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I. PUBLIC SECTOR ACCOUNTING

A. Assessment of the National Public Sector Accounting Environment

Timely, relevant, and reliable financial information is required to support all fiscal and budget management, decision-making and reporting processes.

| (1) The Accounting Law | | |
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| STANDARD | PRESENT POSITION | OPTIONS FOR IMPROVEMENT |
| <p>1. For reliability the requirements for public sector accounting and reporting should be specified by law, cover all government-owned entities, specify the methods by which accounting and auditing standards are to be set for the public sector, specify the reporting requirements and lay down timetables for the publication of audited annual accounts.</p> | <p>The Public Finance Act 2005 requires the State's audited annual financial statements to be tabled in accordance with a specified timetable. The accounting standards are not specified. The format of the accounts are to be a statement of estimated and actual revenues and expenditures for each public fund; and, as far as is practicable, a statement of the assets, liabilities, and contingent liabilities of the State at the end of the year.</p> <p>The Public Finance Act 2005 requires each ministry to act as an accountable agency to table an audited financial statement of estimated and actual revenues and expenditures as part of an annual report prepared in accordance with the Public Finance Instructions. An audit report is also to be tabled</p> | <p>The Audit Act should ideally require conformance with IPSAS. However, the law allows IPSAS to be followed, and future accounts should be based on Cash Basis IPSAS with notes providing the other information required by the Public Finance Act. Progression to accrual statements can occur as adequate systems are rolled out.</p> <p>The timetables for these required reports need efficient interim and final audit processes to support a sound accounting system. Current programs are in place to provide the technical assistance for these purposes.</p> <p>The Auditor General will need to specify the actions that departments should take to correct any accounting problems that lead to audit qualifications to the annual accounts.</p> |
| <p>2. Compliance with IPSAS for noncommercial bodies and IAS for commercial bodies is needed for consistent transparency.</p> | <p>This is not specified by law but is generally observed. The Public Finance Act has established the budget reporting and the financial reporting requirements. Initially, the accounting has been located in the Treasury and this is not a good separation of duties, so some establishment of suitable accounting departments, preferably in the ministries, will be needed as systems are implemented.</p> | <p>The development of the computerized accounting system has a very tight timeline and intensive efforts will be needed to meet the targets. The World Bank should offer the Ministry of Finance technical advice on the progressive design and implementation of the system</p> |

| STANDARD | PRESENT POSITION | OPTIONS FOR IMPROVEMENT |
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| (2) Education and Training of Public Sector Accountants | | |
| 3. For reliability, the curriculum requirements for the accounting qualifications of public sector accountants should accord with internationally recognized standards of accounting training as established in the IES for Professional Accountants. | Professional accountants in the Maldives have obtained their professional qualification from overseas institutions. There is no comprehensive local training institution, however, the UK ACCA professional certification is available locally up to Stage 2 of the ACCA program. | Further outreach programs of professional accounting qualifications are needed. These will be made available if there is a market. The recruitment and training programs for government accountants and auditors should specify appropriate requirements. |
| 4. For reliability, public sector accountants should be provided with continuing professional training opportunities that accord with internationally recognized standards of accounting training. | Nothing in place. | The Ministry of Finance needs to develop training plans. |
| (3) Code of Ethics for Public Sector Accountants | | |
| The INTOSAI Code covers integrity; independence, objectivity and impartiality; professional secrecy; and competence. The IFAC Code covers integrity; objectivity; independence; confidentiality; technical and professional standards; competence and due care; and ethical behaviour. | | |
| 5. For reliability, public sector accountants should be required to adhere to the principles laid down in a code of ethics that are at least in accord with the internationally recognized standards for professional accountants. This may be based on IFAC or INTOSAI codes. | No code in place as such. | |
| (4) Public Sector Accountant Arrangements | | |
| 6. For timeliness, relevance, and reliability, there should be a professionally qualified CFO function to be responsible for maintaining systems of internal financial controls that manage risks, | There is a CFO position, called the accountable officer decreed by the Public Finance Act. | The duties of the accountable officer are yet to be defined in Public Finance Instructions. The duties should include those set out in the Standards (paragraph. 6). |

| STANDARD | PRESENT POSITION | OPTIONS FOR IMPROVEMENT |
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| <p>and for preparing regular financial accounts for each government entity.</p> <p>The CFO should also be responsible the following:</p> <ul style="list-style-type: none"> ■ maintenance and management of the chart of accounts, ■ providing the most appropriate technological support for financial management practices, ■ managing training and education needs for financial management, ■ reporting on key performance indicators, and ■ assisting program managers to develop an effective financial approach to the delivery of expected outcomes. | | |

