



AUDITOR GENERAL'S OFFICE



Strategic Plan 2017 - 2019

Providing Value and Benefits to the Nation and Citizens through Public Sector Auditing

www.audit.gov.mv

CONTENTS

AUDITOR GENERAL'S MESSAGE	04
AGO AT A GLANCE	07
OVERVIEW : AGO Strategic Plan 2017-2019	10
THEME OF THE STRATEGIC PLAN	12
SUMMARY : AGO'S Strategies 2017-2019	15
STRATEGIC GOAL 1: Accountability	17
STRATEGIC GOAL 2: Relevance	31
STRATEGIC GOAL 3: Model Organisation	40
STRATEGIC GOAL 4: Professional Accountancy Organisation (PAO)	51
ANNEX I : Underlying meanings of AGO's Motto, Vision and Mission	57
ANNEX II : Organisational Structure	59

AUDITOR GENERAL'S MESSAGE

Hassan Ziyath
Auditor General

It is my pleasure to present and publish the Strategic Plan of the Auditor General's Office (AGO) for the three years commencing from 1 January 2017 to 31 December 2019, along with the AGO's moto, mission and vision statements, and core values. The moto "Auditing for the Nation and Citizens" and the Theme of the Strategic Plan "Providing Value and Benefits to the Nation and Citizens through Public Sector Auditing" encapsulates the fundamental fiduciary accountability of public sector auditing towards the citizens, with the ultimate outcome to provide better value and benefits for the nation and citizens.

The Theme of the Strategic Plan is based on the International Standards of Supreme Audit Institutions (ISSAI) 12 – "Value and Benefits of Supreme Audit Institutions (SAIs) – making a difference to the lives of citizens" issued by the International Organisation of Supreme Audit Institutions (INTOSAI). ISSAI 12 states three objectives and twelve principles which SAIs should pursue to achieve through public sector auditing, that is to make a difference to the lives of citizens. The first three Goals of the AGO's Strategic Plan is based on the three objectives of ISSAI 12; the additional fourth goal of the strategic plan has been proposed

to focus our attention on the development of the audit and accountancy profession in Maldives – a legislative responsibility for the AGO.

The strategic plan aims
to achieve the four
Strategic Goals stated
below:

- Strengthening the Accountability, Transparency and Integrity of Government and Public Sector Entities;
- Demonstrating ongoing Relevance to Citizens, Parliament and Other Stakeholders;
- Becoming a Model Organisation through Leading by Example; and
- Professional Accountancy Organisation (PAO) Development

Whilst fundamentally private sector external auditing is an assurance service, providing assurance on the truth and fairness of the annual financial statements of companies, public sector auditing has evolved and the mandates of Supreme Audit Institutions (SAIs) throughout the world are much wider in scope incorporating responsibilities other than financial auditing.

The AGO plans to discharge its mandate and responsibilities to provide value and benefits to the Nation and Citizens through financial, performance, compliance and special audits. In conducting financial statements audits, the AGO would provide assurance on the truth and fairness of financial statements of public sector entities – including assurance on compliance with budgetary provisions and applicable financial regulations – while AGO's performance audits will focus on the economy, efficiency and effectiveness with which public resources are used. Special audits we conduct will focus on a number of key areas such as fraud, governance, public financial management, etc. The AGO will also be providing advisory services to audited entities focusing on better practice through the publication of white papers.

Professional excellence, independence and objectivity are core values that the AGO aims to promote for external reputation. In terms of professional excellence, we would consistently deliver work of sufficient quality and adopt applicable professional standards and practices and encourage and reward innovation and search for continuing improvements in economy, efficiency and effectiveness in our work. Independence is crucial in providing us with the required integrity and credibility and to engender society's confidence in our work. To be objective in our work, we shall present all written and oral communication in a neutral, fair, constructive and balanced manner. We shall strive to be accurate and reliable.

As well as the outward-facing aspects of our way of working, we must encourage our teams to cooperate with each other. Our aim is to maximise the effectiveness of our institution as a whole by creating an organisational structure and a group of employees whose skill sets complement each other. We seek to recognise and develop the potential of each employee to enhance the capabilities and credibility of our institution as a whole.

Core Values

Team Spirit

We shall achieve the best results when we act and cooperate as a team whilst basing our actions on corporate policies. Contributing our own unique skills promotes knowledge sharing and enhances competence.

Openness

Open and explicit communication results in confidence in the organisation and job satisfaction. Tolerance and recognition of individual characteristics, skills and backgrounds provides the basis for personal and organisational development

Respect

All our employees shall feel appreciated in their own right. This creates confidence and trust, both of which are preconditions for working to the best of one's abilities. We must recognise individual achievements and apply fair and flexible systems to help everyone reach their full potential. We value the differences in individuals and the diversity that they bring to the organisation.

To achieve the strategic goals and objectives, the AGO needs a change in the mind set from conformance to performance, achieving the outcomes and not just outputs, and from managerial and operational issues to strategic focus at the executive levels.

So how does the AGO plan to provide Value and Benefits to the Citizens? The figure below depicts how the AGO's work contributes towards creating value and benefits for the nation and citizens.

Figure 1: AGO's Model to provide Value and Benefits to the Nation and Citizens.



AGO AT A GLANCE

The Auditor General's Office (AGO) is an independent institution of the state headed by the Auditor General (AG),

a constitutionally independent position appointed by the President with the approval by a majority of the total membership of Parliament. The AGO is vested primarily with responsibilities to audit the accounts and institutions of the state, including state-owned companies. The primary mandate, powers and responsibilities of the AG are laid down in the Constitution and the Audit Act (Law no. 4/2007). In addition, other laws such as the Public Finance Act, Fiscal Responsibility Law, Tourism Act and Decentralisation Act also contain specific provisions on the responsibilities of the AG.

Public Sector Auditing in the Maldives officially started in 1948 and on 1st December 2016, AGO marks its 68th anniversary of providing public sector auditing services to the citizens of the Maldives. However, it was in 2008 that AGO became an independent body of the state with the enactment of the Audit Law in 2007 and the appointment of the first independent Auditor General in January 2008. Upon becoming a constitutionally independent body, the AGO started issuing reports to the Parliament and making audit reports available to the public through its website. The Public Accounts Committee (PAC) of

the Parliament is vested with the powers to review the AGO's reports and make the government accountable. The annual and quarterly progress of implementation of AGO's annual work plan is sent to the PAC. **The Public Sector audit mandate is vast and diverse. The general budget sector consists of 35 Accountable Government Agencies (AGAs) which includes the Presidents's Office, 15 ministries and 19 statutory bodies comprising 1115 entities based across 200 inhabited islands.** These institutions primarily receive funding from the annual budget of the State and are required to submit consolidated financial statements prepared in accordance with the Cash Basis IPSAS to the AG annually. The AGO carries out financial statement audits on the accounts of the AGAs, in addition to the consolidated financial statements of the State. AGO is also mandated to audit the accounts of the 200 local councils.

The IFRS based financial statements audit of 17 State Owned Enterprises (SOEs) are contracted out by the AGO to the big 3 international audit firms. At present, external audits of four publicly listed companies (BML, MTCC, MTDC and STO) and three statutory authorities (Maldives Monetary Authority – the Central Bank of

Maldives –, Capital Market Development Authority (CMDA) and Maldives Pension Administration Office (MPAO) are carried out without any involvement by the AGO. In addition to financial statement audits, the AGO also carries out performance and special audits of public institutions, including SOEs. Pursuant to the Audit Act the AG submits to the Parliament an annual work plan (AWP) – detailing specific audit engagements to be conducted in the budget year – along with the annual budget of the AGO.

