in place. Instead, it relies on the fact that, as all these firms are affiliated to the Association of Chartered Certified Accountants (ACCA), ACCA should conduct its own periodic review of the quality control systems of the contracted firms.

***Dimension (ii) Quality Control of Outsourced Audits***

As noted above, all the firms that the AOG contracts with are affiliated to ACCA and the AOG relies on their compliance with ACCA requirements to ensure that appropriate quality control arrangements are in place. In this regard, ACCA also conducts periodic visits to audit firms to review quality controls. We noted that this included a review of this type to Nizam Ali and Co in July 2017, one of the local firms that the AOG contracts with.

AOG's standard contract for outsourced audits includes provisions related to audit quality requirements.

Clause 8.1 of the AOG's standard contract stipulates that 'all working papers relating to the audit will remain the property of the Auditor General, but for the duration of the contract will be retained by the contracted auditor. The AOG shall have the right of access to these at



any time'. Audit files are returned once the audit has been completed and stored in the AOG Registry for a minimum of 7 years.

The AOG subjects all outsourced audits to a 'hot review'. This includes the review of audit files and also of the draft audit report before it is issued. The AOG also produces its own audit opinion based on the 'hot review'.

In the course of our review of these outsourced audits, we found no documented evidence of risk assessment in relation to the audits. The AOG's decisions about which audits to contract out are largely guided historically (those audits which have been contracted out in the past) and in circumstances where there is a backlog of audits for an entity. We believe there is a case for the AOG undertaking in more depth the most high-risk audits itself and, in this way, direct its efforts towards those audits or areas of highest risk.

### ***Dimension (iii) Quality Assurance of Outsourced Audits***

The AOG uses a range of procedures for QA of outsourced audits. There is an appraisal of audit firm capacity each year. Checklists are used to assess the quality of audit plans of the contracted auditor. All outsourced audits are subject to independent 'cold review' by the AOG QA Division after audit completion using a similar methodology to that used for QA of in-house audits. QA 'cold review' reports are made available to the Auditor General and allow him to understand and act on any quality assurance weaknesses.

The AOG has worked with most contracted auditors for over 20 years. These audit firms have all met Auditor General for an overview of the AOG QA systems and that they have copies of the AOG audit manuals and guidance. Any major issues with the audit process identified in the cold or hot reviews are communicated to the contracted auditor. However, there is insufficient documentation of evidence of recommendations being implemented.

### ***Assessment Scores by Dimension***

<b><i>Dimension</i></b>	<b><i>Score</i></b>
(i) Process for Selection of Contracted Auditor	2
(ii) Quality Control of Outsourced Audits	3
(iii) Quality Assurance of Outsourced Audits	3
<b>Overall Score</b>	<b>3</b>

### ***Assessment Findings and Observations***

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Process for Selection of Contracted Auditor</b>	<p><b>Criteria (a) to (e) are met.</b></p> <ul style="list-style-type: none"> <li>Audits outsourced by AOG are conducted by about 8 local accounting firms that are all affiliated to the Association of Chartered Certified Accountants (ACCA). ACCA conducts periodic visits to audit firms to review quality controls and to ensure that the firms have</li> </ul>	<p><b>2</b></p> <p><b>Criteria (a) and four other criteria</b></p>

	<p>necessary competence and capacities to perform their roles in line with standards and reporting requirements.</p> <ul style="list-style-type: none"> <li>• ACCA sets ethical requirements which cover major elements of integrity, independence, professional secrecy, competency and transparency. AOG has a standard contract for outsourced audits that includes coverage of audit scope, objectives and audit methods.</li> <li>• The AOG conducts annual appraisals of the capacity, experience and past performance of audit firms in Guyana. This is an in-depth documented analysis which is used to allocate higher risk / more complex audits to the firms with highest capacity.</li> <li>• AOG's standard contract for contracted out audits includes provisions for confidentiality.</li> <li>• Section 21 of the 2004 Audit Act states that the AOG shall not contract an auditor with respect to the same entity for more than six years. This requirement enables the AOG to rotate audit appointments between contracted firms.</li> </ul> <p><b>Criteria (f) and (g) are not met.</b></p> <ul style="list-style-type: none"> <li>• There is an audit plan checklist and all contracted audits are subject to a 'hot review' and 'cold review' in line with the standard practices of the AOG. AOG has major elements of good systems of quality control and quality assurance. But these are not well summarised and documented for contracted auditors.</li> <li>• AOG relies on the fact that all contracted firms are affiliated to ACCA. There is no reference to quality control arrangements in the standard contract for contracted auditors.</li> </ul>	<p><b>met.</b></p>
<p><b>(ii) Quality Control of Outsourced Audits</b></p>	<p><b>Criteria (a), (c) and (d) are met.</b></p> <ul style="list-style-type: none"> <li>• All the firms that the AOG contracts with are affiliated to ACCA and the AOG relies on their compliance with ACCA requirements to ensure that appropriate quality control arrangements are in place. ACCA also conducts periodic visits to audit firms to review quality controls. AOG hot reviews are conducted for all outsourced audits and this includes a check that AOG quality control policies and procedures are being followed.</li> <li>• The AOG standard contract for outsourced audits contains a clause that working papers relating to the audit remain the property of the AG.</li> <li>• All contracted audits are subject to a 'hot review'. This includes a review of audit files as well as the draft audit</li> </ul>	<p><b>3 Criterion (d) and two other criteria are met.</b></p>

	<p>report and audit opinion before they are issued.</p> <p><b>Criterion (b) is not met.</b></p> <ul style="list-style-type: none"> <li>• There is no documented evidence of risk assessment in relation to outsourced audits.</li> </ul>	
<p><b>(iii) Quality Assurance of Outsourced Audits</b></p>	<p><b>Criteria (a), (b), (c), (d) and (f) are met.</b></p> <ul style="list-style-type: none"> <li>• AOG uses a range of procedures for QA of contracted audits, such as the annual appraisal of audit firm capacity and the use of checklists to assess the quality of audit plans. In addition, well documented 'cold review' procedures are applied to all audits conducted by contracted auditors.</li> <li>• One hundred per cent of outsourced audits are subject to the AOG 'cold review' quality assurance process.</li> <li>• Both the Audit Director and the Audit Manager (QA) have been at AOG for over 25 years. The Director has overall responsibility for QA of contracted audits.</li> <li>• Day to day quality control of contracted auditors is conducted by the contracted auditors themselves. Cold review quality assurance is conducted by independent staff from the AOG.</li> <li>• QA 'cold review' reports of contracted out audits are made available to the Auditor General on a regular basis and allow him to review the strengths and weaknesses of the quality assurance system and to take any appropriate action.</li> </ul> <p><b>Criteria (e) and (g) are not met.</b></p> <ul style="list-style-type: none"> <li>• Major issues arising out of contracted out audits are discussed in the AOG Executive Management Committee meetings, but no minutes are taken. Reviews are often carried out in a day or less, with little risk assessment and there might not be enough time to identify all areas for improvement.</li> <li>• AOG have worked with most contracted auditors for over 20 years. They have all met the Auditor General for an overview of QA systems and have copies of AOG audit manuals and guidance. We understand that senior managers of the firms responsible for the conduct of the AOG's contracted out audits have responded to the recommendations made by the Auditor General, but</li> </ul>	<p><b>3</b> <b>Criteria (b), (d) and three other criteria are met.</b></p>

	there is no documentation of this.	
--	------------------------------------	--

#### 4.2.4 SAI-6: Leadership and Internal Communication - Score 2

##### Narrative

SAI-6 focuses on the leadership style of the AOG and how it communicates its decisions and requirements internally.

Leadership style is important in all organisations to ensure that senior management establish the 'tone at the top' through setting personal standards of behaviour in, for example, ethical, personal, integrity and objectivity attributes.

All SAI personnel must be kept up to date on all developments affecting the SAI and this can incorporate technical and non-technical information and guidance. In the absence of an effective communication strategy, the SAI runs the risk of important messages being missed by intended receivers with the result that expected actions or decisions are not delivered.

This indicator has two-dimensions:

- **Dimension (i) Leadership.**
- **Dimension (ii) Internal Communications.**

*The Auditor General is well respected and open with his staff. The AOG mission statement is well communicated to staff and externally. However, it is 15 years old now, rather cumbersome and in need of revitalisation. The Executive Management Committee meet regularly but these meetings would benefit from more structure (with some standing agenda items, for example) and full documentation of minutes. The AOG has a well-documented performance appraisal system, but this could be streamlined and used more effectively. There are annual staff retreats and team building events and staff have good access to email and the AOG intranet for communications. The AOG would benefit, however, from a concise communications strategy that clearly sets out how both consulting and informing aspects of communication will work, focusing on the most important issues.*

##### **Dimension (i) Leadership**

In line with Section (3) of the 2005 Regulations implementing the 2004 Audit Act, the AOG's leadership structure comprises two elements:

- The Executive Management Committee: this is made up of the Audit General and the three Directors who head the AOG's three Business Units. The Executive Committee meets frequently, at least weekly, both formally and informally; and
- The Management Committee: this consists of the Auditor General, the three Directors and all AOG managers. It meets between two and four times a year.

There is no separate statement of AOG values as such, but key elements of the AOG's core values are contained within its mission statement. The mission statement dates back to 2004 when it was first included in the RPPM. It can also be found in various AOG documents, on the Office's website. It is also displayed in several places in the AOG's headquarters building.

The mission statement refers to 'openness, transparency and improved public accountability' as well as 'high quality audits', 'timely reporting of results', 'independence, integrity and objectivity' and 'cost-effective' service.

The Auditor General is ultimately responsible for the audit decisions made in all audit reports. The three Directors each manage a portfolio of audits and are responsible for the day-to-day delivery of audits by their audit teams that usually consist of a manager, a supervisor and audit clerks. Directors routinely delegate specific tasks and responsibilities to their managers who in turn delegate to other staff. Delegated roles are set out in job descriptions.

The Director of Business Unit 1 is responsible for the corporate services of AOG (finance, HR, IT, admin, buildings and registry); this includes the role of Accounting Officer of the AOG and the responsibility for the setting of the AOG Budget and the approval of expenditure.

The performance appraisal system is used to assess performance. In discussion, AOG officials acknowledged that the system is in need of review and is treated by most people as a 'box-ticking' exercise. We noted that it is not easy for the AOG to change this system without the support of the PAC as the introduction of a new system would require a fundamental change to RPPM which forms part of the 2005 statutory regulations that served to implement the 2004 Audit Act.

There is a transparent process for selecting people for promotions. There isn't a performance-related pay system that the AOG leadership can use to reward good performers. Consequently, the AOG leadership recognise good performance by enabling staff to attend overseas training courses. There is also an annual AOG awards process whereby divisions select the outstanding employee of the year and these people are recognised at an annual retreat.

The Auditor General has voluntarily requested this SAI-PMF review and this provides a strong indication of his personal commitment to high standards, learning and improvement. He states that our report will be publically available which also shows his personal commitment to transparency. In discussion, the Auditor General gave us recent examples where AOG staff have reported potential wrong-doing by audit client staff. The Auditor General and AOG staff have participated in various court cases dealing with alleged misdemeanours by audit client staff.<sup>12</sup>

The Auditor General also commented in discussion that he has an 'open door' policy whereby all staff members can raise concerns with him or make suggestions. Staff are encouraged and supported to attend training programmes in India, other parts of the Caribbean and elsewhere to improve their technical ability.

Management Committee decisions are minuted and members are free to report key decisions back to staff. However, we concluded that the quality of minutes could be improved. Discussions and linked decisions of the Executive Committee are not minuted.

---

<sup>12</sup> Also see the discussion of the work of the AOG Forensic Audit Unit at SAI-24(iv).

As noted above in relation to Dimensions (i) and (ii) of SAI-4, the AOG does not have a strong institutionalised system of internal control. In this regard, we found no specific examples of the demonstration by leadership of accountability and a cultural of internal control.

***Dimension (ii) Internal Communications***

Section N of the RPPM sets out the communication process in AOG. This covers the AOG mission statement; the role and responsibilities of AOG; accountability to employees; and the communication structure within the AOG and, externally, with the PAC. We confirmed that the AOG followed these processes and that, among AOG staff, there was widespread knowledge of, and familiarity with, these processes. The AOG has a process in place for issuing notifications and messages to staff to keep them informed about developments. The Auditor General personally keeps a record of these notifications and messages issued to AOG staff.

The AOG mission statement is publicly displayed at various locations within the Office's headquarters building. The mission statement covers elements of the AOG's mandate, vision and values. The strategic development plan is available for staff for information. Directors and managers are involved in the development of the strategy. The mission and strategy are also available through the AOG website.

All staff members have official AOG email addresses. All staff members have Internet access and access to the AOG intranet. These are accessible wherever there is an Internet connection.

There is no regular AOG newsletter, but key items of news are periodically posted to the website / intranet by the AOG Information Services Division. In discussion, AOG staff commented that it would be helpful if more resources were available to update news items on a more regular basis.

AOG staff members have a team-building retreat each year. In the course of these retreats, staff are consulted about the AOG's annual plan and, every three years, the preparation of the Strategic Development Plan. Managers give their staff feedback on key issues from the Management Committee meetings - these meetings are supposed to take place every month, but in practice, we understand, are held up to four times a year. Individual audit teams also have meetings on a regular basis.

No minutes are kept of AOG Executive Management Committee meetings and only informal feedback of major decisions to staff. As for Management Committee meetings, we noted that three were minuted in 2016 and two in 2017.

The RPPM describes the role of three other committees that should deal respectively with Human Resources, Financial Management and Information Technology. We found, however, that these committees do not operate in practice.

Overall, we noted that while there are many processes in place within the AOG to inform staff, much less is done to proactively consult with staff.

It would be useful to prepare a concise communications strategy that sets out how the AOG's leadership will consult as well as communicate with staff on clearly specified issues.

**Assessment Scores by Dimension**

<i>Dimension</i>	<i>Score</i>
(i) Leadership	2
(ii) Internal Communication	3
<b>Overall Score</b>	<b>2</b>

**Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Leadership</b>	<p><b>Criteria (a), (c), (e) and (g) are met.</b></p> <ul style="list-style-type: none"> <li>The Management Committee made up of the Auditor General, three directors and managers meets 2 to 4 times per year. Meetings are minuted. An Executive Committee made up of the AG and Directors meets more often, up to weekly (but meetings are not minuted).</li> <li>There is no separate statement of AOG values as such, but elements of values are contained within the mission statement which is widely communicated.</li> <li>The performance appraisal system is used to assess performance. There is a transparent process for selecting people for promotions and an annual rewards process.</li> <li>The Auditor General has voluntarily requested this SAI-PMF review and this provides a strong indication of his commitment to high standards, learning and improvement. All staff members have been very open during this review. The Auditor General gave us recent examples where AOG staff have reported potential wrong-doing by audit client staff. The Auditor General and AOG staff have participated in various court cases dealing with alleged misdemeanours by audit client staff.</li> </ul> <p><b>Criteria (b), (d), (f) and (h) are not met.</b></p> <ul style="list-style-type: none"> <li>It is recognised by the leadership that more structured Executive Management Committee meetings would be useful to ensure coverage of all key issues on a regular basis, and that minutes need to be taken.</li> <li>The Auditor General is ultimately responsible for the audit decisions made in all audit reports. Directors manage a portfolio of audits and are responsible for the day-to-day delivery of audits by teams of manager, supervisor and audit clerks. The Director of Business Unit 1 is responsible for the corporate services of AOG (finance, HR, IT, admin, buildings and registry). However, as job descriptions are out of date and there is a weak system of performance appraisal, there is not a strong</li> </ul>	<p><b>2</b></p> <p><b>Four criteria are met.</b></p>

	<p>formal system for holding managers responsible for their actions.</p> <ul style="list-style-type: none"> <li>• There is no strong institutionalised system of internal control - see also SAI 4 (i) and (ii). We have found no specific examples of the demonstration of accountability and a cultural of internal control.</li> <li>• There is an internal culture of 'quality' to an extent. Coverage of the QA Division is wide. There are annual performance awards. However, the AOG does not yet have a strong institutionalised system of internal control and, until it does so, the internal culture of quality will not be fully effective.</li> </ul>	
<p><b>(ii) Internal Communication</b></p>	<p><b>Criteria (a), (b), (d), (e) and (f) are met.</b></p> <ul style="list-style-type: none"> <li>• Section N of the RPPM sets out the communication process in AOG. There is a system for keeping staff informed of developments affecting them. The AOG operates with the principle of transparency in internal communication – the Auditor General himself plays a leading role to ensure that this takes place in practice.</li> <li>• The AOG mission statement is displayed publicly in the Office's headquarters building. The AOG strategic development plan is available to staff and is also available on the Office's website</li> <li>• Official AOG Email addresses are set up for all staff. All staff have access to the Internet and to the AOG intranet.</li> <li>• Staff have team-building retreats every year as part of the preparation of the AOG annual plan and, every three years, as part of the preparation of the AOG Strategic Development Plan.</li> <li>• All audit teams working in Ministries have Internet access. All AOG regional offices have Internet access that is enabled by AOG.</li> </ul> <p><b>Criterion (c) is not met.</b></p> <ul style="list-style-type: none"> <li>• The Executive Management Committee meets often and regularly but there are no minutes kept of these meetings and only informal feedback of major decisions given to staff. There are some processes to inform staff on key issues arising from Management Team meetings, but much less is done to proactively consult with staff.</li> </ul>	<p><b>3</b></p> <p><b>Five criteria are met.</b></p>



#### 4.2.5 SAI-7: Overall Audit Planning - Score 2

##### Narrative

SAI-7 looks at the process of developing an overall audit plan/control programme, and its content.

This indicator has two-dimensions:

- **Dimension (i) Overall Audit/Control Planning Process**
- **Dimension (ii) Overall Audit/Control Plan Content**

*The AOG has an overall audit plan as well as audit plans for individual audits and for the Business Units and operational divisions that carry out those audits. The AOG Annual Audit Plan and work programme is prepared in each preceding year and provides the basis for the determination of the AOG annual budget. During each delivery year the AOG revisits its annual plan and adjusts its coverage to match its final approved estimates. Although the AOG undertakes some risk assessment in determining areas of focus for each annual audit plan, along with the consideration of available resources, this is not well documented and there is scope for improvement in this regard. In addition, the AOG takes some account of stakeholder expectations as part of the annual audit planning cycle. However, as with risk assessment, documentation of this aspect of the annual audit planning process could be improved.*

##### ***Dimension (i) Overall Audit/Control Planning Process***

The AOG has a well-established process for developing and approving the overall audit plan, starting with a costed submission by Audit Managers on the engagements proposed for the year to be covered by the annual plan. This is done within a timeframe that allows for all submissions to be aggregated into the Annual Work Plan and Programme and submitted as a supporting document for the proposed annual budget. However, there is some scope for improving the documentation of the process, including setting out various justifications and considerations. We concluded that this is not being done in sufficient detail because, we understand, the process is now mature and each person involved knows what is expected.

Although the process for developing the annual audit plan is not fully documented to include all considerations and justifications, copies of the AOG Annual Audit Plan and Programme for 2017 and 2018 were provided for review and the documents clearly included the SAI's mandate as its starting point. The plans also state the key responsibilities of the SAI on page 1, as the AOG Mission Statement. The documents also include detail on the responsibilities of each of the five AOG 'Operational Divisions/Areas' and align these with the objectives of each division and strategies for achieving these objectives.

From our discussions and interviews with AOG officials, it was clear that some level of risk assessment is undertaken in determining areas of focus for each annual audit plan, along with a consideration of available resources. This is however not well documented.

As part of its process for reporting quarterly progress to the PAC, the AOG has a well-established system for monitoring progress with the implementation of its annual work

programme. We reviewed Executive Management Committee meeting records for 2018. These included monthly progress reports from all audit managers for all engagements within their portfolios, showing the state of progress on each audit as well as the resources expended to date. These monthly reports form the basis for the quarterly performance reports that the AOG submits to the PAC.

The Finance and Accounts Division assesses the funding available to the AOG for the year, and the likely impact of any resource gaps on the level of audit coverage. In particular, within the section on 'Underlying Assumptions' on page 10, the 2017 plan sets out the proposed budget, the approved budget and the impact of the shortfall on the performance of the SAI.

From our discussions with AOG officials, it was clear that some level of stakeholder expectations is factored into the annual audit planning cycle, however this is not well documented.

#### ***Dimension (ii) Overall Audit/Control Plan Content***

Copies of the AOG Annual Audit Plans and Programmes for 2017 and 2018 were provided for review. The documents set out the objectives of the audits as one all-encompassing high-level statement under the section on the Audit Operations Division (see page 7 of the 2017 for example). The responsibilities for carrying out the audits are also clearly allocated between the three Audit Directors who head up the AOG's three Business Units.

The AOG Annual Audit Plan and Programme for 2017 contains several Appendices that set out the resources to be deployed for the 2017 audit year. Appendix I sets out the staff available and their qualifications. Appendix II sets out more detail on staff strength, existing vacancies and the proposed movement in staffing levels from 2016 to 2017, Appendix III sets out the audits to be conducted in 2017 and the timing of each audit, and Appendix IV sets out the costs of each audit, including Staff costs and Other Charges.

Although the AOG Annual Audit Plan and Work Programme does not use the terms 'risk' and 'constraints', it sets out the underlying assumptions affecting the achievement of the objectives of each of the five Divisions/Areas. The assumptions stated for the Audit Operations Division include for example, that "*Statutory Bodies, Public Enterprises, Trade Unions etc. promptly submit their draft financial statements, and the full cooperation of the Client is obtained in all aspects*". This was interpreted as flagging the risk that financial statements may not be submitted promptly and that there is a risk of low levels of cooperation by the clients. However, the coverage of risks could be more explicit, and in more detail to show the depth of coverage.

#### ***Assessment Scores by Dimension***

<b><i>Dimension</i></b>	<b><i>Score</i></b>
(i) Overall Audit Planning Process	2
(ii) Overall Audit Plan Content	3
<b>Overall Score</b>	<b>2</b>

**Assessment Findings and Observations**

Dimension	Findings	Score
<b>(i) Overall Audit Planning Process</b>	<p><b>Criteria (a), (b), (d), (e) and (f) are met.</b></p> <ul style="list-style-type: none"> <li>• The AOG has a well-established process for developing and approving the overall audit plan. However, there is some scope for improving the documentation of the process.</li> <li>• The AOG Annual Audit Plan and Programmes for 2017 and 2018 clearly included the SAI's mandate as its starting point.</li> <li>• There is a well-established system for monitoring progress with the implementation of the annual work programme.</li> <li>• The AOG Annual Audit Plan and Programme for 2017 contains a section on the Finance and Accounts Division which considers the funding available to the SAI for the year, and the likely impact of resource gaps on the level of audit coverage.</li> </ul> <p><b>Criteria (c) and (g) are not met.</b></p> <ul style="list-style-type: none"> <li>• Some level of risk assessment is undertaken in determining areas of focus for each annual audit plan, along with a consideration of available resources. However, this is not well documented.</li> <li>• Some level of stakeholder expectations is factored into the annual audit planning cycle, however this is not well documented.</li> </ul>	<p style="text-align: center;"><b>2</b></p> <p><b>Criteria (a), (b) and two other criteria are met.</b></p>
<b>(ii) Overall Audit Plan Content</b>	<p><b>Criteria (a) to (d) are met.</b></p> <ul style="list-style-type: none"> <li>• The AOG Annual Audit Plan and Programme for 2017 and 2018 set out the objectives of the audits as one all-encompassing high-level statement under the section on the Audit Operations Division. The responsibilities for carrying out the audits are also clearly allocated between the three Audit Directors.</li> <li>• The AOG Annual Audit Plan and Programme for 2017 contains a number of Appendices that set out detailed information on the human and financial resources to be deployed for the 2017 audit year.</li> </ul> <p><b>Criterion (e) is not met.</b></p> <ul style="list-style-type: none"> <li>• Although the AOG Annual Audit Plan and Work</li> </ul>	<p style="text-align: center;"><b>3</b></p> <p><b>Criteria (a), (b) and two other criteria are met.</b></p>

	<p>Programme does not use the terms '<i>risk</i>' and '<i>constraints</i>', its sets out the underlying assumptions affecting the achievement of the objectives of each of the five Divisions/Areas. However, the coverage of risks could be more explicit, and in more detail to show the depth of coverage.</p>	
--	---	--

### 4.3 Domain C: Audit Quality and Reporting

Domain C comprises 13 indicators but indicators 18-20 have not been applied, as they are only applicable for Court style SAIs. The following table provides an overview of the dimension and indicator scores. Section 4.3.1 to 4.3.11 provide further details.

Domain C: Audit Quality and Reporting		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-8	Audit Coverage	3	1	3	N/A	2
SAI-9	Financial Audit Standards and Quality Management	4	4	3		4
SAI-10	Financial Audit Process	2	3	2		2
SAI-11	Financial Audit Results	4	4	4		4
SAI-12	Performance Audit Standards and Quality Management	4	3	3		3
SAI-13	Performance Audit Process	2	3	3		3
SAI-14	Performance Audit Results	0	4	3		2
SAI-15	Compliance Audit Standards and Quality Management	2	3	3		3
SAI-16	Compliance Audit Process	1	3	2		2
SAI-17	Compliance Audit Results	4	4	4		4
SAI-18	Jurisdictional Control Audit Standards and Quality Management	N/A	N/A	N/A		N/A
SAI-19	Jurisdictional Control Audit Process	N/A	N/A	N/A		N/A
SAI-20	Results of Jurisdictional Controls	N/A	N/A	N/A		N/A

### 4.3.1 SAI-8: Audit coverage - Score 2

#### Narrative

This indicator measures the audit coverage achieved by the AOG across the three main audit disciplines – financial, performance and compliance. This indicator has four dimensions of which dimension (iv) is not applicable to the AOG:

- Dimension (i) Financial Audit Coverage.
- Dimension (ii) Coverage, Selection and Objective of Performance Audit.
- Dimension (iii) Coverage, Selection and Objective of Compliance Audit.
- Dimension (iv) Coverage of Jurisdictional Control.

*The AOG submits quarterly and annual performance reports to the National Assembly of Guyana setting out its progress against its annual work plan and the level of audit coverage achieved at the end of each quarter. The quarterly and annual performance reports of the AOG, and the Auditor-General's annual report also include information on financial statements not submitted for audit by the appropriate dates, and on the back-log of audits to be conducted. Taken together, these confirm that the AOG achieves a high level of coverage of its 'audit universe' in relation to financial audit. The AOG has traditionally combined its financial and compliance audit into single assignments and, so, compliance audit does not constitute a separate stream of audit work for the AOG. Consequently, compliance (or regularity) issues are dealt with on an entity-by-entity basis rather than as separate subjects that cut across individual audited entities. Currently performance audit constitutes a very small proportion of the AOG's audit activities. To illustrate this, in the past three years the AOG has issued two performance audit reports. If the AOG is to meet its objective of substantially increasing the volume of its performance audit work, it will have to develop a much more systematic and structured process of planning that work that identifies and assesses risks to economy, efficiency and effectiveness across its 'audit universe'.*

#### **Dimension (i) Financial Audit Coverage**

The AOG's 2016 Annual Performance Report includes an affirmation that the AOG is required to 'complete the examination of all Appropriation Accounts for the Central Government and produce the Auditor General's report by 30<sup>th</sup> September each year. Additionally, emphasis is placed on the completion of audits for Statutory Bodies, Public Enterprises and Constitutional Agencies, in keeping with the Financial Management and Accountability Act (FMAA)'.

The Report shows that, for 2016, the AOG completed all its audits of the Consolidated Financial Statements, 42 out of 44 Statutory Bodies and 15 out of 31 Public Enterprises. The Audits of the 15 Constitutional Agencies were in progress at the time of the report. We understand that two Constitutional Agencies were able to submit financial statements on time for the inclusion of those audits within the annual work plan for 2017 (for the AOG's 2016 Annual Report). The remainder of the financial statements were submitted later and were included within the annual work plan for 2018. From our discussions with the Auditor General, and his team and from our review and analysis of the financial statements, the Consolidated Financial Statements cover over 75 per cent of auditable balances within the

remit of the AOG. The Auditor General also includes within his Annual Report full disclosure on an entity-by-entity basis of the financial statements that were not submitted to audit. Overall, the AOG plans to audit all financial statements submitted during the audit year, and does not have (or appear to require) a deliberate process of prioritizing audits on the basis of risk, materiality, mandate and SAI competence and resources etc. The Annual work plan contains the AOG's consideration of these matters, but not with the overt intention of limiting the audit coverage to a selected number of audits.

In this context, we should note that the AOG's audit of the 2017 Consolidated Financial Statements had not been completed at the time of this SAI-PMF assessment.

Finally, in this context we note that the AOG prepares its Annual Performance Report for submission to the Public Accounts Committee (PAC) of the National Assembly as part of the structure put in place by the 2004 Audit Act for the oversight of the AOG. The PAC does not make the Annual Performance Report available publicly. However, the Auditor General's Annual Report that is submitted to the National Assembly is available publicly and this provides information on any financial statements not submitted for audit by the appropriate date and on the backlog of audits to be undertaken.

#### ***Dimension (ii) Coverage, Selection and Objective of Performance Audit***

This Dimension focuses on whether the SAI's processes for selecting audit topics for performance audit enable it to select audits that cover significant issues and that are likely to have an impact. Having an impact refers to whether the audits are likely to significantly improve the conduct of government operations and programmes.

To date, the AOG has published four performance audit / value-for-money reports. These are as follows:

- An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (Published November 2009).
- A Review of the Old Age Pension Programme in Guyana – Ministry of Social Protection (Published October 2010).
- Follow-up Report: An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (Published October 2015).
- The Construction of the New Access Road to the Cheddi Jagan International Airport – Ministry of Public Infrastructure (Published September 2017).

The low level of resource that the AOG currently allocates to performance audit means that the planning of the performance audit programme is not carried out in a structured, systematic way.

Although the AOG devotes relatively few resources to performance audit, its mandate and strategic planning make it clear that the AOG treats performance audit as of equal importance to its financial and compliance audit responsibilities. In discussion, the Auditor General confirmed that he regards the development of the AOG's performance audit capacity as a key strategic objective.

Planning as such is based on the experience and insights provided by the AOG's financial audit. This is supplemented by the exercise of professional judgement on the part of performance audit staff to compile a list of possible performance audit topics for the Auditor General to consider as part of the AOG's annual planning exercise. On this basis, the Auditor General decides on a topic to be included in the AOG's next annual plan.

The selection of the performance audit topics to be included in the annual plan is influenced by considerations of the significance, materiality and likely impact of the potential topic, as well as the broad strategic approach that the AOG wants to adopt. For example in 2016, the AOG decided to focus on major capital infrastructure projects in line with a wider initiative taken by the CAROSAI group of SAIs and subsequently carried out the performance audit that examined the construction of the new access road to the Cheddi Jagan International Airport referred to above.

In discussion, the Auditor General explained that two key considerations influence his selection of topics for performance audits. The first is that a performance audit should focus on a topic that is significant for Guyana. The second is that the proposed performance audit should have a clear impact.

