

REPORT

TO: The Acting Auditor General

FROM: Quality Control Expert, LTТА to the GAC

Cc: EUROSUPPORT- FineuroSupport

Cc: Delegation of the European Union in Liberia

Date: 4th August 2011

SUBJECT: QUALITY CONTROL TRAINING REPORT AND STRATEGIES

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- The GAC lacks financial independence
- Lack of a clearly spelt out Risk Management Strategy/framework
- Lack of operational plans and monitoring and evaluation mechanisms
- Quality Assurance Policy not fully implemented
- Inadequate audit documentation
- Lack of a clearly structured audit reporting process
- Audit responsibilities not assigned to individual audit Departments
- HR policy not fully implemented and some level within the Organization lack job descriptions
- No SAI performance report
- SAI has not been audited
- Inadequate infrastructure and other facilities
- Auditors do not have access to INTOSAI standards

Key recommendations/strategies

- Facilitate the enactment of the proposed GAC law to obtain full operational and financial independence.
- Develop a clear risk management strategy/framework
- Develop and implement operational and functional plans
- Fully Implement the QC strategy and policy.
- Enforce the requirements of ISSAI 1230 – Audit documentation. Enforce the requirements of ISSAI 1230 – Audit documentation.
- Review and re organise the current audit reporting process.
- Assign audit responsibilities to individual audit departments.
- Implement in full the provisions of the HR policy hand book.
- The SAI should report on the impact of its performance

- Request for the audit of GAC as a best practice
- Request the donor community to assist in improving the infrastructure and other facilities
- Acquire limited copies of the INTOSAI standards from current resources

1. Introduction

The European Union has been financing the General Auditing Commission through the Long Term Technical Assistance to the General Auditing Commission. One of the key activities in the project involves the strengthening of the Internal Methodologies of the GAC which includes support to quality assurance. This report focuses on the operational and administrative difficulties the General Auditing Commission has been facing in implementing the quality control (QC) methodologies that were developed and suggests possible strategies to address the problems.

2. Background

The GAC Strategic Plan (2009-2013) states that at least 75% of the audit reports should pass the QC test. This was to be achieved by developing and implementing a Quality Control strategy and policy and the establishment of the QC unit. In this respect, the GAC was to adopt a Total Quality Management approach (TQM) with its three pillars of Quality Control, Quality Assurance and Institutional Management.

Organizations today, GAC included, face a crisis in strategy, not because they cannot formulate a strategy, but the crisis lies in the implementation of the strategy. To put this into perspective, a research that was done by balanced Scorecard Collaborative in 2006 showed the following statistics:

- 95% of a typical workforce does not understand its organization's strategy
- 90% of organizations fail to execute their strategies successfully.
- 86% of executive teams spend less than one hour per month discussing strategy.
- 70% of organizations do not link middle management incentives to strategy.
- 60% of organizations do not link strategy to budgeting

Quality Audits is goal 5 in the GAC strategic plan and therefore successful implementation of the GAC strategic plan will move the GAC towards achieving its strategic objective 5.2 of ensuring consistency with international standards.

3. Terms of Reference

This report has been written by a Quality Control Expert employed by FINEUROP SUPPORT – EUROSUPPORT to provide training that meets international Standards and best practices. **(Appendix 1)**

4. Quality Control Training

Quality Control review training was provided to 24 senior managers and supervisors. From the above number 4 came from the Quality Assurance department of the GAC. The training covered all the aspects highlighted in the Terms of Reference and participants were given exercises to enhance their understanding of the concepts learnt. At the end of the training all participants will be awarded certificates of participation. **(Appendix 2)**

5. Identification of key issues affecting the GAC Quality Control Processes

The specific key issues affecting the GAC Quality Control processes have been identified using the results of SAI Level review and the SWOT analysis at **appendix 3**. The following key issues have been identified in order of priority.

5.1 Priority 1: The GAC lacks financial independence

The first priority is the lack of financial independence of the GAC. It is the first priority because according to the INTOSAI Standards, Supreme Audit Institutions should be both financially and operationally independent. Lack of this independence may compromise the work of the GAC. Therefore, wrong opinion, conclusions, judgements and recommendations may be given and the quality of the GAC audit reports may be under question.

Although state institutions cannot be absolutely independent as they are part of the state as a whole, a SAI should have the financial, functional and organisational independence required to accomplish its tasks. The establishment of the SAI and the necessary degree of their independence shall be laid down in the Constitution. The SAI should have available the necessary and reasonable human, material and monetary resources. The Executive should not control or direct the access to these resources. (Lima Declaration, section 5 and 7, Mexico Declaration on SAI Independence principle 8.)

5.2 Priority 2: Lack of a clearly spelt out Risk Management Strategy/framework

This is the second priority because of the impact it has on how the GAC achieves its goals and objectives as spelled out in its 5 year strategic plan. Clearly, all the issues discussed in this report are as a result of the inability by the organization to respond appropriately to issues affecting its very existence.

Managers control risks when they modify the way they do things to make their chances of success as great as possible while making their chances of failure, as small as possible. Risk management is premised on the philosophy that it is irresponsible and wasteful to wait for an adverse event to happen and then find ways to deal with the event to prevent it happening again. Managers should look into the future of the organization, analyze the threats to its existence, the weaknesses within the organization and take advantage of the opportunities and use its inherent strengths to achieve its objectives.

5.3 Priority 3: Lack of operational plans and monitoring and evaluation mechanisms

This is the third priority because of the impact it has on the actual operations of the Commission in the delivery of audit services to its clients. Lack of plans affects the implementation of the GAC strategic plan. The activities of the GAC cannot also be monitored and evaluated for corrective action.

When there are no functioning monitoring and evaluation processes, it is impossible to evaluate whether GAC performance targets as spelled out in the strategic plan are met.

5.4 Priority 4: Quality Assurance Policy not fully implemented

This is the fourth priority because the failure by the GAC to fully implement the quality assurance policy as specified in the QC manual undermines the standard of work produced by the SAI. It also has a negative effect on the credibility of the Institution and opens it up to avoidable criticisms. Due to the failure to fully implement the QC policy and strategy, there is lack of standardization in the manner the GAC does its work.

5.5 Priority 5: Inadequate audit documentation

This is the fifth most important issue because lack of adequate audit documentation will lead to audit findings not being adequately supported by appropriate audit evidence. It will also make it difficult for an experienced auditor who had no previous connection with the audit to ascertain what work was performed to support the conclusions. In cases of litigation, it is difficult for the auditor as a witness to justify the conclusions in the audit report. Again, the quality of the audit work of the GAC will be under question.

5.6 Priority 6: Lack of a clearly structured audit reporting process

This is sixth priority because when the reporting structure is not clear and the staffs are not aware of it, it becomes difficult for staff to be accountable for the functions they are supposed to perform. **Although internal circular number 2 (Revised) was issued in June 2010, it does not specify what each of the persons**

involved in the process is supposed to do. It was not even signed giving an indication it was not adopted as official policy.

5.7 Priority 7: Audit responsibilities not assigned to individual audit Departments

This issue is the seventh priority because non assignment of audit responsibilities makes it difficult for departments to plan for their annual assignments. Consequently managers are not accountable and monitoring becomes difficult. A check within some departments shows that some departments do not know the exact portfolio of their clients.

5.8 Priority 8: HR policy not fully implemented and some levels with the Organization lack job descriptions

The GAC HR policy has not been fully implemented and consequently, policies and procedures on recruitment, performance evaluation, promotions and compensations have not been very clear. This has an impact on the operations of the GAC in that it can bring dysfunctional behaviour in the organization. Goal congruence may be difficult to archive. Some levels in the GAC do not have corresponding job descriptions and consequently they do not know what their functions are. It is difficult to implement QC procedures when staff does not have job descriptions. How does the organization hold them accountable? Further, how does the organization measure performance and measure it against what?

Job descriptions clarify what employees are responsible for.

5.9 Priority 9: No report on GAC performance on its work

SAIs should report publicly on the results of their audits and on their recommendations regarding overall government activities. (Principles of Transparency and Accountability, ISSAI 20, principle 7).

The GAC has not reported on the results of its work. The stakeholders are not aware of whether GAC is achieving its mandate or not. The impact is that stakeholders may not appreciate the value of GAC work, which will affect stakeholder management programs.