In addition to the audit mandate, AGO is tasked with further responsibilities which include the **Reviews of the Assets Declarations** of the President, Vice President, cabinet Ministers and heads of the independent institutions that are filed with the AG as per constitutional provisions. In addition, in the absence of an accounting institute, AG is entrusted with the responsibilities to **issue audit licences to private sector auditors and regulate the audit profession** in the Maldives.

AGO is presently headed by the 3rd independent AG with 139 staff (115 audit staff and 24 support staff) including 10 professionally qualified staff and 69 graduates. The average audit experience

of audit staff are 7 years. Most of the audit work is carried out by audit staff based in the head office in the capital city Male'. AGO has re-opened a regional office in Addu City which audits the auditable entities based in four southern atolls (Ga.Atoll, Gdh.Atoll , Fuahmulak City and Addu City).

AGO is committed to building the institutional and technical capacity through staff training and development. **AGO is a member of the International Organisation of Supreme Audit Institutions (INTOSAI) and the Asian Organisation of Supreme Audit Institutions (ASOSAI) and is committed to implementing the International Standards of Supreme Audit Institutions (ISSAIs) developed by INTOSAI.** The financial audit and performance audit methodologies have been developed and are compliant with relevant ISSAIs. AGO has received and completed three institutional and capacity building projects which include the ADB funded project (1996-1998) and two projects funded by World Bank (first project 2007-2008 and the second project 2013-2016).

OVERVIEW :

AGO STRATEGIC PLAN 2017-2019

Theme: **Providing Value and Benefits for the Nation and Citizens through Public Sector Auditing**

Motto

Auditing for the Nation and Citizens.

Mission

Audit and Report to the President, the Parliament and the Citizens on the proper accounting and also on the economy, efficiency and effectiveness in the use of public resources to enhance public accountability.

Vision

Independent, Professional and Effective Supreme Audit Institution (SAI) providing value and benefits to the Nation and Citizens through Public Sector Auditing.

Note: Refer Annex I for the meanings of the Moto, Mission and Vision Statements.

Strategic **Goals**

◀ Goal 1

ACCOUNTABILITY

Strengthening the Accountability, Transparency and Integrity of Government and Public Sector Entities.

◀ Goal 2

RELEVANCE

Demonstrating on-going Relevance to Government, Parliament, Citizens and Other Stakeholders.

◀ Goal 3

MODEL ORGANISATION

Becoming a Model Organisation through Leading by Example.

◀ Goal 4

PROFESSIONAL ACCOUNTANCY ORGANISATION (PAO) DEVELOPMENT

Develop the Professional Accountancy Organisation in the Maldives to strengthen the Accounting and Auditing Profession.

The Core **Values**

▪ INTEGRITY

▪ INDEPENDENCE,
OBJECTIVITY AND
IMPARTIALITY

▪ CONFIDENTIALITY

▪ PROFESSIONAL
COMPETENCE

THEME OF THE STRATEGIC PLAN 2017-2019

Providing Value and Benefits to the Nation and Citizens through Public Sector Auditing

1. The AGO has chosen as the theme for the Strategic Development Plan 2017-2019 "Providing Value and Benefits to the Nation and Citizens through Public Sector Auditing" which is mainly based on the INTOSAI's ISSAI 12 "Value and Benefits of Supreme Audit Institutions (SAIs) – making a difference to lives of citizens". ISSAI 12 proposes three objectives and twelve principles which SAIs should pursue to provide value and benefits of public sector auditing to the citizens. This model is depicted in figure 1. The first three Goals of the AGO's Strategic Plan is based on the three objectives of ISSAI 12; the fourth goal has been proposed to focus our attention on the development of the audit and accountancy profession in the Maldives.

- i. Strengthening the Accountability, Transparency and Integrity of Government and Public Sector Entities;
- ii. Demonstrating ongoing Relevance to Citizens, Parliament and Other Stakeholders;
- iii. Becoming a Model Organisation through Leading by Example; and
- iv. Professional Accountancy Organisation (PAO) Development.

2. Public sector auditing, as championed by the Supreme Audit Institutions (SAIs), is an important factor in making a difference to the lives of citizens. The audit of government and public sector entities by SAIs has a positive impact on trust in society, because it focuses the minds of the custodians of the public purse to use it effectively. Such awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions. Once SAIs' audit results have been made public, citizens are able to hold the

custodians of the public purse accountable. Thus, SAIs promote efficiency, accountability, effectiveness and transparency of public administration. An independent, effective and credible SAI is therefore an essential element of a democratic system of governance where accountability, transparency and integrity are indispensable parts of a stable democracy.

3. In a democracy, structures are created and elected representatives are empowered to implement the will of the people and act on their behalf through legislative and executive bodies. A risk to be considered with public sector institutions in a democracy is that power and resources can be mismanaged or misused, leading to an erosion of trust that can undermine the essence of the democratic system. It is therefore critical that the citizens of a country are able to hold their representatives accountable. Democratically elected representatives can only be held accountable if they, in turn, can hold accountable those who implement their decisions. Consistent with the spirit of the Lima Declaration an important component of the accountability cycle is an independent, effective and credible SAI to scrutinise the stewardship and use of public resources.

4. Acting in the public interest places a further responsibility on SAIs to demonstrate their ongoing relevance to citizens, Parliament and other stakeholders. SAIs can show their relevance by appropriately responding to the challenges of citizens, the expectations of different stakeholders, and the emerging risks and changing environments in which audits are conducted. Furthermore, it is important that SAIs have a meaningful and effective dialogue with stakeholders about how their work facilitates improvement in the public sector. This enables SAIs to be a credible source of independent and objective insight, supporting beneficial change in the public sector.

5. To be able to fulfil their functions and ensure their potential value to citizens, SAIs need to be seen as trustworthy. SAIs only deserve trust if they themselves are objectively judged as being credible, competent and independent and can be held accountable for their operations. To this end, they need to be model institutions, setting an example from which others in the public sector and the auditing profession at large can learn.

6. Finally, the fourth goal focuses on the establishment and development of a Professional Accountancy Organisation (PAO) in the Maldives. The AG has been entrusted with the responsibility of issuing audit licences to private sector auditors and regulate the profession. The introduction of the business profit tax and requirement to submit audited financial statements of private businesses opened up many opportunities for the accounting profession – especially local accountants wishing to practise to setup Small and Medium Practices (SMPs) to provide audit and assurance services. For the long term institutional development of the accountancy profession, a PAO needs to be established through a legislation. The infant SMPs sector needs to be supported through professional development trainings to assist them to provide quality professional services as per International Standards on Auditing (ISAs). The AGO, as the regulator of the profession, plans to monitor and supervise the professional services firms by conducting quality assurance reviews of the audits carried out by the licenced auditors.