In line with the requirements of Section 24(3) of the 2004 Audit Act, in conducting its performance audits, the AOG examines 'the extent to which a public entity is applying its resources and carrying out its activities economically, efficiently and effectively with due regard to ensuring effective internal management control'. All topics selected for performance audit are confirmed as suitable in terms of their auditability and all are within the AOG's mandate.

As noted above, because of the small scale of the AOG's current performance audit activities, while part of its annual audit planning process, its planning for performance audit is carried out in an unstructured and unsystematic way. In addition, the AOG's performance audit planning process does not take account of factors such as stakeholder expectations and emerging risks in a systematic, structured manner.

In the past five years (the period from 2013 to the SAI-PMF assessment in May 2018), the AOG has issued two performance audit reports:

- Follow-up Report: An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (**Published October 2015**).
- The Construction of the New Access Road to the Cheddi Jagan International Airport – Ministry of Public Infrastructure (**Published September 2017**).

Thus, one report covered the area of health, while the second dealt with a major infrastructure project.

### ***Dimension (iii) Compliance Audit Coverage***

From interviews and discussions with AOG officials, from our review of a sample of audit files, and from our review of the Annual audit plan and work programmes for 2017 and 2018, we confirmed that financial audits and compliance audits are combined in each single assignment, and all the entities to be covered in each year are reflected within the Annual audit plan and work programme.



The audit approach at the AOG requires the auditor to apply the full range of financial and compliance audit procedures that are in use, and there was no indication of narrowing the scope of one form of audit in order to be able to do more of the other. Each audit of a set of financial statements covers all the usual assertions including regularity. Under the regularity assertion, the AOG covers compliance with relevant laws, rules and regulations. This is built into the AOG's standard approach to the audit of all financial statements. There is no separation between the two in the sense that the AOG does not scale its compliance audit up or down. When the AOG conducts an audit of a set of financial statements, that audit includes the full range of compliance audit procedures.

As with their financial audits, the AOG were able to demonstrate their risk assessment process, especially around the identification of high-risk audits and the allocation of their limited resources. The process is systematic and includes the input of all audit managers as the annual audit plans are formulated. The assessment of risk and materiality could however be better documented.

The AOG also has a well-established process for developing and approving the overall audit plan, starting with the costed submissions by Audit Managers on the engagements proposed for the year to be covered by the plan. This is done within a timeframe that allows for all submissions to be aggregated into the Annual Work Plan and Programme and submitted as a supporting document for the proposed annual budget. Once the budget is approved, the process is revisited to adjust the work plan to match the approved envelope.

There remains some scope for improving the documentation of the process, including setting out various justifications and considerations. This is not yet being done in sufficient detail, as the process is now mature. Each person involved knows what is expected having done it for several years, and therefore much of the process is undertaken without being documented. That said, from our interviews with AOG and our review of the supporting documentation, the processes around the formulation of the AOG Annual Work Plan and Programme and the annual budget clearly take account of risks, resource availability and materiality, and are on balance adequate to fulfil the requirements of the relevant criterion.

From interviews with the AOG and our review of the annual work programme, we noted the intention of the AOG to cover all possible financial statements and entities each year, and where that is not possible, to cover all within the shortest possible timeframe. This is also reflected within the Annual Audit plans for 2017 and 2018 and within the Auditor-General's annual report for 2016.

The annual audit plan and work programme for 2017 shows coverage of the Guyana Revenue Authority in the work plan for the year. Financial statements to be audited include the 2015 and 2016 accounts (*See Appendix IV page 35 of annual audit plan and work programme for 2017*). The appendix also lists audits of the National Board and the National Procurement and Tender Administration Financial Statements for 2008 and 2009.

Sub-criterion (II) of criterion (d) was however not met, as no coverage of payroll as a distinct compliance audit topic was identified during our review and from the various discussions held with AOG management. Payroll is covered within individual engagements as an audit area.

**Dimension (iv) Coverage of Jurisdictional Control – N/A****Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Financial Audit Coverage	3
(ii) Coverage, Selection and Objective of Performance Audit	1
(iii) Coverage, Selection and Objective of Compliance Audit	3
(iv) Coverage of Jurisdictional Control	N/A
<b>Overall Score</b>	<b>2</b>

**Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Financial Audit Coverage</b>	<ul style="list-style-type: none"> <li>For 2016 the AOG completed the audit of all the entities that form the Consolidated Financial Statements, 42 out of 44 Statutory Bodies and 15 out of 31 Public Enterprises.</li> <li>The Consolidated Financial Statements cover well over 75 per cent of auditable balances within the remit of the AOG.</li> <li>The selection of financial statements for audit was based on considerations of risk, materiality, mandate and SAI competence and resources, although the AOG's documentation of the assessment process could be better.</li> <li>Overall, to meet its constitutional and statutory obligations and responsibilities, the AOG plans to audit all financial statements submitted during the audit year. Consequently, it does not prioritise audits with a view to deliberately limiting the extent of its planned annual coverage. The AOG Annual Work Plan contains the AOG's consideration of issues such as risk, materiality mandate, competence and resources but not with the overt intention of limiting the audit coverage to a selected number of audits. The AOG plans to audit all financial statements submitted within the statutory deadline for submission. The main issue limiting the AOG's ability to achieve full coverage is the failure of reporting entities to submit financial statements in a timely manner</li> <li>The Auditor-General also includes within his Annual Report full disclosure on an entity by entity basis of the financial statements that were not submitted to audit.</li> </ul>	<p><b>3</b></p> <p><b>At least 75 per cent of financial statements received (and required to be audited under the mandate of the SAI) were audited.</b></p>
<b>(ii) Coverage, Selection and Objective of</b>	<p><b>Criteria (a) and (b) are met.</b></p> <ul style="list-style-type: none"> <li>Although the AOG devotes relatively few resources to</li> </ul>	<p><b>1</b></p> <p><b>Two</b></p>

<b>Performance Audit</b>	<p>performance audit, its mandate and strategic planning make it clear that the AOG treats performance audit as of equal importance to its financial and compliance audit responsibilities. In discussion, the AG confirmed that he regards the development of the AOG's performance audit capacity as a key strategic objective.</p> <ul style="list-style-type: none"> <li>• In line with the requirements of Section 24(3) of the 2004 Audit Act, in conducting its performance audits, the AOG examines 'the extent to which a public entity is applying its resources and carrying out its activities economically, efficiently and effectively with due regard to ensuring effective internal management control'.</li> </ul> <p><b>Criteria (c) to (h) are not met.</b></p> <ul style="list-style-type: none"> <li>• Because of the small scale of the AOG's current performance audit activities, while part of its annual audit planning process, its planning for performance audit is carried out in an unstructured and unsystematic way.</li> <li>• The AOG's performance audit planning process does not take account of factors such as stakeholder expectations and emerging risks in a systematic, structured manner.</li> <li>• In discussion, it was evident that a key consideration for the AG in deciding on topics for performance audits is that they focus on topics that are significant for Guyana. However, because this is not formally documented, in line with SAI-PMF guidance, criterion (e) is not met.</li> <li>• In discussion it was evident that all topics selected for performance audit are confirmed as suitable in terms of their auditability and within the AOG's mandate. However, because this is not formally documented, in line with SAI-PMF guidance, criterion (f) is not met.</li> <li>• In discussion it was evident that a key consideration for the AG in selecting topics for performance audit is ensuring that each audit will have a clear impact. However, because this is not formally documented, in line with SAI-PMF guidance, criterion (g) is not met.</li> <li>• In the past five years (the period from 2013 to the SAI-PMF assessment in May 2018), the AOG has issued two performance audit reports. One covered the area of health, while the second dealt with a major infrastructure project.</li> </ul>	<b>criteria met.</b>
<b>(iii) Coverage, Selection and Objective of</b>	<p><b>Criteria (a), (b), (c) and (d)(III) are met.</b></p> <ul style="list-style-type: none"> <li>• During the year under review, 75 per cent of entities identified in the plan for that year and at least 50 per cent</li> </ul>	<b>3</b> <b>Two sub-criteria on</b>

<b>Compliance Audit</b>	<p>of central government entities were subject to compliance audit.</p> <ul style="list-style-type: none"> <li>When the AOG conducts an audit of a set of financial statements, that audit includes the full range of compliance audit procedures.</li> </ul> <p><b>Criteria (d)(I) and (d)(II) are not met.</b></p> <ul style="list-style-type: none"> <li>Under criterion (d) three specific areas should have been covered over the last three years, of which the AOG covered one (Revenue).</li> </ul>	<b>(d) were not met.</b>
<b>(iv) Coverage, of Jurisdictional Control</b>	N/A	N/A

#### 4.3.2 SAI-9: Financial Audit Standards and Quality Management - Score 4

##### Narrative

This indicator assesses the AOG's approach to financial auditing in terms of its overall standards and guidance, team management and skills and quality control. The indicator has three dimensions:

- **Dimension (i) Financial Audit Standards and Policies.**
- **Dimension (ii) Financial Audit Team Management and Skills.**
- **Dimension (iii) Quality Control in Financial Audit.**

*The AOG performs well under this indicator although there is scope for improvement. The Audit Procedures Manual (2006) needs to be updated to reflect the full range of ISSAIs, and to provide guidance in a number of specific areas. These include the audit of group financial statement and the sufficiency and appropriateness of audit evidence.*

##### ***Dimension (i) Financial Audit Standards and Policies***

The AOG's financial audit standards and policies are set out in Volume 1 of its 2006 Audit Procedures Manual. We reviewed this part of the Manual and confirmed that it was broadly consistent with ISSAI 200 – Fundamental Principles of Financial Auditing. Section 1.2 (page 3) of the Manual, under 'Background of the Audit Office, Mandate and Legislature Oversight Role' specifically states that wherever possible. the audits of Financial Statements should conform with International Standards on Auditing (ISAs). It also includes a specific reference to the principles governing the auditors' professional responsibilities under ISA200. Furthermore, on review, we found that the manual was consistent with ISSAI200.

The standard engagement letters signed by each Accounting Officer includes a section clarifying specific responsibilities of the Accounting Officer and provides clarity on the various roles and responsibilities, including the provision of accounting records to audit. Furthermore, the Consolidated Financial Statements prepared by the Government of Guyana includes as part of the Accounting Policies a note on the responsibility for the preparation of the Financial Statements, confirmation of the financial reporting framework (Guyanese GAAP), and that the statements are in prepared in accordance with extant financial regulations. These points are also reflected in the Auditor General's Report.

#### ***Dimension (ii) Financial Audit Team Management and Skills***

The AOG has systems and processes in place that are designed to ensure that financial audit teams have the appropriate skills, knowledge and information to enable them to do their work. The AOG's quality control procedures and the steps and procedures to be applied by the auditor to achieve high quality audits are covered in

- The AOG's 2006 Audit Procedures Manual Volume 1;
- The AOG's Quality Assurance Manual, October 2008; and
- Quality Assurance for Financial Audits - A Handbook for SAIs in CAROSAI.

The procedures to be applied to achieve high quality reports and the prescribed reporting arrangements and are also covered in these manuals.

As specific examples, the 2006 Audit Procedures Manual adequately covers the need for audit teams to have an understanding and practical experience of audit engagements of a similar nature and complexity, an understanding of professional standards and the applicable legal and regulatory requirements, and appropriate technical expertise.

Furthermore, from our review of eight audit files, there was adequate evidence of these steps being followed, including the application of the appropriate working paper templates and Quality Control checklists. The planning documents reviewed showed the AOG has a system in place when assembling the audit teams to ensure that the teams are properly structured and are fit for purpose (*in line with criteria a – h for this dimension*). The application of the system was confirmed as documented within the planning section of each of the eight audit files that were reviewed. These files showed that the documented procedures were subjected to multi-stage review and to Quality Control review.

Overall however, although the 2006 Audit Procedures Manual adequately reflects most of key auditing principles, it is dated and does not, for example, include references to the ISSAIs. In addition to the guidance within the manuals, the AOG provides other support to its staff, including formal training and 'on the job' training.

#### ***Dimension (iii) Quality Control in Financial Audit***

The Audit Procedures Manual includes a requirement for multi-stage review of all audit work. Section 7 of the Manual covers the Review process and sets out the roles of the Supervisor, the Audit Manager and the Audit Director. Furthermore, both Quality Assurance Manuals contain detailed guidance on the Quality Control process to be applied to Financial Audits across the AOG. The CAROSAI Quality Assurance Handbook in particular also contains template checklists to be applied to each audit. These were seen completed and signed by the reviewers on the audits that were examined as part of our sample. Specifically, the audit

files selected for review included documentation of the quality control review processes, the comments raised by the reviewers and the responses from the auditor as well as actions taken following the quality control review. This demonstrates that the quality control review is being used to promote learning and personnel development.

The CAROSAI Quality Assurance Handbook requires all audit judgments to be evidence based and covers the need to engage Technical Specialists where required. In addition, this issue was discussed with the AOG and it was confirmed that there is a rigorous process of challenge and technical review around audit opinions and reports before they are finalised, especially for high-risk audits. However, the documentation of this technical consideration of the audit opinions needs to be improved, especially where there are difficult or contentious matters. In practice, the Auditor-General's Annual report contains extensive detail on the various forms of opinion that are issued in each year across the various audited entities (see 2016 Report), including a significant number of qualifications and disclaimed opinions. Two examples were also provided where there was some documentation to show how the proposed audit opinion and report changed as a result of further review and technical consultation (one in-house audit of the Property Holdings Incorporated for the year ended 31 December 2016, and one contracted-out audit of the University of Guyana for 31 December 2014). These underpin the AOG's assertion that there is a rigorous review system in place, however the Auditor-General accepts that the level of documentation could be better.

The CAROSAI Quality Assurance Handbook also includes a requirement for the AOG to have policies and procedures for dealing with differences of opinion within the engagement team, and to document in detail the resolution and implementation of conclusions reached. However, it was not possible to see routine documentary evidence of how all differences of opinion are resolved. In discussion, the Auditor General explained how these differences are resolved, including with the input of experts such as engineers. Unfortunately, there was not adequate documentation of the process to fulfil the requirements of this criterion.

There was adequate evidence of Engagement quality control review on the audit files selected for examination. There was evidence of a three-stage review process at engagement team level, followed by QC review by an independent person on all the files selected for review. These steps are completed and signed-off for Auditor General approval before audit reports are issued.

#### ***Assessment Scores by Dimension***

<b><i>Dimension</i></b>	<b><i>Score</i></b>
(i) Financial Audit Standards and Policies	4
(ii) Financial Audit Team Management and Skills	4
(iii) Quality Control in Financial Audit	3
<b>Overall Score</b>	<b>4</b>

**Assessment Findings and Observations**

Dimension	Findings			Score
<b>(i) Financial Audit Standards and Policies</b>	<p><b>All criteria are met apart from criteria (v) and (r).</b></p> <p>The AOG has in place an Audit Procedures Manual – APM (2006) which was found to be broadly consistent with ISSAI 200 and includes a specific requirement for financial audits to conform with ISAs. The following table identifies whether and where in the APM the individual criteria are met.</p>			<p><b>4</b></p> <p><b>Criteria (b), (c), (p), (q) and at least 16 other criteria have been met.</b></p>
	Criteria	Met or Not Met	Reference to AOG Documents	
	<p>a) “The auditor should assess whether the preconditions for an audit of financial statements have been met.” ISSAI 200:18 (i.e. acceptable financial reporting framework and management acknowledges its responsibilities). <i>ISSAI 200:19</i></p>	<p><b>Met</b></p>	<p>The standard engagement letters signed by each Accounting Officer includes a section clarifying specific responsibilities of the Accounting Officer and provides clarity on the various roles and responsibilities, including the provision of accounting records to audit. Furthermore, the Consolidated Financial Statements prepared by the Government of Guyana includes as part of the Accounting Policies a note on the responsibility for the preparation of the Financial Statements, confirmation of the financial reporting framework (Guyanese GAAP), and that the statements are in prepared in accordance with extant financial regulations. These points are also reflected in the Auditor General's Report.</p>	

	b) "The auditor should reduce audit risk to an acceptably low level in the circumstances of the engagement to obtain reasonable assurance as the basis for a positive form of expression of the auditor's opinion." <i>ISSAI 200:49</i>	<b>Met</b>	This is adequately covered in Section 5.27 to 5.42 of the Audit Procedures Manual
	c) "The auditor should apply the concept of materiality appropriately when planning and performing the audit." <i>ISSAI 200:58</i>	<b>Met</b>	This is adequately covered in Section 5.29 and 6.23 to 6.27 of the Audit Procedures Manual
	d) "The auditor should prepare audit documentation that is sufficient to enable an experienced auditor, with no previous connection with the audit, to understand the nature, timing and extent of the audit procedures performed (...), the results (...) and the audit evidence obtained." <i>ISSAI 200:70</i>	<b>Met</b>	Covered in Sections 5.4 to 5.47, Appendices to Section 5 and 6.1 of the Audit Procedures Manual
	e) "The auditor should, after determining the appropriate person(s) within the audited entities governance structure (...) communicate with those persons regarding the planned scope and timing of the audit and significant findings from the audit." <i>ISSAI 200:64</i>	<b>Met</b>	This is adequately covered in Section 5.49 to 5.51 of the Audit Procedures Manual
	f) "The auditor should agree (...) the terms of the audit engagement with management or those charged with governance, as appropriate." <i>ISSAI 200:74</i>	<b>Met</b>	This is adequately covered in Section 5.49 to 5.51 of the Audit Procedures Manual
	g) "The auditor should develop an overall audit strategy that includes the scope, timing and direction of the audit, and an audit plan which directs the audit." <i>ISSAI 200:80</i>	<b>Met</b>	This is adequately covered in Section 5 of the Audit Procedures Manual
	h) "The auditor should properly plan the audit to ensure that it is conducted in an effective and efficient manner." <i>ISSAI 200:82</i>	<b>Met</b>	This is adequately covered in Section 5 of the Audit Procedures Manual



	<p>i) “The auditor should have an understanding of the audited entity and its environment, including internal control procedures that are relevant to the audit.” <i>ISSAI 200:85</i></p>	<b>Met</b>	<p>This is adequately covered in Section 5.27 to 5.29 of the Audit Procedures Manual</p>
	<p>j) “The auditor should assess the risks of material misstatement at the financial statement level and at the assertion level for classes of transactions, account balances, and disclosures to provide a basis for performing further audit procedures.” <i>ISSAI 200:92</i></p>	<b>Met</b>	<p>This is adequately covered in Section 5.37 to 5.38 and 6.23 to 6.27 of the Audit Procedures Manual</p>
	<p>k) “The auditor should respond appropriately to address the assessed risks of material misstatement in the financial statements.” <i>ISSAI 200:97 (I.e. design audit tests such as tests of controls and substantive procedures including tests of detail and substantive analytical procedures, considering the assessed inherent and control risks related to material misstatement at the assertion level) ISSAI 200:98</i></p>	<b>Met</b>	<p>This is adequately covered in Section 6.1 to 6.22 of the Audit Procedures Manual</p>
	<p>l) “The auditor should design and perform substantive procedures for each material class of transactions, account balance, and disclosure, irrespective of the assessed risks of material misstatement.” <i>ISSAI 200:102</i></p>	<b>Met</b>	<p>This is adequately covered in Section 5 of the Audit Procedures Manual</p>
	<p>m) “The auditor should identify and assess the risks (...) due to fraud and obtain sufficient appropriate audit evidence regarding the assessed risks (...) due to fraud, and respond appropriately to fraud or suspected fraud identified during the audit.” <i>ISSAI 200:104</i></p>	<b>Met</b>	<p>This is adequately covered in Section 6.28 to 6.35 of the Audit Procedures Manual</p>

	<p>n) "The auditor should identify the risks (...) due to direct and material non-compliance with laws and regulations [and] obtain sufficient appropriate audit evidence regarding compliance with those laws and regulations." <i>ISSAI 200:118</i></p>	<b>Met</b>	<p>This is adequately covered in Section 5.19, 5.45, 7.2, and within the fraud risk section (6.28) of the Audit Procedures Manual</p>
	<p>o) "The auditor should perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw conclusions on which to base the auditor's opinion." <i>ISSAI 200:126</i></p>	<b>Met</b>	<p>This is adequately covered in Sections 6 and 7.25 to 7.29 of the Audit Procedures Manual</p>
	<p>p) "The auditor should accumulate misstatements identified during the audit, and communicate with management and those charged with governance as appropriate on a timely basis all misstatements accumulated during the course of the audit." <i>ISSAI 200:139 (i.e. The auditor needs to determine whether the uncorrected misstatements are material, individually or in aggregate). ISSAI 200:142</i></p>	<b>Met</b>	<p>This is adequately covered in Section 7.19 to 7.22 of the Audit Procedures Manual</p>
	<p>q) "The auditor should form an opinion based on an evaluation of the conclusions drawn from the audit evidence obtained, whether the financial statements as a whole are prepared in accordance with the applicable financial reporting framework. The opinion should be expressed clearly through a written report that also describes the basis for that opinion." <i>ISSAI 200:143</i></p>	<b>Met</b>	<p>This is adequately covered in Section 8 of the Audit Procedures Manual</p>

	<p>r) <i>Where relevant: "Auditors engaged to audit group financial statements should obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the whole of government financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework." ISSAI 200:182</i></p>	<b>Not Met</b>	This is not adequately covered in the Audit Procedures Manual
	<p><i>The SAI has also adopted policies and procedures about how it has chosen to implement its audit standards, which should cover the following:</i></p>		
	<p>s) How to "(...) determine materiality for the financial statements as a whole (...), the materiality level or levels to be applied to (...) particular classes of transactions, account balances or disclosures." ISSAI 200:59 "The auditor should also determine performance materiality." ISSAI 200:60 (Including assessment of materiality by value, nature and context) ISSAI 100:41</p>	<b>Met</b>	This is adequately covered in Section 5.30 and 6.23 to 6.27 of the Audit Procedures Manual
	<p>t) "Requirements on the auditor in relation to documentation in the following areas: the timely preparation of audit documentation; the form, content and extent of audit documentation; (...) the assembly of the final audit file." ISSAI 200:72</p>	<b>Met</b>	This is adequately covered in Section 5 and 7.1 to 7.10 of the Audit Procedures Manual
	<p>u) "The nature, timing and extent of audit procedures (...) based on and (...) responsive to the assessed risks of material misstatement at the assertion level." ISSAI 200:99 (If necessary including an approach to calculating minimum planned sample sizes in response to</p>	<b>Met</b>	This is adequately covered in Section 6.23 to 6.27 of the Audit Procedures Manual

	<i>materiality and risk assessments, based on an underlying audit model).</i>			
	v) “When adopting or developing audit standards, SAIs also consider the necessity for requirements to obtain sufficient and appropriate audit evidence in relation to:	<b>Not Met</b>	This was not adequately covered within the Audit Procedures Manual	
	I. The use of external confirmations as audit evidence	<b>Not Met</b>	This was not adequately covered within the Audit Procedures Manual	
	II. Audit evidence when using analytical procedures and different audit sampling techniques	<b>Not Met</b>	This was not adequately covered within the Audit Procedures Manual	
	III. Audit evidence when using the work of internal audit functions (...)	<b>Met</b>	This is adequately covered in Section 12 of the Audit Procedures Manual	
	IV. Audit evidence when using external experts.” <i>ISSAI 200:132</i>	<b>Not Met</b>	This was not adequately covered within the Audit Procedures Manual	
<b>(ii) Financial Audit Team Management and Skills</b>	<b>All criteria are met.</b>			<b>4</b> <b>All of the criteria are met.</b>
	<b>Criteria</b>	<b>Met or Not Met</b>	<b>Reference to AOG Documents</b>	
	a) “Understanding and practical experience of audit engagements of a similar nature and complexity through appropriate training and experience.” <i>ISSAI 200:47</i>	<b>Met</b>	This is adequately covered in Section 4.6 to 4.12 of the Audit Procedures Manual	
	b) “Understanding of professional standards and the applicable legal and regulatory requirements.” <i>ISSAI 200:47</i>	<b>Met</b>	This is adequately covered in Sections 4.6 to 4.12 and 4.13 to 4.14 of the Audit Procedures Manual	

	c) "Technical expertise, including expertise with relevant information technology and specialized areas of accounting or auditing." <i>ISSAI 200:47</i>	<b>Met</b>	This is adequately covered in Section 5.39 to 5.42 of the Audit Procedures Manual
	d) "Knowledge of relevant industries [sectors] in which the audited organization operates." <i>ISSAI 200:47</i>	<b>Met</b>	This is adequately covered in Section 5.27 to 5.29 of the Audit Procedures Manual
	e) "Understanding of the SAI's quality control policies and procedures." <i>ISSAI 200:47</i>	<b>Met</b>	The SAI's quality control procedures and the steps and procedures to be applied by the auditor to achieve high quality audits are covered in (a) AOG 2006 Audit Procedures Manual Volume 1, (b) AOG Quality Assurance Manual Oct 2008, and (c) Quality Assurance for Financial Audits - A Handbook for SAls in CAROSAI, From our review of 8 audit files, there was adequate evidence of these steps being followed, including the application of the appropriate working paper templates and Quality Control checklists.
	f) "(...) An understanding of the applicable reporting arrangements." <i>ISSAI 200:47</i>	<b>Met</b>	The SAI's reporting arrangements and the steps and procedures to be applied by the auditor to achieve high quality reports are covered in (a) AOG 2006 Audit Procedures Manual Volume 1, (b) AOG Quality Assurance Manual Oct 2008, and (c) Quality Assurance for Financial Audits - A Handbook for SAls in CAROSAI, From our review of 8 audit files, there was adequate evidence of these steps being followed.

	g) The system ensures that the knowledge, skills and expertise required for conducting the financial audit are identified. <i>SAI PMF Task Team</i>	<b>Met</b>	This is adequately covered in Section 5.1 to 5.13 of the Audit Procedures Manual
	h) The system ensures that there are <u>clear reporting lines</u> and allocation of responsibilities within the team. <i>SAI PMF Task Team</i>	<b>Met</b>	This is adequately covered in Section 5.10 to 5.13 of the Audit Procedures Manual
	i) Developing the overall audit strategy ISSAI 200:81 and the audit plan, including “The nature, timing and extent of planned risk assessment procedures; [and] the nature, timing and extent of planned further audit procedures at the assertion level.” <i>ISSAI 200:83</i>	<b>Met</b>	This is adequately covered in Section 5 of the Audit Procedures Manual
	j) How to evaluate the overall internal control environment, including for example “consideration of the audited organization’s communication and enforcement of integrity and ethical values, commitment to competence, participation by those charged with governance, management’s philosophy and operating style, organizational structure, existence and level of internal audit activity, assignment of authority and responsibility and human resource policies and practices.” <i>ISSAI 200:87</i>	<b>Met</b>	This is adequately covered in Sections 5, 9 and 12 of the Audit Procedures Manual
	k) How to gain an “understanding of internal control relevant to financial reporting (...).” <i>ISSAI 200:90</i>	<b>Met</b>	This is adequately covered in Section 9 of the Audit Procedures Manual as well as the appended Internal Control Questionnaires, in particular, the ICQ on General Financial Management.
	l) “(...) Assess[ing] the risks of material misstatements (...) at both the financial statement level and at the assertion level” <i>ISSAI 200:92</i> , including “due to fraud” <i>ISSAI 200:104</i> and “due to (...) non-compliance with laws and regulations.” <i>ISSAI 200:118</i>	<b>Met</b>	This is adequately covered in Sections 5 and 6 of the Audit Procedures Manual

<p><b>(iii) Quality Control in Financial Audit</b></p>	<p><b>Criteria (a), (b), (d) and (e) are met.</b></p> <ul style="list-style-type: none"> <li>• The Audit Procedures Manual includes a requirement for multi-stage review of all audit work. Section 7 of the Manual covers the Review process and sets out the roles of the Supervisor, the Audit Manager and the Audit Director. Furthermore, both Quality Assurance Manuals contain detailed guidance on the Quality Assurance process to be applied to Financial Audits across the AOG. The CAROSAI QA Handbook in particular also contains template checklists to be applied to each audit. These were seen completed and signed by the reviewers on the audits that were examined as part of our sample.</li> <li>• The QA Manual requires all audit judgments to be evidence based and covers the need to engage Technical Specialists where required. In discussion with the Auditor General and Senior AOG officials, it was confirmed that there is a rigorous process of challenge and technical review around audit opinions and reports before they are finalised, especially for high risk audits. However, the documentation of this technical consideration of the audit opinions needs to be improved, especially where there are difficult or contentious matters. In practice, the Auditor General's Annual report contains extensive detail on the various forms of opinion that are issued in each year across the various audited entities (see 2016 Report), including a significant number of qualifications and disclaimed opinions. Two examples were also provided where there was some documentation to show how the proposed audit opinion and report changed as a result of further review and technical consultation (one in-house audit of the Property Holdings Incorporated for the year ended 31 December 2016, and one contracted-out audit of the University of Guyana for 31 December 2014). These underpin his assertion that there is a rigorous review system in place, however the Auditor General accepts that the level of documentation could be better.</li> <li>• There was adequate evidence of Engagement quality control review on the audit files selected for examination. There was a three-stage review process at engagement team level, followed by Quality Assurance review by an independent person on all the files selected for review. These steps are completed and signed-off for Auditor General approval before audit reports are issued.</li> <li>• The AOG conducts engagement quality reviews of all</li> </ul>	<p><b>3</b></p> <p><b>Four criteria are met.</b></p>
--	--	--

	<p>its audits prior to the issue of audit reports.</p> <ul style="list-style-type: none"> <li>• There was adequate evidence of the application of the QA process on the audit files selected for review. There is a three-stage review process at engagement team level, followed by QA review by an auditor that is independent of the engagement team. These steps are completed and signed-off for Auditor General approval before audit reports are issued.</li> </ul> <p><b>Criterion (c) is not met.</b></p> <ul style="list-style-type: none"> <li>• Page 33 of the CAROSAI QA Handbook in use at the AOG includes a requirement for the SAI to have policies and procedures for dealing with differences of opinion within the engagement team, and for the SAI to document in detail the resolution and implementation of conclusions reached. However, it was not possible to see routine documentary evidence of how differences of opinion are resolved. In discussion, the Auditor General explained how these differences are resolved, including with the input of experts such as engineers. Unfortunately, there was not adequate documentation of the process to fulfil the requirements of this criterion.</li> </ul>	
--	--	--

#### 4.3.3 SAI-10: Financial Audit Process - Score 2

##### Narrative

SAI-10 examines how financial audits are carried out in practice. It consists of three dimensions:

- **Dimension (i) Planning Financial audits.**
- **Dimension (ii) Implementing Financial audits.**
- **Dimension (iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits.**

*The AOG financial audit process is robust and well documented. The files we reviewed in the course of the assessment contained strong evidence of: planning; the proper documentation of fieldwork; and adequate consideration of audit findings in forming the audit opinion. The expected quality control reviews were also undertaken and well documented. There are a few areas for improvement, primarily to update the audit manual, improve on the documentation of the consideration of risks and internal controls, especially the risk of fraud. There is also scope to document more clearly and precisely the auditor's consideration of the overall level of error at the end of each audit (in particular to take account of adjusted and unadjusted errors) and the assessment of the impact of the level of unadjusted error on the audit opinion.*



### **Background**

The assessment of this indicator is based on our review of a sample of eight AOG audits for the year 2016. We structured this sample to reflect as closely as possible the AOG's 'audit universe' and to cover audits completed by each of the AOG three Business Units. The sample comprised 2 Statutory Bodies, 2 Public Enterprises, 1 Constitutional Entity, 1 Regional Administration, and 2 Donor Funded projects. The sample also cut across a range of financial, regularity and compliance reporting frameworks including the Laws and Statutes of Guyana, Financial Rules and Regulations of the Government of Guyana and requirements set out within agreements between the Government and its donors/financiers.

