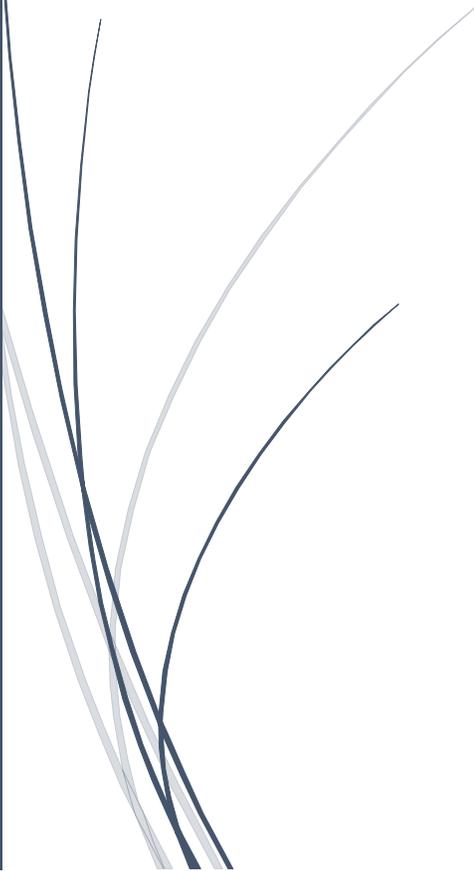




**SUMMARY REPORT OF THE
SUPREME AUDIT INSTITUTIONS - PERFORMANCE
MEASUREMENT FRAMEWORK (SAI PMF)
ON THE
AUDITOR GENERAL'S DEPARTMENT OF JAMAICA
OCTOBER 2017**



AUDITOR GENERAL'S DEPARTMENT OF JAMAICA
DECEMBER 5, 2017



Summary Report of The Supreme Audit Institutions - Performance Measurement Framework (SAI PMF) on the Auditor General's Department of Jamaica (AuGD)

Introduction

The Auditor General of SAI Jamaica initiated the proposal for the external assessment of the Department's overall performance. The Inter-American Development Bank (IDB) generously provided the funding and support required for the project. The assessment was conducted by a team of independent consultants contracted by the IDB. The new Endorsement Version¹, which was adopted by the INTOSAI² Congress at the XXII INCOSAI³ meeting held in Abu Dhabi, in December 2016 was used for the assessment, which was undertaken in January 2017.

Intention of the SAI PMF

One of the primary purposes for the SAI PMF for the AuGD evaluation was to inform the Department on our level of compliance with international standards on auditing and on those areas within the Department that were in need of improvement. Secondly the outcome of the findings would also be used to guide the finalization of the Department's Strategic Business Plan (SBP) for 2018 – 2021. In addition, the assessment would highlight areas of progress on which we will continue to build and gaps we believe we must address, in order to enhance our efficiency and effectiveness.

The SAI-PMF Assessment

It is a performance measurement framework developed for SAIs intended to give a holistic, high -level assessment of SAI performance against established INTOSAI best practice, usually based on:

- The International Standards for Supreme Audit Institutions (ISSAI) framework;
- The Framework on the Value and Benefits of SAIs to its citizens (ISSAI 12);
- Other INTOSAI guidance material.

It combines objective measurement and qualitative assessment, to provide:

1. Measurable Indicators (ISSAIs) or objective measurement to inform on the qualitative assessment and track progress over time,
2. A Qualitative Assessment (Performance Report) of a SAI in the country context and its environment, including factors not covered by the indicators, and which contributes to identifying the value and benefits of SAIs to its citizens.

The SAI Performance Report is therefore a narrative report which provides the reader with an overall picture of the SAI's performance, informed by an understanding of the environment in which the SAI

¹ SAI PMF Endorsement Version (22 April 2016).

