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## **Executive Summary**

The proposed introduction of Value for Money (VFM) audit in Guyana is scheduled for the year 2003. The Office of the Auditor General of Guyana (OAG/G) will have to make many changes in order to accommodate the mandate as well as to deal with the implementation challenges.

The history of legislation audit in Guyana is mainly based on financial (attest) audit. Over the years the audit approach has been to report on cases of waste and extravagance, and weaknesses in management and operation of activities, with a view to preventing recurrences.

It is recognized by the International Organization of Supreme Audit Institutions that government had not only a significant part but also an expanded role to play in the planned development of the state. Value for money audit, which encompasses three inter-related components - economy, efficiency and effectiveness - has been introduced in many countries, especially the developed ones. The principal idea is to ascertain whether public funds have been expended economically and efficiently and whether the programs have effectively achieved their objectives.

This strategy paper aims to develop a training program for the introduction of VFM audit in Guyana, based on my experience in the nine months Fellowship Program.

The introduction of VFM is needed at this time because Parliament sees the role of the Auditor General as not only to “certify that taxpayers’ money has been spent legally and that all accounts were in order but also *to* report whether public funds have been spent economically, efficiently and effectively.”

The main strategy to implement VFM audit is to develop training programs. The VFM manual and methodology developed by the previous Fellow will be used as the main material in the training program. A separate audit unit will be created with a staff of about six officers. The training unit will comprise two persons.

The course content will be developed based on my theoretical and practical experience in Canada. Emphasis will be placed on the following: planning of the audit; using the design matrix; the art of interviewing; the changing role of the trainer as facilitator vs. lecturer; and the use of appropriate audit tools.

A pilot audit will be conducted over a six-month period, using an audit entity that will be willing to participate in the audit.

The OAG/G has established the required framework for implementing VFM through changes in the Constitution to increase the independence of the Office. A new Minister of Finance and Secretary to the Treasury has been appointed. They will play an important

part in implementing the program through the release of funds and co-ordinating the pilot project.

Several constraints are expected to be faced in implementing the program: training of officers will take time; and the availability of adequate resources in terms of equipment and finances could delay the program.

Nevertheless, the training program is expected to be beneficial, as it will:

- increase staff confidence in conducting their work;
- minimize audit risk;
- increase the efficiency and effectiveness of audits;
- enhance the organization's credibility; and
- create consistency in approach.

## **DEVELOPING TRAINING PROGRAMS FOR THE INTRODUCTION OF VFM AUDIT IN OAG/ GUYANA**

This paper is a result of my experience in the nine months fellowship program in Canada. My strategy is to develop a training program for the introduction of value for money (VFM) audit in the Office of the Auditor General of Guyana (OAG/G) through the use of the VFM manual and methodology.

### **1.0 THE GOAL**

The proposed introduction of VFM auditing in Guyana is scheduled for the year 2003. The OAG/G will have to accommodate its new mandate as well as deal with the implementation challenges. The goal of OAG/G is to have a good training program to carry out VFM audits so that there is better accountability and governance by ensuring:

*“That public funds have been expended with due regard to economy or efficiency and satisfactory procedures have been established to measure and report the effectiveness of programs.”*

### **2.0 BACKGROUND**

Six years after the establishment of the Office of the Auditor General of Canada (April 1878), a Colonial Audit Department was established on 2 August 1884, in the then British Colony of Guyana, South America.

The last Director of Audit appointed to the then British Colony left after the completion of his tour of service in April 1969.

In October 1969, three years after Independence (26 May ,1966), the first Guyanese was appointed to hold the Office of Auditor General of Guyana in accordance with the provisions of the Constitution. After his retirement in 1989, the second Auditor General assumed the Office. He has implemented many changes in the office to ensure that there is better accountability to Parliament. His latest effort is to implement value for money audit in Guyana.

