

Making better use of resources:

A report of the 2nd CAROSAI Master Class

The Bahamas

20-21 October 2006

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Introduction:

1. Throughout the Caribbean region the demands on Supreme Audit Institutions (SAIs) are increasing. They are being asked to speed up the delivery of annual financial audits, move into value for money or performance auditing and more generally play an active role in increasing public accountability and transparency. Most are doing this against severe resource constraints – often with insufficient qualified staff, a lack of modern networked IT systems and inadequate facilities. To some extent most SAIs will require additional resources over the next few years if they are to meet these expectations and to fully carry out their roles as external watchdog ensuring that public monies are used for the purposes they were provided and are used effectively and efficiently.

2. But at the same time as seeking additional resources, the region's SAIs know that they must demonstrate that they are using the resources they currently have to the maximum possible efficiency and effectiveness. They know that they must practice what they preach.

3. As part of the process of looking critically at the way resources are being used, the region's SAIs met in October 2006 for a day and a half of workshops aimed at sharing best practice across the region on how resources can be managed better. This workshop or Master Class followed on from the VII CAROSAI Congress hosted by the Audit Office of the Bahamas. It was organised by the CAROSAI Regional Institutional Strengthening Committee, with assistance from the UK National Audit Office and the INTOSAI International Development Initiative (IDI). It was funded by the Canadian Co-operation Fund. The workshop is part of a series of Master Class run in the region to provide fora for heads of SAIs, senior audit office staff and other interested stakeholders to share best practices and look for ways of generating regional synergies. The first Master Class was held in Miami in October 2005 and focused on ways SAIs might increase their external impacts (See Appendix 1) for list of actions.

4. The workshop covered five main themes:

- How do we know we are doing a good job?
- Staying on top of the business
- Measuring impacts
- Getting the right people
- Mounting the case for more resources

See Appendix 1 for programme

Session 1: How do we know we are doing a good job?

5. For SAIs it is important that they provide an effective external audit service to their legislatures, audited bodies and general community and that this service is provided efficiently and results in high quality work. The workshop sought to examine what needs to be monitored for an SAI to be able to demonstrate effectiveness, efficiency and quality. It was recognised that some of the measures an SAI might need to use would be qualitative and others quantitative.

6. Possible qualitative indicators included:

- Requests for service – if legislatures, audited bodies and others ask for the SAI to carry out particular pieces of work, providing the request is not politically motivated, then this is often an indication of the regard in which an SAI is held;
- Parliamentary use of reports – for example quoting SAI reports in a parliamentary debate or having an impact on legislation;
- Staff morale – results of annual or biannual staff surveys; and
- Endorsement by international organisations – if donors ask the SAI to audit their funds then this is usually an indication that the SAI is seen to be an effective organisation.

7. Possible quantitative indicators included:

- Financial savings arising from the SAI's work;
- The percentage of recommendations accepted and then implemented – this latter indicators pre-supposes that the SAI has the mandate and resources to follow up recommendations;
- Compliance with mandate – for example completion of financial audits by agreed delivery date or publication of agreed number of VFM reports;
- Fee recovery rates – for SAIs who charge clients – the extent to which expected income targets are met; and
- Column inches of positive publicity in newspapers and television or radio air time.

8. In looking at measures of efficiency, some of the indicators highlighted by the workshop included:

- Compliance with budget i.e. the SAI spending and earning what it predicted during the budget planning process;

- Percentage of audits delivered on time and on budget;
- Extent to which staff time is spent on core audit business i.e. the chargeable staff utilization rate; and
- Progressive reductions, or lower than inflation increases in operating costs, for example travel, phones and utilities.

9. In assessing the overall quality of an SAI's work and its compliance with international standards, it was recognised that there were few easy indicators and that one would need to use a variety of approaches. While it might be useful to record the numbers of auditors who are professionally qualified, the extent to which internal quality reviews were functioning, and the extent to which codes of ethics had been signed, more extensive appraisals of quality would need external inputs. Participants considered that it was important to canvas the opinion of legislatures and audited bodies – recognising that some of their comments might be influenced by the audit opinions they had received. Nevertheless, surveys of clients could be revealing. The other tool for quality reviews which participants plan to explore is the use of peer reviews. Several SAIs are planning to look for ways in which they can be reviewed by small teams drawn from the Caribbean and elsewhere. There may be scope here to work with some of the major international donor agencies to seek funding for such reviews, or at least to ensure that the reviews by international bodies are carried out in such a way that the review serves both the SAI and the international donor.

Session 2: Resource management systems

10. Having decided on what are some of the key measures or indicators which are needed to manage an SAI and to demonstrate publicly that the SAI itself is achieving good value for money, then SAIs need systematic cost effective arrangements for collecting that information, ensuring the information is accurate and on time, and that the information is used for decision making. The Workshop looked at resource management systems in use in the National Audit Office in the UK and Audit Office in the Cayman Islands.

