

CCAF-FCVI Fellowship Program 2003-2004

**A STRATEGY FOR
QUALITY MANAGEMENT SYSTEM
OF VFM AUDIT IN BANGLADESH**

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PREFACE AND ACKNOWLEDGEMENTS

At the outset of introducing VFM audit the Office of the Comptroller and Auditor General (CAG) was concerned about popularizing the new concept of audit in our society and simultaneously ensuring high quality audit products. But we could not proceed easily without quality management framework. Being a participant of the CCAF Fellowship Program 2003-2004 I had the opportunity to get a clear idea of the quality management framework for VFM audit of the Office of the Auditor General (OAG), Canada. I thought it provided an excellent and distinct picture of the issues. Thus I was eager to pick up the idea and develop a strategy paper on a quality management system for VFM audit in Bangladesh. Our CAG, Mr. Asif Ali, was also pleased to offer his support on my choice of subject. So I convey my humble thanks and gratitude for his advice in the selection of this subject for my strategy paper and also for nominating me to join the CCAF Fellowship Program.

I attempted to identify the main obstacles of quality management in our audits and set some strategies to overcome them in establishing a quality management system for our VFM audit. This strategy paper is intended to be an action plan to achieve the desired objective. My learning and experiences in VFM audit at the OAG and consultation of its papers and documents were the main sources of my knowledge for this paper. The OAG's quality management framework was the basis for the principles of the strategies in this paper. I also consulted the newsletters, manuals, and Auditing Standards issued by the Office of the CAG, Bangladesh.

I would like to thank Mr. Frank Cotroneo, my mentor, for kindly reviewing the draft paper and providing some valuable suggestions. I am also thankful and grateful to Jeff Greenberg, Rita Gudziunas-Mankowski, Donna Bigelow and others in the OAG and CCAF who offered their advice and support in the preparation of this paper.

EXECUTIVE SUMMARY

This paper is prepared pursuant to the requirement of the CCAF Fellowship Program. It is a proposed action plan that identifies the impediments and prescribes remedial strategies for ensuring a quality management system for VFM audit in Bangladesh.

The Office of the Comptroller and Auditor General (CAG) set as a top priority, the development of a quality management system for VFM audit. The Office has already taken some measures toward this goal.

The Office of the CAG enjoys the constitutional mandate and enthusiastic support of the Public Accounts Committee and the donor agencies for conducting VFM audit and ensuring its quality management.

The directorate of performance audit, established by the Office of the CAG under the recommendation of the Public Accounts Committee, needs urgent government approval since a separate directorate is essential for conducting and ensuring the quality of VFM audit.

The reality and importance of compliance audit can't be ignored in our society. The existing nine directorates are overburdened with the task of Compliance audit. The uniform quality management of VFM audit may suffer seriously if the responsibility of conducting VFM audit is imposed on and distributed among different audit directorates.

An advisory committee with the membership of CCAF, GAO and NAO trained officials can augment the process of quality management by application of their expertise and experiences at different phases of VFM audit.

Human resources, especially the trained staff for VFM audit, require reasonable management. Professional knowledge and skills should be enhanced through continuous training.

Awareness-building activities are necessary to popularize the concept of VFM audit and to motivate the auditors and the auditees and to develop mutual relationships.

An electronic data bank and audit library can be permanent sources of information. The step should be taken immediately to develop a long-term strategic plan with emphasis on quality management. Supervision and monitoring activities at all levels should be adopted.

Audits are conducted with due care and competence. Proper evidence is collected, Working papers are prepared, timeliness is maintained, and the core values and the ethics are respected.

It is important to communicate the audit messages to the public through information media. The public's views and comments should be invited. Members of Parliament and the Public Accounts Committee should be involved in a timely discussion of the report and proper action should be taken on the audit observations.

Follow-up activities need to be strengthened, with the quality management activities reviewed by an external auditor.