During the AFROSAI-E 2009 Board, a guideline for the SAI reporting on its own performance was distributed. The guideline was produced by the AFROSAI-E Secretariat on behalf of the regional organization.

5.10 Priority no 10: External audit of the SAI

"The SAI manages its operations economically, efficiently, effectively and in accordance with laws and regulations and reports publicly on these matters..... - SAI's financial statements are made public and are subject to external audit or parliamentary review...." Principle 6, ISSAI 20 (Principles of transparency and accountability)

The financial audit of the SAI has not been done since the SAI was reconstituted in 2007. The National Legislature is responsible to appoint auditors to audit the SAI. The impact of not having audited financial statements implies that the SAI is not amenable to the principles of transparency and accountability. It may result in Donors withholding funding to the GAC. In addition it does not promote the image of the institution.

5.11 Priority no 11: Inadequate infrastructure and other facilities

The GAC building has inadequate staff offices for auditors who number close to five hundred. This provides a challenge to the GAC management on how to track and supervise audit staff when they are not on engagement outside the office. Because there is no sitting place for auditors, auditors are always out of the office, this results in a lot of idle time. This has an impact on quality of work as time wasted could be used to undertake and complete audits within the planned timeframe.

The GAC library is not properly maintained because lack of space and reading material for auditors. This has an impact on quality as there is no opportunity for self learning given to the auditors. Because the auditors are not able to read in more detail whatever, they learn in class during training, they tend to take long to appreciate concepts of audit.

The GAC does not have a properly equipped archiving system for audit files and other records. This has got an impact on quality of GAC processes as records may not be easily accessible or cannot be traced to support conclusions in audit reports.

5.12 Priority no 12: Auditors do not have access to Auditing standards

The standards and good practice

The SAI should establish and maintain a system of quality control to provide it with reasonable assurance that:

- (a) Personnel comply with professional standards and regulatory and legal requirements; and
- (b) Reports issued are appropriate in the circumstances. (ISSAI 40 – ISQC 1).

The GAC auditors do not have access to INTOSAI Audit Standards as there are no copies in the office. The impact of not having standards is that auditors will not be able to research and appreciate the purpose of standards in the audit process, hence affecting the quality of audit work.

6.0 Discussion of key issues affecting Quality Control processes in the GAC

The issues have been discussed following the prioritization that has been made above.

6.1 *The GAC lacks financial independence*

Impact

Currently, the GAC depends on Government funding to undertake its audits and administrative activities and Donor support for training, equipment and infrastructure. Financial independence is a major issue because if the Executive want to cripple the operations of the GAC, they can do so by merely denying adequate financial resources to the GAC.

The lack of financial independence may make it difficult for the GAC to fully implement their operational plans. Failure to implement operational plans will lead to the non implementation of the GAC strategic plan and therefore the GAC strategic objectives will not be met. Failure to meet strategic objectives may lead to the failure by the GAC to meet its mandate, and therefore non delivery of the required audit services.

Option 1: Lobby the National legislature for the enactment of a new GAC law to obtain full operational and financial independence.

The Lima declaration requires SAIs to be operationally and financially independent. The Law will give the GAC the operational and financial independence in line with international best practices.

Option 2: Continue operating under the provisions of the current Law

The GAC can continue operating under the current Law but fight for financial independence by ensuring that the GAC budget, once prepared in line with its operational plan for that financial year is not subjected to cuts by the Ministry of Finance. The budget is submitted to the select committee of the National Legislature for scrutiny and approval.

6.2 *Lack of a clearly spelt out Risk Management Strategy/framework*

Impact

The lack of a clearly spelt out risk management strategy makes it difficult for the organization to respond appropriately to the risks surrounding it either from external threats or weaknesses within the organization.

Option 1: Develop a risk management strategy for the GAC

The GAC can decide to develop a risk management strategy so as to appropriately manage all the risks identified in the Organization.

The advantages to the GAC of having a clearly spelt out risk management strategy/framework cannot be over emphasised. They include the improvement of service delivery by the GAC; protecting the reputation, credibility and status of the GAC; a more effective strategic planning process within the GAC and better workflows and auditee evaluation and engagement processes. These benefits arise from well thought out strategies developed as a way of mitigating against the risks identified.

Option 2: Continue operating without a risk management strategy

Currently the GAC does not have a risk management strategy. The result is that the organization cannot easily identify its risk exposure and hence has not provided appropriate responses to such risks. The result among others is that the organization has at times exposed itself to unnecessary criticisms when these could have been avoided, and continued to face resistance from clients. Therefore a status quo will almost certainly not solve most of the organizational problems the GAC is currently facing.

6.3 Priority 3: Lack of operational plans and monitoring and evaluation mechanisms

Impact

As earlier stated in the background above, implementation of strategy is often the most difficult. Most well crafted organizational strategies have failed at the implementation stage. GAC is not different. Strategic plans are implemented through operational plans and putting in place monitoring and evaluation mechanisms. Since the GAC strategic plan was developed in 2009, the GAC has not developed operational plans to implement it. Whereas we recognize the fact that the GAC has in a broader context implemented some activities in the strategic plan, some of the key threats identified in the strategic plan have not been implemented. The implementation of some activities requires the participation of departmental heads which can be difficult if there are no operational plans. Monitoring of the implementation process also becomes difficult.

Option 1: Develop and implement operational and functional plans

The development of the operational and functional plans will enable the GAC appropriately implement its 5 year strategic plan. By implementing the strategic plan, the GAC will be able to meet its strategic objectives and hence fulfil its vision and mission.

When functions are decentralised to the departmental level, it makes top management concentrate on real strategic issues affecting the organization rather than on the day to day operational activities. In addition, decentralization and delegation of authority encourages decision making at lower levels of management. It improves management motivation and efficiency in target setting, planning and control.

In a Supreme Audit Institution like the GAC, it is important that the Auditor General is seen to be independent from the day to day operations and concentrate on giving strategic direction.

Lack of operational/functional plans makes the implementation of the Strategic Plan difficult. As stated in the opening paragraphs, most organizations fail to achieve their objectives because of implementation failures.

In addition, when there are no plans, monitoring and evaluation becomes difficult because there is nothing to measure the performance of the various departments against.

Managers will continuously depend on directives from the top and this has an effect on their confidence and individual development. This will translate into the various departments that they are leading. Therefore, it makes sustainability difficult.

The development of departmental plans will assist management adopt management practices that embrace the concept of delegation of authority, personal responsibility, transparency and accountability and performance management. Managers will be involved in setting targets against which they will be measured.

Option 2: Continue operating without operational and functional plans

The GAC can decide to continue implementing its activities on an adhoc basis, without operational and functional plans. Thus, the decisions will continue to be driven from the top and the top management will be deeply involved in the day to day operations of the organization. The advantage is gives top management an opportunity to know what is going on in the organization on a day to day basis without having to wait for briefings from their subordinates.

The top management will have firm control of all the departments and the staffing.

However, the organization will have difficulties in implementing the Strategic Plan due to a lack of an implementation plan. The department lose the initiative to implement the activities aimed at achieving organizational objectives.

6.4 Priority 4: Quality Assurance Policy not fully implemented

Impact

The failure to fully implement the GAC Quality Assurance strategy may adversely affect the quality of work of the GAC in the long run. This is because there will be no formalized and sustainable procedure through which the GAC will continuously ensure its work meets international standards. In addition, the GAC will not achieve goal 5 objective 5.2 in its strategic plan.

Option 1: continue with the current arrangement

According to the GAC 5 year strategic plan, 75% of the GAC audit reports must pass QC test. If the GAC does not implement its QC strategy, it will not attain its strategic objectives. This leads to loss of stakeholder confidence.

Secondly, the QC strategy and policy outlines the key Quality Management elements such as the legal framework and independence, leadership and direction, ethical requirements, accountability, HR management, audit performance, monitoring, communication and support services and how all these elements link with the whole GAC strategic plan. Failure to implement therefore has a very big bearing on the effectiveness of the processes within the GAC.

Option 2: Implement the QC strategy and policy.

The implementation of the QC strategy and policy will lead to the attainment of Goal 5, objective 5.2. It will ensure compliance with the requirements ISQC 1 and ISSAI 1220. By complying with these standards, GAC will be meeting the required International Standards and therefore win the confidence of the various stakeholders.

In addition, it will ensure the sustainability of the GAC QC department as there will be a clearly defined strategy being followed.