11. The UK resource management system has been designed specifically for the NAO and is geared to a large audit office with over 800 people and is more elaborate than is necessary or possible in many parts of the Caribbean but it highlights the way in which key information on the performance of individual audits and their costs is aggregated to provide management information. The Cayman island system runs off the government-wide system in the Cayman Islands and is inexpensive to maintain and operate.

12. The key ingredients of both systems are:
- Job costing – a process of allocating the direct staff costs and all overhead costs to the actual audit or other income generating work carried out by audit staff;
 - Staff utilisation targets – an agreement of how many annual hours SAI staff are expected to spend on actual audits or other income generation work. This will generally vary with junior audit staff being expected to spend a higher proportion of their time on direct work and senior staff spending more time on indirect work. Once the current position is identified there is then scope to drive up staff utilisation rates;
 - Job codes – a unique coding system for all audits and indirect work so that every job can be separately identified and monitored;
 - Job budgeting – a system for recording how long a job is expected to take and what staff (by grade and time), travel and other costs have been committed to ensuring that the job is delivered as planned;
 - Time sheets - a way of recording what time staff spend on each direct and indirect job – so enabling budgets to be compared with actuals.

13. While many Caribbean governments will have systems which SAIs can use there are a variety of routes which SAIs can follow when implementing modern resource management systems. Some have found parts of team-mate or caseware – useful for monitoring staff time and budgets. There may be scope for groups of SAIs to pool resources and have tailor made systems developed. However, increasingly there are low cost excel-based systems now available commercially which may be more accessible..

14. The Cayman Island has now set most of its computerised resource management system in place and is using this as a way of bringing in performance related pay for staff who exceed their targets – delivering audits for lower cost and still to required standards. This work is in its early stages and will be reported on at future Master Classes or other regional meetings.

Session 3: Monitoring impacts

15. When looking at the issue of measuring effectiveness, participants recognised the power of demonstrating to legislatures and civil society that their work had led to direct tangible impacts through money saved or other quantifiable impacts. Participants were able to point to examples where their work had identified over charging, duplicate payments and charges which were not being properly levied. They were also able to point to other

recommendations which had been made and then implemented. But what most were not doing is systematically recording this evidence and presenting it to parliaments, audited bodies and the general community as evidence of their effectiveness.

16. Some SAIs have set annual targets that they will save an agreed multiple of their annual budget. The UK NAO, for example, saves nine times its annual budget each year – most of these saving arising from value for money studies. At this stage in the Caribbean region, it was generally felt that more modest steps should be taken initially. Few SAIs are undertaking many value for money studies and staff are not yet thinking in terms of how their work can have clear financial impacts. In the short-term, it may be more cautious for SAIs to start systematically documenting areas where financial impacts have been made, developing a methodology to extrapolate findings across whole organisations or the whole of government, getting agreement from the audited bodies that savings have been made and seeking independent scrutiny of the claimed impacts. Once systems are in place, audited bodies sensitized and staff skilled in identifying financial impacts, then more stretching targets may be worth setting.

17. In parallel with the focus on financial impacts, SAIs could begin to more systematically and rigorously document other sorts of impacts – time save, other arrangements introduced etc.

Session 4: Getting the right staff

18. To improve efficiency, effectiveness and quality, SAIs need excellent, committed, hard working staff. Many of the region's SAIs feel they have been lucky with the calibre of staff they have been able to recruit and retain – but many also feel that more needs to be done to ensure that they have the right staff at the right time with the right skills and attitudes. In many cases, SAIs are still not fully independent and receive staff via some central government system which is overseen by a Public Service Board and/or Public Service Commission.

19. As the first step in re-focusing an organisation's staff profile, it is important that senior managers develop a human resource strategy for the SAI. Such a strategy would:

- Examine the skills which are needed to ensure that the organisation can carry out sufficient high quality audits to meet current and anticipated expectation;
- Identify how many of the different type of staff it needs;
- Identify where such skills might be found (or the extent to which they might need to be grown internally within the SAI or recruited externally or some mix);

- Agree what package of terms and conditions might be needed to recruit and retain such staff – possibly involving swapping two existing staff positions for one higher grade post;
- Sort out what sorts of contracts might need to be in place – permanent, temporary;
- Identify who, amongst current staff, would have the requisite skills and agree a strategy, possibly involving the unions, for dealing with those staff who might not meet the grade – i.e. redeploying elsewhere in the civil service, voluntary retirement, early pensions etc.