A STRATEGY FOR QUALITY MANAGEMENT SYSTEM OF VFM AUDIT IN BANGLADESH

1. Introduction

1.1 Background and present status of quality management of VFM audit in Bangladesh

The introduction of VFM audit is a recent event in the auditing history of Bangladesh. In 2000 the Office of the Comptroller and Auditor General undertook the task of VFM auditing in Bangladesh under the advice of the Public Accounts Committee of the seventh Parliament and with the guidance and support of the reform project, STAG (Strengthening the Office of the CAG). The VFM audits are being carried out in a very limited way for a few entities. The urgent priority of the CAG is not to produce a lot of reports but to ensure the management of quality of the VFM audit process. If we fail to ensure quality management in VFM audit the expectations of Parliament, donor agencies, and other stake holders will be frustrated. As well the initial efforts of VFM audit will be jeopardized at their very inception. Our products of traditional compliance audit have long been suffering from the lack of optimum quality. Pressures have been mounting on the Office of the CAG to improve the quality of audit reports. So the current need and priority of the CAG is to establish a sound and pragmatic quality management system for VFM audit.

1.2 The purpose of the strategy paper

In light of the need to establish a quality management system for our VFM audit, this paper attempts to identify the main weaknesses and impediments in our overall system. It then suggests strategies for overcoming these impediments. With these identified weaknesses and suggested strategies the present status of our system and ultimate prerequisites necessary for quality management of VFM audit in the Office of the CAG can be examined.

1.3 Authority and mandate for conducting audit

The provisions under articles 127-132 of the constitution of the Peoples Republic of Bangladesh and the Comptroller and Auditor General's (Additional Functions) Act, 1974 (with subsequent amendments) empower the Office of the Comptroller and Auditor General with the audit authority and legal mandate in the following way:

- The CAG shall audit and report on all public accounts of the Republic.
- The CAG and persons authorized by him shall have unrestricted access to all records, books, vouchers, documents, or other items required for audit.
- The CAG can make rules and give directions on all matters pertaining to audit of any accounts he is required to audit.
- The CAG shall not be subject to the direction or control of any other person or authority.

1.4 Legislative and Executive support for VFM audit

The Public Accounts Committee of the fifth Parliament in 1994 suggested the creation of a separate audit office under the CAG to carry out performance/VFM audit. The Public Accounts Committee of the seventh parliament, in a resolution in 1997, reiterated the need for VFM audit in Bangladesh in the context of global modernization of audit and advised the CAG to initiate a program to conduct VFM audit on at least one percent of the auditable units by the year 2000, along with the conduct of traditional audit.

The president of the Republic, in his speech in Parliament on 14 January 1998, underscored the importance of introducing performance/VFM audit in addition to the existing traditional compliance audit system to ensure accountability and transparency of administration.

The World Bank and other development agencies working in the country also advised to introduce performance audit.

1.5 Guiding instruments for quality management of audit

Over the past few years the Office of the CAG issued some important auditing instruments, and modified and updated the old ones with the help of different reform projects. The following instruments contain the modern auditing techniques and principles to guide the auditors in conducting audit more effectively and ensuring quality management:

1. Performance Audit Manual
2. Government Auditing Standards
3. Audit Code
4. Code of Ethics for Government Auditors
5. Departmental audit manuals for different audit offices.

1.6 Human resources for VFM audit

The Office of the CAG currently has four CCAF and three GAO (USA) fellows and some mid-level officials who were trained in VFM audit in the NAO (UK) and Pakistan. The ASOSAI also provided training in VFM audit to some of our officials in various locations of the world. In addition the Financial Management Academy (FIMA) of CAG arranged short-term training for a number of field- level audit officials and staff with the training resources of the CCAF and GAO fellows and under the supervision of the UNDP funded project. These trained personnel collectively make an effective auditing force for VFM audit and its quality management .They are also very dedicated and highly motivated in performing quality VFM audit. Some of them have already proved their capability by conducting some audit assignments. The products were appreciated for their good quality.

2. Impediments to a quality management system in VFM audit

As indicated, we started conducting VFM audit in an audit- friendly environment, with the legal mandate, legislative support, auditing instruments, and some trained audit personnel. In spite of that, we couldn't advance to the expected level of quality management. After a threadbare examination of the ongoing VFM auditing process, I was able to identify some issues liable to impede the quality management system. These included the following issues.

