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# PRESENTATION TO THE 2017 CRECER CONFERENCE MEXICO CITY

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**“Fostering Trust for Sustainable Growth”**



## SUPREME AUDIT INSTITUTIONS - PERFORMANCE MEASUREMENT FRAMEWORK (SAI PMF) Experiences, Use of Results and Impact

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## SAI PMF Experiences, Use of Results and Impact

### Introduction

Good afternoon Colleagues. It is a pleasure to be here in Mexico City on the 10<sup>th</sup> anniversary of your CReCER <sup>1</sup> Conference under the theme “**Fostering Trust for Sustainable Growth**”.

Firstly, I must apologize for the unavoidable absence of Mrs. Pamela Monroe Ellis the Auditor General of Jamaica, who I am representing.

Today I will be sharing with you my experiences with SAI PMF in my role as the Assessment Owner from within the SAI; that is, coordinating the activities required for enabling the performance of such an assessment through to its completion and the issuance of the final draft report.

As the Senior Director of Quality Assurance at the Auditor General’s Department of Jamaica (AuGD / Department), I was afforded the privilege along with two other colleagues to be part of a team of consultants to conduct the SAI PMF assessment for the Republic of Trinidad and Tobago, using the SAI PMF Pilot Version <sup>2</sup> in November 2015.

However, the focus of this presentation will be to share my experiences during the many phases of the SAI PMF assessment performed on our SAI and how the results of the assessment will be used by our audit office. The proposal for the SAI PMF evaluation for SAI Jamaica was conceived by our Auditor General and was made possible by the generous support of the Inter-American Development Bank (IDB). The planning phase of the assessment took place during the period August 28 to September 2, 2016. The actual assessment was scheduled for October 2016, however due to the threat of Hurricane Matthew (a category 4 system) the assessment had to be rescheduled to January 2017. Had it not been for the hurricane our assessment would have been the shortest planned and executed SAI PMF in the

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<sup>1</sup> CReCER – in English means “**Accounting and Accountability for Regional Economic Growth**”

<sup>2</sup> SAI PMF Pilot Version (12 July 2013) of the INTOSAI Working Group on the Value and Benefits of SAIs.



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Caribbean. The new Endorsement Version<sup>3</sup>, which was adopted by the INTOSAI Congress at the XXII INCOSAI meeting held in Abu Dhabi, in December 2016 was used for the assessment.

#### What is A SAI PMF?

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.

#### **Planning for a SAI PMF Assessment - (Mid July 2016)**

##### Objectives 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 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 – 2020 and provide for the revision of its technical audit manuals. These deliverables were included in the Terms of Reference (TORs) signed off on in the contract for the Lead Consultant.

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<sup>3</sup> SAI PMF Endorsement Version (22 April 2016).



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### Preliminary Steps:

The external assessment was made possible in the form of technical support from the IDB, and although no funds would pass through the treasury of the Government of Jamaica (GOJ), the project required the approval of the Ministry of Finance & the Public Service (MOFPS). Continuous communication between the IDB and the Ministry, and other preliminary planning steps were set *En Train* to assist in the transition from the planning stage right through to the actual assessment. This included:

- The sensitization of the staff, ensuring ownership of the process.
- The assignment of staff to various teams and scheduling of meetings for the consultants
- The preparation and compilation of files, records and other data requested by the consultants.

It was during the delay period for the assessment that I participated in a SAI PMF Capacity Building Workshop in Panama City (Panama), sponsored by the IDB. The knowledge gained from the presenters and the sharing of experiences among the different participants mainly from the OLACEFS, provided an even greater cementing of the practical experience to which I had already been exposed.

### **The SAI-PMF Assessment**

Because of the change in date for the actual assessment, a completely new team of consultants was contracted by the IDB to conduct the assessment in January 2017. The new assessment team comprised two external consultants and one staff member from a peer SAI (External Evaluation using a hybrid approach).

### The Scope of the Assessment:

- The quality assurance review of the Terms of Reference undertaken prior to the approval and commencement of the external assessment, covered the audit/operational and support services of the AuGD, but excluded the Economic Assessment function<sup>4</sup>.

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<sup>4</sup> Economic Assessment function carries out reviews of the FPP (incl. F/S assessments), Certification of Public Bodies and identifies contingent liabilities in Public Private Partnerships.



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- 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. 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 2015/16 but included evidence from audits and other support material related to FY 2016/17.
- Audit evidence was facilitated via the interrogation of the software application **TeamMate** by the consultants; this in addition to documentation previously compiled, and other data<sup>5</sup> provided to the consultants when requested.
- Facilitation of meetings with stakeholders - the Public Accounts Committee (PAC) at the Houses of Parliament<sup>6</sup> (Gordon House). The Committee Chairman<sup>7</sup> held meetings with the consultants and provided an insight into the role played by the Committee, and the function and value added by the Department in our role as independent auditors for the systems of Government; also in our oversight role for the governance practices, accountability and transparency within the public service.
- Facilitation of an online meeting via Skype with the Director of the Internal Audit Directorate of the Ministry of Finance, regarding the role of the internal audit department of the AuGD.

### Post Evaluation and Presentation of the SAI PMF Draft Report

The Consultants completed their fieldwork and the Lead consultant prepared the SAI PMF draft report, which was forwarded to the relevant parties for their independent review in keeping with the project guidelines. A quality assurance (QA) review was carried out by a senior independent and qualified staff member of the Department, who met the criteria required for such a review.