² INTOSAI – International Organization of Supreme Audit Institutions

³ INCOSAI - International Congress of Supreme Audit Institutions

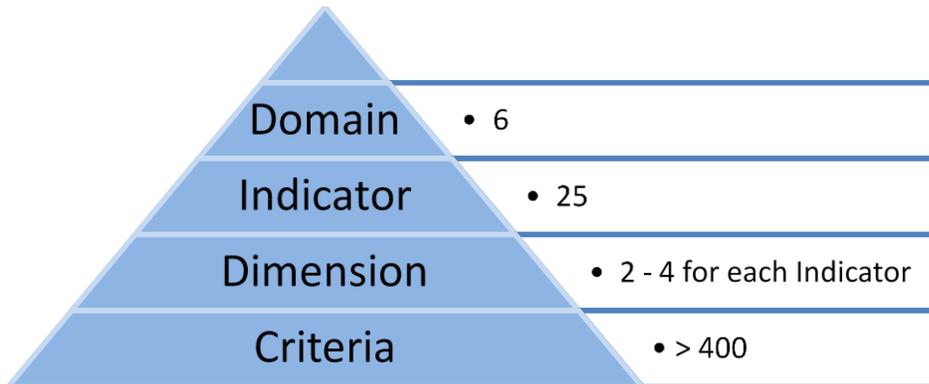


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operates, the interdependencies between the different aspects of the SAI's performance, and the detailed assessment of findings and indicator scores. The Performance Report is the key output of a SAI PMF assessment and provides analysis beyond the indicator scores.

SAI PMF Structure and Performance Measurement

SAI PMF Structure and Terminology



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

All six domains (A-F) and all but three of the twenty-five Indicators of the newly adopted SAI PMF Endorsement version were used as the basis of the assessment. The indicators for Jurisdictional Controls (SAI 18, 19 & 20) were omitted, as they were not relevant to our SAI, which is based on the Westminster model and does not have such a judicial mandate. The assessment period related primarily, to the last completed financial year (FY) 2015/16 but included evidence from audits and other support material related to FY 2016/17.

Each indicator sought to measure the performance of the SAI on a key area against a five point scale from 0 to 4. Since many indicators consist of several dimensions, each dimension must first be scored separately, using guidance provided in the SAI PMF document. The dimension scores are then aggregated into a score for the whole indicator.

There is no aggregated score for the entire SAI because all indicators are not equally important, and their relative importance will vary from SAI to SAI and from year to year. An overall analysis of the performance of the SAI should instead be provided in the narrative Performance Report.

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Results of the SAI PMF

The summary of the scores for each Indicator and Dimension under each Domain for the assessment were as follows:

Indicator	Name	Dimensions				Overall score
		i	ii	iii	iv	
Domain A Independence and legal framework						
SAI-1	Independence of the SAI	2	1	2	3	2
SAI-2	Mandate of the SAI	3	4	4		4
Domain B Internal governance and ethics						
SAI-3	Strategic Planning Cycle	2	2	2	2	2
SAI-4	Organizational Control Environment	2	2	3	2	2
SAI-5	Outsourced Audits	3	4	1		3
SAI-6	Leadership & Internal Communication	3	3			3
SAI-7	Overall Audit Planning	1	1			1
Domain C Audit quality and reporting						
SAI-8	Audit coverage	1	3	1	n.a	2
SAI-9	Financial audit standards and QM	4	4	3		4
SAI-10	Financial audit process	3	1	3		2
SAI-11	Financial audit results	n.s.	0	2		1
SAI-12	Performance audit standards and QM	3	4	3		3
SAI-13	Performance audit process	3	3	3		3
SAI-14	Performance audit results	4	4	3		4
SAI-15	Compliance audit standards and QM	3	3	2		3
SAI-16	Compliance audit process	2	1	3		2
SAI-17	Compliance audit results	2	0	2		1
SAI-18	Jurisdictional control standards	Not applicable				n.a.
SAI-19	Jurisdictional control process	Not applicable				n.a.
SAI-20	Jurisdictional control results	Not applicable				n.a.
Domain D Financial Management, Assets and Support Services						
SAI-21	Financial Management, Assets and Support Services	3	2	4		3
Domain E Human Resources and Training						
SAI-22	Human Resource Management	4	3	4	3	3
SAI-23	Professional Development and Training	2	1	1	1	1
Domain F Communication and Stakeholder Management						
SAI-24	Communications with the Legislative, the Executive and the Judiciary	1	3	1	1	1
SAI-25	Communication with the Media, Citizens and Civil Society Organizations	1	1			1