B. Assessment of National Public Sector Accounting Standards

Financial reporting must be adequate to meet the accountability demands of stakeholders

(1) Framework for the Preparation and Presentation of Financial Statements

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| <p>7. National accounting standards should conform to international standards to provide consistency. The responsibility for establishing the national accounting standards for the public sector should be well-defined to provide reliability.</p> | <p>The Public Finance Act prescribes that accountable agencies (not including public enterprises) must prepare annual statements in accordance with requirements set by the Public Finance Instructions. For Public Enterprises the Financial Accounts should be produced in accordance with best accounting practices.</p> | |
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(2) Preparation and Presentation of Financial Statements on the Cash Basis

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| <p>8. The Government should adopt a national accounting and reporting framework based on recognized international standards to provide authority.</p> | <p>The Auditor General is responsible under the Constitution that reads:</p> <p><i>127. The accounts of the State shall be kept and maintained in such form and manner prescribed by the</i></p> | <p>The Auditor General should hold discussions with the Ministry of Finance and Treasury to arrange for the setting of standards in a formal manner and for agreement that future accounts be presented</p> |
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| <p>If the Cash Basis IPSAS is adopted as a national standard, reporting should comply with the standard to ensure consistency.</p> <p>If the accrual basis IPSAS is adopted, disclosures made with respect to the general government sector shall include at least disclosure of the following:</p> <ul style="list-style-type: none"> ■ Assets by major class, showing separately the investment in other sectors, ■ Liabilities by major class, ■ Net assets/equity, ■ Total revaluation increments and decrements and other items of revenue and expense recognized directly in net assets/equity, ■ Revenue by major class, ■ Expenses by major class, ■ Net surplus or deficit, ■ Cash flows from operating activities by major class, ■ Cash flows from investing activities, and ■ Cash flows from financing activities. <p>(Oct 2005 IPSAS ED 28)</p> | <p><i>Auditor General on the advice of the President.</i></p> <p>The Auditor General is also responsible under the State Finance Act 2006 that reads:</p> <p>38 (a) the financial controller shall prepare the annual financial statement and submit to the minister within three months after the end of each financial year in a manner as prescribed by the Auditor General.</p> <p>The accounts are now on a cash basis but not in IPSAS format, although the Ministry of Finance and Treasury is of the view that the IPSAS format could be followed. The State Finance Act 2005, No. 38 (a) (on page 22) states that the Financial Controller shall prepare the annual statements in pursuance to the prescriptions of the Auditor General.</p> | <p>on the Cash Basis IPSAS format.</p> |

C. Assessment of Accounting and Auditing in State-Owned Enterprises

Financial Statements should comply with IAS and IFRS

9. Financial statements should include (a) balance sheet, (b) income statement, (c) statement of changes in equity or a statement of recognized gains and losses, and (d) cash flow statement [IAS 1.8]

Financial statements should present fairly, or give a true and fair view of, the

These are being followed. The audit firms auditing the SOE and statutory authority financial statements advised that IAS and IFRS are observed. Although there is no standard-setting body active in Maldives, the audit firms require that the public bodies use IAS and IFRS.

The Companies Act of Maldives states that companies having share

Desirable improvements for SOE reporting are (a) to require more public accountability and (b) to improve the local auditing profession:

- (a) All government bodies should be required to make their audited accounts public. The Public Enterprise Monitoring Board may be able to require this; if not, a new SOE law