2.1 Lack of definite goals and objectives for VFM Audit

The Office of the Comptroller and Auditor General has its vision, mission, goals and objectives. These were set on the basis of the responsibilities, duties, and functions bestowed upon the Office of the CAG by the constitutional mandate and the parliamentary acts. The main focus was to accomplish the responsibilities of pre-audit for compilation of the accounts of the Republic and the conduct of post-audit through compliance and financial Audits and report accordingly. The VFM audit has some fundamental differences from other traditional audits in auditing methodologies and reporting. Thus there are differences in the goals and objectives. The Performance audit Manual contains the objectives for VFM Audit. With the start of VFM audit, the overall objectives of the Office of the CAG were not redefined.

2.2 Organizational infrastructure

We started VFM audit under the supervision of the performance audit cell opened in the Office of the CAG .The cell was later abolished and a separate directorate of performance audit was created pursuant to the advice of the Public Accounts Committee of the fifth Parliament and instructions of the reform project, the STAG. The directorate has been functioning well and has completed some successful audit assignments of high acclaim. But it does not have the administrative approval of the government. So the legality of its authority and functions is under question. Now the future of who will conduct the VFM audit if the proposed performance audit directorate is not approved is uncertain. Will it be the old performance audit cell or will the different audit directorates will perform the job within their plans and jurisdiction. This ambiguity hinders the assurance of sound quality management system in VFM audit activities.

2.3 No special sanction in the budget

The performance audit directorate doesn't have any budget and financial powers to meet its needs. All its expenditures are being managed from the budget of the Office of the CAG. The amount disbursed to the performance audit directorate is not sufficient to meet all its audit requirements. Even for a petty emergency purchase directorate must obtain approval from the Office of the CAG. The other nine audit directorates under the control of the CAG Office have their separate budgets that are directly sanctioned by the Ministry of Finance. The performance audit directorate is not in a position to get a separate budget because it has not received the status of an approved entity. The office of the CAG has its own financial limitations and there are some financial rules and regulations that do not permit funding the activities of an unauthorized organization for an unlimited period. So the directorate is not fully capable of carrying out the function of VFM audit effectively because of the uncertainty in the availability of necessary funds and logistic support.

2.4 Absence of planning

The Office of the CAG does not have a central strategic plan for its audit activities. The audit directorates have to prepare their individual strategic and annual plans for conducting compliance audit and obtain approval from the CAG. But the performance audit directorate does not prepare any strategic plan for VFM audit. Since the inception of the performance audit cell and its subsequent elevation to a directorate, the VFM audit activities have been performed in a haphazard and ad hoc manner. The existing records and experiences show that the entities were selected for VFM audit in different ways, sometimes under the directives of the CAG, and sometimes on the advice of Parliament members, ministers, secretaries of ministries or the head of the directorate himself. The lack of a strategic plan results in the expected quality management not being achieved.

2.5 Data bank of the potential entities for VFM audit

The CAG Office has no data bank of entities that can be used as a permanent source of information. No organized initiatives were undertaken to identify and enlist the potential auditable entities, including all required information. At the commencement of VFM audit it was necessary to conduct a survey to collect required information of the potential auditable entities and preserve in to a computer data bank. Such a data bank could be of immense help in developing a strategic plan as well as annual and operational plans for VFM audit .In the long term it could accelerate the process of planned and organized audit and establish quality management in VFM audit.

2.6 Unplanned use of trained human resources

As previously mentioned, the Office has had some officials trained in VFM audit in the USA, Canada, UK, and a few other countries. Most of them were engaged in VFM audit activities under the leadership of the performance audit directorate. But their experiences and expertise could not be fully utilized. To meet organizational and administrative needs, most of them have been transferred to different offices. This is also the case for most of the officers and staff who had internal training in FIMA. Many of them did not have a chance to use their knowledge and skills acquired from the training in the process of VFM audit. The selection of the trainees was also not done on specific need-based criteria. The internal training program for VFM audit will be a futile exercise if the trained personnel are not properly used.

2.7 Ignorance in VFM audit among the auditors and clients

The concept of VFM audit is new in our society. It has not had popular acceptance among most auditors and clients. The auditing staff could not change their mind set from the traditional audit practices and the clients sometimes create obstructions and hesitate to co-operate with the auditors. The concept of VFM audit was not well publicized among the auditors and clients and adequate steps were not taken to explain VFM audit and its benefits and importance in our society. Active co-operation and sincere participation by both the groups are necessary for ensuring quality management in VFM audit.