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<sup>5</sup> Data included - tables, listings, organizational charts, policies / procedure manuals, legislation, legal framework, annual audit plans and audit reports.

<sup>6</sup> Audits reports are tabled in Parliament and are normally discussed in meetings with the PAC at scheduled sittings of parliament.

<sup>7</sup> Chair – Dr. Peter Phillips, Leader of the Opposition and spokesperson on Finance.



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Our QA reviewer provided the consultant with feedback so that required adjustments could be made to the SAI PMF draft report. The IDI quality assurance reviewer is currently undertaking an assessment of the application of the SAI PMF methodology and will share any comments with the Department before the finalization of the report. On completion of the IDI QA review, a final declaration for the Quality Assurance Statement will be included in the report, to give the assurance that the SAI PMF methodology was complied with in the conduct of the external assessment. The final report when completed will then be submitted to the Auditor General.

Although the decision has been made not to publish the final SAI PMF report, I will now share with you some details of the major results from the Draft Report<sup>8</sup> and how these results will be used to benefit the Department.

#### Summary of Important Strengths and Weaknesses:

##### **Positives**

- A relatively strong mandate exists in the Constitution.
- Organizational control environment is robust and key reforms have been implemented.
- Leadership and Internal Communication is operating effectively via the support of various committees.
- Financial and Compliance audit reports were well drafted and reflected good practice; and Performance Audit (PA) was largely positively assessed for coverage, standards, and actual practice and reporting.
- Financial Management, Assets and Support Services operates in a strong, well-defined support structure; and Human Resources and Training has a strong developed HR function meeting most SAI PMF criteria
- Constructive relationship and communication with the PAC is maintained

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<sup>8</sup> The findings of the Draft Report were presented to key staff of the Department on May 2, 2017.



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#### Negatives

- There is no full independence as the legislative framework treats the AuGD in the same way as other Ministries, Departments and Agencies (MDAs)
- There is room for improvement in the formulation, communication and use of key performance indicators in preparing the strategic business plan
- Overall audit planning process and content is deficient and requires a top down approach, and detailed resource planning and application of a risk based approach in order to prioritize audits
- 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 neither the Financial Statements and Compliance Audits are published in the Annual Report
- The audit procedure manual needs improvement as it is geared towards financial audits and not tailored to the specific objectives of Compliance Audits
- An external communication strategy is required as little communication with the media and civil society exists.

#### Benefits of the SAI PMF:

The results of the assessment will be specifically used for the following purposes:

- To measure where the AuGD is currently in terms of progress and performance, against which future progress and /or assessments may be measured.
- Using the outcomes of the assessment to amend the content of the AGD's Strategic Business Plan and technical audit manuals.
- Providing evidence to development partners, (such as the IDB), that the AuGD is capable of delivering a professional and reliable audit service.

The Department has already taken the following steps:



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1. Arranged training for both performance and compliance auditing through the National Audit Office (NAO) of the United Kingdom during the coming year, and revision of performance and compliance audits manuals to ensure proper audit coverage.
2. Updating of the audit procedures manual by the SAI PMF consultant to reflect changes based on the newly acquired software application CaseWare for financial statement audits.
3. Adoption of the Thematic Approach in the development of the Department's annual audit plan and rolling three-year plans (FY 2017-2020).
4. The use of standard templates to ensure consistency across all audit types - to facilitate the development of a more detailed Audit Universe and in-depth assessment of risks for all planned audits. Also in allowing for 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.

Where the SAI PMF Consultant recommends changes to the strategic business planning process, the relevant changes will be incorporated into the rolling three-year plans for the respective financial years.

### **Impact on the Country Systems and Public Sector Accountability**

The understanding gained through exposure, training and improvements in audit methodology implemented through updated manuals, should translate into higher quality audits / reports by our Department, and further demonstrate to our external stakeholders the values and benefits of SAIs.

This can be achieved through:

- ✓ Strengthening SAIs in their capacity to conduct high quality audits
- ✓ Improving internal controls and governance in the public sector (through the implementation of quality audit recommendations)
- ✓ Indirectly boosting public sector transparency, accountability and integrity
- ✓ Curbing fraud and corruption and obtaining value for money
- ✓ Building trust and allowing for the creation of long term values in the achievement of Sustainable Development Goals (SDGs)



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### Conclusion - The Way Forward

One of the main benefits for performing a SAI PMF is to allow for the assessment of a SAI's own performance and having the opportunity of becoming a model for other entities to emulate. More importantly is the impact that it can have on strengthening public financial management accountability, by promoting transparency and accountability through credible public reporting on its own performance.

Each of us here today must build on the lessons shared and learnt during this CReCER session. In essence, every one of us must become the change agents for our country as we all have a responsibility in maintaining our own integrity and character. It is no longer acceptable to follow the crowd by taking off our cloaks of armour and mingling with the crowd.

Not only will professionalism and integrity improve our own self-image but it will also improve the image of our country and lead to a decrease in corruption. This will exponentially improve the economic growth of our respective countries, as investors and other stakeholders will be able to rely on the country systems, which have been transformed into one of transparency and accountability in the use of public resources.

I leave you with the quotation from Max DePree (Writer and Businessman) whose statement has become a profound reminder to us all:

“We cannot become what we want by remaining what we are”.