### **2.1 CURRENT MANDATE OF OAG**

The Office presently carries out the following audits in accordance with the Constitution Article 223(2) and (3):

- Attest Audit (annual financial audit on the Public Accounts)
- Audit of Public Corporation ( where government holds 51percent or more shares in the company)
- Audit of projects funded by International agencies- International Development Agencies (IDA-World Bank), Inter- American Development Bank (IDB), United Nations Development Program (UNDP), etc.
- Local Government
- Special Investigations
- Fraud Audit

## **2.2 THE PROPOSED NEW MANDATE FOR VALUE FOR MONEY AUDIT**

The Wilson Committee for the review of the Office of the auditor General of Canada in trying to define the scope of the Auditor General's responsibilities, asked the following:

- “Was he merely to certify that the taxpayers' money had been spent legally and that all accounts were in order? Was that all Parliament expected from the officer employed to audit the Government's expenditure?
- ***Or was he also to report whether public funds had been spent economically, efficiently and effectively?”***

The latter took form in 1977 when VFM audit was introduced in Canada. Similarly, a proposed legislation to make VFM audit part of the OAG/G's mandate was included in the new Constitution in the year 2000, and is expected to become law later this year.

This new Constitution of Guyana will include the following improvements:

- An audit office will be created that is administratively and functionally independent responsible to a parliamentary committee.
- The mandate to carry out VFM audits will be established. At present, the Office carries out a partial VFM audit under the authority of due regard to waste and extravagance; However, no separate reports are issued.
- Funds will be provided by a parliamentary committee.
- The Auditor General will have the power to hire staff and set the Office's salary structure;
- The term of office for the Auditor General will be for 10 years or attaining the age of 65 years.

## **2.3 Analysis**

Why VFM is required at this time:

- All INTOSAI and CAROSAI countries are moving toward VFM auditing.
- Attest audit is not enough. It is limited to the examination of financial transactions.
- The increasing of sophistication in public administration (program areas and design), and demands for it, increase the requirement for VFM review.
- Foreign finance and aid require VFM capacity.
- Foreign funded agencies –World Bank, UNDP etc. require the Office to carry out performance audit. The VFM mandate will strengthen the Office’s capability to carry out such audit and deliver the required reports.
- Good governance will be enhanced -VFM reporting is as valuable as an independent assessment and it will enable Parliament, media and the public to pressure government for improvements.

## **3.0 STRATEGY TO IMPLEMENT TRAINING PROGRAM FOR VFM AUDITING**

### **3.1 Formal discussion with management**

On my return, I will discuss with the previous Fellow and the Management Committee how best to implement this strategy.

The Auditor General has formally committed to implementation of VFM audit in the Office. However, it is important to ensure that I have the total support of the Management Committee in the implementation of this new training program. The committee will have to be willing to release some of its staff for the training. All members of the Management Committee have had some form of training in VFM auditing, either from the General Audit Office (GAO), or the National Audit Office (NAO), or through training in Performance Auditing by International Development Agencies (IDA), or the International Development Bank (IDB). Their support is anticipated in developing a training program to implement VFM audit.

The Management Committee will be updated on the progress at its monthly meeting. Any suggestions for improvement and guidance will be considered at these meetings.

The following benefits will be realized from implementing VFM audit:

- The introduction of VFM would improve accountability and good governance in the public sector. It is a relatively new approach to auditing that examines management, practices, controls and reporting systems. VFM audits do not question the merits of government policies — they simply tell legislators how well the policies were implemented. They also serve as a benchmark against other countries performance.

- VFM audit will result in objective independent assessments of the extent to which the audited organization achieves economy, efficiency and effectiveness in its operations.
- Major deficiencies in management and control practices would be identified.
- Recommendations would be designed to help obtain better value for money in the future, better internal and public accountability.

### **3.2 Developing a training program**

The OAG/G has a separate training department that is headed by a former Assistant Auditor General. However, it conducts mainly financial or attest audit training. I will work closely with this department on implementing a separate training program for VFM audit.

- A separate VFM audit section will be created with a staff comprising myself and the other Fellow, two officers who have been chosen to attend a trainer of trainers course, and other prospective officers identified for future fellowship programs. The previous Fellow is already working toward creating this new unit. The Auditor General is eagerly awaiting my return to start the training program. I will head the training section and the previous Fellow will head the VFM audit section. However, since most auditors are accountants, we will want to have a balanced team. Recruitment of different fields such as engineering, economics, or science will be considered.
- The previous Fellow was assigned to develop a VFM manual and methodology. However, a modified VFM manual and methodology will have to be developed to suit the OAG/G. I will work with my training department to develop a training program for teaching the use of this VFM manual and methodology. I will include sample case problems / studies and suggested solutions to assist training participants. I was advised by the Professional Development Department that this will take about six months.
- The Canadian Competency Model will be used as a model for developing an OAG/G competency model. This later model will help to determine the training needs of each member of the team.