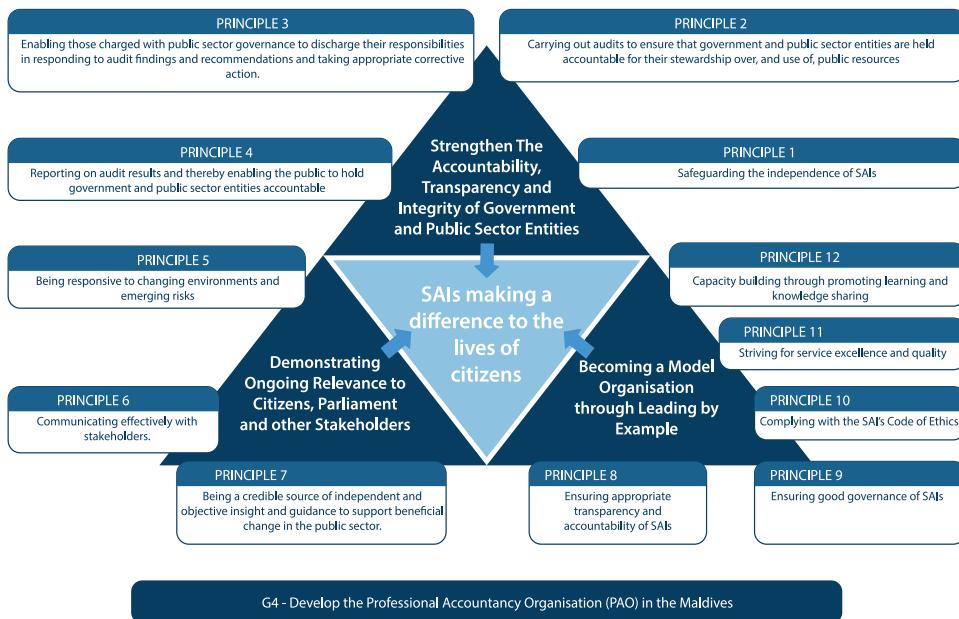


Figure 1: AGO Strategic Goals and Principles as adopted from ISSAI 12 – The Value and Benefits of SAIs – Making a difference to the lives of citizens

SUMMARY OF AGO'S STRATEGIES 2017-2019

Strategic Goal 1: Strengthen the Accountability, Transparency and Integrity of Public Sector Entities

- **G1-S1:** Strengthen the Legislative Independence of the Auditor General and AGO.
- **G1-S2:** Focus on Timely Reporting and better accountability through the Financial Statement Audits of Accountable Government Agencies (AGAs).
- **G1-S3:** Providing increased assurance over Tax and Non-Tax Revenues of the State.
- **G1-S4:** Timely reporting over Public Debt, Government Guarantees, State Consolidated Financial Statements and AG's Annual Report.
- **G1-S5:** Enhancing SOE Audit Strategy: Regular Review Engagements of all SOEs, including PLCs and Financial Authorities of the State.
- **G1-S6:** Assurance through Project Financial Statement Audits.
- **G1-S7:** Implement Local Council Audit

Strategy: Develop financial reporting formats, conduct trainings, outsource audits to local audit firms, revise laws for consolidated financial reporting.

• **G1-S8:** Performance Audits: Focused themes to assist national development and improve matters affecting society.

• **G1-S9:** Compliance & Special Audits: Increase citizen's participation and deter fraud within public sector entities through Fraud Vulnerability and Compliance Assessment.

• **G1-S10:** Strengthen the integrity of public officials through reviews of Assets Declarations.

Strategic Goal 2: Demonstrating Ongoing Relevance to Citizens, Parliament and other Stakeholders

- **G2-S1:** Annual Work Program to better reflect high emerging risks, key issues affecting the nation and society, and incorporate reasonable and valid stakeholder expectations

- **G2-S2:** Implement the Communications and Stakeholder Relations Strategy
- **G2-S3:** Working in partnership with key stakeholders
- **G2-S4:** Publication of White Papers and Better Practice Guides
- **G2-S5:** Technical Training, Professional Development and Skills Enhancement provided through an Audit Academy
- **G2-S6:** Issue regulations and guidelines regarding AGO's responsibilities as stated in various laws

Strategic Goal 3: Becoming a Model Organisation through Leading by Example

- **G3-S1:** Strengthen the implementation of auditing standards adopted by the AGO - ISSAIs and ISAs – and quality assurance framework of the AGO.
- **G3-S3:** Time and Expense – Drive efficiency of audit assignments and other services
- **G3-S4:** Strategic and Results Oriented Management
- **G3-S5:** Implement the Competency Framework to strategically manage human resources to achieve AGO's objectives
- **G3-S6:** Develop and Implement Information and Communications Technology Strategy

- **G3-S7:** Develop, implement and enhance Internal Audit Strategy and Risk Management Strategy

Strategic Goal 4: Professional Accountancy Organisation (PAO) Development

- **G4-S1:** Incorporate the Professional Accountancy Organisation (PAO) in the Maldives through Legislation and get regional and international recognition
- **G4-S2:** Revise and amend the audit licencing regulation to enable the professionalization of audit services
- **G4-S3:** Develop capacity and professionalism of Small and Medium Practices (SMPs) through professional development trainings and seminars
- **G4-S4:** Implement a system of quality assurance of licenced auditors by conducting post-reviews of the audits carried out by them.
- **G4-S5:** Promoting the accounting and audit profession in collaboration with key stakeholders

STRATEGIC GOAL 1: ACCOUNTABILITY

| Strengthen The Accountability, Transparency and Integrity of Government and Public Sector Entities, by:

PRINCIPLE 1: Safeguarding the independence of SAIs.

PRINCIPLE 2: Carrying out audits to ensure that government and public sector entities are held accountable for their stewardship over, and use of, public resources.

PRINCIPLE 3: Enabling those charged with public sector governance to discharge their responsibilities in responding to audit findings and recommendations and taking appropriate corrective action.

PRINCIPLE 4: Reporting on audit results and thereby enabling the public to hold government and public sector entities accountable

PROPOSED STRATEGIES 2017-2019

To ensure that elected officials act in the best interests of the citizens they represent, governments and public sector entities need to be accountable for their stewardship over, and use of, public resources. SAIs strengthen accountability, transparency and integrity by independently auditing public sector operations and reporting on their findings. This enables those charged with public sector governance to discharge their responsibilities, in responding to audit findings and recommendations and taking appropriate corrective actions, and thus complete the cycle of accountability.

G1-S1: Strengthen the Legislative Independence of the Auditor General and AGO

The Constitution and the Audit Act (4/2007) has shortcomings with respect to the independence of the AG when benchmarked with the Lima and Mexico Declaration on SAI Independence. Notably the provisions for the removal of the AG contained in the Constitution requires only a simple majority of the sitting of the Parliament whilst for the appointment of the AG, a majority of the Parliament is required. Legal immunity to the AG and AGO staff is also not provided within the present legislation. Further, areas such as more clarity on the mandate of AG and continuity of office are also required.

AGO would pursue the following strategies during the period 2017-2019 to enhance the independence of AG and AGO:

- a. Submit amendments to Audit Act to enhance independence of AG and AGO to align with Lima and Mexico Declaration on SAI Independence.
- b. Work with the Parliamentary Committee assigned to review the proposed amendments to the Audit Act and assist the committee to pass and table the amendments to the Parliament.