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| <p>financial position, financial performance, and cash flows of the entity. [IAS 1.13]</p> <p>Financial statements should be prepared on the accrual basis of accounting [IAS 1.27]</p> <p>Financial statements should be prepared using the accounting policies established by the IASB International Accounting Standards. [IAS 1]</p> | <p>capital more than a prescribed amount can only be audited by chartered accountants accepted by the Auditor General. As per the Act, the Auditor General has issued licenses to only three parties. However there is no restriction on conducting audits of companies whose share capital is below one million. The Auditor General issues licenses to qualified people to conduct the audits. The firms employing these persons have not been subject to peer review by their affiliate international firms.</p> <p>The Public Enterprise Monitoring Board, which receives the audited accounts, noted that in some cases the audit qualifications on the accounts mainly related to assets issues. The low proportion of qualifications is in contrast to other regional countries and suggests that there may be some inadequacies in the auditing.</p> <p>The Public Enterprise Monitoring Board has established governance guidelines for the SOE Boards. The SOE Boards' objectives for public enterprise governance are compliance with the various laws, regulations and codes governing companies; and the development of a commensurate enterprise culture within the organization so that returns to shareholders are maximized while respecting the interest of other stakeholders.</p> <p>The governance guidelines require that financial accounts should be produced in accordance with best accounting practices, and should include:</p> <p>(a) Profit and Loss account for the year;</p> | <p>is required to provide for an adequate public accountability regime.</p> <p>(b) The Auditor General should arrange consultations with the accountancy professions in the neighboring countries to consider ways of establishing similar arrangements in the Maldives, perhaps in association with one of the neighboring organizations. The Auditor General should increase the review of the quality of the audits of government bodies. This will be required by the proposed Audit Act.</p> |

| STANDARD | PRESENT POSITION | OPTIONS FOR IMPROVEMENT |
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| | <p>(b) Cash Flow statement for the year</p> <p>(c) Balance Sheet showing the position at the end of the year</p> <p>The financial accounts should be supported by notes, which set out the Company’s accounting policies and the main components of the accounts as required by good practice. The financial accounts should also be accompanied by a Director’s report that details financial activities of the Company in the past and future.</p> <p>Only the three public company SOEs publish their accounts.</p> | |

II. PUBLIC SECTOR AUDITING

A. Assessment of the Public Sector Auditing Environment

Effective scrutiny by the legislature through comprehensive, competent, external audit enables accountability for the implementation of fiscal and expenditure policies.

The environment for an effective Supreme Audit Institution requires a comprehensive approach to Public Financial Management (PFM). Supreme Audit Institutions are not stand-alone institutions; they are part of a PFM architecture that also includes budgeting, accounting, internal control, audit, and legislative oversight; and government response. Improving the way the Supreme Audit Institution functions is integral to providing information for enhancing the overall PFM system, but the action must be within the executive branch under the watchful eyes of the legislature and the public. A strong demand for good public sector external auditing is necessary for the Supreme Audit Institution to have any impact. This requires willingness of the executive branch to accept and respond to external scrutiny over its management of funds and to ensure that action is taken for reform. It also requires public presentation of the audit reports to ensure public support for effective action.

(1) Statutory Framework

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| <p>10. Statutory auditing requirements should be established by legislation.</p> | <p>The Constitution makes responsible the Auditor General, in accordance with law, to audit the accounts of the State, prepare the reports thereof, and perform other duties concerning the accounts of the State.</p> <p>The Public Finance Act 2005 requires audited annual accounts for each ministry and the State</p> | <p>The Public Finance Act requires certification of Ministry and State accounts, so strong audit legislation is needed for the Audit Office to do that task.</p> <p>A comparison of the proposed Audit Act and the model law¹⁶ showed that almost all of the recommended provisions are in place.</p> |
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| | <p>to be presented to the People's Majlis. This is to be effected by 2008. The implementation of a computer-based accounting system is underway to support the process.</p> <p>A proposed Audit Act is moving through the legislative process¹⁵. A comparison of the clauses of this draft Audit Law and the Constitution with a model law is in the Annex to this matrix.</p> | <p><i>Serious deficiencies in clauses of the proposed Audit Act exist:</i></p> <p><i>3(c) to maintain expenditure details for the following :</i></p> <ul style="list-style-type: none"> <i>i) the aids received in the form of money or goods whether in kind or otherwise,</i> <i>ii) the aids provided by the Government to the private sector,</i> <i>iii) government borrowings</i> <i>iv) government lending.</i> <p>To give the Auditor General these accounting functions would be a conflict of interest. This clause was finally not included in the Audit Act that was legislated on March 13, 2007</p> <p><i>14. Expenditure for office administration</i></p> <p><i>Before the commencement of each financial year, the Auditor General should submit the estimated budget for the year, including the recurrent and capital expenditure, to the Ministry of Finance and Treasury. This budget should be prepared and submitted on a specific date in accordance with the specific guidelines, provided by the Ministry of Finance and Treasury.</i></p> <p>The importance of the relationship between the Audit Office and the Legislature requires direct submission of the audit budget to the Legislature. The recently legislated Audit Act now provides for this.</p> <p>The following issues were not resolved by the recently legislated</p> |