### **3.3 Planning and designing the training approach**

It is often said that “failing to plan is planning to fail.” It is very important that adequate time be spent on planning of the training program. The following tasks will have to be addressed in this phase:

- Learning objectives should be specific and attainable. The expectation of the participants at the end of the course should be clearly defined in terms of their knowledge, skills and attitude change.
- A combination of lecturing, case studies, demonstration, discussion and active participatory methods will be used for training.
- Audio-visuals aids- overhead transparencies, films, flip charts, etc. will be used as a media of communication.
- The course will be evaluated using a feedback questionnaire. Participants will be evaluated through testing. Evaluation of the training course is very essential, and this will help to:
  - provide feedback on how well the course is progressing;
  - determine whether the participants will be able to transfer their learning to the workplace; and
  - assist in the reviewing stage.
- The cost of developing and delivering the course will have to be carefully budgeted. Without adequate funds, it will be impracticable to implement the program.

#### 4.0 Developing the training materials – using experience gained in Canada.

This stage of the training could be very time consuming. In developing the course outlines my Fellowship Program in the following areas will be considered:

- **Planning of an audit.** It is important that the audit team have a thorough knowledge of the audit entity before beginning the detailed planning of the audit. This is carried out in the Overview stage of the audit. Based on this knowledge, decisions will be made on the initial scope and determining the potential line of enquiry.
- **Design matrix.** To assist in the planning and monitoring of the audit, a design matrix was developed under the following headings:
  - Researchable question(s);
  - Criteria;
  - Matters of potential significance; and
  - Information to be included in the analysis.
- This will be taught to ensure that the methodology/audit approach will enable auditors to make appropriate conclusions, and show how to monitor the progress of the audit.
- **Interviewing technique.** This technique is normally used to determine matters of potential significance to investigate in the audit. Great care must be taken in determining the type of questions to be asked. Selecting the right person to interview is also very important. This technique is new to my country. The best method to

teach this technique will be by role-play. This session will be videotaped so those participants will be able to see their own mistake.

- **Facilitator versus Lecturer.** Winston Churchill once said that “ I love to learn but I hate being taught.” It is often thought that all students learn more or less in the same manner or at the same pace. However, with adult learning the tutor should be seen as a facilitator rather than a lecturer. Facilitation is done through the best method available, using the resources available and the learning and development of the group. Sessions will be carried out using case studies, with the lecturer facilitating the process.
- **Audit tools.** Several computerized audit tools were introduced to us during our training courses. These include ISES and IDEA. Although IDEA is used mainly for attest audit, it could also be used in VFM audit. It could analyze and extract data from files generated by a wide computer system. It could select records, which match with your criteria and create statistical sampling techniques. This will be a very useful tool in carrying out the VFM audit.

### **Training of trainers and course design**

Two officers have been selected to attend course design and training of trainers courses in Trinidad and Tobago. These are organised by the INTOSAI development initiative and have been successful in the region of INTOSAI. The knowledge and experience gained will be of tremendous help in planning and designing the training course.

### **5.0 Pilot Audits: Application of VFM Manual and Methodology**

After three months training, a VFM audit topic will be identified for the purpose of the pilot project and an appropriate audit entity will be selected to carry out the audit.

The criteria for selecting the topic and audit entity will include the following:

- materiality and relevance;
- measurable benefits;
- good relationship between the OAG and entity; and
- political and bureaucratic support.

The pilot audit will be conducted over six months.

The pilot will be conducted using the four main stages of the VFM audit, with greater emphasis being placed on the Overview and Survey stages. The examination and reporting stages should not be difficult to implement. These stages are similar to the Attest audit.

At the end, use of the VFM manual and methodology is expected:

- to achieve the highest possible level of quality in VFM audit products;
- promote the highest possible level of professional competence in Office staff;
- provide a basis for measuring audit performances; and
- allow others outside the Office to gain a better perspective and understanding of the practices and professionalism of the Office.

## **6.0 Favourable factors for introducing training program**

The following factors will assist me in making the training program successful.