6.5 Priority 5: Inadequate audit documentation

Impact

Lack of adequate audit documentation to support the auditor's findings has an impact on the conclusions made by the auditor. When there is no documentation to support audit finding, it makes it difficult for an experienced auditor who had no previous connection with the audit to ascertain what work was performed to support the conclusions. In cases of litigation or when challenged, it is difficult

for the auditor as a witness to justify the conclusions in the audit report and hence, the quality of the audit work of the GAC will be under question.

Option 1: Enforce the requirements of ISSAI 1230 – Audit documentation.

Audit documentation that meets the requirements of ISSAI 1230 provides evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor and evidence that the audit was planned and performed in accordance with ISSAIs and applicable legal and regulatory requirements.

The application of this ISSAI will also assist the members of the engagement team responsible for supervision to direct and supervise the audit work and to discharge their review responsibilities in accordance with ISSAI 1230. In addition, it allows the conduct of the quality control review and inspections in accordance with ISQC1.

The failure to enforce the requirements of ISSAI 1230 has therefore got the potential to undermine the quality of the GAC reports.

Option 2: Continue with the current arrangement

The GAC can decide to continue with its current processes. Under the current process, it is clear that the supervision and review of audit work is inadequate. If the requirements of ISSAI 1230 as stated in option 1 above are not enforced, the GAC risks failing quality control reviews. The credibility of the GAC will therefore be at stake.

6.6 Priority 6: Lack of a clearly structured audit review and reporting process

Impact

When the audit reporting structure is not clear or it is documented but perhaps known only to a few people, such a policy will be difficult to implement. There will be resistance from those who are supposed to implement the policy but feel left out. The Strategic Plan alludes to the implementation of a Total Quality Management approach with emphasis on Quality control, Quality Assurance and institutional management. A clearly structured quality assurance process is part of quality control. This process will ensure that quality control processes are embedded in the whole process and will also help identify areas where improvements are still required.

Audits **MUST** be reviewed at every stage before the audit report is issued.

Option 1: Review and re organise the current audit reporting process

The GAC can review and reorganize the current audit review and reporting process to make it more effective and ensure quality control processes are embedded in the whole process. According to the internal circular number 2 of June 2010, the steps on the report movement from auditors to audit coordination have been outlined.

The emphasis in this circular is on the review of the audit report and not the individual audit process. The audit report is a product of an audit process and therefore for the audit report to be of quality, the audit process itself should be of quality. The review of how the audit was actually conducted thus; whether adequate planning, supervision and reviews were done determine the quality of the report and whether the audit met the auditor's objectives.

If the individual audit process is not reviewed and concentration continues to be placed on the actual report, there is a risk that conclusions will not be substantiated by well documented audit evidence.

Option 2: Continue with the current internal control and quality assurance system as spelled out in the internal circular 2 of June 2010.

The current process places emphasis on the review of the actual report rather than the individual audit process. The review panel headed by the Deputy Auditor-General as stipulated in the circular still places emphasis on the understand ability of the report. Whereas this is a good thing, it is important that the last review focuses on the issues being raised in the report, that they are adequately supported by checking whether the review comments that were raised during the audit process were adequately taken care of. That all conclusions in the audit report were appropriately reached and are well supported by evidence.

The current system stipulated in the circular needs to be supported by more details in terms of what should actually be done at every stage. These should be in the form of checklists to all those involved in the process.

6.7 Priority 7: Audit responsibilities not assigned to individual audit Departments

Impact

Monitoring and evaluation is impossible where audit responsibilities are not assigned to individual departments. Departments need to know who their clients are and thoroughly understand the risks involved with their clients' operations.

Preparation of operational plans is impossible when clients are not assigned to departments. Consequently, managers are not accountable and monitoring becomes difficult.

In addition, a lack of clear organizational responsibilities can lead to confusion and frustration for employees due to lack of clear focus.

Option 1: Assign audit responsibilities to individual audit departments

As already stated above, assigning audit responsibilities to individual audit departments will facilitate audit planning. The departments will be able to gather adequate knowledge about their clients.

Managers will be able to control and account for their staffs activities.

Option 2: Continue with the current system

The GAC can decide to continue with the current system where auditors are assigned to different assignments irrespective of the departments they fall under. The advantage is that there is always a resource pool from where management can draw from each time there is an assignment. Managers are not accountable for not achieving their departmental objectives because the staffs were given assignments not under their control.

Although staff may be assignment to an individual department, the manager will not have control and therefore difficult to monitor the performance of the staff. Performance evaluation becomes impossible.

6.8 Priority 8: HR policy not fully implemented

Impact

The failure to implement the HR policies and procedures stipulated in the GAC HR policy handbook such as performance management procedures, and the lack of staff job descriptions for certain levels makes it impossible to objectively appraise the performance of staff.

In addition, performance management concerns the setting of targets and measuring individual and departmental performance against set targets. If this is missing, then evaluation is impossible.

Option 1: Implement in full the provisions of the HR policy hand book.

The HR policy hand book contains very important policies and procedures concerning such matters as conflict of interest, confidentiality, performance management, and review and staff appraisals among others.

Its implementation therefore will ensure adherence with best HR practices. It will enable the GAC measure the performance of its departments and staff and objectively appraise them for either higher compensation or promotion. It is a good management process which involves setting direction, monitoring and measuring performance and taking action accordingly.

The development of job descriptions for all levels of staff will give guidance on the responsibilities of staff. Staff performance can only be measured against set criteria. Further, job descriptions will ensure the allocation of assignments to the right levels of staff in the organization.

On the other hand, the non implementation may bring subjectivity in the manner staff are appraised and this inhibits staff development. Staff may not adhere to the other issues provided therein such as confidentiality and code of ethics. Once there is no equity in the manner staffs are handled in the organization, dysfunctional behaviour sets in and this is detrimental to the growth of the organization.

Option 2: Continue with the current practices

Although the GAC has developed an HR policy handbook, it has not been fully implemented. The current practices in the GAC therefore do not fully adhere to the provisions of the hand book and therefore not appropriate for the reasons stated in option 1 above.

6.9 Priority 9: No report on GAC performance on its work

Impact

The GAC has not reported on the results of its work. The stakeholders are not aware of the whether GAC is achieving its mandate or not. The impact is that stakeholders may not appreciate the value of GAC work, which will affect stakeholder management programs.

Option 1: prepare a report on the results of GAC performance

SAIs should report publicly on the results of their audits and on their recommendations regarding overall government activities. (Principles of Transparency and Accountability, ISSAI 20, principle 7). This is a requirement of the standards. The report will enable to raise the profile of the GAC and make the stakeholders aware of the value of the SAI's work. This can reduce the resistance of GAC clients to its effort. This will enable the evaluation on whether GAC is achieving its mandate or not.

Option 2: continue not reporting on result of its work

By not reporting on results of its performance, GAC is not compliance to the requirement of the Lima declaration.

6.10 No audited financial statements of GAC

Impact

The financial audit of the SAI has not been done since the SAI was reconstituted in 2007. The National Legislature is responsible to appoint auditors to audit the SAI. The impact of not having audited financial statements implies that the SAI is not amenable to the principles of transparency and accountability. It may result in Donors withholding funding to the GAC. In addition it does not promote the image of the institution. If resources are not used properly the funding of critical areas of GAC may not be prioritised leading to poor quality output.

Option 1 Have the financial statements of GAC audited

“The SAI manages its operations economically, efficiently, effectively and in accordance with laws and regulations and reports publicly on these matters..... - SAI’s financial statements are made public and are subject to external audit or parliamentary review....” Principle 6, ISSAI 20 (Principles of transparency and accountability). This will indicate that the SAI is accountable for the resources utilized. This will increase the profile of GAC to the Donor community and be able to access funding.

Option 2 continue not having audited financial statements

By not reporting on results of its performance, GAC is not compliance to the requirement of the Lima declaration.

6.11 Inadequate infrastructure and other facilities

Impact

The GAC building has inadequate staff offices for auditors who number close to five hundred. This provides a challenge to the GAC management on how to track and supervise audit staff when they are not on engagement outside the office. Because there is no adequate sitting place, auditors are always out of the office, this results in a lot of idle time. This has an impact on quality of work as time wasted could be used to undertake and complete audits within the planned timeframe.