¹⁵ This Bill has recently been passed in March 2007. At the time of completing this questionnaire, the Act was still a draft Bill and is referred accordingly.

¹⁶ UNDP PACT Model Law

| STANDARD | PRESENT POSITION | OPTIONS FOR IMPROVEMENT |
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| | | <p>Audit Law and still remain as concerns.</p> <p>For independence the proposed Act should include a clause:</p> <p><i>The Audit Office and the Auditor General are not subject to the control or direction of any person, organization, or authority except the Legislature.</i></p> <p>For integrity the legislation should include a clause:</p> <p><i>To help ensure the integrity of the Audit Office, the Auditor General will adopt the Code of Ethics adopted by INTOSAI with revisions necessary to account for national differences of culture, language, legal and social systems.</i></p> <p>For a defined term, Clause 2 (b) should be extended:</p> <p><i>The Auditor General shall be appointed by the President on the recommendation of the People's Majlis for a period of 12 years.</i></p> |
| <p>11. The Supreme Audit Institution should have authority to conduct a full range of audits including regularity, financial, and performance audits, for all government-owned or -controlled entities. (INTOSAI Lima Declaration Sections 18-19)</p> | <p>The Supreme Audit Institution has these powers. Currently the Auditor General carries out mainly compliance audits. Most of the annual accounts of SOEs are audited by private sector auditors. There is no state account.</p> | <p>The Audit Act allows for a full range of audits, but the early concentration should be on audit staff certifying the ministry and state accounts and reviewing private sector audits of the SOE accounts. The planned technical assistance will strengthen certification auditing in the Office of the Auditor General.</p> |
| <p>12. The legislation should set out penalties in the event of noncompliance with the auditing requirements, and these penalties should be applied appropriately.</p> | <p>This is being followed.</p> | |



| STANDARD | PRESENT POSITION | OPTIONS FOR IMPROVEMENT |
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| (2) Setting Auditing Standards | | |
| 13. The government should adopt the INTOSAI Auditing Standards and the IAASB International Standards on Auditing for public sector entities. (ISA 200.5 and INTOSAI Auditing Standards I.0.14) | These standards are embedded in the Audit Office auditing manual but not formally adopted. The Auditor General has responsibility for setting standards under the proposed Audit Act. | Clause 5 (c) of the proposed Audit Act enables the Auditor General to set auditing standards. This should be done formally. A model is provided by the Australian National Auditing Office Auditing Standards, ¹⁷ which incorporate the relevant professional standards and add some specific public sector standards. |
| (3) Code of Ethics | | |
| 14. The INTOSAI Code of Ethics should be fully adopted by the SAI (IAASB ISA 200.4 and INTOSAI Code of Ethics 4), communicated to all staff, and applied. | This has not been adopted. The Supreme Audit Institution has a code of ethics that is part of the employment contract and relates to public service behaviour. | The INTOSAI Code of Ethics should be adopted after due consultation with staff. |
| (4) Accountability in the Supreme Audit Institution | | |
| 15. There should be an accountability process in the Supreme Audit Institution. (INTOSAI Auditing Standards I.0.20) | A Management Committee is in place and the audits are managed through a team structure. | |
| 16. There should be clear responsibility in the SAI for (a) advising on internal finance, keeping proper financial records and accounts, and maintaining systems of internal control; (b) for ensuring compliance with laws and regulations. | Public Service rules are followed. | |
| 17. The SAI should prepare an annual report on its operations and performance, which is separate from its reports on its audits. It should provide an objective, balanced and understandable | This will be required under the Public Finance Law effective 2007. | The Institutional Development Plan should address this issue and assist in the design of the report. |

¹⁷ Notified in the Australian Commonwealth Gazette No. G45, 16 November 2005.