2.8 Lack of proper supervision

One of the main causes of the poor quality of our audit is the lack of proper supervision both in-field and on-desk. It is partly due to poor planning of audit and partly to the lack of experienced officials to supervise the ongoing audit activities in the field. Moreover, insufficient time and financial resources are also hindering factors in supervision. Similarly huge work loads prevent officials from exercising proper supervision of the audit results on-desk in the office.

2.9 Lack of proper documentation

It was found that our audit reports are not properly documented. A qualified audit report should have sufficient, relevant, and reliable documents to support the evidence collected and the observation made in the report. Sometimes it happened that a good and valid observation of a report was dropped while being discussed in the meeting of the Public Accounts Committee for lack of supporting documents. Lack of knowledge and sincerity of the auditors, lack of sufficient scope of preserving the documents, reluctance of the clients in supplying the documents tend to make the poor documentation in a respective audit job.

2.10 Knowledge of quality management

The objective of internal training on VFM audit organized by FIMA was to give the trainees a first-hand knowledge of the general aspects of VFM audit to get them ready for the job. Much in-depth knowledge about quality management of VFM audit could not be provided to them on that course. The persons involved in the audit activities lack the capability to identify the risk factors, examine and justify the materiality, prepare the working papers, and fairly form the observations. The auditing instruments of the department, such as the Audit Code, Auditing Standards, Code of Ethics, and audit manuals, contain useful principles and directives for quality management. But these instruments are not easily available to the staff involved and sufficient training was not organized to introduce and provide instruction on the instruments. Thus the staff do not have the expertise to maintain and adhere to those directives.

2.11 Timeliness in audit activities

The Office of the CAG does not have a good reputation for the timeliness of its audit activities. Audit plans and programs are sometimes not prepared within the specific time frame. This results in delays in meeting subsequent target. The failure to prepare and submit reports in time diminishes their value to the users.

2.12 Format and Language of audit reports

Over the past years, the Office of the CAG has not been able to design a specific format and prepare guidelines for a high quality audit report. As a result, different audit directorates prepare reports in different ways. There are no uniform standards for selecting the audit observations to be included in the report. Sometimes the reports become voluminous, containing a large number of observations, which reduces the interest of the readers. The reports lack proper and plain language and are therefore not always clear. We are also not always careful about using derogatory remarks that sometimes bring criticism from the users. The layout, papers and the printing are also

very poor. The present administration and think tank in the CAG Office have taken some important steps toward improving the quality of audit reports.

2.13 Moral values of the auditors

We have a code of conduct, but the auditors tend to avoid tendency following its principles in their day- to-day works. It is alleged that some auditors lack moral values in receiving undue financial and other benefits from the clients to compromise serious audit findings. This situation hinders efforts to identify important findings for audit observations.

3. Strategy to overcome the obstacles

The prevailing environment of VFM audit in the Office of the CAG and the issues identified as impediments to quality management of VFM audit need to be addressed. We have to eliminate the existing weaknesses and adopt new initiatives toward establishing a sound and useful quality management system for VFM audit. The present Comptroller and Auditor General has introduced and adopted a number of important reformative measures for improving the quality of audit, such as the creation of Audit Forum, a planning cycle, a uniform model audit report for all, the preparation of checklists for audit party briefing and field supervision, and field supervision by the CAG himself and other senior officials. The application of these measures can contribute to a great extent to a establishing quality management system in VFM audit. Following are presented strategies as an organized framework of quality management that also includes some of the above noted measures.

3.1. Set objectives and develop organization and planning

3.1.1 Objectives of the CAG Office

As the supreme body for controlling and guiding all audit activities, the Office of the CAG should redefine its objectives to

- fulfill the obligations and responsibilities bestowed upon the Office by constitutional mandate and pursuant to its mission and vision;
- carry out the tasks to help Parliament establish an accountable government, ensure a transparent and effective public service, contribute to the welfare and quality life of the people, and preserve our socio-cultural heritage;
- satisfy the needs of the changing socio economic and political fields of the country and stay relevant in the years to come;
- give a view of the future directions, strategies, priorities, objectives, and goals of VFM audit as a newly adopted venture of the Office;
- help to plan and conduct VFM audit to assess if public resources are used economically, efficiently, and effectively;
- adapt with the changes in different aspects of audit in the international auditing arena;

- facilitate taking up the auditing task in the field of IT and environmental audits; and
- establish good rapport and relationships among the auditors, clients, and stakeholders for sustainable development in the society.