The GAC library is not properly maintained because lack of space and reading material for auditors. This has an impact on quality as there is no opportunity for self learning given to the auditors. Because the auditors are not able to read in more detail whatever, they learn in class during training, they tend to take long to appreciate concepts of audit.

The GAC does not have a properly equipped archiving system for audit files and other records. This has got an impact on quality of GAC processes as records may not be easily accessible or cannot be traced to support conclusions in audit reports.

Option 1: Lobby the donor community and the government to provide funding for the renovation of the infrastructure and improvement in other facilities

Request the donor community and government to provide funding for renovation of the building, improve the Library facility and develop the archiving system. This would enable auditors to improve the quality of audit work, as they would find space to utilise during assignment and reduce idle time. The Library would help the auditors to research and improve their knowledge, resulting in the improvement of quality of work. The archiving would assist in the maintenance of audit documentation and easy retrieval. This would provide source of evidence to support audit conclusions in the report.

Option 2: Retain the current state of affairs

The current state is not attainable, if the GAC wants to achieve its vision of becoming a world class audit institution

6.12 Priority no 12: Auditors do not have access to Auditing standards

Impact

The GAC auditors do not have access to INTOSAI Audit Standards as there are no copies in the office. The impact of not having standards is that auditors will not be able to research and appreciate the purpose of standards in the audit process, hence affecting the quality of audit work.

Option 1 Prioritize the acquisition of INTOSAI standards

Use the available resources to at least acquire a limited number for reference purposes and lobby the government and the donor community for funding to buy enough copies to be distributed to managers. This will greatly improve the quality of audits.

Option 2: continue the current state where auditors do not have access to standards

This is not attainable and will not improve the quality of audit work as auditors will not appreciate the purpose of standards

7.0 Recommendations

I recommend as follows:

7.1 The GAC lacks financial independence

7.1.1 Lobby for the enactment of a new GAC law to obtain full operational and financial independence.

It is recommended that the SAI continues to seek for its financial and managerial/ administrative independence. However, the SAI should, until that independence is achieved try to as much as possible use the "freedom" that can exist also with the current where there is some control by the Ministry of Finance.

I recommend that the office of the auditor general initiate the process of having this law passed by submitting it to the Executive as well as circulating it to all the key stakeholders. It will be necessary for the GAC to solicit the support of the key stakeholders like the donors to ensure the Law is passed.

7.2 Lack of a Risk Management Strategy/framework

7.2.1 Develop a clear risk management strategy/framework

GAC managers have a responsibility of planning, directing and coordinating the risk control activities of the GAC. The GAC's risk management is both a strategic and operational function. GAC managers should take the necessary steps to identify, categorize and rank the risks the organization is exposed to according to their likely impact with the aim of taking a decision on how best the risks can be managed.

This should include taking steps to identify the various threats affecting an operation and determining the magnitude of the potential loss or effect on GAC operations associated with those threats using qualitative or quantitative methodology.

The risk management strategy will ensure the identification and profiling of the operational risks facing the GAC and developing appropriate strategies. This will ensure the attainment of goals and objectives specified in the strategic plan.

AFROSAI-E Secretariat has developed a Guideline on how to develop a risk management policy. The AFROSAI-E can be approached to provide technical assistance which is part of their mandate. The process should be started as soon as feasible.

I recommend that the Auditor-General should spearhead this activity.

7.3. Lack of operational plans and monitoring and evaluation mechanisms

7.3.1 Develop and implement operational and functional plans

In order to achieve strategic objectives, the GAC needs to set annual operational objectives that coincide with the fiscal year, or the organisation's operating

cycle. Operational objectives need to be further divided into objectives for departments in departmental functional plans.

The director strategic planning should coordinate and ensure that all the departmental directors prepare annual functional plans for their departments in line with the format provided. These functional plans should be consolidated into the GAC annual operational plan by the 28th February of every fiscal year in readiness for the preparation of the GAC annual budget for the ensuing year. The monitoring of the implementation process should be coordinated by the Deputy Auditor in accordance with the policy guidelines that should be issued for this purpose.

7.4 Quality Assurance Policy not fully implemented

7.4.1 Fully Implement the QC strategy and policy.

Through the implementation of the QC strategy and policy, the GAC will be in compliance with the requirements of ISQC 1 and ISSAI 1220. The GAC will be meeting the required International Standards and therefore win the confidence of the various stakeholders.

In addition, it will ensure the sustainability of the GAC QC department as there will be a clearly defined strategy being followed.

The Deputy Auditor General should be responsible for ensuring quality. Therefore, He/ She should be responsible for ensuring the implementation of the QC strategy and policy.

7.5 Inadequate audit documentation

6.5.1 Enforce the requirements of ISSAI 1230 – Audit documentation.

The application of this ISSAI will also assist the members of the engagement team responsible for supervision to direct and supervise the audit work and to discharge their review responsibilities in accordance with ISSAI 1230. In addition, it allows the conduct of the quality control review and inspections in accordance with ISQC1.

The executive director, audit services, should ensure the enforcement of this standard. The QC manager should review to check for compliance levels and report to the auditor general on compliance failures.

7.6: Lack of a clearly structured audit review and reporting process

7.6.1 Review and re organise the current audit reporting process

The GAC should review and reorganise the current audit reporting process to make it more effective and efficient. This recommendation is closely related to recommendation 6.5 above on audit documentation.

Being an organization which is still growing with a lot of inexperienced staff, the audit review and reporting process should be a learning process. Auditors should be encouraged to build up the audit file during the audit process and generate the draft audit reports once an audit has been completed. It is NOT advisable for the directors to be collecting audit observations from the auditors and then start writing the reports without the auditors being involved. This does not promote learning. Once the auditors have built up the file and drafted the audit report, this should be passed to the supervisor (engagement manager) together with the file. It is assumed that the engagement manager reviewed and supervised the audit during field work to ensure adequate planning, and execution of the audit assignment. Therefore, at this stage he will check whether the conclusions in the report are supported by adequate evidence. He will also check for clarity in the report and ensuring that only factually supported conclusions are included. Once the engagement manager is finished with the report, he should pass it together with the file to the director who will check that the report is factually correct and all conclusions supported and that the report is clear and without any emotions. The report should then be passed to the executive director together with the file (the executive director should perform the second stage review). The report together with the file should be passed to the deputy auditor general who will also check it for clarity and ensuring it is factually correct. The deputy auditor general will do the last stage review. The deputy auditor general can sign the management letter on behalf of the auditor general and only reports that are of material nature and warrant submission to the National Legislature and the President should be passed to the auditor general.

As an extra quality control measure, all reports that are of material nature should be subjected to the Quality Control Review Committee (QCRC) as provided for in the QC manual. The terms of reference for the QCRC should be worked out.

These reports, if necessary should be exposed to referencing procedures by individuals who were not part of the audit.

I also recommend the use of **QUALITY CIRCLES** by audit teams. The audit teams can meet to discuss quality issues during and after the audit. This approach will enhance personal learning.

The executive director, audits, should be responsible for ensuring that this recommendation is implemented.

7.7 Audit responsibilities not assigned to individual audit Departments

7.7.1: Assign audit responsibilities to individual audit departments

In order to enable proper planning and execution of assignments, it is recommended that clients be allocated to various departments. Departmental heads need to be accountable and if they do not know their audit portfolios, it becomes difficult for them to plan and allocate resources.

It is recommended that the Human Resources Director working together with the executive directors and directors develop job descriptions for all levels in the GAC. The job descriptions should be approved by the Auditor General and issued as an office policy for implementation.

7.8 HR policy not fully implemented

7.8.1 Implement in full the provisions of the HR policy hand book.

The implementation of the HR policy will ensure adherence with best HR practices. It will enable the GAC measure the performance of its departments and staff and objectively appraise them for either higher compensation or promotion. It is a good management process which involves setting direction, monitoring and measuring performance and taking action accordingly. Promotions to higher grades must be through clear procedures such as interviews as a way of identifying competent staff for positions.

The development of job descriptions for all levels of staff will give guidance on the responsibilities of staff. Staff performance can only be measured against set criteria. Further, job descriptions will ensure the allocation of assignments to the right levels of staff in the organization.

The GAC should also establish appropriate lines of communication with employees such as surveys, exit interviews and open door policies to assess employee attitude towards the organization. Management can improve communication with employees by creating an atmosphere that encourages open communication. Employees should feel safe in sharing any thoughts, comments, complaints or suggestions.