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| account of activities and achievements, and details of financial position and performance. | | |
| 18. The SAI should prepare a corporate plan or equivalent. | Action plans have been required for all government agencies. | The planned technical assistance will assist with developing a 15-year plan. |
| 19. The SAI should undergo peer review or independent performance audit. | This has not been done so far. | The planned technical assistance will serve this purpose. |

(5) Independence Provided by the Legislation

Adequate legislation should be in place for the following core SAI principles of independence if the Supreme Audit Institution is to provide effective external scrutiny:

- Existence and de facto application of an appropriate and effective constitutional and legal framework,
- Independence of SAI Heads including security of tenure and legal immunity in the normal discharge of their duties,
- Sufficiently broad mandate and full discretion in the discharge of SAI functions,
- Unrestricted access to information;
- Obligation to report on their work,
- Freedom to decide on the content and timing of their reports and to publish and disseminate them,
- Existence of effective follow-up mechanisms on SAI recommendations,
- Financial and managerial autonomy and the availability of appropriate human, material, and monetary resources.

(Core Principles of SAI Independence, INTOSAI Sub-committee on SAI Independence, 2004)

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| 20. The legislation should spell out in detail the extent of the SAI independence. (INTOSAI Lima Declaration Section 5) The legislation should assure the independence of the SAI Heads and “Members” (in collegial organizations) and that there is security of tenure and legal immunity in the normal discharge of their duties. (INTOSAI Lima Declaration Section 6) | This has not been done. | The Audit Law provides security of tenure. There is no specific assurance about immunity or the independence of the Auditor General. |
| 21. The SAI constitutional/ statutory/legal framework should ensure that it has | This has not been done. | The budget clause in the proposed Audit Act has been amended for the Auditor General to submit his |



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| <p>available sufficient human, material, and monetary resources. (INTOSAI Lima Declaration Section 7)</p> | | <p>budget to the legislature without amendment.</p> |
| <p>22. A fixed term must be long enough to survive changes of government and avoid pressures concerning re-appointment impinging too early in the term of office of the SAI office holder. A single non-renewable appointment is preferable to avoid those pressures. (INTOSAI Working Group on SAI Independence, 2004)</p> | <p>Period of appointment is indeterminate.</p> | <p>The appointments clause in the Audit Act should include a fixed term.</p> |
| <p>23. The legislation should ensure that the SAI Head is free to determine the organization of the audit office, including personnel and contract management systems and material acquisition/disposal policies and procedures. The SAI should be able to determine personnel policies, including the selection, recruitment, training, remuneration, promotion, discipline, and dismissal of staff and contract personnel. (INTOSAI Lima Declaration Section 6)</p> | <p>At present the SAI Head is not free to perform these duties.</p> | <p>The Audit Act provides flexibility.</p> |
| <p>24. There should be unrestricted access to information. (INTOSAI Lima Declaration Section 10)</p> | <p>This is so.</p> | |
| <p>25. The legislation should give the SAI the right and obligation to report on their work. (INTOSAI Lima Declaration Section 16)</p> <p>The legislation should give the SAI the right</p> | <p>No reporting is required. The Public Finance Act requires tabling of reports on the audits of the accounts of each ministry and the state.</p> | <p>The Audit Act requires reporting but there is some ambiguity.</p> |

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| and obligation to report effectively on its work, and the freedom to decide on the content and timing of its reports and to publish and disseminate them expeditiously. (INTOSAI Lima Declaration Section 17) | | |
| 26. To the extent that findings of the SAI are not delivered as legally valid and enforceable judgments, the Supreme Audit Institution shall be empowered to approach the authority which is responsible for taking the necessary measures and require the accountable party to accept responsibility. (Lima Declaration Section 11.2) | The Public Finance Act provides for surcharge for improper conduct. | |

(6) Qualifications and Skills of the Auditor

The SAI needs qualified accountants to sign audit opinions and auditors must have adequate professional expertise and technical knowledge to carry out audits