The eight audits we reviewed were as follows:

- Audit 1 - Ministry of Public Infrastructure, 2016;
- Audit 2 - Chambers of the Director of Public Prosecutions, 2016;
- Audit 3 - IDB Loan 2741/BL-GY The Road Network Upgrade and Expansion Programme, 2016;
- Audit 4 - Property Holdings Incorporated, 2016;
- Audit 5 - Bank of Guyana, 2016;
- Audit 6 - IDB Loan 3369/BL-GY Citizens Security Strengthening Programme, 2016;
- Audit 7 - Regional Democratic Council 4, 2016;
- Audit 8 - Ministry of the Presidency, 2016.

The review covered a study of the complete audit working files and interviews with the respective audit teams who had done the audit and with their division heads.

### **Dimension (i) Planning Financial Audits**

The AOG conducts audits of a range of entities with different reporting requirements. For financial statements produced by main Ministries and Departments, the authorized financial reporting framework is set out in Part X, Section 73 of the Financial Management and Accountability Act 2003, and in the Regulations made thereunder (see Part VIII, Section 35). In essence the financial statements are to be prepared in accordance with Guyana GAAP and on a cash basis. For the audits being done by agreement, the required financial reporting framework is prescribed within the loan agreements between the Government of Guyana and the IDB (i.e. Cash based IPSAS). Given this context, there is an applicable financial reporting framework and so, in line with SAI-PMF guidance, we have assessed criterion (a) as not applicable (N/A).

The Audit Plans generally set out the auditor's consideration of materiality for the financial statements as a whole and provide the figures for the materiality levels that were set for account balances and classes of transactions where relevant. Most of the engagements also documented their consideration of materiality by nature, and it was possible to infer from the audit working papers that there was some consideration of risks around transactions that may be material by context (especially within the query sheets and the management letters). However, the number of instances that were seen across the eight audits where the consideration of the overall planning materiality, materiality by nature and materiality by context were not adequately documented collectively indicate a weakness in the consistency of the consideration of materiality.

Engagement letters were seen on the files, signed by the AOG and by the Accounting Officers. The letters were clear on the scope and timing of the audit, as well as the terms of the engagement and the responsibilities of both the AOG and the audited entity.

The audits files contained the Audit Plans, which set out the overall audit strategy. The audit plan contains the results of entity level and component level risk assessments, but there was usually no additional detail or separate document to explain or further document the risk assessment process. Greater detail could be provided in the audit plans to demonstrate the assessment of risks at entity or financial statement level, although for example in the case of the main Ministries, the audit plans conveyed that the majority of risks at financial statement level reside within the operation of the central IFMAS ledgers, along with the mitigating controls.

The plan also sets out the nature, timing and extent of resources necessary to carry out the engagement, the extent of further audit procedures at assertion level, and the extent of detailed substantive tests that will be conducted for each component or account area.

The Audit Plans include a section on Understanding the Business, which demonstrates the auditor's understanding of the entity and its environment. The Audit Plans also include Internal Control Evaluation Questionnaires (ICQs), which set out the auditor's assessment of the internal control environment.

The Audit Plans cover the relevant Financial Reporting requirements and set out the role of the audited entity to prepare financial statements in accordance with a specific Financial Reporting framework (usually the Financial Management Act - FMA 2003 for MDAs, IFRS for Government Business Entities and Cash IPSAS for donor funded projects).

The plans further set out the auditor's consideration of accounting systems, and for example clarifies that the appropriation accounts for the Ministries are drawn from the Government's computerised accounting systems, the Integrated Financial Management and Accounting System (IFMAS). There was usually no specific coverage of internal controls relevant to financial reporting at Ministry level, as the appropriation accounts for the Ministry are extracted from the central IFMAS ledgers. Each Ministry relies on the financial reports extracted from IFMAS and no other separate financial reports are prepared at Ministry level. However, the audit plans also set out a consideration of controls over various components (for example, current and capital expenditure), and the roles of key persons within the Ministry of Finance in managing the transactions recorded on the IFMAS ledgers.

No specific consideration was documented in relation to the risk of material misstatement due to fraud, Furthermore, although the audit plans contain a section setting out the Regularity and Legal Framework for each audited entity, there was no documented specific consideration of the risk of non-compliance with regulations and laws.

Finally, all audit team members are required to complete declarations of independence and these were seen on the files. The declarations cover the independence, objectivity, professional behaviour and integrity of each auditor. There is also an annual declaration of conflicts of interest by each member of staff.

***Dimension (ii) Implementing Financial Audits***

The Audit Plan and work programmes reviewed include adequate assessments of risks, but the consideration of the effectiveness of controls was generally brief and not documented in good detail. On the other hand, the design of substantive procedures was found to be adequate. There were instances of reliance being placed on controls for a number of assertions across several Account Areas/Components, however, tests of controls were not documented on the file.

We also found instances where the sample sizes determined for substantive testing were either standard or maximum for these areas - contrary to the expected reduced (possibly minimum) sample testing wherever reliance is being placed on controls. This was discussed with the AOG it was explained that the sample sizes were driven by any of the assertions relevant to each Account Area. In essence, for each Account Area, as long as no reliance was being placed on controls for at least one assertion, the sample size would be either standard or maximum regardless of whether reliance was being placed on controls for the other assertions.

We further confirmed that this approach was in line with the AOG Audit Procedures manual. The logic flow from the determination to place reliance on controls through to the level of substantive testing was therefore clearer, although the absence of documentation setting out a more detailed consideration of controls was deemed to be the gap in the work done. Internal Controls Questionnaires (ICQs) were also applied across the audits and helped demonstrate some consideration of the effectiveness of Internal Controls during the audit process. For the example audits, the gaps in the testing of controls also appeared to be compensated for by the volume of substantive testing.

We have the following observations in regard to the criteria for Dimension (ii).

- The audit approach requires a consideration of the Regularity assertion throughout each audit, starting from the planning stage and 'Understanding the entity'. This consideration focusses on examining compliance with rules, regulations, laws etc that are relevant to each entity, and is included within the overall audit strategy.
- There was no separate assessment of the risk of material misstatement due to fraud in the files selected for review. The audit files include adequate coverage of the Regularity assertion for all relevant components. The working papers contained adequate information on the use of external confirmations as audit evidence. e.g. bank circularisation.
- The audit working papers and audit plans contained adequate evidence of proper use of Analytical Procedures, for example variance analysis within each Audit Plan covering all material account areas.
- The Audit Plans include a consideration of the work of Internal Audit and a summary of the auditor's review of Internal Audit. However, none of the audits placed reliance on the work of Internal Audit even where it was concluded that Internal Audit is fully functional, carrying out periodic reviews for which reports are submitted to the Board.
- There was an instance where reliance was placed on the work of an Actuary (for a Pensions balance), and this was well documented in the audit files. However, no checks of the competence, capabilities and objectivity of the actuary were seen on the audit file. The need to place reliance on an expert was also not documented in

planning the audit. These two documentary lapses were however not deemed to materially affect the substance of the audit evidence or the conclusions reached.

- The Whole of Government Accounts were not among the sample selected. However, the AOG does audit Whole of Government Accounts of which the majority of our sampled audited entities form a part. From our review of the working papers files for the selected audits, our review of the Auditor General's Annual Report for 2016 which includes the WGA, and discussions with the AOG on the process for the audit of the consolidation and for aggregating audit findings to determine the audit opinion on the WGA, no significant gaps were identified in the work done and the level of audit evidence obtained.
- The Audit Plans and work programmes include an adequate assessment of risks, some consideration of the effectiveness of controls, and adequately designed substantive procedures. The work performed on the audits was detailed and was completed in full. We did not identify any issues that, in our opinion, would have affected the audit opinions.
- In the course of our review of the sample of audit files, we found that all planned audit procedures had been completed.

Overall, we found that the audits were implemented in line with the audit plans, were well documented and the evidence gathered was adequate to support the opinions given.

#### ***Dimension (iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits***

The audit working paper files we reviewed were comprehensive, clear and straightforward to follow. The nature, timing and extent of the audit procedures performed were well set out, and the results as well as the audit evidence obtained were well documented on the files.

The audit working paper files were reviewed and comprehensively documented. There was adequate evidence of timely review.

Management letters were seen on the audits and contained the significant findings from the audits as well as a number of unadjusted potential misstatements identified during the audit. For each audit, a separate letter of response was also seen on the files which contained the audited entity's responses to all findings and providing further clarification on potential errors and misstatements identified by the auditors. The management letters did not however contain a comprehensive schedule of adjusted and unadjusted errors and misstatements.

From discussions with the AOG, uncorrected misstatements are evaluated in forming audit opinions, and this is evidenced by the qualified opinions and disclaimer opinions set out within the Auditor General's Annual Report (see the Summary of Audit Opinions - page 446 of the 2016 Report). However, although this consideration is done in substance, it is not fully documented within each individual audit file. The gap in documentation makes it difficult to justify a higher score for this dimension.

For three of the audits selected for our sample, no audit opinion was given at the entity level as they formed part of the consolidated financial statements for the whole of government. The relevant opinions for these audits are incorporated in the overall audit report and opinion on the consolidated financial statements of the Government of Guyana. In discussion, AOG officials described the process for evaluating the conclusions drawn from

the body of evidence from these audits and others, and how the evaluation process is managed in order to reach the right audit opinions in relation to the consolidated financial statements.

From our discussions with AOG counterparts, we found that:

- There are a number of primary financial statements within the consolidated reports, ranging from the Receipts and Payments of the Contingencies Fund, the Financial Reports of the Deposit Funds, the Assets and Liabilities of the Government, the Appropriation Accounts, the Statement of Receipts and Disbursements of Ministries, Departments and Regions etc, and each is given a separate consideration within the AG's annual report and opinion,
- The Auditor-General is hands on with the consideration of findings emerging from these audits and the likely impact on his annual report and opinion.
- Several sessions are held with the responsible line Audit Directors and senior team members where the impact of qualitative and quantitative findings from each audit on the overall audit opinion are discussed.
- Follow-up meetings are held with the affected Accounting Officers to obtain any additional representations and to clarify any outstanding matters. Unfortunately, these processes are not fully recorded, but the results thereof are summarised in the annual report. The Auditor-General, typically as a result of these consultations then determines the impact of the audit findings on his audit opinion for each of the key financial statements within the compendium financial statements. For 2016, there were a number of disclaimers, qualifications and unqualified opinions within his report, and the body of the Auditor-General's annual report sets out the rationale for the opinions given on the various statements.

For the other audits within our sample, we found that the audit process and reports met all the relevant criteria, including the structure and content of the Auditor's Reports.

Overall, in our professional judgement, the audit documentation is sufficient to enable an experienced auditor, with no prior knowledge of the audit, to understand the nature, timing and extent of the audit procedures performed, the results and the audit evidence obtained. The process applied for the evaluation of uncorrected errors and misstatements appears to meet the criteria for this dimension in substance, but falls short due to the weaknesses in the level of the documentation around the process.

#### ***Assessment Scores by Dimension***

<b><i>Dimension</i></b>	<b><i>Score</i></b>
(i) Planning Financial Audits	2
(ii) Implementing Financial Audits	3
(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits	2
<b>Overall Score</b>	<b>2</b>

**Assessment Findings and Observations**

Dimension	Findings	Score
<b>(i) Planning Financial Audits</b>	<p><b>Criteria (c), (d), (e), (f), (g), (h), and (k) are met</b></p> <ul style="list-style-type: none"> <li>• Authorized and recognised financial reporting frameworks are in place and were applied by the audited entities selected in our sample.</li> <li>• The Audit Plans sets out the auditor's consideration of materiality which was found to be adequate.</li> <li>• Engagement letters on each audit were clear on the scope and timing of the audit, as well as the terms of the engagement and the responsibilities of both the AOG and the audited entity.</li> <li>• Each audit files contain an Audit Plan that sets out the overall audit strategy and contains the results of entity level and component level risk assessments.</li> <li>• The Audit Plans also include a section on Understanding the Business, which demonstrates the auditor's understanding of the entity and its environment.</li> <li>• The Audit Plans includes Internal Control Evaluation Questionnaires (ICQs), which set out the auditor's assessment of the internal control environment.</li> <li>• The Audit Plans include the auditor's understanding of the controls relevant to financial reporting requirements that are in place at the audited entity.</li> <li>• A system is in place to ensure that auditors comply with ethical requirements.</li> </ul> <p><b>Criteria (b), (i) and (j) are not met</b></p> <ul style="list-style-type: none"> <li>• The consideration of materiality by nature and by context was not consistent across the audits selected for review.</li> <li>• No specific consideration was documented in relation to the risk of material misstatement due to fraud.</li> <li>• Although the audit plans contain a section setting out the Regularity and Legal Framework for each audited entity, there was no documented specific consideration of the risk of non-compliance with regulations and laws.</li> </ul> <p><b>Criterion (a) is not applicable (N/A)</b> as there is an applicable financial reporting framework and so, in line with SAI-PMF guidance, we have assessed this criterion as not applicable (N/A).</p>	<p style="text-align: center;"><b>2</b></p> <p><b>Criteria (h) and at least four of the other criteria are in place</b></p>
<b>(ii) Implementing Financial Audits</b>	<p><b>Criteria (a), (c), (d), (e) and (f) are met.</b></p> <ul style="list-style-type: none"> <li>• The Audit Plan and work programmes reviewed include an adequate assessment of risks. The consideration of the effectiveness of controls was brief and could be more detailed, and the design of substantive procedures was found</li> </ul>	<p style="text-align: center;"><b>3</b></p> <p><b>Five criteria are met including</b></p>

	<p>to be adequate. Internal Control Questionnaires (ICQs) are applied across the audits and helped demonstrate some consideration of the effectiveness of Internal Controls.</p> <ul style="list-style-type: none"> <li>• The audit files include adequate coverage of the Regularity assertion for all relevant components</li> <li>• Sufficient and appropriate evidence was obtained in relation to the use of external confirmations, the use of analytical procedures and sampling techniques, and the use of evidence from external experts. No reliance was placed on Internal audit in any of the audits selected.</li> <li>• Appropriate audit evidence was seen in respect of the audits of financial statements to be consolidated into the whole of government accounts.</li> <li>• The procedures performed on the audits were well designed and were completed in full. The results obtained were well documented and adequate for forming an opinion.</li> <li>• All the planned audit procedures were found to have been performed.</li> </ul> <p><b>Criterion (b) is not met.</b></p> <ul style="list-style-type: none"> <li>• There was no separate assessment of the risk of material misstatement due to fraud in the files selected for review</li> </ul>	<p><b>(a) and (f).</b></p>
<p><b>(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits</b></p>	<p><b>Criteria (a), (b), (c), (d), (f), (g), (h) and (i) are met. Criteria (j) and (k) are not applicable and, as per the SAI PMF methodology, are considered as met for the purposes of scoring.</b></p> <ul style="list-style-type: none"> <li>• The audit working paper files were straightforward to follow, and clear on the nature, timing and extent of the audit procedures performed, and the audit evidence obtained.</li> <li>• The documents reviewed were prepared in accordance with the set methodology and showed evidence of time preparation and review.</li> <li>• Management letters were seen on the audits containing the significant findings, along with responses from those charged with governance.</li> <li>• Audit opinions and the conclusions drawn as to whether the financial statements were properly prepared and/or fairly presented were found to be well supported by the evidence obtained.</li> <li>• The written form of the auditors' reports was found to be in accordance with ISSAI 200:149 and was clear and easy to follow. Findings and recommendations within the management letters were clear and were addressed to those charged with governance. No instance was seen within the Reports and Management letters that were reviewed where findings were not put into perspective or were out of context.</li> </ul> <p><b>Criterion (e) is not met.</b></p>	<p><b>2</b></p> <p><b>Criteria (f) and at least four other criteria are met.</b></p>

	<ul style="list-style-type: none"> <li>• Uncorrected misstatements are evaluated in forming audit opinions, however, although this consideration is done in substance, it is not fully documented within each individual audit file. The gap in documentation makes it difficult to justify a higher score for this dimension.</li> </ul>	
--	---	--

#### 4.3.4 SAI-11: Financial Audit Results - Score 4

##### Narrative

SAI-11 assesses the timely submission and publication of the results of AOG's financial audit work and how such results are followed up. The indicator has three dimensions:

- **Dimension (i) Timely submission of Financial Audit results**
- **Dimension (ii) Timely publication of Financial Audit results**
- **Dimension (iii) Follow-up on the Implementation of Financial Audit Observations and Recommendations**

*The AOG's annual audit operations are planned and scheduled to provide evidence towards the contents of the Auditor General's Annual Report, and this effort takes up the majority of the time and resources of the Office. The annual deadline for the submission of the Report is stipulated in the Constitution (nine months after the fiscal year end), and the AOG plans all its activities towards meeting that deadline. In addition, the AOG publishes its Auditor General's Annual Report immediately it has been presented by the Speaker to the National Assembly (usually within 24 to 48 hours). There are other audits with different agreed timelines (mainly non-statutory audits of donor funded projects). We examined the performance of the AOG in meeting these agreed timelines and found they were met in the instances selected for testing. Furthermore, we found that the AOG incorporates the follow-up on the implementation of its previous recommendations into each new audit (i.e. the subsequent year), and that the results of these follow-up actions are collated and included in the Auditor General's Annual Report. In all the AOG has a comprehensive and proven process for the meeting the deadline for the submission of its results to the legislature, for the publication of its results and for comprehensive follow-up on its previous recommendations.*

##### **Dimension (i) Timely Submission of Financial Audit Results**

The statutory deadline for the submission of the Auditor General's audit opinion on the Consolidated Financial Statements is nine months after the end of the fiscal year, that is 30 September 2017 for the 2016 fiscal year (*Section 25 of the Audit Act 2004*). The Consolidated Financial Statements covers the financial reports of all Government of Guyana entities, including Ministries, Departments, and Regions. The Auditor General's annual report also covers all Public Enterprises, Statutory Bodies, Trade Unions, Foreign Funded Projects and Constitutional Agencies. The Auditor General's Opinion and Report on the 2016 fiscal year was dated on the 29th of September 2017 and was transmitted to the Speaker of the National Assembly on the same date.



Separately, the timeline for the audit report and opinion on foreign funded projects is fixed by agreement and is earlier than that of the Consolidated Financial Statements. From our examination of the two selected IDB funded projects, the deadline agreed with the IDB was 30 April after the end of each reporting year. For the two audits selected for review from the 2017 reporting period, the audit opinions and reports were dated on or before 30 April 2018 (26th April 2018 for the Loan 2741 and 30 April 2018 for Loan 3369).

***Dimension (ii) Timely Publication of Financial Audit Results***

The Auditor General's Annual Report is the key output of AOG relevant to this dimension. We were provided with documentary evidence to show that the Annual Report for 2015 was submitted by AOG to the National Assembly on 30th September 2016 and was laid before the Assembly on Thursday 13th October at which point it became a public document. It was then also published on the AOG Website immediately thereafter.

We also saw documentary evidence to show that the Report of the Auditor-General for 2016 which was submitted to the National Assembly on 29th September 2017 was laid in the National Assembly on Thursday 2nd November 2017 and published on the AOG website on the next day - Friday 3rd November 2017.

From a discussion with the Auditor General to understand why the 2015 Report was laid within 15 days but the 2016 Report took longer, we understand that firstly, the timeframe for laying is not within the control of the Auditor General. Secondly, we also understand that the time taken by the Clerk of Assembly to lay the 2016 Report was due to the Parliamentary recess over that period and was unusual. The standard practice is to lay the report within 15 days of it being submitted by the Auditor General. On that basis, we believe the appropriate marker for when the AOG is permitted to publish is when the Report has been laid before the National Assembly, and on that basis the AOG scores well against the criteria specified for Dimension (ii) of SAI-11.

***Dimension (iii) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations***

In discussion, the Auditor General set out the process for the follow-up of recommendations, starting from the coverage of previous year's recommendations during the planning of each entity's next audit through to the consolidation of all results of follow-up activity for inclusion in his Annual Report. As an example, Page 445 of the Auditor General's Annual Report for 2016 holds an update on the 'Status of Implementation of Prior Year Audit Recommendations'. The Annual Report also provides detailed information on findings, recommendations and the responses given and actions taken by each audited entity, and information on follow-up actions taken by the AOG on significant unresolved matters.

We also noted from our review of our sample of eight audits that Prior Year findings and recommendations are tracked at the planning stage of each audit, and further work to be done to follow-up on these findings is clearly set out on the basis of the materiality of each prior year finding. The materiality of unresolved or brought forward matters for the current year's audit is also assessed.

From the audit files selected for our review, we noted that audited entities are asked to provide information on all findings and recommendations that remain relevant at the end of each audit, including matters identified in previous years that remain unresolved or

outstanding. The information to be provided includes corrective actions that were taken and/or the audit entity's reasons for not taking the recommended corrective actions.

### **Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Timely Submission of Financial Audit Results	4
(ii) Timely Publication of Financial Audit Results	4
(iii) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations	4
<b>Overall Score</b>	<b>4</b>

### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Timely Submission of Financial Audit Results</b>	<ul style="list-style-type: none"> <li>The AOG submits the Auditor General's Annual Report on the Consolidated Financial Statements of the Government of Guyana to Parliament within the timeframe set by the Constitution and the 2004 Audit Act. Timelines set for other audits including donor-funded programmes were also met.</li> </ul>	<b>4</b>
<b>(ii) Timely Publication of Financial Audit Results</b>	<ul style="list-style-type: none"> <li>The AOG publishes the Auditor General's Annual Report immediately the Report is laid before the National Assembly by the Clerk of the Assembly – well within the 15 days specified for the assessment of Dimension (ii).</li> </ul>	<b>4</b>
<b>(iii) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations</b>	<p><b>Criteria (a) to (f) are met.</b></p> <ul style="list-style-type: none"> <li>The AOG has a follow-up system to ensure matters raised and recommendations made are adequately addressed, starting from the coverage of previous year's recommendations during the planning of each entity's next audit, and through to the consolidation of all results of follow-up activity for inclusion in the Auditor-General's Annual Report.</li> </ul>	<b>4</b> <b>All of the criteria are met.</b>

	<ul style="list-style-type: none"> <li>• Further work to be done to follow-up on Prior Year findings and recommendations is set out on the basis of the materiality of each prior year finding. The materiality of unresolved or brought forward matters for the current year's audit is also assessed.</li> <li>• Audited entities are to provide information on all findings and recommendations that remain relevant at the end of each audit, including matters identified in previous years that remain unresolved or outstanding. The information to be provided includes corrective actions that were taken and/or the audited entity's reasons for not taking the recommended corrective actions.</li> <li>• The Annual Report of the Auditor General submitted to the National Assembly by 30th September of each year holds an update on the 'Status of Implementation of Prior Year Audit Recommendations'. The report is subsequently published.</li> </ul>	
--	---	--

#### 4.3.5 SAI-12: Performance Audit Standards and Quality Management - Score 3

##### Narrative

This indicator focuses on the fundamental principles of performance auditing. It looks at the foundations for performance audit practice, including audit standards and guidance material, as well as the SAI's processes to ensure the quality of performance audits. It assesses three dimensions:

- **Dimension (i): Performance Audit Standards and Policies**
- **Dimension (ii): Performance Audit Team Management and Skills**
- **Dimension (iii): Quality Control in Performance Audit**

*The AOG performs well under this indicator although there is scope for improvement. The Performance Audit Manual (2006) needs to be updated to reflect the full range of ISSAIs at level 300 and 3000. Given the AOG's ambition to increase significantly the number of performance audit reports that it issues each year, the expectation that staff will comply with the relevant standards and guidance issued by INTOSAI without incorporating that material fully in a revised Performance Audit Manual is not a sustainable practice in the medium to long term.*

##### **Dimension (i) Performance Audit Standards and Policies**

The key document setting out the AOG's Performance Audit standards and policies is the Office's Performance Audit Manual. The Manual was prepared by CCAF-FCVI Inc. of Canada and was adapted from the Performance Audit Manual of the Auditor General of Canada. The manual was adopted by the AOG in September 2009.

In his introduction to the Manual, the Auditor General comments that the AOG's Performance Audit policies are 'in accordance with the standards for assurance engagements recommended by INTOSAI and IFAC (IAASB)' (Performance Audit Manual, page 5). Appendix 1 of the Manual (pp.77 – 78) sets out the AOG's Performance and VFM Audit Policies. They are organised under the following headings: General Policies; Audit Conduct Policies; Audit Examination Policies; Audit Reporting Policies; and Audit Follow-up Policies.

The Audit Manual itself consists of the following sections:

- (1) General Policies, Definition, Mandate, Accountability, Access to Information;
- (2) Key Factors in Discharging the Performance and Value For Money Audit Mandate;
- (3) Audit Conduct Policies;
- (4) The Performance and VFM Audit Planning Process and Audit Examination Policies;
- (5) Performance and VFM Audit Reporting Policies;
- (6) Audit Follow-up Policies;
- (7) Performance Expectations;
- (8) The Performance and VFM Audit Quality Management Framework;

Appendix 1: Performance and VFM Audit Policies;

Appendix 2: Definition and Interpretation of Key Terms used in the Audit Act of 2004.

The Performance Audit Manual has not been updated since its introduction in September 2009 to reflect the development and implementation of the ISSAIs for performance audit. Consequently there are no references to the ISSAIs in the manual linking the AOG performance audit policies and the requirements of the manual to the relevant ISSAIs.

The staff of the performance audit unit, however, confirmed that in carrying out the most recent performance audit (*The Construction of The New Access Road to The Cheddi Jagan International Airport*) that they followed the INTOSAI Performance Audit Guidelines (ISSAI 3000 – 3999).

Although, as noted above, the Performance Audit Manual has not been updated to take account of the ISSAIs at level 300 and 3000, it was relatively straightforward to link material in the Manual with the relevant parts of the ISSAIs dealing with performance audit. As the table below shows, with one exception, the manual met all the criteria defined for SAI-12 *Dimension (i) Performance Audit Standards and Policies*. The one exception was criterion (j) and the need to consider materiality at all stages of the performance audit process. In this regard, we noted that the Performance Audit Manual only considers materiality in the context of identifying matters of significance when the AOG develops its overall planning for its performance audit programme. There is no explicit reference to the consideration of materiality at any of the other stages of the AOG performance audit process.

Finally, we note that, given the AOG's ambition to increase significantly the number of performance audit reports that it issues each year, the use by staff of INTOSAI guidelines

without incorporating them fully in a revised manual is not a sustainable practice in the medium to long term.

***Dimension (ii) Performance Audit Team Management and Skills***

This dimension examines whether the SAI has established a system for ensuring that members of a performance audit team collectively possess the professional competence, skills and experience necessary to carry out the audit in question. It also looks at what support the SAI provides for its performance auditors.

The AOG aims to carry out one performance audit at a time. A small, dedicated team is responsible for the audit. The AOG performance audit team consists of nine AOG officers – consisting of staff at each grade – Senior Audit Clerk, Assistant Auditor, Auditor and Audit Supervisor overseen by an Audit Manager and the Director of the AOG Business Unit responsible for the AOG’s performance audits (Business Unit 2). The Office has ensured that these auditors have received training in performance audit, including the concepts around the process of performance audit. In addition, it was evident from discussion with members of the AOG performance audit unit that they were familiar with the relevant ISSAI standards for performance audit.

The AOG Performance Audit Manual specifies the different responsibilities of the members of the performance audit team. This is reinforced in the planning and conduct of the audit with clear responsibilities assigned for the planning, conduct and review of the performance audit at all levels within the AOG.

In addition, the AOG has consistently used the services of an international consultant to support its performance audit team and to supplement the team’s skills and experience. Initially, he worked with the AOG performance audit unit on the early performance audits to assist AOG with the development and implementation of the structure it uses for performance audit. In the later performance audits, this individual provided a quality control and assurance function to supplement the work done in this regard by AOG officials and acted, in effect, as a coach and mentor for AOG performance auditors. This was evident, in particular, from the file maintained by the AOG as part of its working papers for the performance audit *Construction of the New Access Road to the Cheddi Jagan International Airport*. These recorded all the team’s communications and interactions with the international consultant.

It was evident from our review of the AOG’s performance audit working papers that their audit approach to each audit was built around a sound understanding of the government organisations and functions involved. It was also evident that the AOG staff had the requisite analytical, writing and communication skills. This was reinforced by the contribution that the independent international consultant made to the process both by participating in the early performance audits and by acting as a quality controller and mentor for the more recent performance audits. However, more generally, the AOG has not yet undertaken a performance audit that would involve the use of more sophisticated research design, social science methods and evaluation techniques.

It was also evident from our discussions with AOG performance audit staff that they have access to a range advice both from within the AOG (from the Auditor General and the members of the Executive Management Committee) and also from the independent international consultant who has assisted the AOG with its performance audit activities.

Finally, it was not evident from the working papers reviewed and from discussion with performance audit staff that the AOG had a proper system in place to identify the knowledge, skills and expertise required for a performance audit. In essence, the staff who comprise the AOG performance audit unit carry out all performance activities.

### ***Dimension (iii) Quality Control in Performance Audit***

This Dimension examines how quality control measures for performance audit have been implemented in practice, as evidenced through the review of the audit files for the four performance audit reports issued to date by the AOG.

Our examination of the relevant performance audit files confirmed that all working papers were reviewed at the appropriate level. The AOG officials responsible for the management and oversight of the performance audit complete checklists at the end of each phase of the audit to confirm that everything has been completed in accordance with AOG policies and procedures for its performance audits. Any shortcomings that the review process identifies are appropriately addressed and, where there are wider implications for the quality of the AOG's performance audit activities, they are shared with AOG performance audit staff. This process is helped by the small number of staff involved in AOG performance audits.

The progress of the performance audit is monitored regularly by the AOG Executive Committee as part of its overall oversight and management of AOG audits. The progress on the performance audit is also included in the quarterly and annual performance reports that the AOG prepares for the PAC.

We found that AOG performance audit work is comprehensively documented and the review procedures clearly evidenced. In addition, the AOG has used the services of an independent, international consultant to provide an additional layer of review and advice on its performance audit work thus further strengthening its quality control processes.

In the course of the SAI-PMF assessment of AOG's performance audit, we did not find any contentious issues of the type envisaged by criterion (c) of SAI-12 Dimension (iii). We judge the criterion met because AOG can draw on its own in-house expertise if necessary. The AOG performance audit team also had access to the advice of the independent, international consultant. Ultimately, if necessary, the Auditor General has the power under the 2004 Audit Act to buy in any specialist expertise he may need.