The director HR should ensure the implementation of the HR policy.

7.9 Priority 9: No report on GAC performance on its work

7.9.1 prepare a report on the results of GAC performance

The SAI present a performance report to its major stakeholders. Such a report would be an important tool for the accountability process of the SAI and also increase the profile of the SAI and its contribution to the development of the society.

7.10 No audited financial statements of GAC

7.10.1 Have the financial statements of GAC audited

The GAC should request the National Legislature to appoint auditor to audit the institution. This will indicate that the SAI is accountable for the resources utilized and increase the profile of GAC to the Donor community and be able to access funding.

7.11 Inadequate infrastructure and other facilities

7.11.1 Lobby the donor community and the government to provide funding for the renovation of the infrastructure and improvement in other facilities

Request the donor community and government to provide funding for renovation of the building, improve the Library facility and develop the archiving system. This would enable auditors to improve the quality of audit work, as they would find space to utilise during assignment and reduce idle time. The Library would help the auditors to research and improve their knowledge, resulting in the improvement of quality of work. The archiving would assist in the maintenance of audit documentation and easy retrieval. This would provide source of evidence to support audit conclusions in the report.

7.12 Priority no 12: Auditors do not have access to Auditing standards

Use the available resources to at least acquire a limited number for reference purposes and lobby the government and the donor community for funding to buy enough copies to be distributed to managers. This will greatly improve the quality of audits.

8 Conclusions

The implementation of these recommendations will enable the GAC address not only the Quality Control challenges but also other strategic issues facing the GAC in its day to day operations. This way, the GAC will adequately and efficiently execute its mandate as provided for in the Law. The GAC can also

use this report to begin dialogue across the Organization so as to focus it in the right direction. The auditors showed great enthusiasm to improve the quality of audit work during and after the training. There is therefore the need for follow-up to ensure transfer learning to the actual audit work.

Appendix 1: TERMS OF REFERENCE

QUALITY CONTROL EXPERT

Short Term Technical Assistant

The European Commission (EC) provides assistance to Liberia under the European Development Fund (EDF) through two main programmes: the €45m Post Conflict Rehabilitation and Capacity Building Programme (PCRCBP).

Through the EC funded Institutional Support Programme (ISP), a detailed management study was undertaken between June and August 2005 of Liberia's General Auditing Commission (GAC). The recommendations from this short term study included a preliminary short term consultancy to optimize staffing at the GAC, followed by longer term technical assistance which was funded by the European commission for a period from January 2007 – July 2009. This support has been followed up by a further support by the European Commission for a period of 15 months from September 2010 to December 2011.

SCOPE OF THE ASSIGNMENT

The specific terms of reference are:

- Provide support to quality assurance by explaining and demonstrating the application of the International Standards on Auditing (ISA) or (ISSAIs) on an audit.
- Demonstrate the application of International Standard on Quality Control (ISQC) 1 to the QC staff as a pre-requisite for improving the quality of the SAIs work.
- Demonstrate the application of the standardized working papers in the AFROSAI – E regularity Audit Manual.

OUTPUTS

- 15 Senior managers and Senior Analysts sensitized on ISQC 1, ISAs and ISSAIs.
- Senior Managers understand the link between the standardized working papers in the AFROSAI – E regularity audit manual and the ISAs/ISSAIs.
- QC managers are able to review the quality of the SAI's work in line with the ISQC 1 requirements.

ADMINISTRATION

The QC expert will be based at the GAC in Monrovia during the duration of the contract.

DURATION & CONDITIONS OF ASSIGNMENT

- The duration of the assignment is 10 days. The expert should be available to take up this position as soon as possible but not later than 15th June 2011.
- Fees will be payable in EUROS and will be comparable to international advisory position of a similar nature.

REPORTING

The expert will be part of the EC technical team to the General Auditing Commission (GAC) and will be required to provide a report on the execution of the above assignment to the TA team leader for reporting to the Auditor General and the EC.

QUALIFICATION AND EXPERIENCE REQUIRED

The Short Term TA will be an experienced expert with a minimum of 5 years of experience in a Supreme Audit Institution (SAI) undertaking quality control reviews.

The candidate will be educated to Masters Level or equivalent with knowledge in accounting and auditing.

Previous international experience of which at least 3 years has been gained in ACP countries would be an asset.

Previous exposure to post conflict situations and work experience in developing or transition economies would be an advantage.

He/she should have the ability to work with a wide variety of partners and produce a quality product under pressure.

Computer literacy and a good working knowledge of English are essential, as are good analytical, communication and report writing skills.

Qualified candidates should send their CVs, in English at the latest by 15th April 2011 by e-mail to following addresses:

Appendix 2 - QUALITY CONTROL TRAINING REPORT

1. INTRODUCTION

The international auditing fraternity is increasingly emphasizing the importance of quality assurance activities of Supreme Audit Institutions. Standards, and more importantly, the extent to which SAIs comply with standards are continuously reviewed and are regarded as an important component of good corporate governance practices.

1.1 PURPOSE OF THE VISIT

The main objective of the support visit was to assist the SAI of Liberia to determine whether audits comply with international standards and to make recommendations on how the quality of audits could be improved. In addition, the Expert assessed the quality control system implemented at the SAI and make recommendations to the SAI on its functioning.

The workshop was held from 18 July to 04 August 2011. The duration of the course was 10 days. The following aspects were covered during the support visit:

- Provided support to quality assurance by explaining and demonstrating the application of the International Standard on Auditing (ISA) or International Standard of Supreme Audit Institutions (ASSAI) on an audit.
- Demonstrated the application of the standardised working papers in the AFROSAI-E regularity audit manual and the ISSAIs.

- Demonstrated the application of International Standard on Quality Control (ISQC1) to the QC staff as a pre-requisite for improving the quality of the SAI's work.

1.2 OUTPUTS

- 26 senior managers and senior staff analyst sensitized on ISQC1 , ISAs and ISSAIs.
- Senior managers understood the link between the standardised working papers in the AFROSAI-E regularity audit manual and the ISAs/ISSAIs
- QC managers are now able to review the quality of the SAI's work in line with the ISQC1 and ISSAI 1220 requirements.

2. WORK DONE AND METHODOLOGY

The expert conducted the quality control training by using the following tools, techniques or procedures:

- AFROSAI-E quality control model (checklists) for regularity auditing and SAI level review.
- Assessing the control system of the SAI
- Conducting interviews with staff and managers of the SAI
- Delivering a presentation of material to the participants
- Group exercises on how to use standardised working papers and ASSAIs
- On-the-job training for quality control reviewers
- Drafting a report on the support visit.

The training was divided into the following

- On the Job training on by reviewing the Institutional level quality assurance system and the individual file level
- Explained quality control and assurance concepts
- Sensitization on the requirements of ISQC1 and ISSAI 1220 focusing on the following:
 - Leadership responsibilities for quality.
 - Relevant ethical requirements.
 - Acceptance and continuance of client relationships and specific engagements.
 - Human resources.
 - Engagement performance.
 - Monitoring

- Made presentations on the link between AFROSAI-E Standardised working papers and ASSAI Standards. Explained the purpose of the working papers during the conduct of the audit.
- Practical group exercises on how to use the standardised working papers throughout the phases of the audit. Explaining to the participants on how to interpret the results from working papers.

3. Outcome

The participants are now able to perform the institutional level and File level reviews and develop findings

The participants can now use standardised working papers

The participants now appreciate the link between ISSAI standards and standardised working papers

The participants now appreciate importance of ISQC1 and ISSAIs in promoting quality control in audits.

4. Participants Expectations

- To understand quality control
- How to review and arrange files
- To know the benefits of quality control during the audit process

5. Challenges and Gaps

Most of the participants do not have adequate audit experience required of a quality assurance reviewer

This is the first training on quality control for the group and concepts were new

Most of the participants have not covered all or at least 2 phases of the audit process

6. Participants Training Evaluation: (25 Participants)

Twenty six participants were trained, one participants did not fill the evaluation form as he fell sick and was absent on the last day. Five of the participants were female.

Two participants did not comment on the quality of sessions, and one participant did not comment on the use of teaching aids.