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| 27. The syllabus of the government's and the SAI's accounting schools should cover all areas recommended by International Federation of Accountants' educational standards (IES). | This has not been achieved. The Faculty of Management and Computing conducts AAT, CIMA, and ACCA courses. The Modern Academy of Professional Studies conducts the CAT course. | The size of the Maldives training market only allows distance education to service this standard of training and education. The ACCA provides support in Male to a limited extent. The proposed Technical Assistance will look at training and certification needs. |
| 28. There should be adequate professional criteria for recruitment and promotion of auditors. (INTOSAI Lima Declaration Section 14 and INTOSAI Auditing Standards 2.1.4) | Accounting is required for audit staff recruits. The secondary and higher-grade schools teach accounting as a subject. | <p>The Audit Act provides:</p> <p><i>There shall be a special organizational structure for the audit office comprising professional and other employees. The recruitment, promotion, and conditions of services of the officers and employees within the organizational structure shall be as prescribed in the regulations made under this Act.</i></p> <p>The Auditor General needs to have</p> |

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| | | job descriptions with clearly defined responsibilities, qualifications, and performance expectations for all positions in the Audit Office. The planned technical assistance includes advice on HR issues. |
| (7) Training | | |
| 29. The SAI should operate a continuing professional development program for its professional personnel. (INTOSAI Lima Declaration Section 14 and INTOSAI Auditing Standards 2.1.5-2.1.12) | This is mainly achieved through overseas courses. | The planned Technical Assistance includes building an in-house training capacity. |
| (8) Audit Competence | | |
| 30. The SAI should equip itself with the full range of up-to-date audit methodologies, including systems-based techniques, analytical review methods, statistical sampling, and audit of automated information systems. (INTOSAI Auditing Standards 2.2.37) | The Audit Office has an up-to-date certification audit methodology, which it is applying well in its compliance audits. | The roll-out of a computerized accounting system is likely to take some years and at that stage the Auditor General will require additional hardware and software support. The planned Technical Assistance will develop training toolkits covering audit methodology, reporting, and quality control for financial and computerized audit. |
| (9) Quality Assurance | | |
| 31. The SAI should have the requisite quality assurance programs in place to ensure audit performance and results. Written quality control policies and procedures should be communicated to the audit personnel in a manner that provides reasonable assurance that the policies and procedures are understood and implemented. (ISA 220.7) | These are not in place at present. | Quality assurance is included in the proposed Technical Assistance. |

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| <p>Quality control procedures should cover:</p> <ul style="list-style-type: none"> ■ Direction: Assistants to whom work is delegated need appropriate direction. ■ Supervision: During the audit it is essential to (a) monitor the progress of the audit, (b) become informed of and address significant accounting and auditing issues, and (c) resolve any differences of professional judgment between personnel so as to consider the level of consultation that is appropriate. ■ Review: The work performed by each assistant needs to be reviewed by personnel of at least equal competence. (ISA 220.8-220.17) | | |

B. Assessment of Public Sector Auditing Standards and Practices

Results from the audits should hold the executive to account for its fiscal and expenditure policies and their implementation.

| (1) Planning | | |
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| <p>32. The planning process should collect information about the audited entity and its organization in order to identify important aspects of the environment in which the audited entity operates, develop an understanding of the accountability relationships, determine whether appropriate action has been taken on previously reported audit findings and recommendations, assess risk, and determine materiality. (IAASB ISA 300.6-300.9)</p> | <p>The Audit Manual covers this. The staff use the manual for compliance audits.</p> | <p>Improvements in implementation will occur as training improves under the Technical Assistance.</p> |



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| <p>The planning process should identify the scope of the audit, and specify the audit objectives and the tests necessary to meet them. (ISA 300.10-300.12)</p> <p>The planning process should review the internal audit of the audited entity and its work program, identify key management systems and controls, and carry out a preliminary assessment to identify both their strengths and weaknesses, and determine the approach to be adopted in the audit. (ISA 300.9)</p> <p>The planning process should highlight special problems foreseen when planning the audit. (ISA 300.10)</p> <p>The planning process should prepare a budget and a schedule for the audit, and provide for appropriate documentation of the audit plan and for the proposed fieldwork. (ISA 300.10)</p> <p>The planning process should identify staff requirements and a team for the audit. (ISA 300.11)</p> <p>The planning process should familiarize the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary. (ISA 300.7)</p> | | |
| (2) Supervision | | |
| <p>33. The process of supervision should ensure that the members of the audit team have a clear and consistent</p> | <p>The Audit Manual covers this. The staff use the manual for its audits but do not always follow the working paper requirements.</p> | <p>Improvements in consistency in implementation will occur as training improves under the Technical Assistance.</p> |

