

1. BACKGROUND OF THE AUDIT OFFICE, MANDATE AND LEGISLATURE OVERSIGHT ROLE

GENERAL PRINCIPLES

- 1.1 The basic principles in government auditing are enshrined in the Code of Ethics and Auditing Standards of the International Organization of Supreme Audit Institutions (INTO SAI). Section 1.03 of Chapter 1 states the basic principles for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and reports, particularly in cases where no specific standards apply. With the increasing call for “accountability”, INTOSAI states in 1.020 “With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively”.
- 1.2 Guideline 2 –Applicability of International Standards on Auditing to Audits of Financial Statements of Government Business Enterprises –issued by the International Federation of Accountants (IFAC) are relevant for the guidance of the staff of the Audit Office of Guyana (AOG) as Guyana’s Supreme Audit Institution (SAI) in the audit of government entities that are normally required to operate commercially, i.e. to make profits or surpluses or to recoup, through user charges, their operating costs. Guideline 2 states “The audit objectives for auditing and reporting on financial statements of government business enterprises are similar to those for private sector entities. As such, the same standards should apply regardless of the nature of the enterprise. Users of financial statements are entitled to a uniform quality of assurance and would not be well served by differing standards.” Therefore wherever possible, the audits of financial statements should confirm with International Standards on Auditing (ISAs). ISAs describe the basic principles which govern the auditor’s professional responsibilities, his or her qualifications or essential characteristics (e.g.training, independence, due care etc), the standards and practices for performing audits (e.g. planning and supervision, assessment of risks, the determination of the procedures to be performed etc.) and the form and content of the audit report. As quoted under ISA 200, the principles governing the auditors’ professional responsibilities are independence, integrity, objectivity, professional competence and due care, confidentiality, professional behavior and technical standards.
- 1.3 The United States General Accounting Office in its Government Auditing Standards states in 1.11 “The concept for accountability for public resources is key to our nation’s governing processes. Legislators, other government officials, and the public want to know whether (1) government resources are managed properly and used in compliance with laws and regulations, (2) government programs are achieving their objectives and desired outcomes, and (3) government services are being provided efficiently, economically, and effectively. Managers of these programs are accountable to legislative bodies and the public. Auditors of these programs, provide reports that enhance the credibility and reliability of the information that is reported by the audited entity.” The Government Auditing Standards at 1.12 states “Financial audits contribute to making government entities more accountable for the use of public resources. The

auditors, in providing an independent report on whether an entity's financial information is presently fairly in accordance with recognized criteria, provide users with statements concerning the reliability of the information. Financial audits also provide information about internal control, compliance with laws and regulations, and provisions of contracts and grant agreements as they relate to financial transactions, systems, and processes".

AUDITS OF GOVERNMENT COMPANIES/ENTITIES

- 1.4 The external audit of government companies is governed by several legislative instruments, the most significant being the Companies Act 1991, the Fiscal Management and Accountability Act (2003) and the Audit Act 2004.
The Companies Act 1991 (S344) defines a government company as a company in which not less than 51% of the paid up share capital is held by the government and includes a company that is a subsidiary of a government company. The Fiscal Management and Accountability Act (2003) appoints the Auditor General to audit all entities in which a controlling interest vest in the State. This is strengthened by the provisions of the Audit Act 2004 (S24) where the Auditor General shall be responsible for conducting-
- a. financial and compliance audits; and
 - b. performance and value-for-money audits
- with respect to the accounts of all bodies and entities in which the State has a controlling interest.
- 1.5 The Companies Act 1991 gives clear guidance on the requirements of government companies and the duties of the Auditor.
- 1.6 **S346(1)** A government company shall submit, within six(6) months after the close of the year, to the Minister, an annual report of its transactions, audited accounts and the audit report.
- 1.7 **S346(2)** This annual report together with the Auditor's report shall be printed and laid before the National Assembly within nine (9) months after the close of the year.
- 1.8 **S185(3)** The Auditor's report shall state whether in the Auditor's opinion the financial statements have been prepared in accordance with the Act and whether a true and fair view is given of the entity's state of affairs (balance sheet) and profit and loss (income statement).
- 1.9 **S185(4)** If the Auditor is of the opinion that proper books of accounts have not been kept, that inadequate returns have not been received from branches not visited, or that the financial statements are not in agreement with the books of accounts and returns, he must state that fact in his report.
- 1.10 **S185(5)** If the Auditor fails to obtain all the information and explanations that he considers necessary for the audit, he shall state that fact in his report.