In the course of the SAI-PMF, we did not find any instances of differences of opinion within the AOG in relation to the four performance audits completed to date by the Office. Accordingly, we judge criterion (d) met because of the existing structures within the AOG for overseeing audit work and dealing with issues arising, in particular the central role played by the AOG Executive Committee which provides the forum for discussing and resolving the type of contentious issue and difference of opinion envisaged by this criterion.

The AOG has a clearly defined process for finalising its draft performance audit reports, confirming their approval and issuing the report. The Accounting Officer of the entity examined in the course of the performance audit is given the opportunity to comment on the final draft. These comments and the AOG's response to them are then included in the final version of the report and the Accounting Officer confirms that he agrees the report. The report then goes formally to the AG for approval. Once approved, it is for the AG to decide when to present the performance audit report to the Speaker of the National

Assembly for the Speaker to then formally table the report in the National Assembly and thus make it available publicly.

The AOG has not yet put in place a process or procedure for engagement quality control reviews.

### **Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Performance Audit Standards and Policies	4
(ii) Performance Audit Team Management and Skills	3
(iii) Quality Control in Performance Audit	3
<b>Overall Score</b>	<b>3</b>

### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>						
<b>(i) Performance Audit Standards and Policies</b>	<p><b>All criteria except criterion (j) are met.</b></p> <p>As the table below illustrates, the criteria are met by specific sections and paragraphs in the Audit Office of Guyana's Performance Audit Manual.</p> <p><b>Criterion (j) is not met.</b></p> <p>The AOG's Performance Audit Manual considers materiality in the context of identifying matters of significance when the AOG develops its overall planning for its performance audit programme but there is no explicit reference to consideration of materiality at other stages of the AOG performance audit process.</p> <p>The following table illustrates the alignment between the AOG's Performance Audit Manual and the Principles of Performance Audit and the Principles of the Performance Audit Process specified by ISSAI 300 and INTOSAI's Performance Audit Guidelines (ISSAI 3000 – 3999).</p> <table border="1"> <thead> <tr> <th>Criteria</th> <th>Met or Not Met</th> <th>Reference to AOG Performance Audit Manual</th> </tr> </thead> <tbody> <tr> <td>a. The need to identify the elements of each performance audit (auditor, responsible party, intended users, subject matter and criteria).</td> <td>Met</td> <td>Performance Audit Manual, Section 4: <i>The Performance and VFM Planning Process and Audit Examination</i></td> </tr> </tbody> </table>	Criteria	Met or Not Met	Reference to AOG Performance Audit Manual	a. The need to identify the elements of each performance audit (auditor, responsible party, intended users, subject matter and criteria).	Met	Performance Audit Manual, Section 4: <i>The Performance and VFM Planning Process and Audit Examination</i>	<p><b>4</b></p> <p><b>Criteria (b), (d), (m) and (s) and sixteen other criteria met.</b></p>
	Criteria	Met or Not Met	Reference to AOG Performance Audit Manual					
a. The need to identify the elements of each performance audit (auditor, responsible party, intended users, subject matter and criteria).	Met	Performance Audit Manual, Section 4: <i>The Performance and VFM Planning Process and Audit Examination</i>						

		<i>Policies.</i>
b. The need to “set a clearly-defined audit objective that relates to the principles of economy, efficiency and effectiveness.	Met	Performance Audit Manual, section on Audit Objectives, page 31 to page 32.
c. The need to choose an audit approach, to facilitate the soundness of the audit design.	Met	Performance Audit Manual, section on Audit Approach, pages 35 to 37.
d. The need to “establish suitable [audit] criteria which correspond to the audit questions and are related to the principles of economy, efficiency and effectiveness.	Met	Performance Audit Manual, section on Audit Criteria pages 33 to 35.
e. The need to “actively manage audit risk, which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users.	Met	Performance Audit Manual, sections on: audit evidence, pages 37 to 43; relying on the work of others pages 43 to 44; developing audit observations, recommendations and conclusions pages 44 to 47.
f. The need to “maintain effective and proper communication with the audited entities and relevant stakeholders throughout the audit process and define the content, process and recipients of communication for each audit.	Met	Performance Audit Manual, the relevant sections are: Entity management’s input to the audit (paragraphs 3.13 to 3.16, pages 20 to 21); and communication with the audited entity to clear and agree the AG report (page 46; page 52).
g. The need for the audit team to “have the necessary professional competence to perform the audit.	Met	Performance Audit Manual, section on the competence of the audit team (paragraphs 3.5 to 3.11, pages 19 to 20).
h. The need to apply professional judgment and scepticism.	Met	Performance Audit Manual, section on due care and on objectivity and independence (paragraphs 3.1 to 3.4, page 19).



	<p>i. The need for auditors to “apply procedures to safeguard quality, ensuring that the applicable requirements are met</p>	<p>Met</p>	<p>Performance Audit Manual, Section 8: <i>The Performance and VFM Audit Quality Management Framework</i> (pages 69 to 70).</p>
	<p>j. The need to “consider materiality at all stages of the audit process</p>	<p>Not Met</p>	<p>Performance Audit Manual considers materiality in the context of identifying matters of significance when the AOG develops its overall planning for its performance audit programme but there is no explicit reference to consideration of materiality at other stages of the AOG performance audit process.</p>
	<p>k. The need to “document the audit (...)” so that “information [is] sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations</p>	<p>Met</p>	<p>Performance Audit Manual, sections on documentation: paragraphs 3.28 to 3.36 (pages 22 to 24); paragraphs 4.90 to 4.94 (pages 40 to 41); and confirmed in practice through review of audit files for the four performance audits completed by AOG.</p>
	<p>l. The need to “plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management.</p>	<p>Met</p>	<p>Performance Audit Manual, section on the Examination Plan Paragraphs 4.25 to 4.29, pages 30 to 31; Section on project management paragraphs 7.44 to 7.71, pages 63 to 66.</p>
	<p>m. The need for auditors to “obtain sufficient appropriate audit evidence to establish findings, reach conclusions in response to the audit objectives and questions and issue recommendations.” ISSAI 300:38</p>	<p>Met</p>	<p>Performance Audit Manual, section on Appropriate Evidence (paragraphs 4.83 to 4.84, page 38); section on Sufficient Evidence (paragraphs 4.85 to</p>

			4.89, page 39).
n.	The need for auditors to “strive to provide audit reports which are comprehensive, convincing, timely, reader-friendly and balanced.” ISSAI 300:39	Met	Performance Audit Manual, PAM Section 5 <i>Performance and VFM Reporting</i> pages 48 to 52; specifically covered by statement on OAG policies paragraphs 5.1 and 5.2.
o.	That the SAI shall “seek to make their reports widely accessible, in accordance with the mandate of the SAI.	Met	Performance Audit Manual, paragraphs 3.37 to 3.39 (page 24).
p.	That the SAI shall “seek to provide constructive recommendations” if relevant and allowed by the SAI’s mandate.	Met	Performance Audit Manual, section on Developing Recommendations paragraphs 4.114 to 4.118, pages 45 to 46.
q.	The need to “follow up previous audit findings and recommendations wherever appropriate.”	Met	Performance Audit Manual, Section 6: <i>Audit Follow-up Policies</i> pages 53 to 56.
r.	Audit planning, including selection of audit topics. The policies and procedures should be designed to ensure that auditors analyse and research potential audit topics, and consider the significance, auditability and impact of planned audits. They should allow for flexibility in the planning.	Met	Performance Audit Manual, Section on the Examination Plan Paragraphs 4.25 to 4.29, pages 30 to 31; Section on project management paragraphs 7.44 to 7.71, pages 63 to 66.
s.	The analytical processes that enable the auditors to obtain sufficient appropriate audit evidence to establish findings and reach conclusions in response to the audit objectives and questions.	Met	Performance Audit Manual, Section on Audit Evidence paragraphs 4.80 to 4.103 (pages 37 to 43).
t.	Format of the audit report, which should contain information about the audit objective, criteria, methodology, sources of data and audit findings, conclusions and recommendations.	Met	Performance Audit Manual, Section 5 <i>Performance and VFM Audit Reporting</i> pages 48 to 52; specifically paragraphs 5.1 and

			5.2 (page 48).	
	<p>u. Audit documentation: The policies and procedures should be designed to ensure that “information [is] sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations.</p>	Met	<p>Performance Audit Manual, sections on documentation: paragraphs 3.28 to 3.36 (pages 22 to 24); paragraphs 4.90 to 4.94 (pages 40 to 41); and confirmed in practice through review of audit files for the four performance audits completed by AOG.</p>	
<p><b>(ii) Performance Audit Team Management and Skills</b></p>	<p><b>Criteria (a), (c), (d), (e), (g) and (h) to (n) are met.</b></p> <ul style="list-style-type: none"> <li>• The AOG has a small number of performance auditors. The Office has ensured that these auditors have received training in performance audit, including the concepts around the process of performance audit. In addition, it was evident from discussion with members of the AOG performance audit unit that they were familiar with the relevant ISSAI standards for performance audit.</li> <li>• The AOG performance audit approach is built around a sound understanding of the government organisations and functions involved.</li> <li>• It was evident from the review and discussion of AOG performance audits that the AOG staff had the requisite skills, specifically analytical, writing and communication skills.</li> <li>• Criterion (e) is judged met because of the range of professional advice available to the performance audit team both from within the AOG (from the Auditor General and the members of the Executive Management Committee) and also from the independent international consultant who has assisted the AOG with its performance audit activities.</li> <li>• The AOG Performance Audit Manual specifies the different responsibilities of the members of the</li> </ul>			<p><b>3 Criteria (a), (h), (i) and nine others are met.</b></p>

	<p>performance audit team. This is reinforced in the planning and conduct of the audit with clear responsibilities assigned for the planning, conduct and review of the performance audit at all levels within the AOG.</p> <ul style="list-style-type: none"> <li>• We conclude that the AOG has met criteria (h) to (n) as a result of the role played by the international consultant in working with the AOG performance audit unit on the early performance audits to assist AOG with the development and implementation of the structure it uses for performance audit and in the later performance audits through the role this individual played in providing a quality control / quality assurance function to supplement the work done in this regard by AOG officials and in acting, in effect, as a coach and mentor for AOG performance auditors.</li> </ul> <p><b>Criteria (b) and (f) are not met.</b></p> <ul style="list-style-type: none"> <li>• The AOG has not yet undertaken a performance audit that would involve the types methods and techniques envisaged by criterion (b). Consequently, it has not been tested in this regard and AOG performance audit staff have not needed to apply these types of methods and techniques.</li> <li>• The AOG does not have a proper system in place to identify the knowledge, skills and expertise required for a performance audit. In essence, the staff who comprise the AOG performance audit unit carry out all performance activities.</li> </ul>	
<p><b>(iii) Quality Control in Performance Audit</b></p>	<p><b>Criteria (a) to (d) and (f) are met.</b></p> <ul style="list-style-type: none"> <li>• The AOG has an extensive process of review for its performance audits. All working papers are subject to review with management oversight confirmed by completion of appropriate checklists at each key stage of the performance audit process. Any shortcomings that the review process identifies are appropriately addressed and, where there are wider implications for the quality of the AOG's performance audit activities, they are shared with AOG performance audit staff.</li> <li>• AOG performance audit work is comprehensively documented and the review procedures clearly evidenced.</li> <li>• No contentious issues of the type envisaged by criterion (c) emerged from the performance audits</li> </ul>	<p><b>3</b></p> <p><b>Five criteria are met.</b></p>

	<p>reviewed.</p> <ul style="list-style-type: none"> <li>• No instances of differences of opinion within the AOG emerged from the SAI-PMF assessment.</li> <li>• The AOG has a clearly defined process for finalising its draft performance audit reports, confirming their approval and issuing the report.</li> </ul> <p><b>Criterion (e) is not met.</b></p> <ul style="list-style-type: none"> <li>• The AOG has not yet put in place a process or procedure for engagement quality control reviews as envisaged by criterion (e).</li> </ul>	
--	--	--

#### 4.3.6 SAI-13: Performance Audit Process - Score 3

##### Narrative

SAI-13 examines how performance audits are carried out in practice. It assesses three dimensions:

- **Dimension (i): Planning Performance Audits**
- **Dimension (ii): Implementing Performance Audits**
- **Dimension (iii): Reporting of Performance Audits**

*The AOG has developed and implemented a sound, robust performance audit process. This judgement is, however, subject to two caveats. First, the AOG needs to update its Performance Audit Manual and associated guidance to reflect the ISSAI standards for performance audit and to take more systematic account of considerations of risk and materiality throughout the performance audit process. The second relates to the context of this assessment of the AOG performance audit process. To date the AOG has devoted relatively few resources to performance audit and to date has issued three performance audit reports using its performance audit process. The AOG wants to increase substantially the volume of its performance audit. To do this, the AOG will need to develop a much more systematic process for identifying and planning possible performance audits supplemented by extensive training for new performance audit staff and a dedicated unit to provide professional technical advice on performance audit and a quality control and quality assurance function.*

##### Background

The key document setting out the AOG's Performance Audit process is the Office's Performance Audit Manual. As noted in relation to our assessment of SAI-12 Dimension (i), the Performance Audit Manual has not been updated since its introduction in September 2009 to take account of the development and implementation of the ISSAIs for performance audit. Consequently there are no references to the ISSAIs in the manual linking the AOG performance audit policies and performance audit process to the relevant ISSAIs. Nevertheless, as we concluded in relation to SAI-12 Dimension (i), while the Performance

Audit Manual needs to be updated, there was a significant level of convergence between the Manual and the requirements of the ISSAIs and, consequently, it was relatively straightforward to link material in the Manual with the corresponding parts of the ISSAIs that deal with performance audit process. In addition, from our discussions and review of the AOG's performance audit files, it was evident that the AOG performance audit team are guided by the INTOSAI ISSAI 3000 guidelines.

Currently, performance audit accounts for a very small proportion of the AOG's audit activities. To date, it has issued just four performance audit reports:

- An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (Published November 2009).
- A Review of the Old Age Pension Programme in Guyana – Ministry of Social Protection (Published October 2010).
- Follow-up Report: An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (Published October 2015).
- The Construction of the New Access Road to the Cheddi Jagan International Airport – Ministry of Public Infrastructure (Published September 2017).

The AOG aims to carry out one performance audit at a time. A small, dedicated team is responsible for the audit. The AOG performance audit team consists of nine AOG officers – consisting of staff at each grade – Senior Audit Clerk, Assistant Auditor, Auditor and Audit Supervisor overseen by an Audit Manager and the Director of the AOG Business Unit responsible for the AOG's performance audits (Business Unit 2). The performance audit unit is also responsible for the AOG audit of IDB projects. Because of the need to work to a strict timetable for the fieldwork and completion of the IDB audits, this means that work on a performance audit has to be halted or suspended to allow the team to complete the IDB assignments.

The performance audit team also calls on expertise available from within the AOG. For example, the performance audit team made use of the expertise of the AOG's engineers to advise on, and contribute to, the performance audit examining the construction of the new access road to the Cheddi Jagan International Airport. In addition, the performance audit team uses other relevant guidance. For example, in relation again to the performance audit examining the construction of the new access road to the Cheddi Jagan International Airport, the team drew on the guidance provided by the manual prepared for CAROSAI on the Audit of Capital Projects.

In this context, we also noted that an international consultant from Canada worked with the AOG on its first performance audit, the assessment of the Palms Geriatric Institution. The consultant acted as part of the audit team and helped the AOG develop and implement its performance audit approach. He has continued to support the AOG with its performance audit, providing a review, advice and mentoring function for the audit team that carried out the AOG's most recent performance audit, the construction of the new access road to the Cheddi Jagan International Airport.

The AOG has implemented a highly structured process for carrying out and documenting its performance audits.

The AOG performance audit process consists of three distinct phases:

- First, the planning and approval stage where the team develops its audit approach; defines the objective (in terms of a statement) for the audit; agrees its criteria; and puts in place its plan covering the inputs (man hours), cost and planned duration; the completion of declarations of independence by all members of the performance audit team; the formal approval of the audit by the AG; and the formal communication with the Accounting Officer or Minister notifying them of the performance audit.
- Second, the fieldwork stage – in this phase the audit work is structured around the evaluation criteria developed to answer the overall audit objective and the individual audit processes and procedures to gather and analyse the information and data that the team requires to assess the performance of the audited entity against the criteria identified.
- Third, the report preparation and clearance phase – the performance audit team develops the draft report that they share with the audited entity for comment. The final letter from the Accounting Officer with any observations or comments together with his or her confirmation that the report is agreed is the final stage of the clearance process before the report is formally approved by the AG and submitted to the Speaker of the National Assembly.

The AOG also documents, indexes and cross-references its performance audits in a structured, standard way. There is a control file which contains all key documents relevant to the approval and planning of the audit comprising: correspondence with the responsible accounting officer including the letter of engagement; the audit logic matrix – a matrix showing the objectives of the audit, the criteria identified to meet those objectives, the linked audit questions, the information required to answer those questions and its source, the draft collection methods, the analytical methods, the restrictions of the proposed data and information, a brief description of what that information will enable the team to say; quality review checklists; and the final Accounting Officer clearance letter. The performance audit working papers are arranged in a separate file or files. They are organised by audit criteria which in turn correspond to each major section of the final report. Each audit criteria is cross-indexed to the tests carried out to assess performance against those criteria and then to the working papers recording the results of those audit tests, methods and procedures. The files also contain the final version of the performance audit report cross-indexed to the relevant supporting information.

All performance audit tests, procedures and processes are subject to review at the appropriate level. Review is documented to show who and when the review was carried out. This is supplemented by two higher-level checklists to confirm that all the proper steps required by the AOG Performance Audit Manual have been completed. One of these covers the planning phase while the other covers the examination and reporting phase. All checklists for each performance audit we reviewed in the course of the SAI-PMF had been completed.

In terms of review the Audit Supervisor, the Audit Manager and the Audit Director each have specific responsibilities for the review of the audit methods, processes, procedures and emerging findings and conclusions. These are set out in the AOG Performance Audit Manual. The Auditor General is responsible for the approval of the final performance audit report that is presented to the National Assembly.

Accordingly, for the purposes of the SAI-PMF assessment, we based our assessment of the AOG's Performance Audit Process on a review of the working papers for the three

performance audits that the AOG began after the introduction of its performance audit manual. We supplemented this with detailed discussions and interviews with the staff of the AOG performance audit unit.

Our review was facilitated by the consistent, structured way in which the AOG documented the three performance audits. All working papers were organised in a standard way, using standard forms where applicable, and all were clearly indexed and cross-referenced.

Users of the results of this SAI-PMF concerning the AOG's implementation of its performance audit process will need to bear in mind the circumstances of the AOG's performance audit work when they interpret the findings. Namely, that the AOG has so far produced only a few performance audit reports over an extended period of time. In these circumstances, the AOG is still developing its performance audit expertise and experience and still building confidence and trust in the performance audit processes that it has in place.

### ***Dimension (i) Planning Performance Audits***

For each performance audit we reviewed in the course of the SAI-PMF, the AOG performance audit team prepared and completed a pre-study document. This set out the issues to be addressed by the proposed performance audit together with relevant background information about the audited entity and the activity or programme that was to be the subject of the performance audit. The pre-study document also provided brief details of the line of enquiry to be taken, matters of potential significance, the scope of the audit, the audit approach and methodology, the team earmarked to carry out the audit, the timing of the audit and the budget for the audit. Finally, as part of this planning phase, the AOG performance audit team prepares a detailed, costed work plan for each performance audit the Office carries out.

The AOG defines the audit objectives of its performance audits in terms of economy, efficiency and effectiveness. To illustrate this, the audit objective of the performance audit that dealt with the construction of the new access road to the international airport was defined as: *'To determine whether the Ministry of Public Infrastructure managed the project [to construct the new access road] in an economic and efficient manner and ensured that the works were in compliance with international best practices and all relevant laws, regulations and authorities'*. The AOG then breaks down this overall objective into a series sub-objectives linked to the criteria for assessment developed for the performance audit. The AOG also develops specific audit criteria for each of these sub-objective and these are linked to the issues of economy and efficiency identified for the overall objective for the performance audit. As this also illustrates, the AOG has, to date, adopted a system-oriented approach for its performance audits as the most appropriate and most suitable to address the issues identified for those audits.

The AOG performance audit team discusses their audit criteria with the audited entity. The outcome of the discussion is formally recorded by the performance audit team and filed on the control file established for each performance audit.

The AOG performance audit team also develops appropriate methods and procedures for collecting and analysing audit evidence linked to the audit objectives and criteria defined for the performance audit.



In the performance audits reviewed, in discussion, the performance audit team confirmed that they assess whether they may need specialist help or expertise. To date, any specialist expertise needed for the performance audit has been provided from within the AOG's own resources, specifically by the AOG engineering specialists in the case of the performance audit that focused on the construction of the new access road to the international airport. In this regard, although no external expertise had been used in the course of the performance audits reviewed, AOG procedures mean that any external expertise would be subject to meeting the same ethical standards and standards of independence expected of AOG auditors.

In the course of our review of the AOG performance audit working papers, we did not find evidence to show that the AOG performance audit team considered materiality at the different stages of the performance audit process. Also, the AOG performance audit team does not explicitly assess the risk of fraud in the course of a performance audit.

We noted that in the course of the audit planning phase, all members of the performance audit team complete declarations of independence. They do this within the AOG's wider system for enforcing ethical and professional conduct that we assessed as part of SAI-4 (i) above. The key elements of this process are set out in Section 9 of the 2005 Regulations for the implementation of the 2004 Audit Act which requires all officers and employees of the Audit Office to observe the Conflict of Interest Code and to take the Oath of Professional Conduct. We note there that the OAG's Oath of Professional Conduct has not been updated since 2004 and, so, does not reflect the provisions of ISSAI 30.

#### ***Dimension (ii) Implementing Performance Audits***

Our review of the sample of performance audit files confirmed the consistent, structured way in which the AOG documented its performance audit work. All working papers were organised in a standard way, using standard forms where applicable, and all were clearly indexed and cross-referenced. This facilitated our assessment, as we were able to follow how the AOG had carried out each performance audit including how the AOG had reached its audit, findings, conclusions and recommendations. The key findings of our assessment were as follows.

- The AOG performance audit team collects the detailed information needed to assess the objective for the performance audit against the criteria identified for each sub-objective. The AOG's review procedures confirm that sufficient, appropriate information has been collected and adequately analysed.
- The AOG performance audit process involves the evaluation of the evidence collected in the course of the audit in order to develop its audit findings and conclusions.
- In the course of developing its audit findings, the AOG performance audit team compares and combines the data and evidence it has collected from the different sources it used in the course of the audit.
- Through a process of discussion and review, the AOG performance audit team exercises appropriate professional judgement in formulating and developing its audit findings and conclusions. As part of this process, the performance audit team evaluates the strength of the evidence collected.
- The development of the findings and conclusions of the AOG performance audit involves a systematic, analytical process of discussion and review to prepare those audit findings and conclusions.

- The AOG maintains a high standard of professional behaviour on the part of the performance audit team throughout the audit process. This is done formally with each member of the audit team signing a statement of independence and then through the process of review at all stages of the audit.
- Throughout the AOG performance audit process, there is consistent and continuing discussion and communication with the audited entity. This encompasses the questions or issues to be addressed by the performance audit, the audit approach and criteria for evaluation to be used in the course of the audit through to the emerging findings and conclusions of the audit and the draft report that the Auditor General proposes issuing. The working papers in the performance audit files document and record all these contacts, interviews, meetings and correspondence.

Finally, we noted that, while the AOG operates a detailed process of oversight and review of each performance audit, there was no clear, explicit documentation showing, first, how audit risk was identified and managed and, second, how the issue of materiality was assessed and considered in the course of the performance audit process.

### ***Dimension (iii) Reporting on Performance Audits***

The AOG's performance audit reports focus on the issues of economy, efficiency and effectiveness that have been addressed in the course of the performance audit. The reports are comprehensive and encompass all the findings, conclusions and recommendations of the performance audit. In this regard, the reports are organised so that they parallel the structure of the audit itself with each section of the final, published report dealing with each of the objectives and sub-objectives identified for the performance audit. In the process adopted by AOG, each objective and sub-objective for the performance audit is framed in terms of economy, efficiency and effectiveness.

Overall, our review of the sample of AOG performance audits found that:

- The AOG's reports are clearly and logically presented and structured and set out in a convincing way the findings, conclusions and recommendations flowing from the performance audit. They are well presented in a reader friendly way using tables, illustrations and photographs to help convey their central messages.
- The AOG works hard to ensure its reports are presented in a balanced, objective way. In this regard, the AOG takes care about how it expresses its reports' findings and conclusions to ensure that the reports strike the appropriate tone. In addition, this process is facilitated by the practice of giving the opportunity to Accounting Officers to comment on the final draft and the inclusion of the Accounting Officers' comments in the published report.
- The AOG's performance audit reports specify the objectives adopted for the performance audit, the audit criteria defined for each objective and the source of those audit criteria.
- The reports explicitly answer the objectives specified for the performance audit. These are expressed in the form of questions. The reports all include the AOG's conclusions flowing from the audit work together with recommendations aimed at improving the performance of audited entities and developed by the AOG in response to those findings and conclusions.
- In relation to the professional behaviour of the AOG's performance audit staff, the Auditor General's standard forward to each published performance audit reports

states the following: *'In conducting this performance audit, we followed the Code of Ethics and Standards and Guidelines for performance Auditing of the International Organization of Supreme Audit Institutions'.*

- Audited entities are consulted at each stage of the performance audit process. This culminates with the relevant Accounting Officer commenting on the final draft of Auditor General's report. The published report includes the Accounting Officer's letter and where appropriate the AOG's response to the issues raised by that letter.
- The AOG working papers include the AOG's consideration of the points or issues raised by the audited entity and the Office's considered response to those points and issues. This culminates with the relevant Accounting Officer commenting on the final draft of AG's performance audit report. The published report includes the Accounting Officer's letter and, where appropriate, the AOG's response to the issues raised by that letter.
- While the AOG operates a detailed process of oversight and review of the performance audit, there was no clear, explicit documentation showing how the issue of materiality was assessed and considered in the course of the AOG performance audit process.

#### **Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Planning Performance Audits	2
(ii) Implementing Performance Audits	3
(iii) Reporting on Performance Audits	3
<b>Overall Score</b>	<b>3</b>

#### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Planning Performance Audits</b>	<p><b>Criteria (a), (b), (d) to (i) and (k) and (l) are met.</b></p> <ul style="list-style-type: none"> <li>• For each performance audit, the AOG prepares a pre-study setting out issues to be addressed, relevant background information, matters of potential significance, the scope of the audit, the audit approach and methodology, the timing of the audit and the budget for the audit.</li> <li>• The AOG defines the audit objectives of its performance audits in terms of economy, efficiency and effectiveness and frames this as a question.</li> <li>• The AOG has, to date, adopted a system-oriented approach for its performance audits as the most appropriate and most suitable to address the issues identified for those audits.</li> <li>• The AOG develops specific audit criteria for each of</li> </ul>	<p><b>2</b></p> <p><b>Nine criteria met.</b></p>

	<p>the performance audit’s sub-objective and these are linked to the issues of economy and efficiency identified for the overall objective for the performance audit.</p> <ul style="list-style-type: none"> <li>• The AOG discusses these criteria with audited entities.</li> <li>• The AOG develops appropriate methods and procedures for collecting and analysing audit evidence linked to the audit objectives and criteria defined for the performance audit.</li> <li>• The AOG prepares a detailed, costed work plan for each performance audit.</li> <li>• AOG assesses whether the performance audit teams requires specialist advice or expertise. To date, where this is the case, the AOG has provided that advice or expertise from within the Office.</li> </ul> <p><b>Criteria (c), (j) and (m) are not met.</b></p> <ul style="list-style-type: none"> <li>• The AOG performance audit team does not consider materiality at the different stages of the performance audit process.</li> <li>• The AOG performance audit team does not assess the risk of fraud in the course of the performance audit.</li> <li>• All members of the AOG’s performance audit teams complete declarations of independence. They do this within the AOG’s wider system for enforcing ethical and professional conduct. The key elements of this process are set out in Section 9 of the 2005 Regulations for the implementation of the 2004 Audit Act which requires all officers and employees of the Audit Office to observe the Conflict of Interest Code and to take the Oath of Professional Conduct. The OAG’s Oath of Professional Conduct has not been updated since 2004 and, so, does not reflect the provisions of ISSAI 30.</li> </ul>	
<p><b>(ii) Implementing Performance Audits</b></p>	<p><b>Criteria (a) to (g) and (j) and (k) are met.</b></p> <ul style="list-style-type: none"> <li>• Our review confirmed that the AOG sufficient appropriate audit evidence to assess the objective of the performance audit against the criteria specified for the audit.</li> <li>• The AOG performance audit process involves the evaluation of the evidence collected in the course of the audit to develop its findings and conclusions.</li> </ul>	<p><b>3</b></p> <p><b>Nine criteria met.</b></p>

	<ul style="list-style-type: none"> <li>• The AOG compares and combines the data and evidence collected in the course of the audit.</li> <li>• The AOG performance audit exercises appropriate professional judgement in formulating audit findings and conclusions.</li> <li>• The AOG performance audit team evaluates the strength of the evidence collected and applies a systematic, analytical process of discussion and review to develop audit findings and conclusions.</li> <li>• The AOG maintains a high standard of professional behaviour throughout its performance audits including the use of statements of independence on the part of performance audit staff.</li> <li>• Throughout the AOG performance audit process, there is continuing communication with the audited entity. This encompasses all key aspects of the performance audit process from the issues or questions to be examined, the related audit criteria through to the emerging findings and conclusions.</li> <li>• Our review confirmed that the AOG documents its performance audits in a consistent, thorough and uniform manner that facilitates review.</li> </ul> <p><b>Criteria (h) and (i) are not met.</b></p> <ul style="list-style-type: none"> <li>• We found no clear, explicit documentation showing how audit risk was identified and managed by the AOG in the course of a performance audit.</li> <li>• We found no clear, explicit documentation showing how the issue of materiality was assessed and considered in the course of the AOG performance audit process.</li> </ul>	
<p><b>(iii) Reporting on Performance Audits</b></p>	<p><b>Criteria (a) to (e) and (g) to (l) are met.</b></p> <ul style="list-style-type: none"> <li>• The AOG’s performance audit reports focus on the issues of economy, efficiency and effectiveness that have been addressed in the course of the performance audit.</li> <li>• The reports are comprehensive and encompass all the findings, conclusions and recommendations of the performance audit. In this regard, the reports are organised so that they parallel the structure of the audit itself with each section of the final, published report dealing with each of the objectives and sub-objectives identified for the performance audit.</li> <li>• The reports are clearly and logically presented and structured and set out in a convincing way the AOG’s</li> </ul>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Nine criteria are met.</b></p>

	<p>findings, conclusions and recommendations.</p> <ul style="list-style-type: none"> <li>• The reports are presented in a user-friendly way using tables, illustrations and photographs to help convey their key messages.</li> <li>• The AOG takes care how it expresses its reports' findings and conclusions in order to strike the appropriate tone. In addition, the clearance process that the AOG uses facilitates presenting the reports in a balanced, objective way.</li> <li>• The reports specify the performance audit's objectives, the audit criteria used, and the source of those criteria.</li> <li>• The reports explicitly answer the objectives adopted for the performance audit and set out the conclusions flowing from the audit.</li> <li>• The reports contain recommendations aimed at improving the performance of audited entities.</li> <li>• The reports contain a statement from the Auditor General explaining the standards used by the AOG.</li> <li>• Audited entities are consulted at each stage of the performance audit process, in particular when the AOG finalises the Auditor General's report.</li> <li>• The AOG working papers include the AOG's consideration of the points or issues raised by the audited entity and the AOG's considered response to them.</li> </ul> <p><b>Criterion (f) is not met.</b></p> <ul style="list-style-type: none"> <li>• Our review of AOG performance audit working papers found no clear, explicit documentation showing how the issue of materiality was assessed and considered in the course of the AOG performance audit process.</li> </ul>	
--	--	--

#### 4.3.7 SAI-14: Performance Audit Results - Score 2

##### Narrative

SAI-14 relates to performance audit outputs – the timely submission and publication of performance audit reports and the follow-up of audit results.