### **6.1 New mandate for VFM audit**

The OAG/G will be joining two other CAROSAI countries in obtaining the VFM mandate. However, it is seeking first to increase its independence by breaking away from the influence of the Public Service Commission for recruiting staff and setting its own salary scale. It is therefore paving the way to meet the challenges when the VFM mandate is introduced.

### **6.2 New Minister of Finance**

A new Minister of Finance was appointed in the early part of 2000. He was formerly the head of the University Management faculty. He is well aware of the concept of VFM, as it is included in the curriculum at the University of Guyana. We will update him on our strategy to implement VFM audit. We will also ask him to explain the need for this type of audit to his fellow cabinet colleagues. Through their understanding we will request the necessary funds to implement the new training program.

### **6.3 New Secretary to the Treasury.**

A new Secretary to the Treasury has been appointed. We will explain to him the importance of VFM audit, that is, to establish accountability and transparency so that the administration can improve its efficiency. He will have to issue instructions to the ministries and departments to maintain the necessary information and records for the VFM audit. This may involve more work and better record keeping in ministries and departments. It will involve the granting of more funds to these organizations for the purchase of computers. His assistance will also be requested in co-ordinating the pilot program.

## **7.0 Constraints**

The following constraints are expected to be faced in implementing this program.

### **7.1 Time**

The OAG/G is in the process of obtaining the mandate for VFM in the new Constitution. The training of officers to carry out this audit will take time. At the same time, because of staff constraints we will also have to carry out attest audits. The first step is the development of truly independent audit Office accountability through a parliamentary committee. However, this will involve developing new policy manuals for the Office. A Canadian consultant has been hired to develop this manual. The next step will be the incorporation of the necessary legislation to carry out the VFM audit.

### **7.2 Technical resources**

To carry out the training, a training room with all the necessary facilities is required. The OAG/G has its own training room with flip chart, overhead projector and VCR. However, a video camera will have to be purchased.

### **7.3 Financial constraints**

The lack of adequate funding will restrict the development of the training program. The training budget will have to be revised to accommodate the VFM training. Purchase of training materials, equipment etc. will have to be provided. Funds will also have to be provided to hire a consultant to work with the training and pilot program.

### **7.4 Advisory committee**

The development of an advisory committee based on the Canadian model will not be possible. We will, instead have a modified form of the advisory committee made up of experts in various fields from the public service.

### **7.5 VFM is included in the curriculum at:**

- at University
- the technical Institute; and
- A Level Accounting.

More emphasis would have to be placed in the teaching of this topic at these institutions. I will suggest that I appear as a special guest lecturer when this topic is been taught.

### **7.6 Media challenges**

We will need the help of the media, to communicate the importance of introducing VFM audit in Guyana. The media through the demands of the public, is continuously demanding

information on the performance of programs, departments and ministries. Emphasis will be placed on the fact that VFM audits will provide a better understanding of good governance, accountability and transparency. Thus, with the help of the media, all the co-operation and necessary backing to carry out VFM audit will be secured.

### **7.7 VFM manual and methodology**

The first Fellow developed a manual and methodology to carry out the new mandate. My task would be to develop a training program to teach the manual and methodology. However, many changes and modifications might have to be made after conducting of the pilot project.

### **8.0 Benefits**

The OAG/G will have its own manual and methodology reflecting its own work environment. The training program will be beneficial, as it will:

- increase staff confidence in conducting their work;
- minimize audit risk;
- increase the efficiency and effectiveness of audits;
- enhance the organization's credibility;
- create consistency in approach; and
- allow the use of modern auditing techniques that will assist auditors to later become a highly qualified multi-disciplinary team of professionals with the ability to conduct subsequent audits.

### **9.0 CONCLUSION**

We are undertaking a new challenge of implementing the method of VFM auditing in Guyana. Training will be difficult but, with the help of donor agencies such as CIDA, UNDP, IDA, IDB and the Government of Guyana, we will succeed. At the end, we will join the developed nations and other third world countries in carrying out VFM auditing and enhancing proper accountability and good governance.

## Appendix

### Project Time Frame

The projected time frame to complete the initial training and pilot project will be four years as shown below:

Activity	Aug-Dec 00	2001	2002	2003
Approval of proposal	-----			
Planning of training	-----			
Development of training		-----		
Training implementation		-----	---	
Training evaluation			-----	
Pilot program			----	-----
Revision of manual and methodology				-----