3.1.2 Organizational infrastructure for VFM audit

In pursuing the advice and recommendations of the Public Accounts Committee and the STAG project the Office of the CAG established a separate directorate for VFM audit. The directorate started its business well, despite having a lot of limitations. It is expected that the directorate will continue to deliver VFM audit-related functions. The directorate needs to provide the required leadership and directives in VFM audit for the following reasons:

- The chief of the directorate can give the necessary leadership for VFM audit.
- The directorate can create new leadership from the trained personnel deployed in the directorate.
- The organization is important to discipline and streamline the activities of VFM audit.
- It will be helpful and easier to get a separate budget from the government.
- The directorate's separate identity can create a sense of acceptance to the clients and stakeholders.
- The auditors employed here will be inspired to work with renewed zeal and enthusiasm.
- We will have to return to the performance audit cell if the proposed directorate is not approved.
- The alternate measure may be to distribute the VFM audit function among different audit directorates, who are already overburdened with the compliance audit activities.
- The chiefs or the directors of these directorates are not able to exert the required leadership for VFM audit due to their preoccupation with Compliance audit.
- The Office does not have not sufficient trained manpower to conduct VFM audit from different platforms.
- The Office does not have adequate trained personnel to lead, supervise, and monitor the VFM audit activities separately.
- The audit directorates are not able to supply other necessary logistic support to both compliance and VFM audit groups.
- The uniformity in quality management may suffer if VFM audit is performed by different bodies.

- The functions of other committees necessary for VFM audit should be controlled, guided, and co-ordinated by a single body.

3.1.3 Need for separate budget

A separate budget should be provided for VFM audit. As the function is new, it has to arrange its own establishment and manage logistic needs. Financial incentives in the form of enhanced allowances should be provided to attract and inspire the auditors at earlier stages. Excellent in their performance may also be recognized by financial rewards. VFM audit needs to hire the services of consultants. In addition, more seminars and workshops need to be organized to popularize the concept of VFM audit among the auditors and the clients and motivate them for active involvement. More training programs have to be arranged to enhance the competence of the auditors in audit techniques and quality management. Thus special sanctions in the budget will need to be made to meet the above expenses.

3.1.4 Formation of advisory committees

Two advisory committees should be formed. One would be a permanent body and the other would be created temporarily for each audit assignment. The permanent committee would be composed of the CCAF and GAO trained fellows, other officials having VFM audit training, and the legal advisor who should be permanently employed in CAG Office and the DCAG (Audit). They will provide advisory service to VFM audit in addition to their designated jobs. The temporary committees would be formed with the consultants required for a specific audit assignment, officials from the audit directorates as technical experts or subject matter specialists having academic background in the required field of audit, and others as deemed necessary. The temporary committee will be engaged from the initial stage to final reporting of a particular job. Members will be assigned to prepare an operational plan, determine the audit objectives, fix the audit criteria, prepare the checklist, select the members of the audit team, and supervise and provide necessary instructions and guidelines to the team. The permanent advisory committee will be responsible for selecting the consultants and other members of the temporary committee, scrutinizing the strategic and operational plans and recommending them for approval, examining the proposals for selecting the audit assignments, and ensuring the quality management issues. This team can also consult and seek advice from the Audit Forum of the department on any aspect whenever necessary.

3.2. Audit management

3.2.1 Establishing an audit entity data bank

An extensive survey should be conducted in all the government departments and government-owned corporations under the audit net of CAG to identify the potential VFM audit issues and enlist them in an electronic data bank. The information contained in the databank will be useful for all future audit plans and activities. It will provide basic knowledge of the subject matter and better understanding and appreciation of the issues to persons concerned. The main characteristics of this data bank will be as follows:

- Identify entities and issues that have relevance to the CAG audit authority and mandate.