	Very Good	Good	Satisfactory	Poor	Very Poor
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Good ,clear aims and objectives	14	8	3		
Achievement of aims and objectives	11	8	6		
Training room facilities		2	4	15	4
Quality of sessions	5	13	5		
Quality of course materials	9	10	5	1	
Use of teaching Aids	2	15	7		
Relevance of training session/w orkshop to your job	17	6	1	1	
Help with solving problems during the training session/w orkshop	7	12	6		

7. Participants Self Evaluation

The evaluation was based on the essential characteristics of a quality control reviewer

Identified essential characteristics

Patience, People person, hardworking, dress code, observant and alert, independence, impartial, team player, integrity, confidentiality, punctuality and paying attention to detail

What came out clearly is that the participants acknowledged they need to improve on the characteristics identified.

The participants evaluated their skills level as satisfactory, after the training.

There is need for more practical training on how to conduct a quality audit i.e embedding quality control in the audit process.

The participants were engaged in group and individual exercises to enhance the learning process.

- **The positive aspect of the training is that the participants were enthusiastic about the training and ready to implement what they had learnt**

Participants' recommendations

- Practical training on the entire audit process
- Financial statement audit
- Another file review workshop

Results from the practical reviews

8. CURRENT STATUS OF SAI

8.1 SAI-LEVEL OBSERVATIONS

1. Independence and Legal Framework

The SAI submits its budget through the Ministry of Finance, therefore it has no financial independence. Some of the issues relating to independence are listed and commented on below.

1.1 Independence of the Head of the SAI

The standards and good practice

The independence of the Head of SAI (HoS) shall be guaranteed by the Constitution. The legislation shall specify the conditions for appointments, reappointments, employment and removal. The appointment is to be carried out by a process that ensures the HoS's independence from the Executive. The incumbent is to be immune to any prosecution for any act, past or present that results from the normal discharge of their duties. (Lima Declaration section 6, Mexico Declaration on SAI Independence, principle 2)

The SAI

The appointment of the HoS is covered by the Constitution. The HoS "shall subject to ratification by the National Legislature be appointed by the President", that is the executive. The selection and nomination process of the candidates to the Auditor General's position is not documented according to information provided. Practice is said to be that the President

is able to choose among a number of candidates. However it is not clear to what extent the President is able to influence the selection of these candidates.

Recommendations

The HoS should therefore be appointed by the National Legislature without any involvement of the President. The nomination and selection process of the HoS should be transparent to avoid any suspicion of improper influence.

1.2 Tenure of Head of the SAI

The standards and good practice

The HoS should be given "appointments with sufficiently long and fixed terms to allow them to carry out their mandate without fear of retaliation". (Mexico Declaration, principle 2).

Sufficiently long is mostly interpreted as if the HoS should have tenure of about 6-7 years. There are also examples that the tenure is shorter e.g. 4 years but renewable once.

The SAI

The tenure for the HoS is at present for 4 years which is renewable but no evidence of age limits.

Recommendations

- The SAI should abide to the standards and good practise and propose tenure of maximum 6-7 years or a shorter tenure which then could be renewable once. The Auditor-General should be entitled to pension after he/she leaves office. This would enable the post to attract highly competent person.

1.3 The SAI's financial and managerial/administrative autonomy

The standards and good practice

Although state institutions cannot be absolutely independent as they are part of the state as a whole, a SAI shall have the financial, functional and organisational independence required to accomplish its tasks. The establishment of the SAI and the necessary degree of their independence shall be laid down in the Constitution. The SAI should have available the necessary and reasonable human, material and monetary resources. The Executive should not control or direct the access to these resources. (Lima Declaration, section 5 and 7, Mexico Declaration on SAI Independence principle 8.)

In a number of countries a Board or a Commission is proposed or has been set up as a “station” between the SAI and the Parliament. There are several different and sometimes complementary reasons for this arrangement: to provide the Parliament with independent information/proposal on/for the SAI’s budget and salary, to act as a gate keeper to regulate the input to parliament, to act in an oversight function when it comes to the SAI’s non statutory functions etc.

Recommendations

- It is recommended that the SAI continues to seek for its financial and managerial/administrative independence. However, the SAI should, until that independence is achieved try to as much as possible use the “freedom” that can exist also with the current where there is some control by the Ministry of Finance.

1.4 The right and obligation of the SAI to report on its work

The standards and good practice

SAIs should report publicly on the results of their audits and on their recommendations regarding overall government activities. (Principles of Transparency and Accountability, ISSAI 20, principle 7).

During the AFROSAI-E 2009 Board, a guideline for the SAI reporting on its own performance was distributed. The guideline was produced by the AFROSAI-E Secretariat on behalf of the regional organization.

The SAI

No report on its own performance has so far been produced by the SAI.

Recommendations

- It is recommended that the SAI present a performance report to its major stakeholders. Such a report would be an important tool for the accountability process of the SAI and also increase the profile of the SAI and its contribution to the development of the society.

1.5 External audit of the SAI

The standards and good practice

“The SAI manages its operations economically, efficiently, effectively and in accordance with laws and regulations and reports publicly on these matters..... - SAI’s financial statements are made public and are subject to external audit or parliamentary review....” Principle 6, ISSAI 20 (Principles of transparency and accountability)

The SAI

The financial audit of the SAI has not been done since the SAI was reconstituted in 2007. The National Legislature is responsible to appoint auditors to audit the SAI

Recommendations

- It is recommended that the SAI request the Legislature to appoint auditors to audit the SAI in order to enhance transparency and accountability.

2. Organization and Management

The SAI has a Strategic planning and follow up/evaluation function, a necessary tool to successfully facilitate the implementation of strategic plans.

2.1 Strategic and operational planning

The standards and good practice

An SAI should establish policies and procedures designed to promote an internal culture recognizing that quality is essential in performing all of its work. The Strategy of each SAI should recognize an overriding requirement for the SAI to achieve quality in all of its work so that political or economic considerations do not compromise the quality of work performed (ISSAI 40).

The SAI manages its operations economically, efficiently, effectively and in accordance with laws and regulations and reports publicly on these matters.

- SAIs assess and report on their operations and performance in all areas, such as financial audit, compliance audit, jurisdictional activities (SAIs constituted as Courts), performance audit, performance evaluation and recommendations regarding government activities ...
- SAIs report on the origin of their financial resources (parliamentary appropriation, general budget, ministry of finances, fees) and how these resources are used.....

(ISSAI 20, Principles of transparency and accountability, principle 6)

The strategic development of any organization requires imagining a desired future and creating a plan to make that vision a reality. (AFROSAI-E/IDI: Strategic Planning. A Handbook for Supreme Audit Institutions)

The SAI

The present strategic plan, 2008-2013, is the first one produced by the SAI. The format of the present Strategic Plan was decided by directives and guidelines from the IDI/AFROSAI-E.

The Strategic objectives are not formulated with a specific time horizon and neither is in most cases the aligned strategies. Annual work plans are to be used to follow up and evaluate the progress of the strategic plan. The annual plans should be formulated as results to be achieved.

There was no evidence that the SAI had developed an annual operational plan. Therefore the SAI cannot measure its performance. In addition there was no evidence that the Budget formulation process is linked to outputs derived from operational plans.

Recommendations

It is recommended that:

- Operational plans must be formulated for all departments of the SAI. These sub plans must be linked to the overall strategic plan
- Result orientated objectives linked to the strategic plan be formulated for the annual work plans
- the SAI develops a mechanism to ensure that the SAIs own development projects and the ongoing work are planned, monitored and evaluated to get an holistic picture for the decision makers
- The budget formulation process must be documented and linked to the outputs in the operational plans in order to ensure proper accountability for resources utilised.
- the mechanism for monitoring and evaluation of the plans should be focused on the output, outcome and when possible the impact of the SAI's performance

3. Human Resource

The SAI has a Human Resources Director, an HR section as well as a training section which facilitates the capacity building at the SAI.

3.1 Capacity development

The standards and good practice

The SAI manages its operations economically, efficiently, effectively and in accordance with laws and regulations and reports publicly on these matters.

- SAIs maintain and develop skills and competencies needed to perform the work to achieve their mission and meet their responsibilities

- SAIs measure and report on the efficiency and effectiveness with which they use their funds.