Responsibility Assigned to	Technical Department (Legal Unit) in consultations with AAGs and Audit Directors
Timeline	S1 (a) - July 2016 S1 (b) – February 2017
Resource requirements	Existing AGO technical staff

G1-S2: Focus on Timely Reporting and Better Accountability through the Financial Statement Audits of Accountable Government Agencies (AGAs)

The first set of financial statements of Accountable Government Agencies (AGAs) were issued in March 2010 for the accounts of the FY 2009. The position of the AG remained vacant for the period from March 2010 to April 2011, and the prolonged legal vacuum at the leadership of the AGO posed significant challenges to timely delivery of the audit mandate, thus resulting in a backlog of audits for the AG that took office in May 2011. AGO had to play an active role in advising, training and preparing formats of accounts to improve the financial reporting consistent with the IPSAS Cash Basis Standard. As of October 2016, the AGO has a backlog on the issuance of audit reports of AGAs, which includes pending audit reports related to the FY 2013 (16 audits), FY 2014 (16 audits) and FY 2015 (76 audits), despite the fact that considerable progress has been made in clearing the backlog in 2015 and 2016.

To date, most of the AGAs have not submitted the annual report on the activities carried out during the year along with financial statements, as required under the Public Finance Law. Audit opinions are provided on financial statements as well as on the level of compliance with public financial law and regulations.

Refinements need to be brought to the audit approach to address the systematic issues related to:

- a. Timely Reporting and issuance of AGA audit reports as per the legal deadline, including clearing off the current backlog.
- b. Adaptation of IPSAS Recommended Practice Guide (RPG) 2 "Financial Statement Discussion and Analysis" for the Annual Report of AGAs.
- c. Internal controls over the accounting and reporting through the SAP based centralised Public Accounting System (PAS).
- d. Governance and Risk Management practices arrangements at line ministries.
- e. Off-Budget Contracts and Transactions: Off-budget contracts and transactions that

are not reported through IPSAS cash-based financial statements but for which key resources (non-cash) of the State are allocated.

- f. Improvements to the formats of the AGA Financial Statements in consultation with the MOFT.
- g. Recommendation tracking and follow-up reporting to enhance accountability and taking corrective action on audit recommendations.
- h. Introduce the Accountability Index for Public Sector Entities used by SAI Malaysia to be adapted to our context and requirements.

Responsibility Assigned to	Responsibility Assigned to: Director of Audit – Public Sector in consultations with AAG Financial Audit Division and Financial Audit Working Group.
Timeline	(a) From FY 2017 accounts – timely reporting as per the statutory deadlines. (b)-(h) To be included in the scope of audits related to FY 2017 accounts, to be revised and developed annually. (h) from 2019
Resource requirements	Existing AGO technical staff

G1-S3: Providing increased assurance over state revenue, including analysis and analytics

One of the objectives of forming a separate financial audit department of public sector entities in 2015 titled the Consolidation, Debt and Revenue (CDR) Audit Department is, to provide a focus over the main revenue collection agencies such as the Maldives Inland Revenue Authority (MIRA) and Maldives Customs Services (MCS) and Department of Immigration and Emigration (DIE). The audit procedures, approach and reporting of the department needs to be developed to realise the objectives of forming the department which includes:

- a. Conduct information systems audits of the revenue collection systems of MIRA, MCS, DIE and MOFT (PAS).
- b. Documentation of revenue systems and risk assessments pertaining to the control environment.
- c. Use of analysis and analytics to provide better assurance over the aggregate of various sources and types of state revenues.
- d. Reporting annually on the aggregate budgeted revenue amounts included in the State Budget, actuals realised and reporting on variances including commentary on the differences.
- e. Training auditors of revenue audit department on various regulations and information systems related to state revenue collection and recording.
- f. Maintenance and update of register of tourist resorts and uninhabited islands leased for industrial, agricultural and fisheries related projects.

Responsibility Assigned to	Responsibility Assigned to: Director of Audit – CDR in consultation with AAG Financial Audit Division.
Timeline	From FY 2017 accounts, to be revised and developed annually.
Resource requirements	Existing AGO technical staff to develop analytical procedures, analysis and reviews. Specific training and development required. Expert / Consultation Review required to review and improve practices developed by AGO staff.

G1-S4: Timely reporting on Public Debt, Government Guarantees, State Consolidated Financial Statements and AG's Annual Report

The objectives of the CDR department to be realised through timely submission of the following reports:

- a. **Financial Audits of Public Debt Debt:** As at 30 September 2016, audit report for FY 2011 and 2012 statements issued.
- b. **Audit Reviews on the completeness and accuracy of Government Guarantees:** As at 30 September 2016, audit report for FY 2011 and 2012 statements issued.
- c. **State Consolidated Financial Statements:** As at 30 September 2016, draft audit report for FY 2013 accounts prepared.
- d. **Annual Audit Report of the Auditor General:** The AGO has not issued the Annual Report of the Auditor General. This report would effectively form as the key report to report the summary of the major audit findings for the year along with recommendations. A key strategic priority for the office would be to issue the report from FY 2017.

Responsibility Assigned to	Responsibility Assigned to: Director of Audit – CDR in consultations with AAG Financial Audit Division.
Timeline	Timely reporting as per statutory deadlines from FY 2017 accounts, related methodologies to be revised and developed annually.
Resource requirements	Existing AGO technical staff to develop analytical procedures, analysis and reviews. Specific training and development required. Expert / Consultation Review required to review and improve practices developed by AGO staff.

G1-S5: SOE Audit Strategy: Regular Review Engagements of all SOEs including PLCs and Financial Authorities of the State

Since 2012 the AGO has assumed control of the process of external audits of the majority of SOEs by taking over the responsibility of oversight and signing off the audit reports of the financial statements of SOEs which are outsourced to the three international accounting firms. This is enabled through a tri-partite contract signed by the SOE, Contract Auditor and the AGO. Currently, there are 25 SOEs which are effectively operating and approximately two SOEs which are in the process of being wound-up or not in effective operation. AGO has recently received requests to conduct audits of financial statements of some SOEs in-house to avoid the burden of private sector audit fees. SOEs prepare their financial statements in accordance with the IFRSs and the IFRS for SMEs.

The following strategy would be implemented for the audit of SOEs:

- a. Strengthen the existing outsourcing arrangements through a regulation and better oversight and review on the quality of the audit engagements.**
- b. Increase empanelled auditors** by opening opportunities for qualified local audit firms. Issue regulation to the effect.
- c. Review engagements of SOEs:** Develop mechanism to conduct regular review engagements of all SOEs, including PLCs (with state shareholdings) and financial authorities of the state. As a first step, review the audited financial statements and management letter and suggest other types of audit (Compliance, Special and/or performance), should the review identify relevant issues. And also develop a mechanism to report alleged cases of fraud/corruption identified in our review to the ACC in a timely manner. As a second phase provide technical assistance to SOEs for establishing internal audit and risk management functions. Also, carry out quality review of internal audit and risk management.
- d. Proactive engagement to enhance accountability, governance and risk management.**

- i. Briefing of audit report and management letter to the audit committee of SOEs;
- ii. Technical assistance to strengthen internal auditing and risk management at SOEs;
- iii. Carrying out quality reviews of SOEs internal audit and risk management functions; and
- iv. Engage with PCB and CMDA in the delivery of training and development for Board of Directors with regard to financial literacy and analysis, corporate governance, risk management practices, etc.