The assessment of this indicator is based on three dimensions:

- **Dimension (i): Timely Submission of Audit Reports**
- **Dimension (ii): Timely Publication of Performance Audit Reports**

- **Dimension (iii): SAI Follow-up on Implementation of Performance Audit Observations and Recommendations**

***As noted above in relation to the discussion of SAI-12 and SAI-13, to date the AOG has issued just four performance audit reports and this total includes one follow-up performance audit report. The first performance audit report was issued in 2009 and the most recent in 2017. We advise readers of this report to bear this in mind when considering our findings, conclusions and scoring in relation to SAI-14. Currently, the AOG has only a basic system in place for the issue and follow-up of performance audit reports. To deal with an increased performance audit workload as the AOG envisages, it will have to build on these processes to develop more systematic procedures for the issue, publication and follow-up of performance audit reports.***

The relevant details for the four reports that the AOG has issued to date are as follows:

- An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (Final AO Clearance August 2009; Published November 2009).
- A Review of the Old Age Pension programme in Guyana – Ministry of Social Protection (Final AO Clearance July 2010; Published October 2010).
- Follow-up Report: An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (Final AO Clearance April 2014; Published October 2015).
- The Construction of the New Access Road to the Cheddi Jagan International Airport – Ministry of Public Infrastructure (Final AO Clearance September 2016; Published September 2017).

We noted that the AOG has tended to publish performance audit reports around the same time as the Auditor General presents his annual report so this has contributed to the extended delay between final approval of the report and its publication as shown above. In addition in relation to the most recent AOG performance audit report (the report dealing with the construction of the new access road to the international airport), the Auditor General explained that the gap between the date of the final clearance letter in the report and presentation to the National Assembly was also caused by the election of a new government and the appointment of a new Accounting Officer (AO). Accordingly, the Auditor General considered it prudent to ensure that the new AO agreed the report.

The precise timetable for the publication of the AOG performance audit reports is also not entirely clear. The Auditor General submits his reports to the Speaker of the National Assembly. The report is considered published when the Speaker formally lays the report before the National Assembly. The AOG obviously cannot control the gap between giving the report to the Speaker and the Speaker laying the report before the National Assembly.

Once the report has been laid by the Speaker, the AOG may make the report available on the Office's website. At the time of the SAI-PMF assessment, we found that the most recent performance audit report was not currently not available through the AOG website.

More broadly, we also found that, to date, the Public Accounts Committee of the National Assembly has not considered or taken evidence on any of the performance reports issued by the AOG.

Because the AOG has so far issued so few performance audit reports, there is as yet no formal, systematic process in place for managing the issuing of its reports. We were also concerned that any assessment of the AOG's current performance against SAI-14 Dimension (i) and SAI-14 Dimension (ii) would have to be based on just one report – the report on the construction of the new access road to the international airport. This in turn would lead to a score of '0' for Dimension (i) because of the delays around the issue of that report and a score of '4' for Dimension (ii) as the report would, in theory, have been available to the public once it had been laid in the National Assembly by the Speaker. Accordingly, because we felt that both scores would have to be subject to significant caveats and their usefulness to users of this report questionable, we concluded that, on balance, it would be more appropriate to score both these Dimensions as 'Not Assessed' on the grounds that the lack of sufficient, appropriate evidence rendered any other assessment or score as unfair for the AOG. However, in the course of the IDI quality assurance process for the assessment report, IDI advised that a Dimension should only be scored as 'Not Assessed' in exceptional circumstances. In this case, their view was that a score was appropriate even though the evidence base was so limited. Given this, we have scored Dimension (i) as '0' and Dimension (ii) as '4'.

We decided to score Dimension (iii) using the performance audit report that the AOG issued in 2015 and that followed up the AOG's 2009 performance audit report on the living conditions of residents at the government run Palms Geriatric Institution. In this case, the AOG had made a deliberate decision to follow up its earlier report to see what impact it had had. The Auditor General explained that he had wanted to convey the message to the entities that the AOG audits that it wanted to see, and report to the PAC about, positive responses to the conclusions and recommendations of its performance audit reports. We agreed that it was important to recognise this objective on the part of the AOG and to give it credit for the initiative it had taken in this regard to establish, in principle, a process for the follow up of its performance audit work.

#### ***Assessment Scores by Dimension***

<b><i>Dimension</i></b>	<b><i>Score</i></b>
(i) Timely Submission of Performance Audit Results	0
(ii) Timely Publication of Performance Audit Results	4
(iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations	3
<b>Overall Score</b>	<b>2</b>



**Assessment Findings and Observations**

Dimension	Findings	Score
<b>(i) Timely Submission of Performance Audit Results</b>	<p>Because of the delay in publication of the only AOG performance audit report and published during the review period stipulated by the SAI-PMF assessment tool, the score against this dimension is '0'. The specific assessment criterion is as follows:</p> <p><b>Score = 0:</b> For <u>less than 50%</u> of performance audits, the report is <u>submitted</u> to the appropriate authority (the Legislature, the auditee and/or the relevant ministry) <u>within 60 days</u> of completion of the audit (or within the legally defined or agreed time frame, if such exists).</p>	<b>0</b>
<b>(ii) Timely Publication of Performance Audit Results</b>	<p>Because AOG performance audit reports are, in effect, made public immediately after they are laid by the Speaker of the National Assembly, the score against this dimension is '4'. The specific assessment criterion is as follows:</p> <p><b>Score = 4:</b> Unless prohibited by legislation, the SAI <u>publishes all</u> its performance audit reports within 15 days after it is permitted to publish them.</p>	<b>4</b>
<b>(iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations</b>	<p><b>Criteria (a) to (f) are met.</b></p> <ul style="list-style-type: none"> <li>• AOG has carried out one follow-up performance audit focussed on one of the three performance audits it has undertaken so far. The aim of the exercise was to show the positive impact that the AOG's performance audit can have.</li> <li>• The follow up looked at how the general issues identified in the original report were being addressed as well as the audited entity's response to the specific issues and problems identified in that report.</li> <li>• The follow-up report also focussed in detail on the action taken in response to the recommendations that the original report contained.</li> <li>• The follow-up report assessed and endorsed the corrective actions that had been taken.</li> <li>• There was extensive consultation with the audited entity in the course of the follow-up audit that enabled the audited entity to explain the actions it had taken in response to the original report.</li> </ul>	<b>3</b> <b>Six criteria are met.</b>

	<ul style="list-style-type: none"> <li>The AOG's follow-up report was published and presented individually to the National Assembly, thus establishing a precedent and a working protocol for the AOG on the follow-up of its performance audits.</li> </ul> <p><b>Criterion (g) is not met.</b></p> <ul style="list-style-type: none"> <li>The follow up of the AOG's performance audits has, so far, been limited and consequentially considerations such as materiality are not part of a decision-making process on the follow up of performance audits.</li> </ul>	
--	---	--

#### 4.3.8 SAI-15: Compliance Audit Standards and Quality Management - Score 3

##### Narrative

SAI-15 looks at the foundations for compliance audit practice, including audit standards and guidance material, and an SAI's processes to ensure the quality of compliance audits. It also assesses the competencies and experience of the personnel doing these audits.

This indicator has three dimensions:

- **Dimension (i) Compliance Audit Standards and Policies.**
- **Dimension (ii) Compliance Audit Team Management and Skills.**
- **Dimension (iii) Quality Control in Compliance Audits.**

*The AOG has traditionally combined its Financial and Compliance audits into single assignments or regularity audits. The guidance available to AOG staff and the AOG's audit practice have together focussed mainly on financial audit. Compliance is covered through work done on the regularity assertion in each account area/component and at the financial statement level. The Audit Procedures Manual (2006) needs to be updated to reflect the full range of ISSAIs, especially ISSAIs 400 and 4000. The work programmes in use also need to be updated to adequately cover the requirements of compliance audits. Overall, the combined audit process at the AOG is robust and well documented. The files we reviewed showed strong evidence of planning, proper documentation of fieldwork and adequate consideration of audit findings.*

##### ***Dimension (i) Compliance Audit Standards and Policies***

The AOG has developed national audit standards that are broadly consistent with ISSAI 400 requirements for compliance audit. However, there is currently only one audit manual for both financial audit and compliance audit (the 2006 Audit Procedures Manual). The Manual covers general auditing principles and has a strong bias towards financial audit methodology.

There is less detailed guidance on compliance audit within the manual, and significant scope for the Manual to be made more up to date and in line with ISSAI 4000. The AOG also applies two other Quality Assurance Manuals (AOG Quality Assurance Manual - October 2008 and the CAROSAI Quality Assurance Handbook), however, neither contains a significant amount of guidance specific to compliance audit.

We examined the 2006 Audit Procedures Manual and found that the AOG met most of the criteria for Dimension (i) SAI-15. Specific areas where the guidance in the Procedures Manual fell short of an adequate level are as follows.

- There is an expectation within ISSAI 400 that elements relevant to compliance auditing are identified by the auditor before commencing an audit. This requirement is covered to an extent within the manual, (see Section 5.27), however, there was no requirement to consider of the level of assurance to be provided (whether reasonable or limited). We also did not see a consideration of the level of compliance assurance to be provided within any of the eight audits selected for review.
- The requirement for effective communication at the planning stage of the compliance audit is adequately covered within the AOG Audit Procedures manual (see Section 5.51). However, there is less guidance on communications during the remaining stages of the audit. In particular, Section 6 on Execution, Supervision and Review of Audits, and Section 7 on Audit Completion and Review do not include any guidance on the communication of audit findings to those charged with governance. On the other hand, good practice requires regular and documented communication with those charged with governance, including raising queries in a timely manner and holding entry and exit conferences around audit fieldwork. We found some evidence that these forms of communication are done in practice, but the requirements are not yet reflected in the guidance.
- The requirement for auditors to identify the subject matter and suitable criteria for a compliance audit (ISSAI 400:51) was not met. From our review of the 2006 Audit Procedures Manual we found this was not adequately covered within the manual.
- The requirement for auditors to determine the scope of the compliance audit (ISSAI 400:50) was met as the 2006 Audit Procedures Manual contains adequate coverage of the determination of audit scope. However, the guidance within the manual could be expanded upon and made more explicit.
- There is also useful guidance on the Preparation of Reports within Section 8 of the Audit Procedures Manual. However, the guidance is concerned entirely with the preparation of Reports emanating from financial audits and, so, does not reflect the reporting requirements for Compliance or Regularity audits.

#### ***Dimension (ii) Compliance Audit Team Management and Skills***

The AOG has established a system to ensure that “individuals in the audit team should collectively possess the knowledge, skills and expertise necessary to successfully complete the compliance audit”. The system in place at the AOG is adequately covered within the Audit Procedures Manual (see Staff Scheduling - Section 5) and was also evident from our review of the sample of audits. Specifically, the audit planning sections of the files selected for review included documentation of the skills and resources required for the audit, the

proposal of specific individuals to join the team and the review and approval of the team members that were proposed.

The AOG also provides support as necessary to its auditors in the form of: its audit manuals and other guidance material; continuous on-the-job training and the promotion of professional development; access to experts and/or information from external sources. The coaching notes and responses on the audit files that we reviewed showed the AOG provides on-the-job training to its staff. Furthermore, from discussions with AOG officials, it was established that the on-the-job training is supplemented with classroom style training delivered locally and overseas to promote professional development.

Although the guidance within the Audit Procedures Manual does not make specific reference to the need to identify audit criteria, the guidance on the design of audit procedures is adequate to ensure criteria are identified as a basis for evaluating audit evidence.

Specific areas where the AOG's systems and procedures fell short of an adequate level were as follows.

- In planning each compliance audit, the SAI is to identify *applicable authorities based on formal criteria, such as authorizing legislation, regulations issued under governing legislation and other relevant laws, regulations and agreements, including budgetary laws (regularity) and where formal criteria are absent or there are obvious gaps in legislation, general principles of sound public sector financial management and conduct of public sector officials (propriety) ISSAI 400:32*. We found that the need to identify applicable authorities based on formal criteria was not addressed explicitly enough within the 2006 Audit Procedures Manual, although it can be inferred by an experienced auditor.
- The auditor is also to determine the elements relevant to the level of assurance to be provided (i.e. reasonable or limited assurance) ISSAI 400:41. From our review of the 2006 Audit Procedures Manual and our review of our sample of eight audits, we were unable to see this adequately covered in the manuals and other guidance or put into practice within the files selected for review.

### ***Dimension (iii) Quality Control in Compliance Audits***

Five of out the six criteria for this dimension were met.

The procedures for the completion and review of audit work are adequately covered within Section 7 of the Audit Procedures Manual. Furthermore, Page 33 of the CAROSAI QA Handbook includes a requirement for the SAI to have policies and procedures for dealing with differences of opinion within the engagement team, and for the SAI to document in detail the resolution and implementation of conclusions reached.

Overall, there is adequate guidance on Quality Control around the review of audit work and the resolution of matters raised. Coaching notes to team members are documented on each section of the reviewed files, and the responses to the notes and the evidence of further follow-up action were also seen. These demonstrated that the review process was being used to promote learning and personnel development. There is also adequate guidance on

Quality Control around the review of draft reports including review by different levels of management before reports are authorized for publication.

No significant instances of differences of opinion or difficult or contentious matters were found within the sample selected for review. A discussion was held with the AOG to understand the extent of the use of technical experts where difficult or contentious matters arise. Examples were given to demonstrate the use of experts where required, including the existence of an in-house forensic audit unit.

The AOG has implemented the CAROSAI QA Manual in full and it includes guidance and checklists covering the application of engagement quality control reviews for audit work. We noted through our review of a sample of files that every audit assignment is subject to engagement quality control reviews prior to conclusion and the issue of reports.

For the criterion that was not met, we found that the guidance available at the AOG on Quality Control procedures is generally focussed on financial audits. There is a Quality Assurance Manual from October 2008 that aims to cover auditing standards in general. It focuses mainly on financial audit as well and includes some mention of performance audits. However, it does not contain any coverage of compliance audits standards.

We reviewed the audit files for our sample of audits to assess whether the Quality Control process included, in practice, specific coverage of the standards for Compliance Audit. We found that the approach applied within the working paper files derives directly from the CAROSAI Handbook on QA for financial audit, and the Quality Control checklists that the AOG used were from that handbook. The checklists are named specifically for Financial Audits and include light references to Regularity or compliance. There is therefore a gap in the guidance around Quality Control procedures for Compliance audits.

#### **Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Compliance Audit Standards and Policies	2
(ii) Compliance Audit Team Management and Skills	3
(iii) Quality Control in Compliance Audit	3
<b>Overall Score</b>	<b>3</b>

#### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Dimension</b>
<b>(i) Compliance Audit Standards and Policies</b>	<p><b>Criteria (b), (c), (d), (g), (h), (i), (m), (n), (p), (q), and (r) were met.</b></p> <p>See table below for detailed assessment against these criteria.</p> <p><b>Criteria (a), (e), (f) and (o) were not met.</b></p> <ul style="list-style-type: none"> <li>Standards for compliance audits are combined with those for financial audits within the AOG 2006 Audit</li> </ul>	<p><b>2</b></p> <p><b>Criteria (b), (c) and nine other criteria were met.</b></p>

	<p>Procedures Manual (Volume 1).</p> <ul style="list-style-type: none"> <li>• The AOG also applies two other Quality Assurance manuals – the AOG Quality Assurance Manual - October 2008 and the CAROSAI Quality Assurance Handbook. However, neither contains a significant amount of guidance specific to compliance audit.</li> <li>• There are some gaps in the standards, mainly around planning and scoping the audits, communications with those charged with governance and reporting the results of compliance audits.</li> </ul>		
	<p>The following table sets out the AOG’s performance against each of the criteria within this dimension.</p>		
	<b>Criteria</b>	<b>Met or Not Met</b>	<b>Reference to AOG Documents</b>
	a) “(...) The elements relevant to compliance auditing (...) should be identified by the auditor before commencing the audit.” <i>ISSAI 400:27 (I.e. identify the applicable authorities covering regularity and, if necessary, propriety requirements; the subject matter; intended users of the report; and level of assurance to be provided, whether reasonable or limited) ISSAI 400:28-41</i>	Not Met	This is covered to an extent within the manual. See Section 5.27. However, there was no requirement to consider of the level of assurance to be provided (whether reasonable or limited). We also did not see this consideration within any of the 8 audits selected for review.
	b) “Auditors should consider audit risk throughout the audit process.” <i>ISSAI 400:46 (I.e. The auditor should consider three different dimensions of audit risk: inherent risk, control risk and detection risk) ISSAI 400:46</i>	Met	This is adequately covered within the manual. See Section 5.27 to 5.38 and 6.23 to 6.35
	c) “Auditors should consider materiality throughout the audit process.” <i>ISSAI 400:47. (I.e. including consideration of materiality by value, nature and context) See also ISSAI 4000:94-99.</i>	Met	This is adequately covered within the manual. See Section 6.23 to 6.35
d) “Auditors should prepare sufficient audit documentation.” <i>ISSAI 400:48</i>	Met	This is adequately covered within the manual. See Section 5.45 and 6.36 to 6.38	

	e) "Auditors should establish effective communication throughout the audit process." <i>ISSAI 400:49</i>	Not met	The requirement for effective communication at the planning stage is adequately covered within the manual. See Section 5.51. However, there is less guidance on communications all through the rest of the audit. In particular, Section 6 on Execution, Supervision and Review of audits, and Section 7 on Audit Completion and Review do not include any guidance on the communication of audit findings to those charged with governance. On the other hand, good practice requires regular and documented communication with those charged with governance, including raising queries in a timely manner and holding entry and exit conferences around audit field work. We found some evidence that these are done in practice, but the requirements are not yet reflected in the guidance.
	f) "Auditors should identify the subject matter and suitable criteria." <i>ISSAI 400:51</i>	Not met	This is not adequately covered within the manual.
	g) "Auditors should determine the audit scope." <i>ISSAI 400:50</i>	Met	This is adequately covered within the manual, however the guidance could be expanded on and made more explicit. See the 'Scope of audit' section of the template Letter of Understanding (appendix to Section 5)

	h) "Auditors should understand the audited entity in light of the authorities governing it." ISSAI 400:52	Met	This is adequately covered within the manual. See Section 5.19
	i) "Auditors should understand the control environment and the relevant internal controls." ISSAI 400:53	Met	This is adequately covered within the manual. See Section 5.37 and 9.
	j) "Auditors should perform a risk assessment." ISSAI 400:54 (I.e. to determine the nature, timing and extent of audit procedures) See also ISSAI 4000:120).	Met	This is adequately covered within the manual. See Section 5.37, 6.23 to 6.35 and 9.
	k) "Auditors should consider the risk of fraud." ISSAI 400:55	Met	This is adequately covered within the manual. See Section 6.28 to 6.35.
	l) "Auditors should [plan the audit by] develop[ing] an audit strategy and an audit plan." ISSAI 400:56	Met	This is adequately covered within the manual. See Section 5
	m) "Auditors should gather sufficient and appropriate audit evidence to cover the scope of the audit." ISSAI 400:57	Met	This is adequately covered within the manual. See Section 6
	n) "Auditors should evaluate whether sufficient and appropriate audit evidence is obtained and form relevant conclusions." ISSAI 400:58	Met	This is adequately covered within the manual. See Section 6 and 7
	o) "Auditors should prepare a written report based on the principles of completeness, objectivity, timeliness and a contradictory process." ISSAI 400:59. See also ISSAI 4000:158.	Not met	There is useful guidance on the Preparation of Reports within Section 8 of the manual, however, the guidance is entirely on the preparation of Reports emanating from Financial audits and does not reflect the reporting requirements for Compliance or Regularity audits.



	p) “determining materiality [through] professional judgment [based] on the auditor’s interpretation of the users’ needs (...) in terms of value, (...) the inherent characteristics [nature] of an item [and] the context in which it occurs.” <i>ISSAI 400:47</i>	Met	This is adequately covered within the manual. See Section 6.23 to 6.35
	q) requirements for audit documentation, to ensure “the auditor should prepare relevant audit documentation before the audit report or the Auditor’s Report is issued, and the documentation should be retained for an appropriate period of time” <i>ISSAI 400:48</i>	Met	This is adequately covered within the manual. See Section 6.36 to 6.41 and 7
	r) determining the nature, timing and extent of audit procedures to be performed:	Met	This is adequately covered within the manual. See Section 6
	• in light of the criteria and scope of the audit, characteristics of the audited entity and results of the risk assessment <i>ISSAI 400:54</i>		
	• for the purpose of obtaining sufficient and appropriate audit evidence <i>ISSAI 400:57</i>		
	• and to evaluate whether the evidence obtained is sufficient and appropriate so as to reduce audit risk to an acceptably low level including considerations of materiality and the assurance level of the audit <i>ISSAI 400:58 (If necessary including an approach to calculating minimum planned sample sizes in response to materiality, risk assessments, and assurance level, based on an underlying audit model).</i>		
<b>(ii) Compliance Audit Team Management and Skills</b>	<p><b>Criteria (a), (b), (c), (d), (e), (f), (g), (i), (k), (l), (m), (n), (o), (p) and (q) were met.</b></p> <ul style="list-style-type: none"> <li>AOG auditors conduct combined financial and compliance audits, and there is guidance in place to ensure staff assigned to each combined audit have the necessary competence and experience.</li> </ul> <p><b>Criteria (h) and (j) were not met.</b></p> <ul style="list-style-type: none"> <li>The requirement for the team to identify applicable authorities based on formal criteria is not explicit enough within the Audit manual, although it can be</li> </ul>	<p><b>3</b></p> <p><b>Criteria (a), (e), (o) and twelve other criteria are met.</b></p>	

	<p>inferred by an experienced auditor.</p> <ul style="list-style-type: none"> <li>The requirement for auditors to determine the elements relevant to the level of assurance to be provided (I.e. reasonable or limited assurance) was also not seen in the manuals or in practice within the files that were reviewed.</li> </ul>	
<b>(iii) Quality Control in Compliance Audit</b>	<p><b>Criteria (a) and (c) to (f) were met.</b></p> <ul style="list-style-type: none"> <li>The AOG has robust Quality Control and Assurance procedures, including multi-stage review during the audit and an independent QA review once each audit is complete. The files selected for review held adequate evidence of these reviews being conducted in practice.</li> </ul> <p><b>Criterion (b) was not met</b></p> <ul style="list-style-type: none"> <li>Although the guidance on Quality Control procedures is mostly relevant, it is generally focussed on Financial Audits. There is a gap in specific guidance around Quality Control procedures for Compliance audits.</li> </ul>	<p><b>3</b></p> <p><b>Five criteria are met.</b></p>

#### 4.3.9 SAI-16: Compliance Audit Process - Score 2

##### Narrative

SAI 16 seeks information on how compliance audits are done in practice at the planning, implementation and reporting stages of the audit cycle.

This indicator has three-dimensions:

- **Dimension (i): Planning Compliance Audits**
- **Dimension (ii): Implementing Compliance Audit**
- **Dimension (iii) Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits.**

*The AOG has traditionally combined its Financial and Compliance audits into single assignments or regularity audits, and the combined audits are well planned and documented. The guidance available to AOG staff and the AOG's audit practice focus more on financial audit, and the files that we reviewed showed strong evidence of planning, proper documentation of fieldwork as well as adequate consideration of audit findings in forming the financial audit opinion. The expected quality control reviews were also undertaken and well documented. There are a few areas for improvement to increase the level of focus on compliance audits, primarily to update the audit manual, improve the planning to clarify the subject matter and test criteria, improve on the documentation of the consideration of risks and internal controls, especially the risk of fraud, and to properly conclude and report on the results of the compliance audit.*

### ***Background***

The assessment of this indicator is based on our review of a sample of eight AOG audits for the year 2016. We structured this sample to reflect as closely as possible the AOG's 'audit universe' and to cover audits completed by each of the AOG three Business Units. The sample comprised 2 Statutory Bodies, 2 Public Enterprises, 1 Constitutional Entity, 1 Regional Administration, and 2 Donor Funded projects. The sample also cut across a range of financial, regularity and compliance reporting frameworks including the Laws and Statutes of Guyana, Financial Rules and Regulations of the Government of Guyana and requirements set out within agreements between the Government and its donors/financiers.

The eight audits we reviewed were as follows:

- Audit 1 - Ministry of Public Infrastructure, 2016;
- Audit 2 - Chambers of the Director of Public Prosecutions, 2016;
- Audit 3 - IDB Loan 2741/BL-GY The Road Network Upgrade and Expansion Programme, 2016;
- Audit 4 - Property Holdings Incorporated, 2016;
- Audit 5 - Bank of Guyana, 2016;
- Audit 6 - IDB Loan 3369/BL-GY Citizens Security Strengthening Programme, 2016;
- Audit 7 - Regional Democratic Council 4, 2016;
- Audit 8 - Ministry of the Presidency, 2016.

The review covered a study of the complete audit working files and interviews with the respective audit teams who had done the audit and with their division heads.

### ***Dimension (i) Planning Compliance Audits***

From our review of our sample of audits, we found that seven out of the eleven criteria for this dimension were not met.

The areas where the AOG performed adequately in line with the standards are as follows:

- The Audit Plans each include a section on Understanding the Business, which demonstrates the auditor's understanding of the entity and its environment. The audit plans also contained a section setting out the Regularity and Legal Framework for each audit/audited entity.
- The Audit Plans generally set out the auditor's consideration of materiality by value and provide the figures for the materiality levels that were set. Most the engagements also documented their consideration of materiality by nature, and it was possible to infer from the audit working papers that there was some consideration of risks around transactions that may be material by context (especially within the query sheets and the management letters).
- The Audit working paper files generally included Internal Control Evaluation Questionnaires (ICQs), which set out the auditor's assessment of the internal control environment. The Control file for each audit also all contained an Audit Plan and Strategy (as one combined document).

- All audit team members are required to complete declarations of independence (see Section B6 of the Control file). The declarations cover the independence, objectivity, professional behaviour and integrity of each auditor. There is also an annual declaration of conflicts of interest by each member of staff.

The key areas of weakness we noted where the relevant criteria were not met were as follows:

- The number of instances that were seen across the eight audits where the consideration of the overall planning materiality, materiality by nature and materiality by context were not adequately documented collectively indicate a weakness in the consistency of the consideration of materiality.
- Although the audit plans contained a section setting out the Regularity and Legal Framework, there was no documentation to show that all applicable authorities governing regularity had been considered.
- The subject matter, the intended users of the report, and level of assurance to be provided, (whether reasonable or limited) were also not specified.
- There was no documented specific consideration of the risk of non-compliance with regulations and laws.
- The logic flow from the determination to place reliance on controls through to the level of substantive testing was clear, however, there was limited documentation to set out a more detailed consideration of the design and effectiveness of internal controls, and that was deemed to be the gap in the work done.
- Although the audit files contained some evidence of effective communication at the start of the audit, during the audit, and at the end, there was no documentation to show an Audit Strategy was shared with the audited entity, or that the responsible party was informed of the audit criteria.
- There was no documentation to show the identification of the subject matter or of suitable criteria. An engagement letter was signed for each audit, and while that provided some indication of the subject matter, it did not refer to any review for compliance with relevant authorities, rules or legislation, neither did it set out the relevant criteria.
- There was no documented determination of the audit scope (as a clear statement of the focus, extent and limits in terms of the subject matter's compliance with the criteria) within the Control files or the working papers that we reviewed.
- No specific consideration in relation to the risk of fraud was documented in any of the sampled audits.

#### ***Dimension (ii) Implementing Compliance Audits***

This dimension has five criteria of which four were met and, one was not met.

The Audit Plan and work programmes include an adequate assessment of risks, but the consideration of the effectiveness of controls was generally light. On the other hand, the

design of substantive procedures was found to be adequate although going forward, the AOG will want to update its audit methodology to be better aligned with ISSAIs 400 and 4000. From the audit files we reviewed, we found that all the planned procedures had been performed.

We found no examples in the files we reviewed where the auditor, having come across instances of non-compliance which were identified as possibly indicative of fraud, did not exercise due professional care

The audit working papers and audit plan also contained adequate and appropriate evidence in response to the audit programmes. The variety of evidence gathered included evidence from Analytical Procedures and detailed substantive tests that encompassed physical verification, document review, re-performance and observation.

With regard to the criterion that was not met, for the majority of the audits there was no documented need for external experts and no gaps in the body of assurance were seen as a result of this. Furthermore, for two of the audits, gaps were seen where reliance was placed on the report of an expert without the necessary further procedures being conducted, for example checks of the competence, capabilities and objectivity of the expert.

***Dimension (iii) Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits***

This dimension has ten criteria of which seven were met and three were not met.

From our review of the working paper files we found the documentation very well laid out, in adequate detail and easy to follow. As the AOG combines financial and compliance audit into single engagements, we found the level of detail relating to compliance audit procedures to be lighter and the majority of the audit effort was focussed on financial audit. There was, however, a consistent consideration of Regularity within the audit, although terminology specific to compliance audit was not widely used. The subject matter and criteria in particular were not well highlighted, but would be visible to an experienced auditor.

All AOG requirements for documentation were found to have been followed, and the evidence seen on the working paper files was deemed sufficient and appropriate to support the conclusions that were formed. The evaluation of audit evidence also included the consideration of materiality and of the assurance level of the audit.

The Query sheets and Management Letter adequately communicated all significant findings to those charged with governance all through and at the end of the audit. Responses were seen on the working papers to all findings and recommendations that were communicated to those charged with governance

The AOG issues one audit report on each combined financial and compliance audit. The reports are adequate to meet financial audit requirements but fall short of the standards required for Compliance audits in a number of areas, in particular:

- No summary of the compliance audit work performed was seen within the audit report.
- No conclusion or opinion in respect of compliance audit or regularity was seen within the audit report.

Furthermore, ISSAI 400.59 requires that a Compliance Audit report 'should clearly state the relevance of the criteria used and the level of assurance provided'. This was not seen in the audit reports for the engagements selected for review.