The SAI PMF is an evidenced based assessment, and the assignment of weak scores for an indicator are not necessarily a reflection of non-compliance with international standards by the Department, but may occur where:

- Evidence was not provided in support of the area being assessed (n.s.), or
- The context of the country systems in which the SAI operates is outside of its control.

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Consequently, a SAI with low scores on the SAI PMF can perform better than a higher scoring SAI given its resources, mandate and history. The SAI PMF aims to identify strengths and weaknesses of an individual SAI rather than judging and ranking SAIs against each other.

Summary of Findings and Action Plans

In general, the results of the SAI PMF were in keeping with the expectations of the Department. The findings indicated strong results in area of Governance, mixed results in audit quality and reporting, and the lowest scores reflected in the area of stakeholder management and communication with the media.

Before the assessment was completed, we had already taken steps to address many of the issues identified in the SAI PMF and we continue to implement measures to build up our capacity for conducting higher quality compliance audits. Some of the initiatives include the development of a Compliance Audit Manual to address the deficiencies noted in this area, while compliance auditors have received training in compliance audit techniques provided by consultants out of the National Audit Office (NAO) in the United Kingdom.

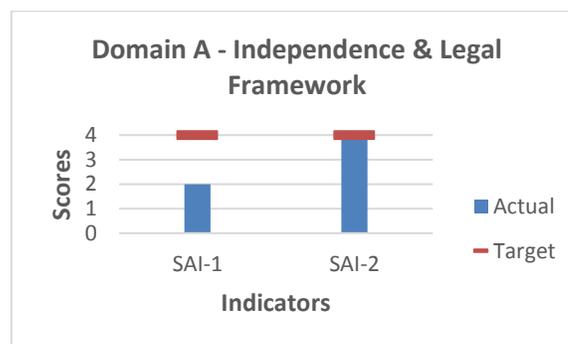
We have prepared our Stakeholder Engagement Plan, which will be uploaded to our AuGD website. Our Strategic Business Plan will also be uploaded to the internet. In addition we have employed the services of a Communications Officer to assist in improving communication with our stakeholders.

Outlined are the detailed findings of the SAI PMF as it relates to the indicators under each Domain.

Findings

Domain A: Independence and Legal Framework

Indicators SAI 1 & 2:



- The AuGD operates within an appropriate and effective constitutional framework and there was no evidence of external interference in the work carried out by the AG and officials of the AuGD. However, its financial and organizational independence/autonomy is constrained. This is due to the role played by the Ministry of Finance and the Public Service (MOFPS) and the Public Services Commission (PSC) respectively in determining the resources available to the AuGD and the overall staff establishment. International standards require the AuGD to enjoy much greater operational

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independence than the current arrangements allow. Consequently, a key recommendation of the SAI PMF was for the AuGD to work with its key stakeholders to strengthen its financial and operational independence.