20. While a fully independent SAI would be able to develop and manage this strategy on its own, those working within the frameworks laid down by a Public Service Board or Commission might have a more difficult task. Though even here many of the region's SAIs were able to point out ways in which they had effectively worked with Public Service Boards (PSB). For example, by keeping the PSB fully informed of the SAI's Human Resource Strategy, by demonstrating a high level of competence at recruiting, inducting and retaining staff, and by being prudent about the types of salary packages offered – in most cases slightly more than the standard civil service rate but not outlandish. At the same time, SAIs pointed out that they sometimes needed to be prepared to resist when staff were about to be removed at a moment's notice or when a Ministry of Public Service was seeking to dump unsuitable staff on to an audit office. This might be done in exceptional circumstances by bringing such issues to the attention of Parliament – pointing out which audits could not be completed without proper staff.

21. As part of the general thrust to gain control over hire and fire policies, it is sometimes necessary to demonstrate that the request is about independence and not about creating a situation where the government might lose control. It is important to convince government and others that proper systems are in place, that staff are protected, that human resource manuals have been developed, that tight budget controls are being exercised and that the SAI has the skills to recruit and manage staff and the skills to negotiate with unions.

22. As greater autonomy is gained it is vital to be clear about what functions, and costs, fall on the SAI and what still fall on government. There also tends to be a need to allow staff the option of continuing to be civil servants or transferring to work for the new independent audit office. There is a need to ensure conditions remain broadly similar but that access to enhanced packages is linked to commitment to the new organisation – with possibly a sunset period after which staff would need to have made a decision.

Session 5: Seeking more resources

23. While making better use of existing resources is essential, in many cases in the Caribbean it will not be enough and more resources will be necessary to carry out high quality modern financial and value for money audits. Participants discussed a variety of ways in which they can help make the case for increased resources.

24. At the most general level, in line with INTOSAI best practice, they would like to be funded directly via the legislature. This is starting to happen in some jurisdictions – with a parliamentary commission or its equivalent meeting to examine the SAI’s performance against past plans, consider its budget request (including possibly the pay and remuneration policy), and appoint its external auditor. This body would be statutorily independent of the Committee of Public Accounts – the body set up by the legislature to receive and discuss the SAI audit reports. This separation is important in maintaining the independent of the Committee and the SAI and avoiding any real or alleged conflicts of interest.

25. While not publicly campaigning for more resources, an SAI can do much to create a public climate supportive of its role and conducive to its being granted an appropriate level of resources. Some to the ways it might do this are:

- ensuring that reports are tabled in parliament in a timely manner;
- regular discussions with the Ministry of Finance ensuring that requests for additional funding are couched in the context of adopting best practices in line with other SAIs;
- showing how increased resources directly translates into increased benefits by cutting waste and increasing revenue;
- ensuring that reports have keen public interest;
- looking for ways of reporting which grab attention – audit reports which pin point key issues at the front and not buried in later chapters;
- encouraging Public Accounts Committees to prioritise key reports which will have the most interest;
- network with media (informally) encouraging them to discuss the reports; and
- network with internal public – senior figures in the audited bodies - highlighting value to be added by good external audits.

26. Over and above creating a climate which sees SAIs as worthy of funding, there is a need for SAIs to make professional well researched bids for resources which clearly resonate with the interests of those reviewing budget submissions. To do this an SAI needs to:

- have a good corporate plan – showing clearly where the SAIs is heading and linked to key plans of the government (in a way which does not threaten independence);
- demonstrating in the background context of the plans how the audit universe is becoming more complex – the growth of other delivery mechanisms – public private partnerships etc;
- providing figures showing the growth in public funding and comparing with the funding of the SAI;
- demonstrating how the additional funding will result in faster delivery of audits – perhaps through an increased ability to use IT;
- emphasise the importance of the government having assurance that government expenditure are being properly spent – for external as well as internal credibility;
- show how the changes will enable it to attract, and retain, higher calibre staff; and
- make it clear what the new money will buy and the risks if the new money is not forthcoming i.e. the audits which won't be done, the new projects which won't be scrutinised;

Conclusions

27. The workshop was a first attempt at a regional level to examine how best to manage and secure resources and the work will be followed up in subsequent workshops. Participants were asked what lessons they had learned and what they intended to do as a result of the Master Class on returning to their own organisation. A list is in Appendix 3.

28. Participants agreed that a further Master Class should be run in 2007 – focusing on developing a Strategic Plan for CAROSAI. IDI will take this forward with a small team drawn from the Regional Institutional Strengthening Committee.