Responsibility Assigned to	Responsibility Assigned to: Director of Audit – SOEs and SBs in consultations with AAG Financial Audit Division.
Timeline	To start from FY 2016 accounts, to be revised and developed annually.
Resource requirements	Existing AGO technical staff to develop review engagement guidelines and reporting structure. Specific training and development required. Expert / Consultation Review required to review and improve practices developed by AGO staff.

G1-S6: Assurance through Project Financial Statement Audits

On the request of funding agencies and implementing agencies, the AGO has been conducting financial statement audits of projects funded by various donors and funding agencies. During the period 2016-2020 it is expected that the AGO would undertake annually around 10 of project financial audits. The purpose of these audits is to provide assurance on the truth and fairness of the project financial statements, that the payments are valid and as per the project contracts. Additionally, a review of the project milestones is carried out if the project activities and outputs are as per contractual arrangements and schedule.

Responsibility Assigned to	Responsibility Assigned to: Director of Audit – SOEs and SBs in consultations with AAG Financial Audit Division.
Timeline	From FY 2016 accounts, to be revised and developed annually.
Resource requirements	<p>Existing AGO technical staff to develop review engagement guidelines and reporting structure.</p> <p>Specific training and development required.</p> <p>Expert / Consultation Review required to review and improve practices developed by AGO staff.</p>

G1-S7: Implement Local Council Audit Strategy: Conduct trainings, outsource audits to local audit firms, revise laws for consolidated reporting

The passing of the third amendment to the Public Finance Law has made it mandatory for the Auditor General to conduct the external audit of the financial statements of all local councils including city councils, atoll councils and island councils. As proper financial statements formats has not been issued and the adequate training not provided, the local councils were not able to submit financial statements. As such from 2012, AGO has conducted compliance audits of local councils, about 80 of the 200 councils each year.

The following strategy would be implement for the Local Council Audits:

- a. Develop a financial reporting format for local council financial statements based on the IPSAS Cash Basis reporting framework in consultation with MOFT – done in 2016.
- b. **Conduct trainings** at the Atoll level for all local councils in partnership with LGA, MOFT and local councils.
- c. **Outsource local council audits to local audit firms.** To regularly audit the local councils, it is proposed to outsource local council audits to local audit firms through a bidding process in a phased out approach starting with FY 2016 accounts.
- d. Propose amendments to the Public Finance Law and Law on Decentralisation to enable **consolidated financial reporting at the Atoll level.**

Responsibility Assigned to	(a) Financial Audit Division (b) & (c) SOEs & SBs, Public Sector and CDR audit departments in consultation with AAG Financial Audit Division (d) Technical Dept.
Timeline	(a) Achieved in 2016 (b) By February 2017 (c) By March 2017 (d) Send proposed amendment to Parliament in 2017
Resource requirements	Existing AGO technical staff. Specific training and development required. Expert / Consultation Review required to review and improve practices developed by AGO staff.

G1-S8: Performance Audits: Focused themes to assist nation's development and improve matters effecting society

Performance auditing is a relatively new area of public sector auditing in the Maldives. The AGO established a performance audit function two years ago under the aegis of the World Bank through a capacity development support project. Since then an ISSAI-compliant performance audit manual has been developed. The objective of performance audit is to provide assurance on the economy, efficiency and effectiveness with which public resources are used.

Over the period from 2017-2019, we would provide a special focus on the following audit themes which would provide valuable recommendations and assistance for the Government and Parliament regarding the nation development and improve matters affecting the society. The priorities for the performance audit function are as follows:

- a. Creation of a topics bank. In order to ensure that a robust topic selection mechanism is in place a topics bank which includes only those audit topics that can be pursued – following risk assessment and pre-study stage – will be created. In order to avoid

time lost – due to time spent on risk assessment and pre-study – on topics deemed not auditabile, citizen engagement in topic selection will be facilitated by 2018. Stringent selection criteria will be introduced and topics that pass the criteria will be included in the topics bank.

- b. Increasing efforts towards capacity building and capacity development. As part of the performance audit capacity development, knowledge-sharing within the department will be carried out and support towards CPD programmes for the staff will be increased. The department has plans to conduct more in-house training programmes on performance audit.
- c. Implementation of performance audit ISSAIs. Assessment of compliance with ISSAIs will be carried out using iCAT. While iCAT is expected to be completed by the end of 2016, we hope to address the findings of the assessment by 2018.

Responsibility Assigned to	Responsibility Assigned to: Director of Audit – Performance Audit Dept in consultations with AAG-PSAD.
Timeline	(a) – (c) From FY 2017 to be revised and developed annually.
Resource requirements	Existing AGO technical staff to develop analytical procedures, analysis and reviews. Specific training and development required. Expert / Consultation Review required to review and improve practices developed by AGO staff.

G1-S9: Compliance & Special Audits: Increase Citizen's Participation and Deter Fraud within Public Sector Entities Through Fraud Vulnerability and Compliance Assessment

Fraud and Corruption is a pervasive global problem that threatens public finance, legal order, and social prosperity; endangers social security; and impedes the reduction of poverty. AGO is an ideal position to assist the ACC in the fight against fraud and corruption, promote transparency in the use of public resources and funds, and advocate for preventive measures to address risks related fraud and corruption.

AGO would pursue the following approach in promoting transparency and governance and deter fraud and abuse of state resources:

Special Audits:

- a. **Increase Citizen's Participation:** Increase citizen's participation in the audit process by 2018 by introducing easy ways of reporting complaints with respect to fraudulent practices and abuse and wastage of resources within the public sector entities.
- b. **Improve Special Audit Process:** Enhance the Special Audit process by developing and implementing a special audit methodology by 2018 through which the special audit process will be systematised and further improved to add value and deter and detect fraudulent and wasteful activities within the public sector entities.
- c. **Carryout Fraud Vulnerability and Compliance Assessments:** Design, develop and implement Fraud Vulnerability and Compliance Assessment by the end of the year 2018. Under this initiative, the government entities, statutory bodies, state owned enterprises will be assessed on different areas to ensure if the systems and mechanism required for prevention of fraud are in place and complied with to deter fraud.
- d. **Staff Development:** Provide scholarships to staff to gain CFE qualification. Make sure the department has at least four qualified CFEs by the end of 2018.

Compliance Audits:

AGO would pursue the following approach to ensure the government entities' compliance with established laws and regulations

- e. **Systematise the Compliance Audit Process:** Develop compliance audit manual by the end of 2017.
- f. **Conduct iCAT Assessment:** Carry out assessment using the INTOSAI Compliance Assessment tool developed to identify the gaps in SAI's audit practice with the ISSAI requirements for compliance audits by the end of 2018.

Responsibility Assigned to	(a)-(c) Responsibility Assigned to: Director of Audit – Special Audits Dept in consultations with AAG-PSAD.
Timeline	(a)-(c) From FY 2016 to by the end of year 2018 (d) to be achieved by the end year 2017 (e) & (f) conduct research and develop assessment tools by end of 2017. Conduct pilot assessment and create awareness by end of mid 2018
Resource requirements	Department's existing resources will be used to achieve the strategic objectives.