Overall, we found the Reports we reviewed easy to understand, free from vagueness and ambiguity, and complete and generally well prepared in terms of their structure and content. The observations and recommendations within the reports were clear and concise and the reports were directed to the appropriate officers. No instance was seen within the Reports and Management letters that were reviewed where findings were not put into perspective or were out of context.

#### **Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Planning Compliance Audits	1
(ii) Implementing Compliance Audits	3
(iii) Evaluating Audit Evidence, Concluding and Reporting in Compliance Audits	2
<b>Overall Score</b>	<b>2</b>

#### **Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Planning Compliance Audits</b>	<p><b>Criteria (g), (j) and (k) were met.</b></p> <ul style="list-style-type: none"> <li>The Audit Plans each include a section on Understanding the Business, which demonstrates the auditor's understanding of the entity and its environment. The audit plans also contained a section setting out the Regularity and Legal Framework.</li> <li>The Audit Plans generally set out the auditor's consideration of materiality.</li> <li>The Audit working paper files generally included Internal Control Evaluation Questionnaires (ICQs), which set out the auditor's assessment of the internal control environment.</li> <li>All audit team members are required to complete declarations on ethics and conduct</li> </ul> <p><b>Criteria (a), (b), (c), (d), (e), (f) ,(h) and (l) were not met.</b></p> <ul style="list-style-type: none"> <li>There was no specific documentation to show that all applicable authorities governing regularity had been considered on each audit.</li> <li>The subject-matter, the intended users of the report, and the level of assurance to be provided, were not specified.</li> <li>The coverage of materiality by nature and by context was not consistent across the audits selected for review and could be improved.</li> </ul>	<p><b>1</b></p> <p><b>At least two of the criteria are met.</b></p>

	<ul style="list-style-type: none"> <li>• There was no documented specific consideration of the risk of non-compliance with regulations and laws.</li> <li>• There was limited documentation to set out a detailed consideration of the design and effectiveness of internal controls, and that was deemed to be the gap in the work done.</li> <li>• There was no specific documentation to show the identification of the subject matter or of suitable criteria.</li> <li>• There was no documentation to show an Audit Strategy was shared with the auditee, or that the responsible party was informed of the audit criteria.</li> <li>• There was no separate determination of the scope of the compliance audit within the Control files or the working papers that were reviewed.</li> <li>• No specific consideration in relation to the risk of fraud was documented in any of the sampled audits.</li> </ul>	
<p><b>(ii) Implementing Compliance Audits Team</b></p>	<p><b>Criteria (a), (b), (d) and (e) were met.</b></p> <ul style="list-style-type: none"> <li>• The Audit Plan and work programmes include an adequate assessment of risks, but the consideration of the effectiveness of controls was generally light.</li> <li>• No examples were seen where the auditor, having come across instances of non-compliance that were identified as possibly indicative of fraud, did not exercise due professional care. Furthermore, the AOG has procedures in place to address instances of non-compliance that are indicative of fraud and operates a Forensic Audit unit.</li> <li>• The audit working papers and audit plan contained adequate and appropriate evidence in response to the audit programmes.</li> </ul> <p><b>Criterion (c) was not met.</b></p> <ul style="list-style-type: none"> <li>• For two of the audits sampled, we identified gaps where reliance was placed on the report of an expert without the necessary further procedures being conducted, for example checks of the competence, capabilities and objectivity of the expert.</li> </ul>	<p><b>3</b></p> <p><b>Criteria (a) and (d) and at least two of the other criteria are met.</b></p>
<p><b>(iii) Evaluating Audit Evidence, Concluding and Reporting in Compliance Audits</b></p>	<p><b>Criteria (b), (c), (d), (e), (h) and (i) were met.</b></p> <ul style="list-style-type: none"> <li>• Audit documentation was well laid out, in adequate detail and easy to follow.</li> <li>• As the AOG combines the performance of Financial and Compliance audits into single engagements, we found the level of detail relating to compliance audit procedures to be lighter. The subject matter and</li> </ul>	<p><b>2</b></p> <p><b>Criterion (e) and at least four other</b></p>

	<p>criteria in particular were not well highlighted.</p> <ul style="list-style-type: none"> <li>• All AOG requirements for documentation were found to have been followed.</li> <li>• The evaluation of audit evidence included the consideration of materiality and of the assurance level of the audit.</li> <li>• The evidence seen on the working paper files was deemed sufficient and appropriate to support the conclusions that were formed.</li> <li>• The Query sheets and Management Letter adequately communicated all significant findings to those charged with governance all through and at the end of the audit.</li> <li>• Responses were seen on the working papers to all findings and recommendations that were communicated to those charged with governance.</li> <li>• There are clear processes on review, discussion and responses between the audit team and the auditee.</li> <li>• Audit reports are prepared in a timely manner, contain all relevant material and audit entities have the opportunity to comment on findings before they are finalised.</li> <li>• Audit reports are clearly written and are based on evidence.</li> </ul> <p><b>Criteria (a), (f), (g) and (j) were not met.</b></p> <ul style="list-style-type: none"> <li>• Key elements of the audit (for example the Subject matter and Criteria) were not well highlighted but were discernible by an experienced auditor. However, the process will require more time and cross-checking than is ideal, and the need for the AOG to improve the detail and quality of its audit documentation remains clear.</li> <li>• The audit reports that were reviewed did not meet the requirements (under ISSAI 400.59) to state the relevance of the criteria used.</li> <li>• The AOG issues one audit report on each combined Financial and Compliance audit. The reports are adequate to meet Financial Audit requirements but fall short of the standards required for Compliance audits in several areas. E.g. No summary of the compliance audit work performed was seen within the audit report.</li> <li>• No specific conclusions or opinions in respect of compliance audit or regularity was seen within any of the audit reports</li> </ul>	<p><b>criteria met.</b></p>
--	--	-----------------------------



#### 4.3.10 SAI-17: Compliance Audit Results - Score 4

##### Narrative

SAI-17 assesses how efficient the SAI is in the submission and publication of reports. This SAI seeks information on how compliance audits are done in practice at the planning, implementation and reporting stages of the audit cycle. This indicator has three dimensions:

- **Dimension (i) Timely Submission of Compliance Audit Results**
- **Dimension (ii) Timely Publication of Compliance Audit Results**
- **Dimension (iii) SAI Follow-Up on Implementation of Compliance Audit Observations and Recommendations**

*The AOG's audits combine financial and compliance audits within each single assignment, and the Office's annual audit operations are scheduled to provide evidence towards the contents of the Auditor General's Annual Report. This effort takes up most of the time and resources of the Office. The annual deadline for the submission of the Annual Report is clear in the constitution (9 months after the fiscal year end), and the AOG plans all its activities towards meeting the deadline. In addition, the AOG had a well-established tradition of publishing the Auditor General's Annual Report immediately it is presented to the National Assembly (within 24-48 hours). There are other audits with different agreed timelines (mainly non-statutory audits of donor funded projects). We examined the performance of the AOG in meeting these agreed timelines and found they were met in the instances selected for testing. Furthermore, we found that the AOG incorporates the follow-up on the implementation of its previous recommendations into each new audit (i.e. the subsequent year), and that the results of these follow-up actions are collated and included in the Auditor General's Annual Report. In all the AOG has a comprehensive and proven process for the meeting the deadline for the submission of its results to the legislature, for the publication of its results and for comprehensive follow-up on its previous recommendations.*

##### ***Dimension (i) Timely Submission of Compliance Audit Results***

The statutory deadline for the submission of the Auditor General's Annual Report on the Consolidated Financial Statements of the Government of Guyana is 9 months after the end of the fiscal year, that is, for example, 30 September 2017 for the 2016 fiscal year which ends on ended on 31 December (Section 25 of the 2004 Audit Act). The Auditor General's annual report includes findings and recommendations from financial and compliance audits. The Report on the 2016 fiscal year was dated on the 29th of September 2017 and was transmitted to the Speaker of the National Assembly on the same date.

Separately, the timelines for audit reports on foreign funded projects are each fixed by agreement with the relevant international donor. These are generally earlier than the date for the Consolidated Financial Statements. From our examination of the two selected IDB funded projects, the deadline agreed with the IDB was 30 April after the end of each reporting year. For the two audits selected for review from the 2017 reporting period, the audit opinions and reports were dated on or before 30 April 2018 (26th April 2018 for the Loan 2741, and 30 April 2018 for Loan 3369). The reports contained the results of financial and compliance audits.

***Dimension (ii) Timely Publication of Compliance Audit Results***

The Annual Report of the Auditor General is the key output of AOG relevant to this dimension.

We were provided with documentary evidence to show that the Annual Report for 2015 was submitted by AOG to the National Assembly on 30th September 2016 and was laid before the Assembly on Thursday 13th October at which point it became a public document. It was then also published on the AOG Website immediately thereafter.

We also saw documentary evidence to show that the Report of the Auditor-General for 2016 which was submitted to the National Assembly on 29th September 2017 was laid in the National Assembly on Thursday 2nd November 2017 and published on the AOG website on the next day - Friday 3rd November 2017.

From discussion with the Auditor General we sought to establish why the 2015 Report was laid within 15 days but the 2016 Report took longer. We understand that, firstly, the timeframe for laying the Auditor General's annual report is not within the control of the Auditor General. Secondly, we also understand that the time taken by the Clerk of Assembly to lay the 2016 Report was due to the Parliamentary recess over that period and was unusual. The standard practice is to lay the report within 15 days of it being submitted by the Auditor General. On that basis, we believe the appropriate marker for when the AOG is permitted to publish is when the Report has been laid before the parliament, and on that basis the AOG scores highly on this criterion.

***Dimension (iii) SAI Follow-Up on Implementation of Compliance Audit Observations and Recommendations***

In discussion, the Auditor General outlined the process for the follow-up of recommendations, starting from the coverage of previous year's recommendations during the planning of each entity's next audit, and through to the consolidation of all results of follow-up activity for inclusion in his Annual Report. As an example, Page 445 of the Annual Report of the Auditor General for 2016 holds an update on the 'Status of Implementation of Prior Year Audit Recommendations'. The Annual Report also holds detailed information on findings, recommendations and responses/actions by each audited entity, and information on follow-up actions taken by the AOG on significant unresolved matters.

We also noted from our review of our sample of eight audits that Prior Year findings and recommendations are tracked at the planning stage of each audit, and any further work to be done to follow-up on these findings is clearly set out on the basis of the materiality of each prior year finding. The materiality of unresolved or brought forward matters for the current year's audit is also assessed.

From the audits we reviewed, we noted that audited entities are to provide information on all findings and recommendations that remain relevant at the end of each audit, including matters identified in previous years that remain unresolved or outstanding. The information to be provided includes corrective actions that were taken and/or the audited entity's reasons for not taking the recommended corrective actions.

**Assessment Scores by Dimension**

<b>Dimension</b>	<b>Score</b>
(i) Timely Submission of Compliance Audit Results	4
(ii) Timely Publication of Compliance Audit Results	4
(iii) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations	4
<b>Overall Score</b>	<b>4</b>

**Assessment Findings and Observations**

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Timely Submission of Compliance Audit Results</b>	<ul style="list-style-type: none"> <li>The Auditor General's 2016 Annual Audit report which covers over 80 per cent of the AOG's statutory role was submitted within nine months of the end of the financial year, 31 December 2017.</li> </ul>	<b>4</b>
<b>(ii) Timely Publication of Compliance Audit Results</b>	<ul style="list-style-type: none"> <li>The Auditor General's 2016 Annual Report was published within 15 days after the AOG was permitted to publish. i.e. within 15 days of the Report being presented to the National Assembly by the Clerk to the Assembly,</li> </ul>	<b>4</b>
<b>(iii) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations</b>	<p><b>All the criteria were met.</b></p> <ul style="list-style-type: none"> <li>The follow-up of recommendations starts from the coverage of previous year's recommendations during the planning of each entity's next audit, and through to the consolidation of all results of follow-up activity for inclusion in his Annual Report.</li> <li>The Annual Report of the Auditor General for 2016 holds an update on the 'Status of Implementation of Prior Year Audit Recommendations' and detailed information provided on the process of follow-up and validation across all entities included in the report</li> <li>From the files selected for our review we noted that audited entities are to provide information on all findings and recommendations that remain relevant at the end of each audit, including matters identified in previous years that remain unresolved or outstanding. The information to be provided includes corrective actions that were taken and/or the audited entity's reasons for not taking the recommended corrective actions.</li> <li>Prior Year findings and recommendations are tracked at the planning stage of each audit, and further work to be done to follow-up on these findings is clearly set out on the basis of the materiality of each prior year finding.</li> </ul>	<b>4</b> <b>All the criteria were met.</b>

	The materiality of unresolved or brought forward matters for the current year's audit is also assessed.	
--	---	--

**4.3.11 SAI-18, SAI-19, SAI-20: Jurisdictional Controls – N/A**

Not applicable as these indicators are only applicable for Court model SAIs.

## 4.4 Domain D: Financial Management, Assets and Support Services

Domain D comprises a single indicator. The following table provides an overview of the dimension and indicator scores. Section 4.4.1 provides further details.

Domain D: Financial Management, Assets and Support Services		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-21	Financial Management, Assets and Support Services	3	3	2		3

### 4.4.1 SAI-21: Financial Management, Assets and Support Services - Score 3

#### Narrative

SAI-21 examines the SAI's internal system of financial management and control, as well as its policies and practices regarding the support services and resources it requires. These include IT, assets and infrastructure, as well as administrative support. This indicator has three dimensions:

- Dimension (i) Financial Management.
- Dimension (ii) Planning and Effective Use of Assets and Infrastructure.
- Dimension (iii) Administrative Support Services.

*The expenditure of AOG is funded as a direct charge on the Consolidated Fund. The budget is prepared in a bottom-up manner with contributions from all AOG Business Units and operational divisions before consolidation and submission to the PAC for approval. The AOG has displayed exemplary management of its overall expenditure and has spent to within a few dollars of its overall allocation in each of the past three financial years. The AOG has received a series of clean audit reports from its external auditor, though we believe there is scope to review the requirements of the external audit to look, for example, at potential management weaknesses and the application of internal controls in more rigour. The AOG should maintain a single financial management system, rather than two parallel ones as it currently does, and seek to integrate performance information within a cost centre approach to financial management. There is relatively good management of the Office's IT system and its assets. However, a coordinated approach to asset management needs to be incorporated within a stronger overall strategic plan for AOG. There has been an admirable attempt to move towards a paperless working environment, but progress has been slow and the best approach might need to be reassessed.*

***Dimension (i) Financial Management***

Within the constitutional and statutory framework discussed above in relation to Domain A of the SAI-PMF assessment tool, the AOG prepares its annual budget on a bottom-up basis. The AOG Executive Committee reviews and adjusts the proposed budget before the Auditor General formally submits it to the PAC for further review and comment. In doing this, it follows the standard Government timetable and process. The AOG's proposed budget is finalised around June and submitted to PAC for review usually in August. As noted above the proposed budget is then subject to further review (and modification) by the Minister of Finance, usually in September. The final budget is then presented to the National Assembly for approval as part of the overall Government budget usually in December.

The AOG has a Financial Operations Manual which covers the management of revenue, payments, procurement, payroll, capital budgeting and contract management. Day to day management of the AOG's finances is the responsibility of the AOG Financial Management Division which is located within Business Unit 1.

The Director of Business Unit 1 is the formally designated Accounting Officer for the AOG. He approves all major items of expenditure. Small day-to-day spending may be approved by the Finance Manager, though we noted in this regard that there is no stated maximum limit.

Section 4 of the 2005 Regulations covering the implementation of the 2004 Audit Act stipulates that the AOG should have a Finance and Accounts Division. Currently, the Finance and Accounts Division team is headed by the Finance Manager who is supported by five other members of staff. All members of the team have clearly assigned roles and responsibilities. The Finance Manager has spent 26 years at AOG and has been in the current position since 2009. She has a CAT and Masters in Business Management.

In line with the requirements of the 2004 Audit Act, the AOG also produces quarterly performance reports and an annual performance report all of which the Auditor General submits to the PAC.

In discussion, the Finance Manager commented that actual AOG expenditure has matched budgeted expenditure to within G\$100 for each of the past three years. We confirmed this in the course of our analysis of AOG budgeted and actual expenditure. While there was some variation between the budget and actual outturn for some line items, the overall figures tally as G\$ 606.953 million for 2015, G\$ 686.459 million for 2016 and G\$ 722.068 million for 2017.

The AOG prepares financial statements each year that comply with the accounting and reporting standards applied to public sector entities in Guyana. Under section 44 of the 2004 Audit Act, the AOG's financial statements are subject to audit by an independent auditor appointed by the PAC. The auditor's report is submitted to the Committee.

The AOG financial statements for the year ended 31 December 2017 were audited by D. Bahadur and Co, Chartered Accountants. The audit report is clean and was dated 11 April 2018. The audit report states that 'in our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of AOG as at 31 December 2017...' The auditors included their management letter. The only weakness they identified was that there were 10 vacancies in the organisational structure. The stated implication was that 'a lack of key personnel may affect the effective and efficient operations of the organisation'. They recommended that 'all key vacancies should be filled in a timely manner'.

The AOG replied that it would continue to try to fill the positions within the budgetary constraints and reductions in budget that it has had to manage.

The Finance and Accounts Division currently maintain two separate systems of recording expenditure and revenue (one on Quick Books and one on excel) which they reconcile monthly. The stated reason for this is that in the past data have been lost.

Payroll accounts for about 80 per cent of AOG spending. The payroll itself is maintained by the Ministry of Finance and data supplied monthly to AOG which makes salary payments. The AOG does not allocate payroll costs to cost centres / specific audits. Very little performance information is included within the AOG Management Information System (MIS).

AOG Audit Directors estimate the time taken to conduct audits as part of the annual planning process and, using imputed charge-out rates, they also estimate the costs of conducting those audits. Staff complete timesheets and it is possible to monitor time spent on audits, but this is not part of an integrated staff cost recording system linked to the Financial Management Division.

#### ***Dimension (ii) Planning and effective use of assets and infrastructure***

The AOG's headquarters building is located in Georgetown. Teams of auditors are also based at major government Ministries and Departments in Georgetown and at the Regional Development Council Offices of each of Guyana's five coastal Regions. The AOG does not have a permanent presence in Guyana's five inland regions.

There is regular review of the layout of the AOG headquarters building and asset and infrastructure needs are regularly discussed in Management Committee meetings. There has been building work in the past three years to create additional space at the back of the office and to make better use of the existing space. In addition, there is regular maintenance work done of the head office building.

There is an Information Systems Policy and a summary IT Strategic Plan which has been updated in the past three years. There is also an analysis of IT needs each year from 2015 to 2019 setting out the AOG's need for computers and software. The Information Systems Manager reports to the Executive Committee and to the Management Committee on IT needs. There is annual review of the AOG need for computers. In 2018, this resulted in AOG acquiring eighteen new computers. There is regular review of storage capacity and the IT network. There is good knowledge and planning of major software needs in relation to TeamMate audit software.

The Registry is housed in a separate building at the back of the AOG headquarters building. Documents are indexed, filed and kept there for at least 7 years in line with legal requirements. There is a system to log receipt, issue and return of documents. Work has started to scan all key documentation from 2008 onwards and has got as far as 2013 at the time of the SAI-PMF assessment. Physical copies of scanned documents have been moved to a separate storage area. Work in progressing but there is still a backlog in scanning documents and there is restricted space in the Registry.

There is no separate strategy or overall plan for the AOG's physical infrastructure needs and little reference to this aspect of the organisation in the AOG's Strategic Development Plans. However, overall AOG staffing levels have remained relatively stable over the past five

years and at the time of the SAI-PMF assessment there were no plans for significant change by, for example, increasing AOG office accommodation above its current level.

We found that the AOG's IT needs had been specified in terms of laptops and TeamMate software. Costings have been prepared and the AOG budget provides each year for extra IT equipment. The AOG Strategic Development Plan also contains a budget for IT needs. But we found no specific IT plan as such as a separate, discrete document.

### ***Dimension (iii) Administrative support services***

Under Section 4 of the 2005 Regulations implementing the 2004 Audit Act, the AOG is required to maintain an Information Technology Division. The current head of the Division, the Information Systems Manager, has a BSc in Computer Science and has been with AOG since 2011. The position of Network Administrator has been vacant since March 2017. The position of Programmer has been vacant for over 2 years and inevitably has had an impact on the capacity of the Division. The Information Systems Manager has 4 other staff to assist him in his work.

The current Registry Supervisor joined the AOG in July 2017. Prior to this, she worked in a Registry at a hospital. She has a Certificate in Record Keeping. There is no documentation on the Registry systems, but work has started on a Statement of Procedures. There is a system to log receipt, issue and return of documents. Work has started to scan all key documentation from 2008 onwards and has got as far as 2013.

Overall responsibility for asset management falls under the duties of the Director of Business Unit 1. Within this Business Unit, the management of IT assets is led by the Information Systems Manager and the management of buildings and other assets is led by the Works and Structures Manager. These two managers have the necessary skills and experience to conduct these roles.

There has been no comprehensive review of AOG administrative support functions in the five years prior to the SAI-PMF assessment.

### ***Assessment Scores by Dimension***

<b><i>Dimension</i></b>	<b><i>Score</i></b>
(i) Financial Management	3
(ii) Planning and effective use of Assets and Infrastructure	3
(iii) Administrative Support Services	2
<b>Overall Score</b>	<b>3</b>

### ***Assessment Findings and Observations***

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Financial Management</b>	<p><b>Criteria (a) to (e) and (h) to (k) are met.</b></p> <ul style="list-style-type: none"> <li>The 2004 Audit Act provides the statutory framework for</li> </ul>	<p><b>3</b></p> <p><b>Nine</b></p> <p><b>criteria</b></p>



	<p>the AOG's financial management. Within this framework, the AOG Director responsible for Business Unit 1 is the Office's Accounting Officer and has overall responsibility for the AOG's financial management. In discharging his functions, he is supported by the AOG Finance and Accounts Division. Responsibilities are set out and defined in the AOG's financial management procedures.</p> <ul style="list-style-type: none"> <li>• The Director of Business Unit 1 approves all major items of expenditure; smaller day-to-day spending is approved by the Finance Manager.</li> <li>• AOG has a Financial Operations Manual which covers management of revenue, payments, procurement, payroll, capital budgeting and contract management. The manual is available for all staff to refer to.</li> <li>• The Finance Manager has spent 26 years at AOG and has been in her current post since 2009. She has a CAT and Masters in Business Management. The other three members of the Finance Team have spent a combined twenty-seven years working at the AOG. All are CXC qualified and two are ACCA qualified.</li> <li>• In line with the standard government timetable, the AOG prepares its proposed budget and this is submitted to PAC for comment, reviewed by the Ministry of Finance and presented to the National Assembly as part of the overall Government budget.</li> <li>• Actual expenditure of the office has matched budgeted expenditure to within G\$100 for each of the past three years.</li> <li>• The AOG prepares financial statements each year that comply with the accounting and reporting standards applied to public sector entities in Guyana.</li> <li>• Under section 44 of the 2004 Audit Act, the AOG's financial statements are subject to audit by an independent auditor appointed by the PAC. The auditor's report is submitted to the Committee.</li> <li>• The AOG financial statements for the year ended 31 December 2017 were given a clean audit report. These are publicly available.</li> </ul> <p><b>Criteria (f) and (g) are not met.</b></p> <ul style="list-style-type: none"> <li>• The AOG Finance and Accounts Division maintains two separate systems of recording expenditure and revenue (one on Quick Books and one on excel) that are reconciled monthly. Little if any performance information is included within the Management Information System.</li> <li>• Staff complete timesheets and it is possible to monitor time spent on audits, but this is not part of an integrated staff cost recording system.</li> </ul>	<b>are met.</b>
--	--	-----------------

<p><b>(ii) Planning and effective use of Assets and Infrastructure</b></p>	<p><b>Criteria (b), (c), (d) and (e) are met.</b></p> <ul style="list-style-type: none"> <li>• There is regular review of the layout of the AOG headquarters building in Georgetown. There has been building work in the past three years to create additional space at the back of the office and to make better use of the existing space. Proposals, plans and the status of building improvements are covered in minutes of the relevant meetings and in the appropriate management reports.</li> <li>• There is an Information Systems Policy and a summary IT Strategic Plan which have been updated in the past three years. There is also an analysis of IT needs each year from 2015 to 2019 setting out the need for computers and software such as TeamMate.</li> <li>• Asset and infrastructure needs are regularly discussed in Management Committee meetings and any issues affecting the performance of the AOG would be drawn to the attention through the regular quarterly and annual performance reports the Auditor General submits to the PAC.</li> <li>• Documents are indexed, filed and kept in the AOG's dedicated, on site Registry for at least 7 years in line with legal requirements. Work has started to scan all key documentation from 2008 onwards and has got as far as 2013.</li> </ul> <p><b>Criterion (a) is not met.</b></p> <ul style="list-style-type: none"> <li>• There is no separate strategy or overall plan for the AOG's physical infrastructure needs and little reference to this aspect of the organisation in the AOG's Strategic Development Plans.</li> </ul>	<p><b>3 Four criteria are met.</b></p>
<p><b>(iii) Administrative Support Services</b></p>	<p><b>Criteria (b) and (c) are met.</b></p> <ul style="list-style-type: none"> <li>• There is a system to log receipt, issue and return of documents in the Registry. Work has started to scan all key documentation from 2008 onwards and has got as far as 2013. There are two Registry staff and both have the requisite skills required for the work they do.</li> <li>• Overall responsibility for asset management rests with the Director of Business Unit 1. Within this Business Unit, the management of IT assets is led by the Information Systems Manager and the management of buildings and other assets is led by the Works and Structures Manager who has significant engineering experience.</li> </ul>	<p><b>2 Two criteria are met.</b></p>

	<p><b>Criteria (a) and (d) are not met.</b></p> <ul style="list-style-type: none"><li>• The head of the AOG Information Technology Division, the Information Systems Manager, has a BSc in Computer Science and has been with AOG since 2011. He has 4 other staff to assist him in his work. However, two key posts have been vacant for around two years and, inevitably, this has had an impact on the capacity of the Division.</li><li>• There has been no comprehensive review of AOG administrative support functions in the five years prior to the SAI-PMF assessment.</li></ul>	
--	---	--

## 4.5 Domain E: Human Resources and Training

Domain E comprises two indicators. The following table provides an overview of the dimension and indicator scores. Sections 4.5.1 to 4.5.2 provide further details.

Domain E: Human Resources and Training		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-22	Human Resource Management	2	1	2	2	2
SAI-23	Professional Development and Training	2	0	0	0	0

### 4.5.1 SAI-22: Human Resource Management - Score 2

#### Narrative

This indicator assesses elements of the AOG's human resource management. The assessment builds on the requirements of ISSAI 40 which stipulates that the SAI's human resource policies and procedures should include, amongst other things: recruitment, professional development, performance evaluation and promotion. It assesses four dimensions:

- Dimension (i) Human Resources Function
- Dimension (ii) Human Resources Strategy
- Dimension (iii) Human Resources Recruitment
- Dimension (iv) Remuneration, Promotion and Staff Welfare

*Human resource management has been a challenge to AOG over the past few years, largely due to extended periods of vacancy in the positions of HR Manager and HR Deputy Manager. There is no clearly defined human resources strategy linked to the Office's Strategic Development Plan. There has been insufficient consideration of future skills that the AOG will need to perform new and existing roles more effectively as well as issues such as turnover rates and upcoming retirements, all of which need to be addressed as part of a stronger HR strategic planning process. The OAG does not have a competency framework for different grades and types of auditor and no real consideration of succession planning. The performance appraisal and other HR systems date back to 2004 and would benefit from modernisation. Some key HR policies are missing or incomplete, such as those covering staff welfare, diversity and succession planning. There is good filing of HR records, including signed copies of Oaths of Professional Conduct and Conflicts of Interest. Staff recruitment processes are strong with good advertising and selection procedures in line with guidelines. Remuneration and promotion guidelines are followed but would benefit from modernisation, linked to a streamlined performance appraisal system.*

## **Background**

The AOG has a hierarchical structure. In addition to the Auditor General there are seven audit grades with Audit Clerks the most junior and Audit Directors the most senior. At 31 December 2017, the AOG's staff complement was 227 and the Office had 211 staff in post. Of these, 181 were audit staff and 30 were non-audit staff. In terms of the shortfall between staff in post and the AOG staff complement, the most significant in this regard was among the senior grades in the AOG where the number of staff in post falls short of the complement for those grades. This reflects the effects of the reductions in the AOG's annual budget proposals that we refer to in other sections of this report. The Auditor General decided that, in these circumstances, it was more prudent to keep the more junior, operational audit grades as close to full strength as possible. In the case of the most senior Director grade, the Auditor General has filled these posts by appointing individuals on an acting basis. While this situation is clearly not ideal, we understand that the practice of officials occupying senior positions on an acting basis for an extended period is a common practice across all the public sector in Guyana.

The AOG discharges its HR responsibilities within the statutory framework established by the 2004 Audit Act and the 2005 Regulations that implemented the 2004 Act. The key elements of this framework are as follows.

- Under Section 13 of the 2004 Act, the Auditor General is required to 'establish job descriptions with clearly defined responsibilities and performance expectations for all positions in the Audit Office'.
- Section 14(1) stipulates that the Auditor General should 'assess staffing needs, and appoint, pay, train, assign promote and discipline officers and employees in accordance with the Constitution, [the 2004 Audit] Act, the Rules, Policies and Procedures Manual and any other law'.
- Section 14(2) provides for the Auditor General to decide the remuneration and the terms and conditions of employment of Audit Office officers and employees 'within the framework of the budget approved for the Audit Office, taking into consideration the Rules, Policies and Procedures Manual'.
- Section 14(3) stipulates that the Auditor General's 'appointment and discipline of all senior officers and senior employees shall be subject to approval by the Public Accounts Committee'.
- Section 15 deals with the Rules, Policies and Procedures Manual. This stipulates that the Manual should be administered to ensure that:
  - There is 'fair and equal treatment of individuals applying for all offered appointments';
  - Appointment and promotion decisions are made on 'the qualification and merit of every individual eligible for consideration';
  - In disciplinary matters, the right to be heard and to make representations 'is guaranteed'.
- Section 12 stipulates that 'for the purpose of discharging the functions of his office' the Auditor General 'may ... do anything and enter into any transaction' including 'establishing and implementing human resource management systems and policies'.

In relation to the AOG Rules, Policies and Procedures Manual, Section 11 of the 2004 Audit Act provides for the Auditor General to make regulations for the administration of the Act 'with the approval of the Public Accounts Committee'. It goes on to state that 'such regulations may include a Rules, Policies and Procedures Manual'. Section 2 of the

Regulations for the implementation of the 2004 Audit Act stipulates that those Regulations incorporate the Rules, Policies and Procedures Manual. In this context, the remainder of Section 11 of the 2004 Audit Act makes it clear that as part of the Regulations any change to the Manual has to be presented to and approved by the National Assembly.