- Identify objectives, and functions, and organizational setup of entities.
- Identify entities that focus on public interest and national importance.
- Identify the important functional issues that address high- risk areas.
- Attach priority ratings for each issue, facilitating future plans for audit.
- List the names, numbers and dates of the relevant acts and regulations.
- Provide the status of previous audit reports with important findings and observations.
- Identify administrative arrangements of the entities and protocol for liaison.
- Update the files in the data bank from time to time.

3.2.2 Setting up an audit library

Steps should be taken to set up an audit library where various reference documents related to all enlisted audit entities will be collected and preserved. All previous audit reports, audit reports from developed SAIs, reports of Public Accounts Committee, relevant books and instruments on VFM audit, and other publications should be gathered. There should be sufficient space for study and electronic facilities for copying required materials.

3.2.3 Developing a strategic plan

The VFM audit group has successfully completed some noteworthy audits, and has gained good experience over the last couple of years. It's now time to establish a long-term strategic plan for effecting smoother operation and consolidating the position of VFM audit. The strategic plan is intended to be a long-range VFM audit plan for five years, which may include the following:

- the potential audit entities and issues, as per the data bank, with priority rating;
- an estimate of all costs, resources, hours, and planned dates for initiating and reporting;
- description and objectives of the audit, and the relationship to CAG mandate;
- the potential for impact and quantifiable benefits that can be achieved; and
- a yearly plan proposal with monitoring of the performance.

3.2.4 Preparing an operational plan for each audit assignment

An operational plan for each audit assignment is needed, which includes the following:

- Set the audit objectives, audit scope, approach, and criteria.
- Identify the risk factors, materiality, and lines of enquiry/potential main points.

- Set the audit methodologies and prepare the checklist.
- Estimate costs, and time budget for the audit program.
- Select members of the audit team, and employ the consultants if it is necessary.
- Detail time and procedures for supervision, group meetings and monitoring.
- Determine the probable risks and suggest measures to overcome them.
- Fix the time to start the work, primary report, and final report for submission.

3.2.5 Quality Assurance Committee

The VFM audit directorate will have a Quality Assurance Committee headed by its director. The deputy directors and other experienced officials will be members of the committee. They will be entrusted with the task of ensuring quality management of audit from planning to the reporting phase. They can consult and seek advice from the Advisory Committee. They will be responsible for producing a high quality audit report.

3.2.6 Creating a legal section

A legal section should be created in the Office of the CAG. One legal advisor will head this section. The main functions of the section will include:

- Legal review of the audit proposals to ensure if the proposed audit assignment has any irrelevance with the legal mandate of the CAG and his audit jurisdiction.
- It will also review the audit report at the clearance stage to ensure whether any content of the report, such as observation, opinion, and recommendation stands to contradict the rules and regulations of the entity audited, legal mandate of the CAG, and laws of the country.
- It will also deal with all legal matters that may arise between the audited entity and the CAG, and between the CAG and the member of his staff.

3.3. Conduct of the audit

3.3.1 Auditing with due care and competence

Audits are conducted with due care and regard for efficiency and economy in terms of time spent, resources consumed, and pursuant to the legislative mandate, policies, and practices of the Office. The members of the team should possess, individually and collectively, sufficient knowledge, skills, and proficiency as required for the assigned job. They should also team-oriented and have the capability to negotiate with clients.

There should be adequate training to improve the auditor's competence. The audit team should be supplied all documents and instruments required for a particular audit job.

3.3.2 Collecting proper evidence

Sufficient and appropriate evidence is obtained to provide a reasonable basis to support the observations expressed in the report. The evidence should be relevant and reliable. It should also be accessible by the persons who are supposed to examine it when required. Sources of the evidence collected should be recorded properly. The analytical and self-explanatory evidence can be more powerful. Modern evidence based on audio, video, and picture is highly instrumental for presenting the audit observation. Collection of proper evidence will have to be ensured by the provision of special training to the auditors and review of the audit files by the director or assigned supervising official.

3.3.3 Maintaining and upholding the core values and ethics

All team members conducting the audit and others linked with the team during the audit should be objective in order to remain unbiased and avoid conflicts of interest in carrying out their responsibilities and in forming their judgments and conclusions. The team members should be free from relationships that may impair their personal judgment and they should be careful of any kind of unethical behaviour. They must guard against erosion of the sound values and code of conduct maintained by the Office of the CAG and uphold the spirit of independence, objectivity, and integrity in all spheres of their work. To ensure compliance, auditors should sign a code of conduct statement, with penalties imposed for violation of the code.