G1-S10: Strengthen the integrity of public officials through reviews of Assets Declaration

As per the Constitution Chapter 4-7, the President, Vice President, Members of Anti-Corruption Commission should annually file with the Auditor General the declaration of assets. Although the laws are not specific as to what the Auditor General should do regarding the assets declarations filed, the AGO has received legal opinion and advice from the Attorney General that the AGO should conduct a review of the assets declaration to ensure the reliability and truthfulness of the declaration. AGO has issued a format which comprehensively covers the assets declaration issues.

Responsibility Assigned to	Technical Department
Timeline	From FY 2017 to be developed annually.
Resource requirements	Department's existing resources will be used to achieve the strategic objectives. Expert / Consultation Review required to review and improve practices developed by AGO staff.

STRATEGIC GOAL 2: RELEVENCE

Demonstrating Ongoing Relevance to Citizens,
Parliament and other Stakeholders

PRINCIPLE 5: Being responsive to changing environments and emerging risks.

PRINCIPLE 6: Communicating effectively with stakeholders.

PRINCIPLE 7: Being a credible source of independent and objective insight and guidance to support beneficial change in the public sector.

PROPOSED STRATEGIES 2017-2019

SAIs demonstrate ongoing relevance by responding appropriately to the challenges of citizens, the expectations of different stakeholders, and the emerging risks and changing environments in which audits are conducted. Furthermore, to serve as a credible voice for beneficial change, it is important that SAIs have a good understanding of developments in the wider public sector and undertake a meaningful dialogue with stakeholders about how the SAI's work can facilitate improvement in the public sector.

G2-S1: Annual Work Program to better reflect high emerging risks, key issues affecting the nation and society, and incorporate reasonable and valid stakeholder expectations

The Audit Act stipulates that the AG should submit along with the annual budget of the AGO the Annual Work Plan (AWP) setting out the audits that would be carried out. Whilst the present practices do take into consideration judgemental risks associated with audits, complaints, requests from PAC and the Government, the following practices will be adopted to improve the compilation of the AWP for 2017 and beyond:

- a. **Risk Register:** Prepare a risk register, monitor, assign and regularly update risks for all auditable entities in the AGO's Audit Universe. Portfolio managers to be assigned the responsibility to update client portfolio as per the directives issued by Technical Department.
- b. **Evaluate Risks:** Evaluate changing and emerging risks in the audit environment and respond to these in a timely manner, including promoting mechanisms to address financial impropriety, fraud and corruption.
- c. **Stakeholder expectations:** Establish mechanisms for information gathering, decision making and performance measurement to enhance relevance to stakeholders including the auditees, PAC, Government, public, funding agencies...etc. so as to better respond to the respective stakeholder expectations, as appropriate, in a timely manner and without compromising our independence. This would be complimented by the communications and stakeholder relations strategy to educate and manage stakeholder expectations.

Responsibility Assigned to	Technical Department in consultations with AAGs and Audit Directors
Timeline	(a-c) - On going – to be updated and improved annually
Resource requirements	Existing AGO technical staff

G2-S2: Implement the Communications and Stakeholder Relations Strategy

"For an effective audit, effective communication is crucial. Without an effective communication, audit reports may remain on shelves unopened and gathering dust; so they can do little to improve public sector management" (Dr. Recai AKYEL).

AGO has formally adopted the Communications and Stakeholder Relations Strategy developed under the institutional capacity development project and assigned two staff for the communications unit which operates under the Technical Department. The Communications Unit would strive to implement the communications strategy by adhering to the following principles:

- a. Establishing a protocol for reporting and following up instances of fraud uncovered during audit activities;
- b. Developing an effective relationship with the PAC to ensure audit recommendations are acted upon;
- c. Developing mechanisms for receiving points of interest for future audit from stakeholders;
- d. Maintaining a healthy relationship with the media to enable the effective dissemination of audit outputs;
- e. Promoting and protecting the reputation of the AGO by highlighting the importance and success of our work;
- f. Establishing a communications function and maintaining its policies and procedures;

- g. Professionalising, improving and modernising the communications function and its mechanisms;
- h. Enhancing cooperation with national and international organisations to develop best practice in communications;
- i. Supporting networking and information sharing between key stakeholders to further the development of services;
- j. Handling feedback and complaints effectively, and supporting continuous internal improvement as issues are resolved;
- k. Contributing to the legislative process for improving the public management system;
- l. Ensuring a high standard and timely delivery of corporate reporting in relation to communications functions;
- m. Ensuring all persons and offices with external communication responsibilities are properly trained, briefed and supported; and
- n. Keeping staff well informed of SAIs work and its future challenges.

Responsibility Assigned to	Technical Dept: Communications Unit
Timeline	On-going. To be improved and developed in a phased out approach over the period 2017-2019.
Resource requirements	Internal Staff / Research / Exposure / Training

G2-S3: Working in partnership with key stakeholders

AGO believes that beneficial change to nation and citizens would be enhanced through collaboration with key stakeholders. In this regard, the following collaborative efforts and partnerships would be strengthened to achieve the strategic goals

- a. **With Ministry of Finance and Treasury (MOFT):** To reform public sector financial management practices, including but not limited to revisions with related laws and regulations, financial reporting, strengthen action taken on audit recommendations,

training and development of public sector accounting staff...etc.

- b. **With Public Accounts Committee (PAC):** To proactively brief PAC on key audit reports and audit findings while providing assistance to strengthen the capacity of the PAC and PAC secretariat to review audit reports and hold the Government to account through knowledge sharing, training and development initiatives.
- c. **With Privatisation and Corporatisation Board (PCB):** To strengthen financial reporting practices, governance, monitoring and review of SOEs.
- d. **With Anti-Corruption Commission (ACC) and Maldives Police Services (MPS):** To further the fight against fraud and corruption in the public sector including SOEs.
- e. **With Local Government Authority (LGA):** To strengthen the financial record keeping and reporting, internal controls and governance arrangements of local councils.
- f. **With INTOSAI, ASOSAI, IDI and other SAI related associations:** In order to promote the role of the SAI community in addressing global issues related to public sector auditing, accounting and accountability. We would seek to increase the training and capacity development assistance provided to AGO by these associations and development agencies. We would also contribute to the development of the international SAI community by releasing our IDI certified trainer/s and experts based on availability. AGO would also explore to place our technical staff in the INTOSAI's technical working groups.
- g. **Bilaterally with SAIs and Development Agencies:** The AGO will look to exchange knowledge and share experiences with other SAIs through MOUs. The AGO presently holds MOUs with SAI Malaysia, SAI Philippines and plans to sign MOU's with SAI China and renew the MOU with SAI India in 2017. AGO would work with development agencies such as the World Bank, ADB and other agencies to seek funding for technical assistance for capacity building.
- h. **With the Media and Public:** To assist the Media in better coverage of important audit reports and audit findings and keeping the public informed on key audit findings, including better engagement through arrangement for providing feedback and whistleblowing. AGO intends to make better use of the official website to better interact with the public, media and other stakeholders. In this regard, a more user-

friendly website with easier search functionality of audit reports is planned to be launched. The new website would enable the users access to more relevant and useful information on AGO functions and would have such features as Q&A, feedback, whistle-blowing, etc.