(ISSAI 20, Principles of transparency and accountability, principle 6)

The SAI

- There was no evidence that all the staff of GAC had terms of reference to enable them perform their tasks effectively.
- There was no evidence that all new GAC employees had met the criteria to be engaged as there was no interview result in personnel files among other requirement indicating that they had been properly recruited. The non compliance to recruitment procedures does not assure the SAI that it has recruited staff with the right capabilities. The SAI is not also able to address the audit needs for skills and competencies.
- The SAI has not adopted qualification requirement for different levels of staff and management.
- The SAI currently has no adequate competencies and skills, as most staffs who had acquired some level of skills are on educational scholarship abroad. This is evidenced by the previously very lower level employees who are now occupying managerial positions. This has a great impact on the quality of work as they do not have audit experience and supervisory role skills.
- There is no retention policy that would enable the SAI to retain expert staff given the skills levels in GAC.
- There is no documented career development policy in the SAI, that would assist to develop staff through professional certification such as ACCA etc. This policy would enable each individual staff to know his/her career path.
- The instrument for assessing and analyzing the capacity building needs are not in place at the SAI. There is so far not a holistic picture of the needs and how these needs are best to be satisfied. Information on the effects of training is not documented.
- The training has so far to a large extent been concentrated on increasing audit concept awareness and academic education. There 45 audit staff undertaking Masters Degree at the University of Nairobi, Kenya and the USA. The SAI has does not have staff undertaking a professional qualification such as ACCA.
- There is no evidence that the SAI has an established criterion for promotion of staff to various levels.

- There are very limited programs for the wellbeing of staff, which is soccer. Other important areas such as health and insurance, housing, and transport programs are not provided by the SAI.
- There is no evidence that the SAI is conducting performance appraisals on its staff. It cannot therefore, measure the performance of each staff and ultimately the output of GAC. Performance evaluation if done properly can be used to identify performance gaps, training needs and assist to place the right staff in the right positions

Recommendations

It is recommended that the SAI:

- Develop and distribute terms of reference to all the staff of GAC to enable them perform their tasks effectively.
- Maintain records of the recruitment process for new GAC employees. This is evidenced by interview results in personnel files among other requirement indicating that they had been properly recruited. The non compliance to recruitment procedures does not assure the SAI that it has recruited staff with the right capabilities. The SAI is not also able to address the audit needs for skills and competencies.
- The SAI should adopt qualification requirement for different levels of staff and management, in order to provide a clear career path.
- The SAI should develop a risk management policy in order to deal with consequences of management decisions of sending a large group for study without a fallback position. The policy would help reduce the impact of decisions on the SAI.
- Develop a staff retention policy that would enable the SAI to retain expert staff given the skills levels in GAC.
- Develop a career development policy in the SAI that would assist to develop staff through professional certification such as ACCA etc. This policy would enable each individual staff to know his/her career path.
- The instrument for assessing and analysing the capacity building needs must be put in place at the SAI. This would provide a holistic picture of the needs and how these needs are best to be satisfied. Information on the effects of training should be documented.
- The SAI should sponsor some of its staff to undertake a professional qualification such as ACCA in order to address technical skills shortages within the entity.

- The SAI should establish criteria for promotion of staff to various levels. This would ensure that only competent staffs with experience are promoted. This procedure must be documented to enhance transparency.
- The SAI should ensure that other important areas such as health and insurance, housing, and transport programs are provided by the SAI.
- The SAI should conduct performance appraisals on its staff. This assists to measure the performance of each staff and ultimately the output of GAC. Performance evaluation if done properly can be used to identify performance gaps, training needs and assist to place the right staff in the right positions
- Establishes a mechanism which makes it possible to get a holistic view of the needs for training and that the resulting development programme is closely linked to the goals/objectives stated in the strategic and annual work plans.
- Develops a mechanism for monitoring and evaluation of the result (outcome and impact when possible) of the training.

4. Audit standards and methodology

The standards and good practice

The SAI should establish and maintain a system of quality control to provide it with reasonable assurance that:

- (a) Personnel comply with professional standards and regulatory and legal requirements; and
- (c) Reports issued are appropriate in the circumstances. (ISSAI 40 – ISQC 1).

Both the IFAC and INTOSAI standards have outlined the main requirements on SAIs in the following categories:

- Leadership responsibilities for quality within the SAI
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance
- Monitoring.

4.1 Engagement Performance

The SAI

The SAI developed its own Audit manual that was adopted in 2007. Since the time of adoption, these documents have been reviewed and revised in 2011, taking into account INTOSAI and IFAC standards which have since undergone numerous reviews over the years. There was extensive use of the AFROSAI-E Regularity audit manual during the review of the GAC manual, which is updated annually. The auditors have no access to INTOSAI standards as there are no copies in the office.

Recommendations

- The SAI should ensure that there is full implementation of the manual by all staff to ensure quality work.
- Training on the application of both the standards and manuals should be offered to the users to standardize their application.
- The GAC must acquire auditing standards for use by auditors.

4.2 Monitoring

Quality Assurance function

The SAI

The SAI has a Quality Assurance function which falls under a Manager. The manager is below a Director level. The staff of the department were recently recruited and lack both audit and quality assurance experience.

Recommendations

- The SAI should ensure that the position of a quality assurance manager is of sufficiently high level to ensure effectiveness. The Quality assurance staff needs more practical audit experience for them to be effective; therefore, they need on the job guidance from an experienced person in implementing the AFROSAI-E regularity audit manual.

5. Communication and stakeholder management

5.1 Communication policy and strategy

The standards and good practice

SAIs communicate timely and widely on their activities and audit results through the media, websites and by other means

- SAIs communicate openly with the media or other interested parties on their operations and audit results and are visible in the public arena
- SAI reports are available and understandable to the wide public through various means (e.g. summaries, graphics, video presentations, press releases.”

(ISSAI 20, Principles of transparency and accountability, principle 8)

The SAI

The SAI has a communication policy and communicates openly with the media. The reports of the SAI take long to be published which affects the timely communication to the media and other stakeholders. The SAI has managed to produce its internal communication in the form of a magazine. Other parts of the communication tools need to be further developed such as the Intranet, especially important for a modern organization.

Recommendations

It is recommended that:

- The SAI continues to develop its relations with the media and the internal and external communication tools such as the intranet.
- The development of result oriented objectives should include timely and relevant parts of the communication policy.

5.2 Results

The Standards and good practice

“SAIs report publicly on the results of their audits and on the recommendations regarding overall government activities.....”

- SAIs assess their impact of the efficiency and effectiveness arising from their recommendations on the public sector and the public value of audit work and report on them
- SAIs also report publicly on overall audit outcomes, e.g. the government’s overall budget implementation, financial condition and operations and, overall financial management progress and if included in their legal framework on professional capacity.”

(ISSAI 20; Principles of transparency and accountability, principle 7)

Of importance for the result orientation, production, presentation and evaluation is also the decision taken at the 2007 INCOSAI in Mexico to set up a work group chaired by South

Africa with the task to present a paper on the subject "Value and Benefits of SAIs". This subject was a discussion theme at the 2011 INCOSAI in South Africa.

The SAI

There is no ready made or agreed picture of the results of the SAI's performance and its impact. This is probably one consequence of the present design of the planning and follow up/evaluation structure, commented on earlier in part 2 - Organization and Management. Relevant information is often produced, but it is not possible to easily retrieve the information. Different concepts (terms used as concepts) are used as the information is not produced and collected for a common and planned purpose. .