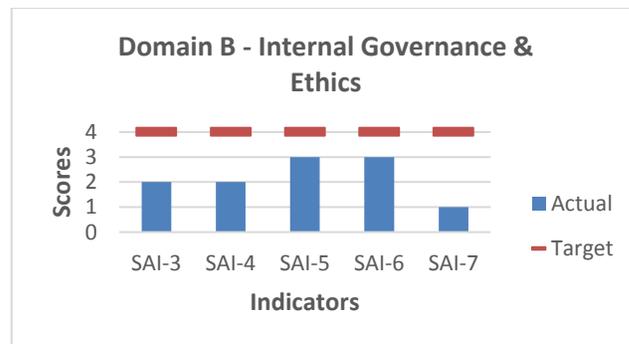
- The mandate of the AuGD, under the Constitution of Jamaica and the Financial Administration and Audit Act, is relatively strong and enables the AuGD to undertake financial audit, compliance audit, and performance audit. However, due to the large number of mandatory audits, some thirty public bodies, for example, which absorbs a large part of the AuGD's resource capacity, the AuGD is affected in its ability to adequately allocate its audit resources based on assessed risks.

Action to be taken:

- In keeping with our strategic plan, we will explore with our stakeholders, including the MOFPS and the Public Accounts Committee (PAC), how the AuGD can gradually free its resources to focus them on higher risk audits by outsourcing certain routine audits. The quality assurance assessment for these audits will remain the responsibility of the AuGD.
- We have also prepared our Stakeholder Engagement Plan. This was done through the assessment of the AuGD's current approach in engaging stakeholders, identifying and analyzing expectation gaps leading to the development of strategies to engage key stakeholders. The plan will be uploaded to our AuGD website.

Domain B: Internal Governance and Ethics

Indicators SAI 3 – 7:



- The AuGD is guided by government-wide in the preparation of its rolling three-year strategic business plan and annual operational plan accompanying the budget submission, and was identified as one of the AuGD's key strengths.
- Organizational control environment is robust as the AuGD has strong processes in place for communicating and monitoring the ethical behaviour of its officials as key reforms have been implemented through the recommendations of the PricewaterhouseCoopers (PwC) review undertaken in 2012.
- Leadership and Internal Communication is operating effectively via the support of various Executive Management and sub-committees.
- However, there is room for improvement in the formulation, communication and use of key performance indicators in preparing the strategic business plan.

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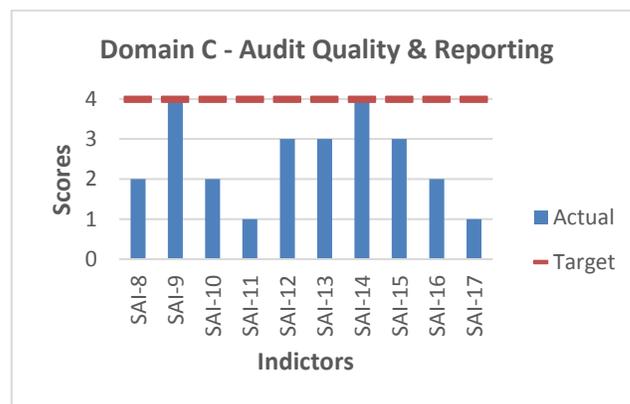
- Overall audit planning process and content is deficient and requires a top down approach, and detailed resource planning while applying a risk assessment to prioritize audits.
- There is also room for improvement in its arrangements for audit quality assurance and control.

Action to be taken:

- We will move from an annual audit plan that is collated in January of each calendar year to a rolling three-year audit plan that is prepared in tandem with the strategic business plan in November of each Financial Year. The plan will also detail the resources dedicated to each audit as well as the time allocated to the completion of the audit.
- Staff time recording system to support better management of resources and support better planning; the AuGD will adopt and implement a staff time recording system to generate reliable data on the staff costs for each audit and will require the adoption of time sheets for all employees as we seek to demonstrate our core values relating to transparency and professionalism.
- The inclusion of non-audit (internal activities/projects) hours in audit plans, indicating where there are shortfalls between available and required hours, and signalling the possible outsourcing needs for the Department.
- By the end of the current Financial Year, the QA Unit will have conducted not only 'hot' and 'cold' reviews but for all audit types within the AuGD's audit practice, in ensuring that the AuGD's audit reports comply with the ISSAIs that we have adopted as our audit standards.