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| <p>understanding of the audit plan. (INTOSAI Auditing Standards 3.2.3a)</p> | | |
| <p>34. The process of supervision should ensure that the audit is carried out in accordance with the auditing standards and practices of the SAI. (INTOSAI Auditing Standards 3.0.3b)</p> | | |
| <p>35. The process of supervision should ensure that the audit plan and action steps specified in that plan are followed unless a variation is authorized. (INTOSAI Auditing Standards 3.0.3c)</p> | | |
| <p>36. The process of supervision should ensure that working papers contain evidence adequately supporting all conclusions, recommendations, and opinions. (INTOSAI Auditing Standards 3.0.3d)</p> <p>The process of supervision should ensure that the auditor achieves the stated audit objectives. (INTOSAI Auditing Standards 3.0.3e)</p> <p>The process of supervision should ensure that the audit report includes the audit conclusions, recommendations and opinions, as appropriate. (INTOSAI Auditing Standards 3.0.3f)</p> | | |
| <p>(3) Internal Controls</p> | | |
| <p>37. The auditor should obtain an understanding of the entity and its environment, including its internal control, sufficient to identify and</p> | <p>The Audit Manual covers this. The staff use the manual for its audits.</p> | <p>Improvements in the ways to improve the operations of internal controls will occur as training improves under the Technical Assistance.</p> |



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| <p>assess the risks of material misstatement of the financial statements whether due to fraud or error, and sufficient to design and perform further audit procedures. (ISA 315.2)</p> <p>After obtaining an understanding of the accounting and internal control procedures, the auditor should obtain a sufficient understanding of control activities to assess the risks of material misstatement at the assertion level and to design further audit procedures responsive to assessed risks. (ISA 315.90)</p> <p>The auditor should document in the audit working papers: (a) conclusions reached about susceptibility to material misstatement due to error or fraud; (b) the understanding obtained of the entity's accounting and internal control procedures; and (b) the assessment of control risk. (ISA 315.122-123)</p> <p>The auditor should perform tests of controls to obtain sufficient appropriate audit evidence that the controls were operating effectively at relevant times during the period under audit. (ISA 330.23)</p> <p>When the auditor cannot obtain sufficient appropriate audit evidence as to a material financial statement assertion, the auditor should express a qualified opinion or a disclaimer of opinion. (ISA 330.72)</p> | | |

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| <p>The auditor should make the management aware in writing, as soon as practical and at an appropriate level of responsibility, of material weaknesses in the design or operation of the accounting and internal control procedures, which have come to the auditor’s attention. (ISA 315.12)</p> | | |
| <p>(4) Compliance with Laws</p> | | |
| <p>38. The auditor should obtain a general understanding of the legal and regulatory framework applicable to the entity and the industry and how the entity is complying with that framework. (ISA 250.15)</p> <p>The auditor should perform testing and other procedures to help identify instances of noncompliance with those laws and regulations where noncompliance should be considered when preparing financial statements. (ISA 250.18-250.19)</p> <p>Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, the auditor should evaluate the entity’s internal controls and assess the risk that the control structure might not prevent or detect non-compliance. These evaluations should be used to report to management</p> | <p>The Audit Manual covers this. The staff use the manual for its audits.</p> | <p>There is a need to publish the audit reports and also publish the progress in auditees’ responses, or otherwise, to audit reports and recommendations.</p> |