Recommendations

It is recommended that

- the SAI develops and agrees on what kind of result indicators/measures are to be used for the planning and follow up/evaluation as well how these indicators/measures are to be used for internal and external purposes

Example; Disclosure of some possible result and other information of importance for the result

Parameters	2006	2007	2008	2009	2010
Monetary audit coverage	31%)	79%	79%	79%)	
Client audit coverage (geography)	69%	82%	73%	73%	
Paragraphs in Reports on 2) Governments Accounts	69	95			
Institutions 3)				40%	
Number of staff positions					515
filled positions				420 6)	442
staff vacancies 4)					73

9. INDIVIDUAL AUDIT FILE LEVEL

The following are the observations on three (3) current audit files that we reviewed:

Liberia Civil Aviation Authority

Liberia Telecommunication Authority

POSITIVE OBSERVATIONS

Planning

- Conflict of code of ethics declaration forms had been designed and were completed
- Staff competency matrix was prepared hence we could ascertain that the team members had the required competence to carry out the assignment
- Materiality levels by value were set
- Work of internal audit was evaluated and concluded on
- Justification for the materiality thresholds used and qualitative materiality factors
- Considered the susceptibility of the financial statements to misstatements due to fraud.
- lead schedules for all components to be audited prepared
- Performed preliminary analytical procedures to determine areas that require more emphasis
- Cross-referenced all exceptions to the audit evidence so as to provide a link between the report and the working papers
- Risk assessment at the Financial Statement level was carried out and concluded on
- System description – flow of transactions was documented
- Audit plan memorandum was prepared
- Audit programmes were prepared
- Audit approach was stated

Fieldwork

- Substantive procedures were designed and executed

- Audit findings and conclusions working papers had been designed and were used to record findings
- Some of the files reviewed had third party confirmations
- Audit procedures executed were documented and properly concluded on
- Audit queries were raised

Reporting

- Management letters were prepared, signed and sent to clients for comments
- Management letters clearly stated the problem, implications and recommendations
- Management letters had comments from the auditees and conclusions by auditors on whether matters had been resolved or not
- Significant matters identified in the management letters were addressed in the audit report
- Reported findings had relevant supporting documentation
- Reported findings were understandable, factual and adequately summarized

Documentation

- Some working papers were indexed
- Audit findings were supported by evidence (LCAA files only)
- Some procedures executed were indicated in the working papers

Areas for improvement

Planning

- Time budget was not set
- Actual time taken on the assignment was not indicated for comparison purposes with the budgeted time
- Engagement letter was prepared and sent to clients but there was no evidence that the client agreed to the terms of the engagements
- Conflict of interest Forms though signed by team members were not signed by the manager and the Executive Director.

- There was no evidence that team members understood their responsibilities since there was no documentation on file to indicate that the planning memorandum was discussed by the team prior to commencement of the assignment. Additionally, it could not be established how the audit tasks were allocated to team members
- Lead schedules were not prepared and referenced to the Financial Statements
- Prior year issues were not listed - in some instances they are indicated as not applicable
- Justification of materiality by value was lacking and only indicated as "as per office's policy"
- Reasons for not sampling were not documented
- Qualitative materiality factors were not considered
- No evidence that misstatement due to fraud was considered
- Preliminary analytical procedures were not performed
- IT environment was not appropriately considered. Link between IT Audit and Regularity audit was not apparent
- Sustainability of services by the Ministries was not appropriately considered
- No evidence that use of experts was considered
- Planning memorandum and working papers were not reviewed and approved by management and neither were the contents of the Planning Memorandum discussed with the auditee
- Walkthrough tests on the described systems were not performed
- Key Controls on which reliance would be placed were not identified

Fieldwork

- Tests of controls were not performed hence it was not possible to ascertain whether internal control procedures were in place throughout the period under review
- Steps of the audit procedures were not initialled and cross-referenced to the working papers
- Audit procedures were not approved prior to commencement of fieldwork
- Working papers did not indicate the population, sample size and sampling method used

- Audit programmes did not separate tests of controls, substantive procedures and substantive analytical procedures
- Exceptions raised were not cross-referenced to the audit evidence
- There was no traceable link between the audited Financial Statements and the procedures performed since there was no cross-referencing
- Management representations were not obtained
- Events subsequent to period end date were not considered even though the statutory period for issuing the audit report is one year
- Aggregate effect of the audit differences was not evaluated and concluded on. Planning materiality level was therefore not restated
- Entrance and exit meetings with management were not documented

Reporting

- With the absence of the evaluation of the audit differences, we could not ascertain whether the appropriate audit opinions were expressed

Documentation

- Working papers were not signed, referenced, reviewed or approved by the managers
- Meaning of tick marks was not explained
- Source of information contained in the files was not indicated
- Purpose of photocopied documents in files was not indicated
- Schedules prepared by the auditee were not cast and cross-cast

3.3 SUGGESTIONS FOR THE SAI

Audit File Level

- Issue engagement/ letters of understanding to clients and retain signed copies in current audit files.
- Introduce time sheets and prepare working papers for actual time taken on assignments for comparison with budgets and address any variances noted
- Justify the materiality thresholds used and consider qualitative materiality factors
- Consider the susceptibility of the financial statements to misstatements due to fraud by using the AFROSAI-E Fraud Guide

- Determine sample sizes and state sampling methods used.
- Prepare lead schedules for all components to be audited and cross-reference them to the financial statements
- Perform preliminary analytical procedures to determine areas that require more emphasis
- Assess the clients' IT environment and make use of the IT Audit Unit where necessary
- Perform walkthrough tests on the described systems to confirm they are working as described and identify key controls built into the system on which reliance would be placed
- Redesign the audit programmes' format to provide room for initialling and referencing the procedures to the working papers on which they are performed
- Separate tests of controls, substantive procedures and substantive analytical procedures in the audit programmes, perform the tests and document results for each
- Cross-referenced all exceptions to the audit evidence so as to provide a link between the report and the working papers
- Obtain management representation letters before conclusion of audits.
- Consider any significant events that may have occurred between the balance sheet date and the date of issuing the report and incorporate such matters in the audit report if they are of an adjusting nature
- Evaluate the effects of all the audit differences and use the results to propose the appropriate audit opinion to be expressed
- Document entrance and exit meetings and file minutes in the current audit files
- Review the format of the Auditor's Report and ensure it is in line with International Standards on Auditing 700
- Preparer and reviewer of working papers should sign and date them as evidence that they were involved in the assignment
- Review at all levels audit work performed and make review notes
- Explain tick marks and symbols used
- State the source and purpose of photo copied documents in the files
- Cast and cross cast all schedules obtained from the clients.

- Document work done at all stages of the audit work.

4. CONCLUSION

In spite of the shortcomings highlighted, the SAI had achievements in the overall quality assurance assessment. The SAI does not have adequate technical resources. The SAI need to consistently apply properly documented Human resources recruitment, maintenance and promotion procedures to effectively implement the other domains of the quality control system. Updating and diligent use of the existing audit tools will result in compliance with INTOSAI auditing standards.

5. ACTION PLAN

The SAI is expected to prepare an action plan to show how it intends to improve the quality of work at the SAI. The action should include the four columns stated below:

- Description of item
- Intended Action
- Person to implement
- Deadline

5. ACKNOWLEDGEMENT

I would like to take this opportunity to express our gratitude to the acting Auditor-General of SAI of Liberia and staff for the cooperation and assistance accorded to me.

Musiyiwa Chitakunye EU QC Expert

Ron Mwambwa Team Leader EU LTTA to GAC

Winsley Nanka acting Auditor-General Liberia

Appendix 3: SWOT Analysis

<p>Strength</p> <ul style="list-style-type: none"> • Young enthusiastic workforce • Willingness to learn and improve • Presence of Technical assistants supported by donors 	<p>Weakness</p> <ul style="list-style-type: none"> • Resistance from managers change • Failure to implement the HR policy • Failure to fully implement the QC manual • Lack of functional and operational plans • Lack of a risk management strategy • Lack of clear report processing procedure • Non assignment of audit responsibilities to departments. • Lack of enforcement by managers in critical positions
<p>Opportunity</p> <ul style="list-style-type: none"> • Donors support for GAC • Support from the public • Collaboration with the AFROSAI-E • Collaboration with other SAIs 	<p>Threats</p> <ul style="list-style-type: none"> • Reluctance by the Executive and the Legislature to enact law providing for financial and administrative independence • Lack of adequate financial resources • Global economic slowdown resulting in donor fatigue

Appendix 4: Participants to the QC training

No	Name	Sex
1.	Madra . Z. Soko	F
2.	Linda C. Lartey	F
3.	Torto Dosii Jr	M
4.	Chemon F. Jackitay	M
5.	Jallar B. Kollie	M
6.	Barclay MCgee Jr	M
7.	Varfee S. Dukuly	M
8.	Sumo W. Moluway	M
9.	Richard D. Kollie	M
10.	Gabriel M. Tarbleh	M
11.	James K. Jamah	M
12.	James K. Kollie	M
13.	Mamai J. Dukuly	F
14.	Cornelius T. Kandakai	M
15.	Berlene D. Wonlah	F
16.	Francis Y. Wallace	M
17.	Azepturs Z. Barbu Jr	M
18.	Kerkula Bettee	M
19.	Moses Y. Kermu	M
20.	Rosetta Briggs-Cholopray	F
21.	James P. Fromah	M
22.	E. Othello Cee	M
23.	Alphonso Pearson	M
24.	Matthias B. Akoi	M

25	Kollie Zegbah	M
26	Samuel Tugba	M