Domain C: Audit Quality and Reporting

Indicators SAI 8 – 17:



The audit quality and reporting for the AuGD's financial, compliance and performance audits had mixed results.

- Performance audit was largely positively assessed for audit - coverage, standards, process and results. However, the performance audit topics are more entity-based and excluded cross-cutting policies.
- Both financial and compliance audits reports were well drafted and reflected good practice, there was room for improvement in areas such as the systematic implementation of standards for all audits and the timeliness of reporting for financial audits. The determination of timeliness of

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reporting for financial statements audits was inhibited by incomplete records of the date of receipt.

- There are no Consolidated Financial Statements (due to delays or non-submission of draft accounts by many MDAs), no reporting of non-submitted Financial Statements and Appropriation Accounts in the Annual Report, and for both Financial Statements and Compliance Audits the audit reports are not published in the Annual Report or only in brief on the main outstanding issues.
- The audit procedure manual needs improvement as it is geared towards financial audits and not tailored to the specific objectives of Compliance Audits.

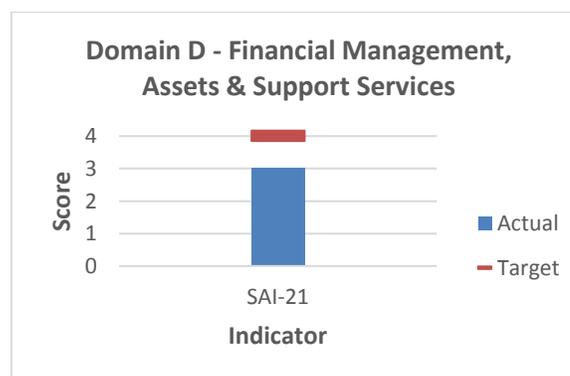
Action to be taken:

The AuGD is making good progress towards achieving its ultimate objective of ensuring that all its audits are fully compliant with the ISSAIs, the framework of international standards that the AuGD works within.

- Going forward our performance audits will be completed based on government wide themes for which topics will be selected in line with the Government National Outcomes.
- In order to reduce the late presentation of accounts by MDAs⁴ due to the key weakness of accountability and transparency of the Government of Jamaica operations, the AUGD will engage with the MOFPS in order to reduce the backlog and reduce the likelihood of the current situation returning.
- Our incoming mail registration system will be revamped in an effort to effectively track financial statements received from our clients.
- We will engage our stakeholders, including the MOFPS and the PAC, on how the AuGD can gradually free its resources to focus them on higher risk audits by outsourcing certain routine audits. The quality assurance assessment for these audits will remain the responsibility of the AuGD.
- A Compliance Audit Manual has been developed by NAO consultants and will be completed for roll out and the use of the Department in the current Financial Year.

Domain D: Financial Management, Assets and Support Services

Indicator SAI 21:



⁴ MDAs – Ministries, Agencies and Departments

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The findings of the SAI PMF indicated that the AuGD operates within a strong, well-defined structure in relation to financial and asset management, and support services. The Corporate Services Division had staff that were dedicated and with appropriate skills in carrying out their functions. However, two key areas were pointed out for improvement.

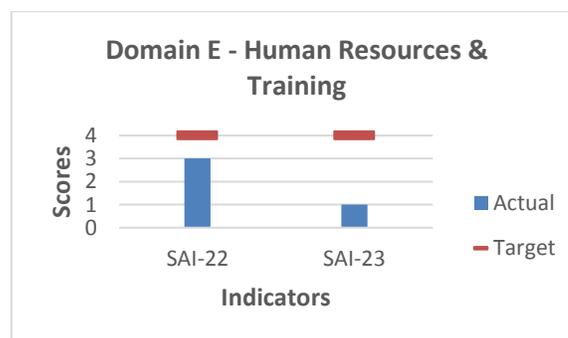
- A more strategic approach is needed to improve on the planning and management of its IT and other assets, by for example, developing a staff cost recording system.
- The AuGD continues to be audited by the Ministry of Finance's Internal Audit Unit and given the Implications for the Department's independence, is seen as a conflict of interest on both the part of the Department and the Ministry of Finance. The SAI PMF recommended that in the light of the requirements of international audit standards, this should be changed and ideally an external auditor independent of the AuGD and the government of Jamaica should be appointed to conduct these audits.