***Dimension (i) Human Resources Function***

The AOG HR Department comprises five staff. The head of the Department, the HR manager, is supported by four staff.

The current HR manager joined the AOG in March 2017 (with a gap for maternity leave between September and December 2017). Prior to this, the post was vacant for around two years. The HR manager is a graduate and was formerly a Group HR Leader at the Guyana Revenue Authority.

The Deputy HR Manager position is vacant and has been for some time.

When new staff join the AOG there is a process of induction through the HR Department. This includes an introduction to the HR elements of the RPPM. In addition, a copy of the RPPM is available on the AOG intranet.

The Performance Appraisal Manual is Volume 4 of the RPPM. As such, this system dates from 2004.

As part of the appraisal process, job objectives are set for each year and a review of performance against these objectives is carried out at the end of the year. There is no interim review. The annual appraisal also assesses performance against the following performance factors: knowledge of the job; self-direction; work direction; decision-making; work attitude; people development; communications; inter-personal skills and labour relations. There are also sections on the appraisal forms to comment on overall strengths and weaknesses, training and development needs and career interests.

There was an independent review of the performance appraisal system around 2014, in the course of which several areas for improvement were identified. We understand that, to date, the AOG has not yet made any changes to the performance appraisal system. In this context, we noted in the course of our discussions with AOG staff that many people in AOG apparently regarded the performance appraisal process exercise as a 'box ticking' exercise and of no real benefit.

Personnel files are kept as hard copies by the HR Division. The information they contain includes contact details, physical movements (e.g. to Ministries and regional offices), promotions, copies of birth certificates and qualifications. Signed copies of Oaths of Professional Conduct and Declarations of Conflict of Interest are also filed. Some records are summarised on excel / word files including staff list, staff location, qualifications and staff training.

More broadly, there is no HR strategy as such. There are aspects of HR covered in the AOG Strategic Development Plan, but this could be more detailed to cover major issues such as succession planning and institutionalisation of knowledge.

HR policies are contained in the RPPM which was finalised in 2004. Consequently, some policies are out of date or insufficiently detailed, for example those covering retirement, resignation, discipline. We noted that some policies are missing. For example, there are no

policies dealing with succession planning, staff welfare, grievances, probation, or staff induction.

There is no competency framework for key positions and roles within the AOG. In the course of our discussions, the AOG has identified as a priority for future development.

Job descriptions were originally drafted in 2004 and are still included in the RPPM. These contain a description of the importance of various factors such as analysis, supervision, teamwork, decision-making, and efficiency in relation to the job in hand. But these do not constitute a comprehensive statement of the competencies that the AOG requires.

There is no overall plan for prioritising professional development needs and delivery within AOG. Over the past 15 years, IDB has facilitated a substantial training as part of the support it has provided for the AOG. ITEC in India has also provided a substantial amount = of training in all types of audit. One of the directors has recently developed an outline plan for professional development in performance audit. AOG prepares a schedule of training, but this is done after the event rather than as a list of opportunities to proactively select from.

### ***Dimension (ii) Human Resource Strategy***

There is no separate human resource strategy. The Strategic Development Plan includes a strategic goal to 'enhance personnel, operational and organisational effectiveness' but this is very general. Generally, we found that the AOG does not document key HR issues in a comprehensive, strategic manner.

The current AOG Strategic Development Plan includes a summary of staff needs for the 3-year period that the plan covers (2018 to 2020). This is split by senior management, supervisory and non-management grades. The current AOG complement of 210 staff is planned to rise to 227 by 2020 through the addition of 8 senior managers, one supervisor and 8 non-management staff.

The Strategic Development Plan is available on the AOG intranet.

The HR section of the Strategic Development Plan includes a list of strategies linked to various HR issues such as to: (i) plan for the right number of personnel; (ii) implement salary adjustments; (iii) implement a results-orientated performance appraisal system; (iv) improve succession planning; (v) improve staff welfare. These are expressed in very general terms and very little detail is given. There are no HR related performance indicators in the Strategic Development Plan and no other evidence of these being in place.

The strategies in the Strategic Development Plan are monitored in management meetings / quarterly performance reports. These strategies are summary actions such as 'develop and implement a succession plan' and 'implement a medical scheme'. There are no targets related to indicators so it is not possible to monitor these.

### ***Dimension (iii) Human Resources Recruitment***

Section 14 of the 2004 Audit Act covers appointment and discipline of staff. It states that these functions must be done in accordance with the Constitution, the 2004 Act, the RPPM and any other law. The Act states that the AG can decide the remuneration and other terms and conditions within the framework of the approved budget taking into consideration the RPPM. The Act also states that the appointment (and discipline) of all senior officers and employees shall be subject to approval by the PAC.

Part 1, section K of the RPPM covers employee selection. It sets out the recruitment policy and covers advertising positions, interviewing, follow-up and orientation. Our discussion with AOG staff confirmed that the required procedures were followed. Minimum job requirements are stated in the RPPM as 'applicants must not be less than 18 years old' and 'applicants must conform to the qualifications specified for the job or position'. Job descriptions have details assessments of the skills that are needed to perform the role, but do not specify qualifications as such. The 2004 Audit Act and the RPPM are available through the AOG website.

All recruitment for positions at manager level and above is advertised in a national newspaper, normally three times. These advertisements include details of the job and the skills and experience required. Vacancies at supervisor level are advertised internally on the AOG intranet. Jobs at the lowest levels are not advertised because, we understand, the AOG gets plenty of direct applications and it would not be cost-effective to advertise.

The Director responsible for Business Unit 1 confirmed that for all senior appointments (manager level and above), a panel of three people conduct the interview / selection process - the Director responsible for Corporate Services, the HR Manager and one person external to AOG. These decisions are submitted to the PAC for approval. The HR Manager confirms that for more junior staff (supervisor and below) three people are also involved in the interview process.

There are no documented diversity policies or procedures. Applications from regions are given priority for regional positions, but these are often the only applications. From our discussions, we understand that AOG tries to get a balance of male and female candidates but this is not always done systematically. An analysis of gender reveals that the current staffing level of 211 is split 72 men to 139 women. This balance is equitably represented throughout the grading structure, for example at Director level it is 1 man to 2 women; at Manager level it is 5 men to 9 women; at Supervisor level it is 11 men to 21 women.

The Strategic Development Plan includes a summary of staffing needs for each year, analysed by senior management, supervisory and non-management grades. This shows a planned increase in overall staff numbers from 210 to 227 over the period (2018 to 2020). However, there is no recruitment plan as such which factors in staff turnover or a more detailed assessment of AOG needs in specific areas of audit and non-audit activities.

#### ***Dimension (iv) Remuneration, Promotion and Staff Welfare***

The performance appraisal manual is volume 4 of the RPPM. The system involves the annual setting of objectives and an annual review of performance. All AOG staff are appraised against job objectives and against performance factors (for example knowledge, decision making, attitude). The objectives are set at the start of the year. From discussion, we understand that these vary in quality. The appraisal against performance factors is very detailed but we understand that there are limited benefits flowing from this exercise.

Section 14 of the Audit Act states that 'the officers and employees shall be appointed at such remuneration and on such other terms and conditions as the Auditor General may decide, within the framework of the budget of the Audit Office, taking into consideration the RPPM'. We understand that there is no system for awarding performance bonuses and nothing is stated in the RPPM about this. There are remuneration scales within the AOG and we understand that these are adhered to. There is scope to award increments to pay if a



person is promoted to an acting position (called the 'Acting Premium') and these are set out in section 13.10 of Volume 1 of the RPPM.

Volume 1, section 12.9 of the RPPM deals with promotions. It sets out the role of the Executive Management Committee in announcing promotion opportunities and the role of the HR Manager in selecting officers for interview and managing the interview process. As part of the process 'candidates may be required to provide samples of prior work products, copies of performance appraisals and other information to support their application'. The Manual states that 'the greatest weight shall be given to performance'. Promotions to manager and above may involve participation in an assessment centre activity that in turn may involve, we understand, some participation by the Public Accounts Committee. More broadly, under Section 14(3) of the 2004 Audit Act, the Auditor General's appointment of senior officers and senior employees is subject to approval by the Public Accounts Committee.

Section 15 of the 2004 Audit Act states that 'the RPPM and all other laws shall be administered to ensure that appointment and promotion decisions are made on the qualification and merit of every individual for consideration'. From discussion with AOG officials, we understand that the promotion process follows these established procedures.

We understand that there is no welfare policy in place. There are several aspects of welfare covered in Volume 1 of the RPPM such as Behaviour, Discipline and Grievance (section 12.4), Special Leave (section 12.5.2), relations with Trade Unions and Staff Associations (section 12.7) and health and welfare benefits (section 13.7), but these need to be pulled together more effectively into a welfare policy. Section 13.7 on Health and Welfare is very short, general and vague stating that: 'These benefits generally include Health Plans, Group Life Insurance, Pension Plans, Staff Loans and Education Reimbursement Plans'.

We understand that there is no formal mechanism for staff to express their views on the AOG work environment. In discussion, AOG officials commented that employees are free to raise issues with their line managers if they wish. In this regard, we noted that in March 2018 the AOG HR manager issue a minute asking for views on the safety of the AOG work environment but to date no one had responded. We found no examples of members of staff raising issues or concerns about the AOG working environment with senior staff.

#### ***Assessment Scores by Dimension***

<b><i>Dimension</i></b>	<b><i>Score</i></b>
(i) Human Resource Function	2
(ii) Human Resources Strategy	1
(iii) Human Resources Recruitment	2
(iv) Remuneration, Promotion and Staff Welfare	2
<b>Overall Score</b>	<b>2</b>

#### ***Assessment Findings and Observations***

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Human Resource</b>	Criteria (d), (e) and (g) are met.	<b>2</b>

<p><b>Function</b></p>	<ul style="list-style-type: none"> <li>• There is a process of induction through the HR Department for new staff. This includes an introduction to the RPPM. A copy of the RPPM is available on the AOG intranet.</li> <li>• The Performance Appraisal Manual is Volume 4 of the RPPM. Job objectives are set for each year and a review of performance against these objectives is carried out at the end of the year. There is no interim review.</li> <li>• Personnel files are kept as hard copies by the HR Division. Signed copies of Oaths of Professional Conduct and Declarations of Conflict of Interest are also kept on file.</li> </ul> <p><b>Criteria (a), (b), (c) and (f) are not met.</b></p> <ul style="list-style-type: none"> <li>• Although the current AOG HR manager was been formerly a Group HR Leader at the Guyana Revenue Authority and is supported by a team of four staff, the continuing vacancy for a deputy HR manager together with the gaps in HR strategy, policies and processes all serve to indicate that the AOG does not have a HR department with the appropriate skill set, experience and resources to carry out its functions fully and effectively.</li> <li>• There is no HR strategy as such. There are aspects of HR covered in the Strategic Development Plan of AOG, but this could be more detailed to cover major issues such as succession planning and institutionalisation of knowledge.</li> <li>• Some key HR policies are out of date or insufficiently detailed, e.g. retirement, resignation, discipline. Some policies are missing, e.g. succession planning, staff welfare, grievances, probation, staff induction.</li> <li>• There is no competency framework for key positions / roles within the AOG.</li> <li>• There is no overall plan for prioritising professional development needs and delivery within AOG. There is a schedule of training, but this is done after the event rather than as a list of opportunities to proactively select from.</li> </ul>	<p><b>Three criteria are met.</b></p>
<p><b>(ii) Human Resources Strategy</b></p>	<p><b>Criteria (c) and (f) are met.</b></p> <ul style="list-style-type: none"> <li>• The AOG Strategic Development Plan includes a summary of staff needs for the 3-year period, split by senior management, supervisory and non-management grades.</li> <li>• The Strategic Development Plan is available on the intranet.</li> </ul>	<p><b>1</b></p> <p><b>Two criteria are met.</b></p>

	<p><b>Criteria (a), (b), (d), (e) and (g) are not met.</b></p> <ul style="list-style-type: none"> <li>• There is no separate human resource strategy. Key HR issues are not documented in a comprehensive strategic way.</li> <li>• The HR section of the Strategic Development Plan includes a list of strategies, but these are expressed in very general terms and very little detail is given.</li> <li>• There are no HR related performance indicators in the Strategic Development Plan and no other evidence of these being in place.</li> <li>• Changes over time to the HR sections in successive Strategic Development Plans are minimal as strategies are drafted in a very generic way such as 'implement a training plan' and 'participate in capacity building projects'.</li> </ul>	
<p><b>(iii) Human Resources Recruitment</b></p>	<p><b>Criteria (a), (b), (d) and (g) are met.</b></p> <ul style="list-style-type: none"> <li>• Section 14 of the 2004 Audit Act covers appointment and discipline of staff. Part 1, section K of the RPPM covers employee selection.</li> <li>• The 2004 Audit Act and the RPPM are available through the AOG website.</li> <li>• For all senior appointments (manager level and above), a panel of three people conduct the interview / selection process.</li> <li>• Occasionally, there is a need to employ outside experts to conduct work for the AOG. In these cases, terms of reference are prepared and approved by senior management. Quality of deliverables is reviewed before payments are made for services.</li> </ul> <p><b>Criteria (c), (e) and (f) are not met.</b></p> <ul style="list-style-type: none"> <li>• There are no documented diversity policies or procedures. Applications from regions are given priority for regional positions, but these are often the only applications. The AOG tries to get a balance of male and female candidates but this is not done systematically.</li> <li>• All recruitment for positions at manager level and above is advertised in a national newspaper, normally three times. These decisions are submitted to the PAC for approval. Jobs at lower levels are not advertised.</li> <li>• The Strategic Development Plan includes a summary of staffing needs for each year, analysed by senior management, supervisory and non-management grades. This shows a planned increase in overall staff numbers from 210 to 227 over the period 2018 to 2020. However,</li> </ul>	<p><b>2</b></p> <p><b>Four criteria are met.</b></p>

	there is no recruitment plan as such which factors in staff turnover or a more detailed assessment of AOG needs in specific areas of audit and non-audit activities.	
<b>(iv) Remuneration, Promotion and Staff Welfare</b>	<p><b>Criteria (a), (b), (c), (d) and (e) are met.</b></p> <ul style="list-style-type: none"> <li>• The performance appraisal manual is volume 4 of the RPPM.</li> <li>• Employees are appraised against job objectives and against performance factors (e.g. knowledge, decision making, attitude etc.).</li> <li>• Section 14 of the Audit Act states that 'the officers and employees shall be appointed at such remuneration and on such other terms and conditions as the AG may decide, within the framework of the budget of the Audit Office, taking into consideration the RPPM'.</li> <li>• Volume 1, section 12.9 of the RPPM deals with promotions.</li> <li>• Section 15 of the 2004 Audit Act states that 'the RPPM and all other laws shall be administered to ensure that appointment and promotion decisions are made on the qualification and merit of every individual for consideration'.</li> </ul> <p><b>Criteria (f), (g) and (h) are not met.</b></p> <ul style="list-style-type: none"> <li>• There is no integrated welfare policy in place.</li> <li>• There is no formal mechanism for expressing views on the work environment.</li> <li>• There were no examples of major views expressed about the AOG work environment in the last year.</li> </ul>	<p><b>2</b></p> <p><b>Four criteria are met.</b></p>

#### 4.5.2 SAI-23: Professional Development and Training - Score 0

##### Narrative

This indicator assesses how the SAI as an organisation is able to promote and ensure professional development to improve and maintain the competency of its staff. It is linked to ISSAI 12. This states that SAIs should promote continuing professional development that contributes to individual, team and organisational excellence. It assesses four dimensions:

- **Dimension (i) Plans and Processes for Professional Development and Training**
- **Dimension (ii) Financial Audit Professional Development and Training**
- **Dimension (iii) Performance Audit Professional Development and Training**
- **Dimension (iv) Compliance Audit Professional Development and Training**

***Over the past 10 years or so, there has been provision of many good quality training programmes for AOG staff funded by the IDB and from the AOG's own budget. There has been a combination of external course provision, particularly in Canada and India, training provided in Guyana by international experts and training provided in-house. However, the AOG has not yet put in a place a formal process or system to identify training needs at the organisational and individual level and to select people for professional training courses and programmes. The AOG does not have formal competency frameworks that set out the skills needed for different grades of staff for different types of audit (financial audit, compliance audit and performance audit) and for non-audit work. Human resource development needs as specified in the AOG Strategic Development Plan are, in our opinion, too generic and tend to be simply copied from one plan to the next. We found little evidence of any assessment of the quality of training received by AOG staff or of the impact of training on, for example, changing AOG audit methods and procedures and improving the quality of the AOG's professional audit work. In our view, there is scope for quick, significant improvement in the AOG's scores for SAI-23 if it were to develop strong competency frameworks for auditors at different levels in the organisation and for different types of audit, and an integrated human resource development plan linked to the changing future role of the Office.***

#### ***Dimension (i) Plans and Processes for Professional Development Training***

In the course of the SAI-PMF assessment, we found that the AOG has not yet put in a place a formal process or system to identify training needs at the organisational and individual level and to select people for professional training courses and programmes.

At the operational level, we noted that in February 2018 the AOG Business Unit 2 had produced a proposed training schedule for the staff in her unit. This consisted of a list of proposed courses by participant. This schedule did not include broader issues such as training needs or objectives for training and development. The other two Business Units had not prepared similar training schedules.

In discussion, the Auditor General commented that the Executive Management Committee regularly discusses issues concerning AOG staff training. As noted at a number of points in this report, these meetings are not minuted. However, we found in the course of our review of the Committee's working papers that the Committee periodically issues to AOG staff notices or minutes about training. The Auditor General also maintains a file on training that includes details of all training events held by the AOG that are run by AOG staff or international consultants. In this regard, the AOG held five courses in 2016 for a combined number of around 170 participants. These training courses covered IT audit, report writing, TeamMate, and gap analysis. The file does not include details of training undertaken abroad.

In addition, the AOG takes advantage of a significant amount of audit training provided each year by the Indian Technical and Economic Cooperation (ITEC). This programme of cooperation has been in operation for well over 10 years.

AOG staff also participate in training courses provided by CAROSAI and by other providers as part of IDB and other donor funded projects. We understand that AOG officials are selected for training based on their role and seniority. We found no evidence that selection for training was based on the need either of the AOG as an organisation or of the individual AOG official.

The AOG operates an annual performance appraisal system and this is set out in Volume 4 of the RPPM. Job objectives and development needs are part of this system. There is no mid-year review of development and only a very general review of development at the end of the year. There is significant scope to improve development plans but the basis for the system is in place.

The AOG does not currently have a human resource strategy, an overall learning strategy or an annual plan for professional development and training. There are generic goals in the Strategic Development Plan to build the capacity and skills of the staff, but there is no specific or well-defined learning strategy or articulation of the AOG’s training needs. The AOG has not undertaken a learning needs analysis in the last 3 years.

The AOG does not currently have a tailored competency assessment, needs assessment or plan for the development of its non-audit staff.

The AOG does not have systems in place either to record and assess the benefits of training programmes or to monitor and evaluate the results of professional development and training.

***Dimension (ii) Financial Audit Professional Development and Training***

In the light of our discussions with the Auditor General and other senior AOG officials, we concluded that no one has overall responsibility for the professional development and training of financial audit staff. In addition, the AOG does not have a competency framework for financial audit and no integrated plan for professional development and training in financial audit.

***Dimension (iii) Performance Audit Professional Development and Training***

In the light of our discussions with the Auditor General and other senior AOG officials, we concluded that no one has overall responsibility for the professional development and training of performance audit staff. In addition, the AOG does not have a competency framework for performance audit and no integrated plan for professional development and training in performance audit.

***Dimension (iv) Compliance Audit Professional Development and Training***

In the light of our discussions with the Auditor General and other senior AOG officials, we concluded that no one has overall responsibility for the professional development and training of compliance audit staff. In addition, the AOG does not have a competency framework for compliance audit and no integrated plan for professional development and training in compliance audit.

***Assessment Scores by Dimension***

<b><i>Dimension</i></b>	<b><i>Score</i></b>
(i) Plans and Processes for Professional Development and Training	2
(ii) Financial Audit Professional Development and Training	0
(iii) Performance Professional Development and Training	0
(iv) Compliance Audit Professional Development and Training	0
<b>Overall Score</b>	<b>0</b>

**Assessment Findings and Observations**

Dimension	Findings	Score
<b>(i) Plans and Processes for Professional Development and Training</b>	<p><b>Criteria (d) and (e) are met.</b></p> <ul style="list-style-type: none"> <li>• There is an annual performance appraisal system that includes reference to job objectives and development needs.</li> <li>• The AOG distinguishes between financial audit (which incorporates elements of compliance audit), performance / VFM audit and forensic audit.</li> </ul> <p><b>Criteria (a), (b), (c), (f) and (g) are not met.</b></p> <ul style="list-style-type: none"> <li>• There is no documented integrated plan for professional development and training, though training needs are discussed at Executive Management Committee meetings.</li> <li>• There is no human resource strategy and no overall learning strategy or annual plan for professional development and training.</li> <li>• There are generic goals in the Strategic Development Plan to build the capacity and skills of the staff, but no specific / well-defined learning strategy or articulation of training needs.</li> <li>• There has not been a learning needs analysis conducted for the AOG in the last 3 years or more.</li> <li>• There is no documented evidence that selection for training is based on competency framework or needs.</li> <li>• There is no tailored competency assessment, needs assessment or plan for development of non-audit staff.</li> <li>• There is no system for recording the benefit of training or developing plans to act on the basis of the training.</li> </ul>	<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Two criteria are met.</b></p>
<b>(ii) Financial Audit Professional Development and Training</b>	<p><b>No criteria are met.</b></p> <ul style="list-style-type: none"> <li>• No one has overall responsibility for professional development and training of AOG financial audit staff.</li> <li>• There is no AOG competency framework for financial audit.</li> <li>• While the AOG provides financial audit training, this is not based on an analysis of financial audit competencies and needs.</li> <li>• There is no integrated plan for professional development and training in financial audit.</li> </ul>	<p style="text-align: center;"><b>0</b></p> <p style="text-align: center;"><b>No criteria are met.</b></p>
<b>Performance Audit Professional</b>	<p><b>No criteria are met.</b></p> <ul style="list-style-type: none"> <li>• No one has overall responsibility for professional</li> </ul>	<p style="text-align: center;"><b>0</b></p> <p style="text-align: center;"><b>No</b></p>

<p><b>Development and Training</b></p>	<p>development and training of AOG performance audit staff.</p> <ul style="list-style-type: none"> <li>• There is no AOG competency framework for performance audit.</li> <li>• While the AOG provides performance audit training, this is not based on an analysis of performance audit competencies and needs.</li> <li>• There is no integrated plan for professional development and training in performance audit.</li> </ul>	<p><b>criteria are met.</b></p>
<p><b>Compliance Audit Professional Development and Training</b></p>	<p><b>No criteria are met.</b></p> <ul style="list-style-type: none"> <li>• No one has overall responsibility for professional development and training of AOG compliance audit staff.</li> <li>• There is no AOG competency framework for compliance audit.</li> <li>• While the AOG provides compliance audit training, this is not based on an analysis of compliance audit competencies and needs.</li> <li>• There is no integrated plan for professional development and training in compliance audit.</li> </ul>	<p><b>0</b></p> <p><b>No criteria are met.</b></p>



## 4.6 Domain F: Communication and Stakeholder Management

Domain F comprises two indicators. The following table provides an overview of the dimension and indicator scores. Section 4.6.1 to 4.6.2 provide further details.

Domain F: Communication and Stakeholder Management		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-24	Communication with the Legislature, Executive and Judiciary	2	3	3	4	3
SAI-25	Communication with the Media, Citizens and Civil Society Organisations	2	2			2

### 4.6.1 SAI-24: Communication with the Legislature, Executive and Judiciary: Score 3

#### Narrative

SAI-24 assesses communication practices the SAI has established with institutional stakeholders. It assesses four dimensions:

- **Dimension (i) Communications Strategy**
- **Dimension (ii) Good Practice Regarding Communication with the Legislature**
- **Dimension (iii) Good Practice Regarding Communication with the Executive**
- **Dimension (iv) Good Practice Regarding Communication with the Judiciary, and / or Prosecuting and Investigating Agencies**

*The AOG does not currently have a communications strategy. To meet the requirements of the 2004 Audit Act in respect of the Public Accounts Committee role in overseeing the AOG, the Office has developed a very close and highly structured working relationship with the Committee and, by extension, with the National Assembly. The Auditor General, largely on his own initiative, has developed an effective working relationship with the Executive branch of the government of Guyana and, in this capacity, has facilitated the AOG's contribution to improving Guyana's public financial management. As in other areas covered by this assessment, the AOG has good, basic communication processes and procedures in place in relation to the Legislature and the Executive. To develop these further, the challenge for the AOG is to put their communication processes and procedures within a wider strategic framework that incorporates, for example, specific aims, objectives and priorities as well as processes for obtaining feedback from its key stakeholders to improve further its communication processes and procedures.*

*Unusually for a Westminster model SAI, the AOG has developed a strong and effective working relationship with the police and prosecuting authorities in Guyana. This has grown out of the AOG's discharge of its responsibilities under the 2004 Audit Act in relation to forensic audit. The confidential nature of this work restricts the AOG's capacity*

***to publicise it. Nevertheless in successfully carrying out its programme of forensic audits, the AOG makes an important contribution to strengthening public financial management in Guyana.***

***Dimension (i) Communications Strategy***

This Dimension considers external communication only and focuses on whether the SAI has a communications strategy aligned with the objectives established in its strategic plan.

The AOG does not have a communications strategy and the key considerations for managing its various stakeholder relationships are not documented.

In practice, the Auditor General takes the lead in managing these stakeholder relationships. In discussion, he confirmed that the key stakeholders for the AOG are the PAC and the National Assembly; the Executive branch of the government of Guyana, in particular the Ministry of Finance; and the AOG's international development partners, in particular the Inter-American Development Bank (IDB). AOG recognises the importance of stakeholder management issues and has run some stakeholder awareness training for staff.

Conveying the AOG's key messages is done implicitly, principally through the Auditor General's Annual Report. This serves to highlight the contribution that the AOG is making to the improvement of public financial management and accountability in Guyana.

The communication tools and approaches used by the AOG have not been subject to detailed review and assessment. The communication tools used by the AOG are limited to the traditional style reports prepared by the Auditor General which are made available through the AOG website.

In terms of establishing whether stakeholders believe the AOG is communicating effectively, the regular contact between the Auditor General and the PAC provides, in effect, the structure for the Committee to review the work and performance of the AOG and to give appropriate feedback. This is supplemented by the personal contact that the Auditor General has with the Office's other key stakeholders. In discussion, the Auditor General confirmed that he takes account of the insights gained in this way in shaping his reports and other AOG outputs.

***Dimension (ii) Good Practice Regarding Communication with the Legislature***

This Dimension focuses specifically on the SAI's communication with the Legislature as the Legislature is one of the most important (and in the case of the AOG, the most important) SAI stakeholder.

In this context, the AOG's relationship with the Public Accounts Committee (PAC) is central given the Committee's role in exercising oversight of the AOG's work and resources as well as dealing with the Office's reports and other outputs.

Currently the Committee comprises nine members reflecting the overall composition of the National Assembly. Five members are from the Government side (including two ministers) and four from the opposition side. A member of the opposition chairs the Committee.

The Committee meets weekly when the National Assembly is in session. Most of its meetings focus on the issues raised by the Auditor General's annual report. As is standard for legislatures and SAls operating in a Westminster style system, the Accounting Officer (AO) for the audited entity concerned gives evidence to the Committee supported by staff from his / her department as appropriate. The Auditor General and senior members of the Office attend the meetings in an advisory capacity, as do senior officials from the Ministry of Finance.

For each PAC meeting, the AO provides the Committee with an updated response to the findings set out in the Auditor General's annual report. The AOG reviews this updated response and provides briefing to the Committee together with a set of suggested questions.

The PAC then prepares an overall report dealing with the issues it has considered when dealing with each annual report issued by the Auditor General. The Committee's report includes its findings and recommendations. The government then responds within ninety days to the Committee's reports by means of a Treasury Memorandum specifying how the government responds. To illustrate this process, the PAC's report on the 2010 and 2011 Public Accounts of Guyana was laid in the National Assembly on 28 November 2016. The National Assembly adopted a motion to refer the report to the government on 19 January 2018. The Treasury Memorandum responding to the Committee's report was issued by the Finance Secretary at the Ministry of Finance on 18 April 2018.

The PAC also oversees the work of the AOG – this is set out in detail for SAI-1 and SAI-3. It spends roughly one meeting a year dealing with the AOG's budget submission; one meeting a year reviewing the AOG's annual performance report; and around one meeting a quarter reviewing the AOG's quarterly performance reports.

### ***Dimension (iii) Good Practice Regarding Communication with the Executive***

This Dimension looks at the SAI's strategic communication with organisations of the Executive.

The Auditor General acts as the focal point of the AOG's working relationship with the Executive. He attends regular meetings of the heads of Ministries and Departments held by the Ministry of Finance to discuss matters and issues relevant to financial and management control. In discussion, the Auditor General stressed that in the course of these meetings, he is not drawn into issues related to policy.

The Auditor General also attends meetings at the Office of the Presidency along with the Accountant General and other officials involved in the management of public expenditure to provide his input and insights.

As an illustration of the importance attached to the contribution that the Auditor General makes in these circumstances, paragraph B2.1 Of the Treasury Memorandum issued on 18 April 2018 in response to the National Assembly's Resolution No. 68/2018 dated January 19 2018 on the Public Accounts of Guyana for the years 2010 and 2011 states the following: *'The Government remains cognisant of the need to improve the procurement practices with a view to have value for money. It has apprised Heads of Budget Agencies of the Auditor General's concerns and has invited the Auditor General as an advisor to its meeting with Heads of Budget Agencies at which he reiterated his concerns'.*

At working level, the AOG uses standard engagement letters for each financial audit and compliance audit that it undertakes. These serve to spell out the respective responsibilities

of the auditee and the external auditor. For performance audits, the AOG sets out in writing, *inter alia*, the audit's objectives and evaluation criteria together with details about the proposed conduct of the audit. In addition, the AOG has produced a helpful leaflet entitled *'What to Expect in an Audit'* which is given to all audited entities and is also available through the AOG website. This summarises the responsibilities of the audited entity in facilitating an audit; the benefits of an audit for the organisation; the different types of audit that the AOG carries out; the process followed by the AOG in handling the results of an audit; the AOG's rights of access to the information held by the audited entity; and the legal sanctions that can be applied if an individual or the audited entity does not comply with the requirements of the 2004 Audit Act.

***Dimension (iv) Good Practice Regarding Communication with the Judiciary, and / or Prosecuting and Investigating Agencies***

Dimension (iv) assesses communication with the Judiciary and / or prosecuting and investigating agencies.

Unusually for a Westminster style SAI, the AOG has a particularly close working relationship with the police and prosecuting authorities in Guyana. This flows from the work of the AOG's Forensic Audit Unit.