Responsibility Assigned to	All Departments
Timeline	On-going, to plan and conduct specific programmes and activities over the period 2017-2019
Resource requirements	Internal Staff / Research / Exposure / Training

G2-S4: Publication of White Papers and Better Practice Guides

The Auditor General has a wider responsibility under the Constitution and Audit Act to strengthen the financial management and financial reporting of public sector entities and SOEs including Public Limited Companies (PLCs) with state shareholdings. As such, instead of confining itself to providing recommendations through audit reports, the AGO plans to, in line with INTOSAI guidelines and practices followed internationally by other SAs, issue white papers and better practice guides related to financial reporting, public financial management, budgetary control and management, internal controls, risk assessment, governance, etc. The objective of issuing such recommendations is to promote a principle-based approach to enhance the governance, financial reporting and accountability practices of the public sector entities and SOEs.

Responsibility Assigned to	Technical Dept in cooperation with all Departments
Timeline	To plan specific topics to be addressed over the period 2017-2019 and issue guidelines.
Resource requirements	Internal Staff through research of better practice guides. Need exposure, training and expert advice.

G2-S5: Technical Training, Professional Development and Skills Enhancement provided through an Audit Academy

An Audit Academy is proposed to be launched in early 2017, would act as the training arm of the AGO, providing technical training, professional development and skills enhancement for AGO staff, finance staff of public sector entities and SOEs, as well as private sector auditors. The Audit Academy would provide training and professional development support related to ISSAIs, ISAs, IFRS, IPSAS, internal auditing and internal controls, risk management and governance, leadership and human resources, ethics, etc. The priority for the academy would be in the short term to address the professional development training (CPD for AGO staff and licenced auditors) and in the longer term to develop and conduct certified courses related to auditing and accounting. We would seek the assistance from international audit firms, SAIs, INTOSAI community and funding institutions.

Responsibility Assigned to	Technical Department
Timeline	<p>Short term trainings - Continued from 2017-2019.</p> <p>Certified courses (Basic and Certificate Level) – to be developed and launched in 2019.</p>
Resource requirements	<ul style="list-style-type: none"> -Most trainings would be delivered by staff from AGO and experts from the private sector audit firms. -Further collaboration would be sought from consultants and other institutions. -Funding requirements to conduct specific trainings and develop curriculum for the certified courses.

G2-S6: Issue regulations and guidelines regarding AGO's responsibilities as stated in various laws

The Auditor General is required to issue regulations and guidelines under various statutes. AGO plans to address these requirements are stated below:

- a. **Formats of annual report, including financial statements of public sector entities as stated in sections 35 and 38 of the Public Finance Law:** AGO is proactively working with MOFT to issue revisions to formats of accounts as per the financial reporting framework as decided by the MOFT. AGO has advised MOFT on formats of accounts for AGA's and Local Councils. For the format of the annual report, IPSAS RPG 2 "Financial Statements Discussion and Analysis" is planned to be adopted for FY 2017 accounts. AGO has also reviewed the formats of accounts for the State (consolidated) Financial Statements and the format is expected to be finalised for FY 2017 accounts.
- b. **Write-off of receivables and losses to the State as per section 9 of the Public Finance Law:** According to the Attorney General's interpretation of section 9 of the Public Finance Law, it is the responsibility of the Auditor General to lay down the accounting procedures to write off receivables/losses to the State. And the Minister of Finance and Treasury shall write off such receivables/losses, pursuant to AG's procedures and with the approval of the President. Thus, AGO will develop and suggest such accounting procedures to MoFT.
- c. **Impairment / Depreciation of Investments:** Section 10 of the Tourism Act provides that tourist islands upon termination or expiry of the lease period should be valued as per the impairment or depreciation policies prescribed by the Auditor General. Moreover, some contracts, signed between the Government and private parties make similar references to such roles and responsibilities of the AG. The Auditor General has advised that accounting policies for impairment or depreciation adopted for the purpose stated above should comply with the IFRSs and IFRS for SMEs, and AGO

would continue to adopt this principles-based approach for similar cases.

Responsibility Assigned to	Technical Dept: Legal Unit
Timeline	On-going. To be developed and revised from 2017-2019.
Resource requirements	Internal Staff / Research / Exposure / Training

STRATEGIC GOAL 3: MODEL ORGANISATION

| Becoming a Model Organisation through Leading by Example

PRINCIPLE 8: Ensuring appropriate transparency and accountability of SAIs.

PRINCIPLE 9: Ensuring good governance of SAIs.

PRINCIPLE 10: Complying with the SAI's Code of Ethics.

PROPOSED STRATEGIES 2017-2019

SAIs must be trustworthy. Their credibility depends on being independent in fact and also to being seen as independent, competent and publicly accountable for their operations. In order to make this possible SAIs need to lead by example.

G3-S1: Strengthen the implementation of auditing standards adopted by the AGO - ISSAIs and ISAs - and quality assurance framework of the AGO.

- a. **Implement ISSAIs for public sector financial statement audits starting from FY 2018 financial statements:** Presently, the AGO follows the International Standards on Auditing for the financial statement audits of public sector AGAs and local councils. AGO is committed to the implementation of the ISSAIs for financial audits

as promulgated by INTOSAI during the INCOSAI Congress held in 2013. The Financial Audit Guide prepared in 2012 based on the ISAs has been reviewed by qualified experts in 2015/2016 and is consistent with the ISSAIs. As such AGO would be able to adhere to the ISSAIs starting from FY 2018 audits.

- b. Strengthen the expertise and knowledge of International Standards on Auditing within the SOEs and SBs Audit Department:** SOEs prepare financial statements based on IFRS and the audited financial statements has to be submitted to Ministry of Economic Development (MOED) in accordance with Companies Act and to MIRA as per the BPT Act. Most SOEs are outsourced to international accounting firms based in Male' and annually about six audits are to be conducted in-house. Further, as AGO would have to review the audits of the licenced auditors, AGO would have to retain technical knowledge, competency and practices of ISAs.
- c. Strengthen the implementation of ISSAIs for Performance Audits:** Performance Audits as started from 2013 are carried as per the Performance Audit Manual which is aligned with the INTOSAI's ISSAI for Performance Audits.
- d. Develop Manual for Compliance and Special Audits:** An audit manual needs to be developed for the Special Audits carried out by AGO. A draft has been prepared and AGO is seeking expertise to align the audit manual and practices as per INTOSAI's guidelines and practices.
- e. Quality Assurance Reviews:** A Quality Assurance Handbook has been developed based on INTOSAI guideline. The AGO has started and would continue to undertake a review of a selected sample of audits. The target is to review annually at least one audit per each manager from all departments. This function would act as a form of providing assurance that the audits were carried in accordance with standards and improve compliance with the standard; the quality assurance engagements would help improve the quality of the audits conducted by the AGO.
- f. Conducting a peer review of the AGO practices by a sister SAI:** Upon completion of iCATs, AGO will invite a sister SAI to conduct a review of its practices. It is an accepted norm and a better practice guide for the SAIs to have a peer review conducted every 5 years.