Action to be taken:

- The AuGD plans to carry out a detailed, comprehensive review of its IT requirements.
- A Staff time recording system to support better management of resources and planning will be adopted and implemented to generate reliable data on the staff costs for each audit. This will require the adoption of time sheets for all employees as we seek to demonstrate our core values relating to transparency and professionalism.
- Discussions held by the AuGD with the MOFPS and the PSC, were initiated by way of a draft Cabinet Submission about securing greater operational independence for the AuGD in managing resources and allocating the resources.

Domain E: Human Resources and Training

Indicators SAI 22 – 23:



- The SAI PMF found that the AuGD had developed a strong Human Resource Management function.
- However, in respect of professional development and training, the implementation of its policy and plans were contingent on obtaining external funding such as through the Cabinet Office of the Government of Jamaica or international donors. Such dependency could be reduced by establishing and staffing appropriate in-house methodological training.

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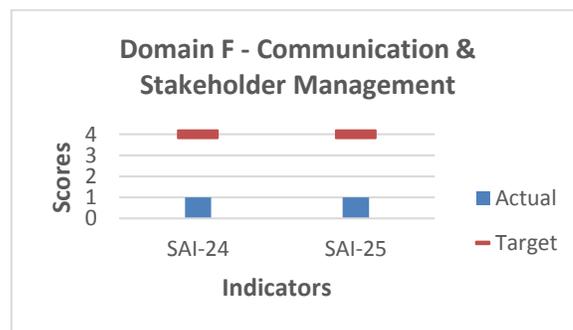
- Accordingly, the SAI PMF recommended that the AuGD make greater, more extensive use of the contracting out of its routine audit work so that it could focus its resources more effectively on those activities that would have a more significant impact on securing beneficial improvement in the management of government funds, programmes and activities in Jamaica. The SAI PMF also recommended that the AuGD work closely with its key stakeholders and international partners to secure more resources that could be devoted to improving the professional capacity and capabilities of its audit staff.

Action to be taken:

- The organisation of training and sensitisation sessions for auditors on new methodologies will be coordinated from the Human Resource Unit, in addition to the monitoring of AuGD's audit manuals and audit guidance documents to ensure that they are kept up to date at all times.
- The AuGD will prepare a strategy aimed at supporting the continued professional development of team members, by building on current developments within the wider INTOSAI community where the professionalization of Audit Office staff is an issue of growing importance.

Domain F: Communication and Stakeholder Management

Indicators SAI 24 – 25



The SAI PMF concluded that, of all the aspects of the AuGD's activities it examined, the AuGD's communications and stakeholder management was the least developed.

- An external communication strategy is required as little communication with the media and civil society exists. No press releases are issued, no press conferences held and no approaches made to the media.
- Communication with the executive, the judiciary and anti-corruption institutions such as the Office of the Contractor General is confined to a minimum.
- However, a constructive relationship with the Public Accounts Committee of the House of Representatives is maintained.

Action to be taken:

As previously stated the AuGD has already taken steps to address the issues raised in this regard, and made it a priority by preparing a comprehensive strategy for identifying the most effective methods for engaging with the full range of its stakeholders. This will ensure that it communicates the results of its

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audits in a way that secures the impact of that the AuGD's audit findings, conclusions and recommendations. The draft strategy was completed on November 30, 2017 and is now available online or via our linkedIn account for comments.

The AuGD will also embark on deliberate strategies geared towards effective stakeholder management as a means of providing value to the general citizenry and other key stakeholders.