3.3.4 Consulting and following advice on complex issues

Team members may seek consultation from authoritative sources and specialist consultants with appropriate competence, judgment, and authority to ensure due care when dealing with complex, unusual, and unfamiliar issues. They may also discuss any peculiarities and difficulties faced with an issue in group meetings, supervising official or with any senior experienced person of the Office. They are then expected to act on the advice to ease or remedy the situation.

3.3.5 Maintaining timeliness as per plan

The selection of an entity for audit should be in a reasonable time so that the information delivered in the report can be useful to the legislators, decision makers, and stakeholders. The audit team and the management should be concerned about maintaining the time frames planned for each stage of the job. If not submitted in due time, a report may be of little value to decision makers.

3.3.6 Preparing and preserving working papers and other documents

A record of the auditor's work should be prepared and preserved in the form of working papers. The working papers should contain sufficient information to enable the reviewer and other users to justify the findings and formation of judgments and conclusions. The Information including the objectives, scope, methodology, sampling criteria, and description of the documents collected should be included in the working papers. Working papers are also important for preparing for Public Accounts Committee briefings, answering subsequent queries from clients and other users, and planning future assignments.

3.3.7 Security and retention of documents

The audit should be well documented. Documents collected in any form such as papers, vouchers, files, pictures, and audio and video tapes should be catalogued and numbered so that they can be used as a ready reference when required. Adequate security measures must be taken to preserve the documents, and confidentiality and appropriate access to sensitive documents must be maintained.

3.3.8 Monitoring the audit

Monitoring progress of the ongoing audit activities is important to assess whether the audit is on time and within budget. Any significant deviations should be reported immediately to management or superiors, with proposed options for bringing the audit back in line or for scoping down the audit, if deemed appropriate. If necessary, an Audit Advisory Committee meeting can be held at the mid-point of the examination phase to discuss audit progress and tentative findings.

3.3.9 Reporting the audit

Reporting of the audit should meet the following criteria:

- The report effectively and fairly reflects the Office mandate and principles.
- The report addresses high-risk areas having quantified impact.
- The contents are relevant, coherent, clear, and credible.
- Intended users understand the report and can properly interpret its contents.
- The report is accessible and in plain and correct language for readers.
- There is effective oversight of every paragraph/observation.
- The report provides relevant, meaningful, and cost-effective recommendations.
- The executive summary provides the overall and coherent message of the report.
- The report has an appropriate title on the cover page and is well printed.

4. Human resources management

4.1 Training for professional development

Training for those involved in audit should provide the following:

- a pragmatic human resources plan for proper use of the trained manpower;
- an evolving learning curriculum and development opportunities to prepare staff;
- Opportunity for an auditor's continuous growth in knowledge and experience;
- emphasis on quality management issues in VFM audit training;

- training on the VFM Audit Manual, Auditing Standards, and Code of Conduct;
- special courses to enhance aptitude in use of language in report writing;
- training to improve skills in negotiating, interviewing and team building; and
- involvement of FIMA in designing, arranging, co-ordinating and supervising the training.

4.2 Leadership and supervision

Persons working in the field of audit should be guided by an appropriate level of leadership and direction. The management will arrange to provide adequate supervision of all persons, including specialists, to ensure that audits are properly carried out. All team members are encouraged to perform to their potential. In the field visits by senior officers and in regular group meetings, every day's performance should be discussed to detect any weaknesses or difficulties and then take corrective measures.

4.3 System of performance feedback

A system should be created where the employees can receive timely and constructive feedback on their performance and have access to counselling and guidance. The auditors should be able to express their views on the audits they perform and have their views respected and recognized. They are encouraged to review their own performance. They are informed of the proceedings of discussion on the report in Parliament.

4.4 Creating a respectful workplace

An Office objective is to create a working environment where everyone, irrespective of their rank and status, is treated with dignity and respect and encouraged to realize their full potential. A system of open and honest communication by interchange of ideas and thoughts among staff can create a climate of mutual trust and bonds of teamwork. The department will recognize and value staff's talent and diversity, and their endeavours for learning and quality of life will be supported.