- 1.11 **S168(5)** If the Director's annual report is incomplete or inaccurate in any way, the Auditor shall include in his report on the accounts of the company under section 185, a statement or correction giving the correct and complete information as required by this section.
- 1.12 **S163(8)** Where Director's emoluments are not disclosed in the manner required under this section, the Auditor in his report shall, as far as possible, provide the particulars to meet those requirements.
The Audit Act 2004 also gives the Auditor General wide powers and responsibilities in conducting financial and compliance audits as follows:
- 1.13 **S24(2)** The Auditor General shall examine in such manner as he deems necessary the relevant financial statements and accounts and ascertain whether-
- (a) the financial statements have been properly prepared, in accordance with applicable law, and properly present the operations and affairs of the entity;
 - (b) the accounts have been faithfully and properly kept;
 - (c) the rules, procedures and internal management controls are sufficient to secure effective control on the assessment, collection and proper allocation of revenues;
 - (d) all moneys expended and charged to an account have been applied to the purposes which they were intended; and
 - (e) essential records are maintained, and the internal management controls and the rules and procedures established and applied are sufficient to safeguard the control of stores and other public property.
- 1.14 There may be instances when special assignments are directed to the Auditor General. In these cases the mandates involved would be set out in writing and referred to in any reporting. However, under the provisions of the Audit Act 2004, (S26), the Auditor General may choose to conduct special audits and at his discretion prepare special reports when such audits are completed.

THE MANDATE OF THE AUDITOR GENERAL AND THE AUDIT OFFICE

- 1.15 The Auditor General's role and functions are enshrined in the Constitution of Guyana (section 223). His Office is a public Office and he is responsible to Parliament.
- 1.16 Under the Audit Act of 2004, Section 4(1), the "Auditor General shall be the external Auditor of the public accounts of Guyana and, in the discharge of his functions, shall have complete discretion in examining and reporting on the receipt, disbursement, and control of public moneys and on the economy, efficiency and effectiveness in the use of such moneys." Section 5 of the said Act states "the Auditor General shall, in accordance with article 223(4) of the Constitution, act independently in the discharge of his functions."

The Audit Act of 2004 gives the Auditor General wide powers and authority for the establishment and administration of an independent Audit Office, and to regulate such other matters connected with or incidental to the independent auditing of the finances of the State. The provisions of the Audit Act also strengthen parliamentary oversight over the work of the Auditor General in the discharge of those functions.

GOVERNANCE STRUCTURE

- 1.17 Under Section 25 of the Act, the Auditor General is required to report annually, and within nine months of the end of the fiscal year, on the results of the consolidated financial statements and the accounts of budget agencies in relation to that fiscal year. As per the Constitution (Section 223(3), the Auditor General shall submit reports to the Speaker of the National Assembly, who shall cause them to be laid before the National Assembly.
- 1.18 This responsibility of the Auditor General to report annually to the National Assembly is reiterated by Section 74(2) of the Fiscal Management and Accountability Act of 2003, which states:
- “The Auditor General shall, within nine months following the end of the fiscal year to which the consolidated financial statements relate, present these financial statements together with the audit report thereon to the Speaker of the National Assembly in accordance with law and who shall cause them to be laid before the National Assembly in accordance with Article 223(3) of the Constitution.”
- 1.19 In accordance with Article 223 of the Constitution, the Public Accounts Committee (PAC) of Parliament will exercise general supervision over the functioning of the Audit Office, in accordance with rules, policies and any other law.
- 1.20 Under the Audit Act, the Auditor General is authorized, with the approval of the PAC to make regulations for the administration of the Act, and in the exercise of these functions, the Auditor General shall not be subject to the direction or control of any person or authority.