One year on - Outputs from Master Class 1 Increasing Impacts

Issues still being worked on:

- CAROSAI to draft letter to encourage the Governments of Belize and Antigua to include the right to undertake VFM studies in the legislation governing their Audit Offices
- Barbados to write up and disseminate report on the extent to which SAIs are free to publish audit reports and what is being done to publicise results:
 - Need to promote work of SAIs better via CAROSAI web and individual SAI website;
 - Cayman Island to assist with setting up web-sites for all SAIs without one – all to share experiences with Dan on costs of setting up, cost of maintaining – including costs of host and other issues – experiences;
 - Need to educate journalist – agree ground rules – and deny access to those who break agreements – get training and watch for spin;
 - NAO to share Communications strategy
- CARICOM seeking to develop model legislation. CAROSAI to maintain liaison – need to obtain copies of all SAI legislation and see how compliant the legislation is with best practice
- Commonwealth Parliamentary Association – Cynthia to follow up with Ruth Blackman of TCI
- Need for list of studies and planned studies on CAROSAI web – TCI to activate

CAROSAI: Master Class 2006

Managing SAI resources – getting the most from what we have and seeking more when we don't

Purpose: This Master Class is an opportunity for senior management in CAROSAI to share experiences on how to carry out their operations more efficiently and effectively and how to persuade Legislatures and Executives to provide extra resources.

Friday 20 October		
9.00 – 9.30	Introduction and welcome	Terrance Bastian and David Goldsworthy
9.30- 11.00	How do we know we are doing a good job? <ul style="list-style-type: none"> ○ What are the things we need to monitor to show we are effective? ○ What are the things we need to monitor to show we are efficient? ○ What are the things we need to monitor to show we are producing high quality work? 	
11.00-11.30	Tea Break	
11.30 – 1.30	Staying on top of the business <ul style="list-style-type: none"> ○ What resource management systems do we have? ○ Do we know how much our audits are costing? ○ What sorts of business reports do we get? 	Dan Duguay
1.30-2.30	Lunch	
2.30 – 3.30	Measuring impacts <ul style="list-style-type: none"> ○ What impacts are we having? ○ How do we measure these? ○ How do we convince others that our impacts are real? 	
3.30 – 4.00	Afternoon tea	
4.00 – 5.00	Getting the right people <ul style="list-style-type: none"> ○ How do we recruit the people with the right skills? ○ De-coupling from Public Service Boards 	
Saturday, 21 October		

9.00 – 10.30	<p>Mounting the case for more resources</p> <ul style="list-style-type: none"> ○ How do we justify more resources? ○ Appearing before finance committees? ○ How do we persuade legislatures/Ministries of Finance? ○ Mounting a public campaign. 	Larry Dennis
10.30-11.00	Morning Tea	
11.30-12.30	<p>Plenary</p> <ul style="list-style-type: none"> ○ What lessons have we learned? ○ How can we take things forward? ○ What should be the theme of the next Master Class? 	

Appendix 3

Commitments from participants

Name	SAI	Action
Veronica Brown	Antigua	Push for what we want by demonstrating best practice
Terrance Bastian	Bahamas	Improve audit costing, strengthen VFM and seek greater independence from Ministry of Finance
Leigh Trottman	Barbados	Track resource utilisations
Edmund Zuniga	Belize	Improve relationship with PAC
Larry Dennis	Bermuda	Bring in performance assessment of staff , change name to office and use a variant of NAO vision statement
Patricia Gordon-Pamplin (PAC)	Bermuda	Build NAO vision statement into operations and seek to hole the PAC in public
Dan Duguay	Cayman Islands	Incorporate percentage increase in public sector budget into bid for resources
Garnet Harrison	Cayman Islands	Build recommendations, savings and impacts into SAI annual report
Edith Victoria Burton Thorpe	Cuba	Report to Ministry of the common links to regions, strengthen VFM audit, and look at resource management arrangements
Nestor Thomas	Guyana	Seek to present budget to PAC and seek legislative changes, do more audits to support stakeholder interests, and develop VFM capability
Adrian Strachan	Jamaica	Explore scope for electronic working papers and the return for amount spent

Florence Lee	Montserrat	Develop measure of savings, track audits electronically, and introduce better competence standards for staff
Magnus Borge	IDI	Look at replicating Master Class across INTOSAI
Archana Shirsat	IDI	Develop a training programme for IDI on project management
Arlette Hyacinth	St Lucia	Want to carry out client survey of Parliament and sell idea of audit committee
Albert Edwards	St Kitts	Develop budget bid to reflect value of funding saved, increased complexity, and size of budget
Dahalia Sealey	St Vincent	Strengthen internal audit
Sharman Ottley	Trinidad and Tobago	Develop system for electronic recording of time spent and assess the internal efficiency of the SAI
Lorelly Pujadas-Charles	Trinidad and Tobago	Seek to have a Public Accounts Commission created independent of Ministry of Finance
John Bourn	UK	Do more reviews of internal audit and look to involve PAC members in EUROSAI