4.5 Building awareness

The Office needs to build awareness and create a sense of understanding and acceptance for VFM audit among the auditors and auditees. A lot of work has already been done to this end. More seminars and workshops need to be organized to further familiarize the concept and motivate auditors and the auditees. Newspaper articles, radio and television programs highlighting the importance of VFM audit in our country can be useful tools for promoting VFM audit activities. In-house training may also serve to motivate staff in the audit department.

5. Client focus

5.1 Auditor and auditee relationship

A positive, pro-active, and constructive relationship based on mutual understanding, and respect between the auditor and auditees can develop a favourable atmosphere for

carrying out a high quality audit. The auditor should be cognizant of the time and other constraints of the auditee organization when planning the audit. Continuous liaison should be maintained up to the follow-up stage. In turn the auditee should offer support in providing the required documents and information to the auditor. The secretary of the concerned ministry controlling the organization under audit should be attentive and compliant in the clearance and follow-up process of the report.

5.2 Participation of Parliament

The honourable members of Parliament should be invited at the time the report is submitted to the President and be briefed of the contents of the report. The report should be promptly discussed by the Public Accounts Committee, followed by open discussion in parliament. The MPs are expected to show sincere interest in the audit process and response to the audit findings and comments.

5.3 Communicating to the information media

The Office of the Auditor General should call a post-tabling press conference to communicate the audit messages for every report clearly and consistently. The Auditor General should highlight the contents of the report and brief members of the press media. They are encouraged to critically review the report in newspapers to create public awareness. Their comments are recorded for reference in future audit work.

5.4 Client and stakeholder satisfaction

We need to carefully observe if the clients and stakeholders perceive the information and audit process as useful. Meetings should be arranged to discuss audit issues and results of audits with them. Their opinions and comments, both verbal and written, should be invited and positively addressed to improve future audit work.

6. Review and maintain sustainability

6.1 Effective follow-up action

Follow-up arrangements should be made to ensure that an audited body has properly considered any matters identified during the current and previous audits and, where appropriate, has implemented agreed actions. The audit experience should be assessed and opportunities for improvements identified and implemented. Our goal should be to increase the proportion of fully implemented recommendations. We need to follow through and stay with them. Status report on implementation of recommendations can be introduced.

6.2 Implementation of strategies

For successful implementation of the strategies of this paper it is suggested that the Office of the CAG form a high-powered committee headed by the deputy CAG (senior). Former CCAF fellows, official with expertise and myself as author of this paper could be members of the committee to oversee the implementation process. I would like to play a pivotal role and devote my knowledge and experience to whole implementation process. It is expected that the Office of the CAG would provide the committee with the necessary time, authority, and resources. Periodical review of the implementation process would be

needed. Weaknesses and loopholes should be identified and discussed in the committee meeting with appropriate remedial action to them. Audit Forum could be invited to discuss and advise on important issues. Opinions and suggestions should be solicited from the stakeholders to redress the weaknesses and improve the quality management system.

6.3 Peer review by an external auditor

We should arrange for review of our VFM audit activities and its quality assurance status by an external auditor who has achieved commendable success in this field. An external assessment of our quality assurance issues could be conducted once every three years by any of the developed systems, such as GAO, NAO, or OAG. We could request INTOSAI and ASOSAI to extend their support in this regard.

7.0 Conclusion

Achieving of quality is our priority. We wish to develop a unique quality management system to ensure the quality of all respects of our audit activities, and as the Auditor General emphasized in his three tier plan, “to improve quality of works” and “ensure quality audit reports meaningful for the stakeholders”. But there is no short-cut to reach this target. Successful implementation of the suggestions in this strategy paper may go a long way in our venture. It’s a very challenging and huge task in of our society, with some entrenched obstacles in the way. We need to overcome these obstacles to meet the challenges with sincere courage, will, and integrity. We have to invest untiring and relentless efforts with renewed zeal and enthusiasm to achieve our goal. The dynamic leadership and guidance of the Auditor General, and the expertise and experience of our trained officials will add force to this effort. We also need the support of the government, the members of Parliament, and the stakeholders. We must continue our endeavour to influence and convince the government to accord their approval for a separate VFM audit directorate and financial support. We can accomplish our goal of establishing a quality management system with the support and commitment of all involved in the process.