Under section 9 of the 2005 regulations supporting the 2004 Audit Act, the Auditor General may establish a Forensic Audit Unit within the AOG and *'Where a matter is referred to the Forensic Audit Unit, the Unit shall investigate the matter fully and submit a report with recommendations to the Auditor General who, where a criminal offence has been committed, shall refer the matter to the Director of Public prosecutions and send a copy to the Commissioner of Police for appropriate action'*.

The AOG Forensic Audit Unit was formally established in 2008. We understand that a key factor influencing the decision to set up a forensic audit unit was a general concern about the lack of police expertise to deal with alleged fraud and corruption in government entities, a concern shared by the Guyanese police force at that time.

The Forensic Audit Unit comprises 10 staff and reports direct to the Auditor General. Staff are appointed to the Unit from within the AOG and receive training on fraud investigation and forensic accounting. The AOG has a best practice manual for forensic audit that was prepared by an independent, international consultant. This sets out the policies and processes governing the AOG's procedures for engagement and communication with the police and prosecuting authorities in Guyana.

Potential subjects for investigation are identified from a range of sources. These include the AOG's own financial audit work (essentially, where AOG staff come across something that is suspicious or where they believe there may be evidence of criminal wrongdoing) the matter is referred to the Forensic Audit Unit for investigation. In some cases, an audited entity will contact the Auditor General direct and request an investigation. The Unit also receives 'tips' from members of the public. In line with best practice in this area, the Forensic Audit Unit will only launch an investigation when the test of 'predication' has been met – that is that there are sufficient grounds to suspect a crime or wrongdoing.

The AOG forensic audit reports are not published or made public.

The Auditor General's 2016 Annual Report highlighted three forensic audits carried out in that year. These involved:

- The supply of dietary items in Region 8 for the Kato Breakfast School Feeding Programme;
- An investigation into 23 transactions at the Ministry of Public Security where the receipt of goods or services could not be verified – the Annual Report noted that this case was now with police and that one employee had pleaded guilty to embezzlement; and
- An investigation into procurement at the Guyana Elections Commission.

According to the AOG's Annual Performance Report for 2017, in the course of that year, the Audit Office carried out eight forensic audit investigations and issued four forensic audit reports.<sup>13</sup>

The exercise of this function has resulted in the AOG developing a close working relationship with the police and prosecuting authorities. Because of a lack of expertise particularly within the police service, the AOG is responsible for the investigation of suspected criminal activity on the part of officials and public servants. This extends to the collection and preservation of evidence that may be used in legal proceedings. The relevant AOG officials work closely with the police in this regard with the police responsible for, for example, cautioning individuals and arresting and charging individuals for suspected crimes. Where the case comes to court, AOG officials may be called to give evidence.

#### ***Assessment Scores by Dimension***

<b><i>Dimension</i></b>	<b><i>Score</i></b>
(i) Communications Strategy	2
(ii) Good Practices regarding Communication with the Legislature	3
(iii) Good Practices regarding Communication with the Executive	3
(iv) Good Practices regarding Communication with the Judiciary	4
<b>Overall Score</b>	<b>3</b>

#### ***Assessment Findings and Observations***

<b>Dimension</b>	<b>Findings</b>	<b>Score</b>
<b>(i) Communications Strategy</b>	<p><b>Criteria (b), (c) and (g) are met.</b></p> <ul style="list-style-type: none"> <li>• The AG takes the lead on managing the AOG's stakeholder relationships. The key relationships in this regard are with the PAC and the National Assembly; the Executive branch of the government of Guyana, in particular the Ministry of Finance; and the</li> </ul>	<p><b>2</b></p> <p><b>Three criteria are met.</b></p>

<sup>13</sup>In the course of the SAI-PMF assessment, we agreed with AOG that, for reasons of confidentiality, we would only refer to information already in the public domain about the Office's forensic audit work and not list, for example, the specific details of the investigations they carried out in 2017 and the reports they issued.

	<p>AOG's international development partners, in particular the Inter-American Development Bank (IDB). The AOG has also run stakeholder awareness training for staff.</p> <ul style="list-style-type: none"> <li>• Conveying the AOG's key messages is done implicitly, principally through the Auditor General's Annual Report.</li> <li>• The regular contact between the Auditor General and the PAC provides the structure for the Committee to review the work and performance of the AOG provide the process for giving appropriate feedback on the effectiveness of AOG communications. This is supplemented by the informal feedback that may be provided to the Auditor General by the AOG's other key stakeholders.</li> </ul> <p><b>Criteria (a), (d), (e) and (f) are not met.</b></p> <ul style="list-style-type: none"> <li>• The AOG does not have a communications strategy.</li> <li>• The AOG's communications tools and approaches have not been subject to a process of selection and detailed review and assessment.</li> <li>• As the AOG does not have a communications strategy, there is no alignment with its Strategic Development Plan.</li> <li>• The AOG does not assess the implementation and impact of its communications tools and approaches.</li> </ul>	
<p><b>(ii) Good Practices Regarding Communication with the Legislature</b></p>	<p><b>Criteria (a) to (f) and (h) met.</b></p> <ul style="list-style-type: none"> <li>• The Auditor General reports annually to the National Assembly on the financial statements of the government of Guyana in line with constitutional and legislative requirements. The Auditor General reports quarterly and annually to the PAC on the performance of the AOG.</li> <li>• The Auditor General draws out major themes and common findings in the 'Highlights' section at the start of his Annual Report.</li> <li>• Policies for communication with the National Assembly are reflected in the standard practices that the AOG has developed for presenting its outputs (the Auditor General's reports) and its quarterly and annual performance reports to the PAC.</li> <li>• Raising the National Assembly's awareness of</li> </ul>	<p><b>3</b></p> <p><b>Criterion (c) and six other criteria are met.</b></p>

	<p>the AOG’s role and mandate is achieved through the regular PAC meetings to consider the findings of the Auditor General’s annual reports. The Auditor General attends all these meetings and advises the Committee both on the audit work done by the AOG and on his mandate, remit and responsibilities.</p> <ul style="list-style-type: none"> <li>• The quarterly and annual performance reports presented by the AOG also serve to inform the PAC and, consequently, the National Assembly about the Auditor General’s work, role, responsibilities and any constraints on him.</li> <li>• The AOG provides the National Assembly with timely access to information about its work through the process put in place to brief the PAC when it is considering the Auditor General’s annual report. It is also facilitated by the PAC’s consideration of the AOG’s quarterly and annual performance reports.</li> <li>• The extensive, regular contact that the Auditor General has with the PAC enables him to provide expert advice and opinions on matters relevant to the AOG and his remit and mandate. The most recent example of this was the Auditor General’s use of the AOG’s Work Plan and Programme for 2018 to draw the Committee’s attention to the adverse effects on the Office of a reduction to the AOG’s budget, an issue we discuss in detail in relation to SAI-1(ii).</li> <li>• The extensive, regular contact that the Auditor General has with the PAC enables him to seek feedback on the work, reports and other AOG outputs.</li> </ul> <p><b>Criterion (g) not met.</b></p> <ul style="list-style-type: none"> <li>• Although the Auditor General and the AOG have a close working relationship with the PAC, this does not yet extend to the rest of the legislature and the provision of the type of professional advice and opinion envisaged by criterion (g).</li> </ul>	
<p><b>(iii) Good Practices Regarding Communication with the Executive</b></p>	<p><b>Criteria (a), (b) and (c) are met.</b></p> <ul style="list-style-type: none"> <li>• The 2004 Audit Act contains a range of provisions intended to protect the Auditor General’s independence. Section 6 of the Act specifically forbids clashes of interest on the part of the Auditor General. The Auditor</li> </ul>	<p><b>3</b></p> <p><b>Three criteria are met.</b></p>

	<p>General avoids being drawn into issues of policy in the course of his dealings with the Executive. The responsibilities on individual auditors in relation to their independence and ethics are reflected in the various declarations they are required to make.</p> <ul style="list-style-type: none"> <li>• At working level, for each audit engagement that it undertakes, the AOG informs the auditee about the nature and planned conduct of the audit. The AOG has also produced a leaflet entitled <i>‘What to Expect in an Audit’</i> which is given to all audited entities and is also available through the AOG website.</li> <li>• The Auditor General has regular meetings with his counterparts in the Executive to deal with issues of mutual concern that effect public financial management and accountability in Guyana.</li> </ul> <p><b>Criterion (d) is not met.</b></p> <ul style="list-style-type: none"> <li>• While audited entities may give feedback informally, the AOG does not have a systematic process in place to secure the type of assessment envisaged by criterion (d).</li> </ul>	
<p><b>(iv) Good Practices Regarding Communication with the Judiciary and/or Prosecuting and Investigating Agencies</b></p>	<p><b>All criteria are met.</b></p> <ul style="list-style-type: none"> <li>• The development of the AOG forensic audit function has resulted in the establishment of clear procedures and processes for communication with the police service of Guyana and the prosecuting authorities.</li> <li>• Awareness raising of the role and responsibilities of the Auditor General and the AOG in relation to their forensic audit function and wider responsibilities is facilitated through the regular contact that the AOG Forensic Audit unit has with the police and prosecuting authorities.</li> <li>• The regular contact that the AOG Forensic Audit unit has with the police and prosecuting authorities also facilitates communication with these agencies about the role played by the SAI in the investigations and legal proceedings initiated by the AOG’s audit findings.</li> <li>• The nature of the AOG’s forensic audit investigations together with a lack of appropriate expertise and capacity within the police means that AOG involvement in the</li> </ul>	<p><b>4</b></p> <p><b>All criteria are met.</b></p>



	<p>investigation of cases is more substantial than is the general norm for SAIs. In this regard, AOG's follow-up of cases referred to the police and prosecuting authorities depends on the decisions made by those agencies on individual cases. Where individuals are charged a case is taken to court, AOG officials may be required to give evidence.</p> <ul style="list-style-type: none"> <li>• In line with the requirements of its Forensic Audit Manual, the AOG documents forensic audit findings in a way that ensures compliance with the rules of evidence in Guyana.</li> </ul>	
--	--	--

#### 4.6.2 SAI-25: Communication with the Media, Citizens and Civil Society Organisations - Score 2

##### Narrative

SAI-25 assesses the practices of an SAI in reaching out to society and informing the public about its role, work and results, as well as contributing to enhancing accountability in the public sector. It assesses two dimensions:

- **Dimension (i): Good Practice Regarding Communication with the Media**
- **Dimension (ii): Good practice Regarding Communication with Citizens and Civil Society Organizations**

*The AOG does not have strong, institutionalised processes for dealing with the media and handling media enquiries. It has though taken some imaginative initiatives to connect its work with the day-to-day experience of Guyanese citizens. We have noted in our assessments of a number of other indicators that the AOG needs to develop a more strategic, systematic approach to its communications. In this regard, there is scope for the AOG to build on the good work it has done in relation to its communications with citizens of Guyana to establish closer links in particular with civil society organisations in Guyana. The insights that these relationships could potentially provide would make an important contribution to the development of AOG planning process particularly in relation to expanding its programme of potential performance audit subjects.*

##### ***Dimension (i) Good Practice Regarding Communication with the Media***

We understand that the AOG does not hold press conferences. The AOG does issue a standard press notice for the Auditor General's annual report. The content of the press notice is very limited and simply tells the press that the AG is presenting his report to the Speaker. It does not provide any details of the content of the report. Essentially, the report and its contents are treated as confidential until the Speaker tables the report in the National Assembly.

Beyond this, there is no other structured process for dealing with the media. Consequently, when staff in the AOG receive enquiries from the media about the Auditor General’s reports or about the work of the Office, they direct these to the Auditor General. He handles all media enquiries personally and decides on the most appropriate response.

The Auditor General’s Private Office monitors press coverage of the AOG and keeps press cuttings. The Auditor General and senior AOG staff monitor wider press coverage of government and audited entities to identify potential issues or topics that may be of interest to the AOG or relevant to its audit activities.

***Dimension (ii) Good practice Regarding Communication with Citizens and Civil Society Organizations***

The AOG does not have systematic contact with civil society organisations as such. The focus of AOG out reach work is the ordinary citizen. The AOG has produced a leaflet entitled ‘*The Audit Office – Making Sure Your Tax Dollars Work*’ to explain the role and work of the AOG. The leaflet includes instructions on how to contact the Office to report ‘inappropriate or suspicious activities’ by means of a hotline and a confidential email address. The same details are also available through the AOG website.

The AOG capacity building projects supported by the IDB since 2007 have each included activities to help the AOG raise its public profile. The activities supported by the IDB projects including the printing of leaflets, the support of outreach programmes in remote, hinterlands in Guyana, and the development and use of TV and radio infomercials and advertisements.

The AOG uses the opportunity provided by its audit work in the inner, remote regions of Guyana (which may not have access to internet and, in some areas, may not have roads or transportation links) to explain the work of the Office at meetings with citizens living in those regions. In particular, in this regard, the AOG focuses on the needs of the indigenous population. The aim of the AOG’s activities is to facilitate people in these areas bringing matters of concern for them to the attention of the AOG.

More generally, ‘tips’ from members of the public constitute one of the sources for identifying potential AOG forensic audits, provided the test of ‘predication’ is met – see narrative for SAI-24 Dimension (iv)

***Assessment Scores by Dimension***

<b><i>Dimension</i></b>	<b><i>Score</i></b>
(i) Good Practices regarding Communication with the Media	2
(ii) Good Practices regarding Communication with Citizens and Civil Society Organisations	2
<b>Overall Score</b>	<b>2</b>

**Assessment Findings and Observations**

Dimension	Findings	Score
<p><b>(i) Good Practices regarding Communication with the Media</b></p>	<p><b>Criteria (d), (e) and (f) are met.</b></p> <ul style="list-style-type: none"> <li>• The AOG has a basic system in place to monitor press coverage. The Auditor General’s Private Office monitors press coverage of the AOG and keeps press cuttings. The Auditor General and senior AOG staff monitor wider press coverage of government and audited entities.</li> <li>• The Auditor General personally handles all media enquiries about his reports and the work of the AOG and decides on the most appropriate response to those enquiries.</li> </ul> <p><b>Criteria (a), (b) and (c) are not met.</b></p> <ul style="list-style-type: none"> <li>• The AOG does not organise or hold press conferences.</li> <li>• The AOG issues a press notice when the Auditor General presents his Annual Report to the Speaker of the National Assembly but this is limited to just simply stating that the Auditor General has presented the report. The press notice does not provide any information about the contents of the report. For this reason, we judge that criterion (b) is ‘not met’.</li> <li>• The AOG’s contacts and work with the media are not organised in the structured way envisaged by criterion (c).</li> </ul>	<p><b>2</b> <b>Three criteria are met.</b></p>
<p><b>(ii) Good Practices regarding Communication with Citizens and Civil Society Organisations</b></p>	<p><b>Criteria (a), (d), (e) and (f) are met.</b></p> <ul style="list-style-type: none"> <li>• Details of the AOG’s mandate are available through multiple sources: the Auditor General’s Annual Report; the AOG Website; and the AOG leaflet ‘The Audit Office Making Sure Your Tax Dollars Work’.</li> <li>• The AOG provides citizens with information about its role and its work through its leaflet ‘The Audit Office Making Sure Your Tax Dollars Work’ and through presentations on work of the Office to citizens, including specifically indigenous population, in remote regions of</li> </ul>	<p><b>2</b> <b>Four criteria are met.</b></p>

	<p>the country.</p> <ul style="list-style-type: none"> <li>• With the support of the IDB, the AOG has used TV and radio infomercials and advertisements to raise the profile of the AOG.</li> <li>• The AOG leaflet 'The Audit Office Making Sure Your Tax Dollars Work' provides contact information for citizens who wish to report inappropriate or suspicious activities to the AOG. The same information is available through the AOG website.</li> <li>• The key instrument used by the AOG for raising the profile of the organisation online is the Office's website.</li> </ul> <p><b>Criteria (b), (c), (g) and (h) are not met.</b></p> <ul style="list-style-type: none"> <li>• Summaries of reports written specifically for the 'ordinary citizens' are not produced.</li> <li>• The AOG does not have systematic contact with civil society organisations as such. The focus of AOG out reach work is the ordinary citizen.</li> <li>• The Auditor General and the AOG aim to exert their influence through the channels of communication established with the Legislature via the PAC and with the Executive. The Auditor General and the AOG are not involved in the kind of overt, public debates envisaged by criterion (g).</li> <li>• The AOG does not have in place the type of structured formal feedback mechanisms envisaged by criterion (h).</li> </ul>	
--	--	--

## Chapter 5: SAI Capacity Development Process

### 5.1 Recent and On-going Reforms

Following the passage of the 2004 Audit Act, with the support principally of the IDB, the AOG embarked on a series of capacity building projects. These were intended to strengthen and modernise the Office's professional audit work, its management and organisational structure, and its operational infrastructure, in particular its IT systems. The SAI-PMF Assessment concluded that the AOG had capitalised on the benefits of these capacity development programmes in improving the professionalism of its audits and also in underpinning this with improvements in its IT and organisational structure and support. In this context, we noted that the IDB's Office of Evaluation and Oversight (OVE) had come to a similar finding. It concluded that the successful strengthening of the AOG was a highlight of the IDB's country strategy for Guyana for the period 2012 to 2016. In this context, it also is important to note that the AOG has been commissioned by a number of international development agencies, including the IDB, to audit the financial statements of some of their projects and programmes (see Chapter 5.2).

#### *The Inter-American Development Bank*

The IDB has been the AOG's largest capacity development partner. Since 2004, the IDB has financed four consecutive capacity development projects for the AOG, totalling approximately US\$2m in value. These projects were a key element of the IDB strategy to improve institutional capacity in Guyana and to promote better, more effective public financial management.

The AOG began implementing the first IDB funded project in 2005. This project supported the development of the regulations for the implementation of the 2004 Audit Act as well as the preparation of the three-year Strategic Development Plan and the Audit Operations Manual. It also supported the strengthening of the AOG's IT capacity. This encompassed the creation and launch of the AOG website, the development of a local area network (LAN) and the provision of computer hardware and audit software. In addition, the project provided a range of audit and management training programmes. A review of this project concluded that, while there had been improvements, there was still more that needed to be done.

In 2007, IDB approved a second capacity building project. The overall aim of this project was to improve the AOG's structure and operation by supporting the implementation of key elements of the 2004 Audit Act and of the AOG Strategic Development Plan

The project supported the creation in 2008 of three new units within the AOG – the Value for Money Unit; the Forensic Audit Unit; and the Quality Assurance Unit – and for the preparation of specialist audit manuals for the work of each of these new Units. In addition, the project supported the introduction of a risk-based audit methodology for financial audit. It also supported the acquisition of further computer hardware and software to support the improvements in IT made in the course of the first IDB funded project. Also, as with the first project, this second project supported further management and technical audit training. Finally, it provided for the preparation and publication of booklets and leaflets intended to publicise the work of the AOG.

In November 2009, the IDB reviewed the work of the AOG and concluded that the Office was performing its functions to a satisfactory standard. Accordingly, the IDB decided that the AOG could audit all technical cooperation agreements and loans between the Bank and the government of Guyana.

In 2012, the AOG began implementing a third capacity building project financed by the IDB. The objective of this project was to continue supporting the process of modernisation and strengthening the AOG's technical capacity. It provided for further enhancements to the AOG's risk-based financial audit methodology and continued capacity building in forensic audit. In addition, the AOG HR function was enhanced with the development of a recruitment strategy and a performance management framework. More was invested in the AOG IT infrastructure through the acquisition of additional hardware. Additional management and technical training was provided including a focus on 'training the trainers'. Finally, the project invested in activities intended to raise the visibility of the AOG through the development and publication of TV and radio infomercials and advertisements.

In March 2015, the IDB entered into a fourth capacity building project with AOG. The main focus of the project was to improve the AOG's operational audit efficiency and effectiveness through greater, more extensive use of information technology with a particular emphasis on reducing document retrieval time, as well as reducing the amount of paper that the AOG stores. In this regard, the project facilitated the acquisition of audit management software (TeamMate) and linked hardware. The project also provided training in the use and maintenance of this audit management software as well as more training in performance, IT, procurement and forensic audit. In addition, the project encompassed activities aimed at continuing to raise the profile of the AOG through supporting outreach programmes in hinterlands in Guyana and through television and radio infomercials and advertisements.

While the IDB has supported the bulk of the AOG's capacity building programmes, the Office has taken advantage of the professional audit training and advice provided by other suppliers.

#### *The Canadian Executive Service Organisation (CESO)*

The AOG has established a partnership with the Canadian Executive Service Organisation (CESO) to facilitate, with the support of the Canadian International Development Agency (CIDA), the transfer of knowledge from audit offices at the federal, provincial and local level in Canada to the AOG. To date, the support provided by CESO has covered the following;

- The provision of training on report writing and a quality assurance assessment (2013);
- The provision of assistance to help plan a pilot IT audit of the Government of Guyana's Integrated Financial Management Accounting System (IFMAS) and to oversee audit staff involved in IT audit (2013); and
- The provision of assistance with the execution of a pilot IT audit of IFMAS and the provision of training for around fifteen AOG audit staff in IT audit (2015).

Going forward, the AOG and CESO have put in place a Partnership Agreement that will run to 2020. They agreed that the focus of the Partnership activities will be:

- To revise the AOG Audit Manuals to align them with the ISSAIs;
- To redesign the AOG's strategy for its audit of the public accounts of Guyana;

- To carry out a diagnostic assessment and redesign of AOG's approach to performance audit; and
- To build AOG capacity in environmental auditing.

The AOG and CESO have identified two specific activities:

- To provide training on the challenges of audit of the oil and gas sector; and
- To develop the AOG's capacity in environmental audit by providing training on the planning and execution of environmental audits with a specific focus on the extractive sector including oil and gas and on solid waste management.

*The Canadian Comprehensive Audit Foundation / The Canadian Audit and Accountability Foundation (CCAF)*

The AOG has participated in the fellowship programme run in association with the Canadian Comprehensive Audit Foundation / the Canadian Audit and Accountability Foundation (CCAF) and with the support of CIDA. Since around 2004, six AOG officials have participated in the programme and a further two officials have been selected to participate in the next fellowship programme that is due to begin in September 2018. In the course of the fellowship programme, the participants are placed with an audit institution in Canada to get experience of the institution's work, organisation and audit practices. On their return to the AOG, participants are required to implement within the AOG specific lessons learned from their placements in Canada.

*The Indian Technical and Economic Cooperation (ITEC)*

Since 2010, some 37 AOG staff have participated in training programmes run by the Indian Technical and Economic Cooperation (ITEC) which is funded by the government of India. The subjects covered by these training programmes were as follows:

- The Audit of Public Sector Enterprises;
- Audit in the IT Environment;
- Financial and Regularity Audit;
- Environment Audit;
- Audit Quality Management;
- Revenue Audit;
- Performance Audit;
- Audit of Social Sector Schemes;
- Audit e-Governance; and
- Audit of State Owned Enterprises.

*INTOSAI Development Initiative (IDI)*

The AOG has also benefitted from support provided by IDI. In the twelve month period preceding the SAI-PMF assessment, five AOG auditors participated in training courses facilitated by the IDI. These courses covered procurement audit, report writing and quality assurance.

---

## **5.2 Use of SAI Results by External Providers of Financial Support**

---

A number of international organisations rely on the AOG to audit some of their projects. In 2018 the AOG plan to audit forty-four sets of financial statements on behalf of six international organisations. The details are as follows:

- CARICOM Development Fund (CDF) – financial statements for 1 project;
- United Nations Development Programme (UNDP) – financial statements for 3 projects;
- Caribbean Development Bank (CDB) – financial statements for 4 projects;
- International Development Association (IDA) – financial statements for 5 projects;
- Inter-American Development Bank (IDB) – financial statements for 15 projects;
- World Bank – financial statements for 16 projects.

The audits that the AOG has undertaken on behalf of these international organisations have had an impact on the completion and delivery of its other audit activities, specifically its performance audits. This is because the unit responsible for the AOG's performance audits is also responsible for undertaking the audits of the programmes funded by international organisations. As a result, the need for the AOG to meet the requirements of the international organisations has meant that work on individual performance audits has had to be delayed or deferred.



## Annex 1: Performance Indicator Summary

Indicator	Indicator Name	(i)	(ii)	(iii)	(iv)	Overall Score
<b>Domain A</b>	<b>SAI Independence and Legal Framework</b>					
SAI-1	Independence of the SAI	3	2	3	4	<b>3</b>
SAI-2	Mandate of the SAI	4	4	4		<b>4</b>
<b>Domain B</b>	<b>Internal Governance and Ethics</b>					
SAI-3	Strategic Planning Cycle	1	2	2	2	<b>2</b>
SAI-4	Organisational Control Environment	1	1	2	3	<b>2</b>
SAI-5	Outsourced Audits	2	3	3		<b>3</b>
SAI-6	Leadership and Internal Communication	2	3			<b>2</b>
SAI-7	Overall Audit Planning	2	3			<b>2</b>
<b>Domain C</b>	<b>Audit Quality and Reporting</b>					
SAI-8	Audit Coverage	3	1	3	N/A	<b>2</b>
SAI-9	Financial Audit Standards and Quality Management	4	4	3		<b>4</b>
SAI-10	Financial Audit Process	2	3	2		<b>2</b>
SAI-11	Financial Audit Results	4	4	4		<b>4</b>
SAI-12	Performance Audit Standards and Quality Management	4	3	3		<b>3</b>
SAI-13	Performance Audit Process	2	3	3		<b>3</b>
SAI-14	Performance Audit Results	0	4	3		<b>2</b>
SAI-15	Compliance Audit Standards and Quality Management	2	3	3		<b>3</b>
SAI-16	Compliance Audit Process	1	3	2		<b>2</b>
SAI-17	Compliance Audit Results	4	4	4		<b>4</b>
SAI-18	Jurisdictional Control Standards and Quality Management	N/A				
SAI-19	Jurisdictional Control Process	N/A				
SAI-20	Results of Jurisdictional Controls	N/A				

<b>Domain D</b>	<b>Financial Management, Assets, and Support Services</b>					
SAI-21	Financial Management, Assets, and Support Services	3	3	2		<b>3</b>
<b>Domain E</b>	<b>Human Resources and Training</b>					
SAI-22	Human Resource Management	2	1	2	2	<b>2</b>
SAI-23	Professional Development and Training	2	0	0	0	<b>0</b>
<b>Domain F</b>	<b>Communication and Stakeholder Management</b>					
SAI-24	Communication with the Legislature, Executive and Judiciary	2	3	3	4	<b>3</b>
SAI-25	Communication with the Media, the Citizens and Civil Society Organisations	2	2			<b>2</b>

The ratings given above can be interpreted as follows:

0 = Activity not established or does not function.

1 = Founding level – provides a basis for the executive agents to be held to account.

2 = Development level – provides a basis for accountability for the use of public resources.

3 = Established level – provides the basis for accountability of government performance.

4 = Managed level – the SAI is an enabler of improved government performance.

---

## **Annex 2: Sources of Information and Evidence to Support Indicator Scoring**

---

### **List of Interviewees**

Mr. Deodat Sharma	- Auditor General
Mr. Lakeram Ramkoomar	- Audit Director (acting)
Ms. Geetanjali Singh	- Audit Director
Ms. Audrey Badley	- Audit Director (acting)
Ms. Claire James	- Audit Manager
Mr. Dhanraj Persaud	-Audit Manager (acting)
Mr. Victor Lall	- Audit Manager
Ms. Nichette Harcourt	- Audit Manager (acting)
Ms. Leona Persaud	- Finance Manager (acting)
Mr. Rohit Kallicharran	- Information Systems Manager
Ms. Reona Persaud	- Human Resources Manager
Ms. Mona Roberts	- Audit Supervisor
Mr. Anisah Wickham	- Audit Supervisor
Mr. Arvind Singh	- Audit Supervisor
Ms. Helena Blair	- Registry Supervisor
Ms. Seema Rohit	- Assistant Auditor
Dr. Gobin Ganga	- Governor, Bank of Guyana
Dr. Hector C. Butts	- Finance Secretary, Ministry of Finance
Ms. Jennifer Chapman	- Accountant General (acting), Ministry of Finance

### **Documents Reviewed**

Annual Work Plan and Programme (2017)  
Annual Work Plan and Programme (2018)  
Annual Performance Report (2016)  
Annual Performance Report (2017)  
Annual Report of the Auditor-General (2015)  
Annual Report of the Auditor-General (2016)  
The AOG 2006 Audit Procedures Manual Volume 1  
The AOG Quality Assurance Manual - Oct 2008  
Quality Assurance for Financial Audits - A Handbook for SAIs in CAROSAI (2012)  
Correspondence from the Clerk of the National Assembly to the Auditor-General (to acknowledge receipt of the Annual Reports for 2015).  
Correspondence from the Clerk of the National Assembly to the Auditor-General (to acknowledge receipt of the Annual Reports for 2016).  
List of Training and participants  
Schedule showing Budget and Actual Comparisons 2015 -2017  
AOG Budget Proposals 2016 - 2017  
Contracted Audits documentation

2004 Audit Act (No. 5 of 2004)

Regulations made under the Audit Act – Section 5, 2005

Fiscal Management and Accountability Act 2003

Current and Previous Strategic Plans (2013 – 2018)

ISSAI Compliance Assessment Tool (iCAT) Level 2 and Level 4 (Internal Training)

Rules Policies and Procedures Manual Volume 1-10, 2005.

Financial Operations Manual, version current at time of SAI-PMF assessment (May 2018)

IT Strategy, 2017, 2018

Internal Memos

AOG Audited Financial Statements for the year ended December 31, 2017

Extract from the Constitution of Guyana (Section 223)

### **Audit Files Reviewed**

#### **Financial Audit**

Audit 1 - Ministry of Public Infrastructure, 2016.

Audit 2 - Chambers of the Director of Public Prosecutions, 2016.

Audit 3 - IDB Loan 2741/BL-GY The Road Network Upgrade and Expansion Programme, 2016

Audit 4 - Property Holdings Incorporated, 2016

Audit 5 - Bank of Guyana, 2016.

Audit 6 - IDB Loan 3369/BL-GY Citizens Security Strengthening Programme, 2016

Audit 7 - Regional Democratic Council 4, 2016

Audit 8 - Ministry of the Presidency, 2016.

#### **Performance Audit**

1. An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (Published November 2009).

2. A Review of the Old Age Pension programme in Guyana – Ministry of Social Protection (Published October 2010).

3. Follow-up Report: An Assessment of the Living Conditions of the Residents of the Palms Geriatric Institution – Ministry of Social Protection (Published October 2015).

4. The Construction of the New Access Road to the Cheddi Jagan International Airport – Ministry of Public Infrastructure (Published September 2017).

#### **Compliance Audit**

Audit 1 - Ministry of Public Infrastructure, 2016.

Audit 2 - Chambers of the Director of Public Prosecutions, 2016.

Audit 3 - IDB Loan 2741/BL-GY The Road Network Upgrade and Expansion Programme, 2016

Audit 4 - Property Holdings Incorporated, 2016

Audit 5 - Bank of Guyana, 2016.

Audit 6 - IDB Loan 3369/BL-GY Citizens Security Strengthening Programme, 2016

Audit 7 - Regional Democratic Council 4, 2016

Audit 8 - Ministry of the Presidency, 2016.