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| <p>on defects in the system of internal controls and the steps that should be taken to improve the system. (ISA 250.17)</p> <p>The auditor should obtain written representations that management has disclosed to the auditor all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements. (ISA 250.23)</p> <p>The SAI should use regularity audit to make sure that the State budget and accounts are complete and valid. The audit procedure may result, in the absence of irregularity, in the granting of a “discharge”. If not other processes are needed to resolve irregularities.</p> | | |
| (5) Evidence | | |
| <p>39. When obtaining audit evidence from tests of control, the auditor should consider the sufficiency and appropriateness of the audit evidence to support the assessed level of control risk. (ISA 500.10)</p> <p>When obtaining audit evidence from substantive procedures, the auditor should consider the sufficiency and appropriateness of audit evidence from such procedures together with any evidence from tests of control to support financial</p> | <p>The Audit Manual covers this. The staff use the manual for its audits.</p> | <p>Improvements in implementation will occur as training improves under the Technical Assistance.</p> |

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| <p>statement assertions. (ISA 500.12)</p> | | |
| <p>40. When inventory is material to the financial statements, the auditor should obtain sufficient appropriate audit evidence regarding its existence and condition by attendance at physical inventory counting. (ISA 500.5)</p> <p>When in substantial doubt as to a material financial statement assertion, the auditor should express a qualified opinion or a disclaimer of opinion. (ISA 500.18)</p> | <p>The Audit Manual covers this. The staff use the manual for its audits.</p> | <p>Improvements in implementation will occur as training improves under the Technical Assistance.</p> |
| <p>(6) Analysis of Financial Statements</p> | | |
| <p>41. In regularity (financial) audit, and in other types of audit when applicable, the auditor should analyze the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with. (INTOSAI Auditing Standards 3.6.1)</p> <p>Analysis of financial statements should be performed to such a degree that a rational basis is obtained to express an opinion on the financial statements. The auditor should ascertain whether:</p> <p>(a) financial statements are prepared in accordance with acceptable accounting standards;</p> <p>(b) financial statements</p> | | |



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| <p>are presented with due consideration to the circumstances of the audited entity;</p> <p>(c) sufficient disclosures are presented about various elements of financial statements; and</p> <p>(d) the various elements of financial statements are properly evaluated, measured and presented.</p> <p>(ISA 200.2-200.12)</p> | | |
| (7) Reporting on Financial Statements. | | |
| <p>42. The auditor should provide an opinion paragraph in the audit report. (ISA 700.4)</p> <p>There should be a reference to the financial reporting framework used to prepare the financial statements (including identifying the country of origin of the financial reporting framework when the framework used is not International Accounting Standards). (ISA 700.12-15)</p> <p>The opinion paragraph should contain an expression of opinion on the financial statements stating the auditor's opinion as to whether the financial statements give a true and fair view (or are presented fairly) in all material respects. (ISA 700.17)</p> | <p>No certification audit is currently conducted but the Public Finance Act requires them in the future</p> | |
| <p>43. The SAI should provide a detailed report amplifying the opinion in circumstances in which it has been unable to give an unqualified opinion. Reports should be made where weaknesses exist in</p> | <p>No certification audit is currently conducted, but the Public Finance Act requires them in the future</p> | |

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| <p>systems of financial control or accounting. (ISA 700.17)</p> | | |
| (8) Reporting on Fraud | | |
| <p>44. The SAI should report fraudulent practices or serious irregularities discovered by the auditors. (INTOSAI Auditing Standards 4.0.7)</p> <p>ISA 240 establishes standards and provides guidance on the auditor’s responsibility to consider fraud and error in an audit of financial statements. The standard requires that – when planning and performing audit procedures and evaluating and reporting the results thereof – the auditor considers the risk of material misstatements in the financial statements resulting from fraud or error.</p> | <p>The audit design tests for material irregularity and fraud. People committing serious offences are prosecuted. During the audit, apparent cases of fraud are referred to the President’s Office and to the Anti-Corruption Board.</p> | <p>Improvements in implementation will occur as training improves under the Technical Assistance.</p> |
| (9) Reporting on Compliance | | |
| <p>45. With regard to regularity audits, the auditors prepare a written report, which may either be a part of the report on the financial statements or a separate report, on the tests of compliance with applicable laws and regulations. (INTOSAI Auditing Standards 4.0.7)</p> | <p>This is being done. Discussion papers are prepared showing requirements, findings, recommendations, and auditee comments. Reports are sent to the auditee, its department, and the President’s Office.</p> | <p>Improvements in implementation will occur as training improves under the Technical Assistance.</p> |