Responsibility Assigned to	Director of Audits in consultation with AAGs and Working Groups.
Timeline	<p>a. ISSAIs for financial audits of public institutions – applicable for FY 2018 accounts including local council audits.</p> <p>b. ISAs – on going for all SOE audits.</p> <p>c. ISSAIs for Performance Audits – on-going.</p> <p>d. INTOSAI Guidelines / Procedures for Compliance and Special Audits – Draft of the Audit Manual and Procedures to be developed by AGO staff by December 2016, expert review and revision by December 2017.</p> <p>e. Quality Assurance Reviews to be undertaken by the QA-Review Unit of the Technical Dept – on going, to be developed and revised for 2017-2019.</p> <p>f. iCATs – by December 2017. Peer review for 2019 audit cycle.</p>
Resource requirements	Internal Staff / Research / Exposure / Training

G3-S2: Living by the Values of the Code of Ethics of INTOSAI

The Code of Ethics is a comprehensive statement of the values and principles, which should guide the daily work of auditors. The independence, powers and responsibilities of the public sector auditor place high ethical demands on the SAI and the staff they employ or engage for audit work. AGO has adopted the INTOSAI's Code of Ethics – ISSAI 30. ISSAI 30 is addressed to Head of SAIs, executive officers, individual auditors and all individuals working for or on behalf of the SAI who are involved in audit work. All AGO staff including the Auditor General signs up an annual declaration of adherence to code of conduct. It is a priority for AGO to maintain the highest ethical values to uphold the public trust in the institution. In this regard, AGO intends to undertake a self-assessment using IntoSAINT. IntoSAINT (Self-Assessment Integrity) is a self-assessment instrument that SAIs can use to analyse their integrity risks and assess the maturity level of their integrity management systems. IntoSAINT can be an important tool in the implementation of ISSAI 30 – Code of Ethics.

Responsibility Assigned to	Corporate Services Division (HR Unit) to lead the assignment in coordination with Directors from all depts.
Timeline	<ul style="list-style-type: none"> -Undertake training or self-learning on the application of IntoSAINT – HR / Technical Dept -Undertake self-assessment of IntoSAINT by June 2017. -Revise AGO Code of Ethics as necessary and develop policies and procedures to strengthen ethics taking into account the particular context of the country – By December 2017.
Resource requirements	Internal Staff / Research / Exposure / Training

G3-S3: Time and Expense - Drive efficiency of audit and other services

The timesheets of audit staff are maintained on the Teammate TEC (Time and Expense Capture module of the Teammate). The timesheets for technical department and corporate services are in the early stages of implementation. The existing practices are patchy and needs to be improved.

AGO needs to deliver audits and other services within a stipulated timeframe and within reasonable costs. These practices need benchmarking with practices of well-performing SAIs and professional accountancy firms. In this regard, AGO intends to report internally on a regularly basis (monthly / quarterly / annually), the Time and Expense Report of the audit assignments and other services.

Responsibility Assigned to	Director of Corporate Services Dept in consultation with Director - Technical Department.
Timeline	<p>Monthly Time Sheet Report to be regularly tabled on the Excom / Management Committee Agenda from March 2017.</p> <p>Time and Expense Report to be developed and piloted in July 2017. Formally to be adopted for FY 2018 along with the implementation of AWP 2018.</p>
Resource requirements	Internal Staff / Research / Exposure / Training

G3-S4: Strategic and Results Oriented Management

A strategic and results oriented management culture needs to be nurtured at all levels of staff, including the executive, managerial and operational level staff. The prominent discussions in the executive committee should be on strategic priorities, with management and operational issues being decided at the Director / AAG levels, unless otherwise as maybe necessary. Managerial level should concentrate on the operational details to achieve the strategic objectives. The executive committee needs to focus on the following issues on a monthly / quarterly basis;

- i. Quarterly Reviews on the implementation of Strategic Plan 2017-2019;
- ii. AWP Review - Combined Report of the Monthly Accountability Reports
- iii. Monthly budget execution report
- iv. Implementation of procurement plans
- v. Risk Management Report
- vi. Time and Expense Report
- vii. Monthly briefings by the chairs of the sub-committees of Excom, including Audit and Risk Management Committee, Academic Board and other select committees.

Responsibility Assigned to	Executive Committee / Management Committee
Timeline	Initiate to start from March 2017. To be Developed and implemented from 2017-2019.
Resource requirements	Internal Staff / Research / Exposure / Training

G3-S5: Implement the Competency Framework to strategically manage human resources to achieve AGO's objectives

In many organisations competency frameworks have become a major tool in the strategic management of people. Competency frameworks inform and prioritise all human resources activities from recruitment through training and development and performance appraisal to promotion and managing change, and are linked directly to strategic and operational plans.

Taken together, competencies and agreed objectives give a picture of the standard of performance staff need to achieve to deliver the organisation's strategic goals. Objectives help define what should be achieved while competencies help clarify how staff should contribute. Competencies help define the knowledge, skills, behaviours and attitudes staff need to demonstrate in their day to day work to underpin their performance. Staff performance should be measured against both objectives and competencies.

As the remit of the AGO evolves so the skills of staff should also evolve. Thus alongside the skills needs taken from the job descriptions there should be a skills database of staff knowledge and capability. It is vital to the development of organisations that staff receive on-going training in order to deliver a first class service and to ensure all staff are continuously developing their skills and knowledge to meet the changing needs of the Office. Matching the known capabilities to requirements is key to identifying the training needs of staff to enable the AGO to carry out its key work. Gaps are identified and training is organised to fill those gaps. the AGO must require staff to undertake training to maintain and develop their technical skills but there is also a need also to develop the attitudes of staff in terms of how they apply their knowledge and skills in their day to day work. By adopting and applying a competency framework the AGO will be able to meet this need.

A competency framework based on six generic competencies for all levels of staff

1. Basic technical capability = Getting the job done

- Taking a planned approach to work;
- Organising resources available to best effect;
- Monitoring progress;
- Producing quality work in accordance with all manuals and standards;
- Displaying effective drive and resilience.

2. Analytical and methodological approach = Reaching the heart of the matter

- Using correct methodology relevant to work;
- Analysing issues to an appropriate level;
- Reaching sound judgements and opinions backed by sufficient evidence;
- Making decisions the AGO can defend in public.

3. Working as a member of a team = Getting the best from each other

- Treating people as individuals but encouraging their participation;
- Working as a fully effective team member;
- Leading others to deliver best quality work;
- Encouraging others to develop.

4. Training and development = Developing yourself

- Developing yourself to improve continuously your performance;
- Maintaining and updating professional and technical knowledge;
- Ensuring innovation and continuous improvement.

5. Communications = Putting the message across

- Presenting a confident and professional image;
- Possessing a good standard of written and oral communications;
- Working in partnership with others;
- Working with clients.

6. Motivation and Contribution = Moving the AGO forward

- Understanding the context of your work;
- Thinking strategically;

- Leading people in challenging times.

Responsibility Assigned to	Corporate Department – HR unit
Timeline	Continued from 2017-2019
Resource requirements	Internal Staff / Research / Exposure / Training

G3-S6: Implement Information and Communications Technology Strategy

- To provide IT based solution for the Audit Management System** to drive efficiency to be maintained within reasonable and justifiable cost. Presently AGO uses the TeamMate Audit Management Software to manage the audit working papers and time sheets. ICT Unit in association with the technical department needs to take an assessment of the continued use and development of TeamMate software with the other options to provide a long term, effective, efficient, reliable and cost effective system to maintaining the audit management system in an ICT environment. To prepare proposal and implement those proposals that the executive committee decides. In the short term, the TeamMate management system needs to maintained and developed to provide the required levels of audit services.
- To automate all the business processes of the AGO:** Office automation is at an infant stage. Our goal is to have all the business processes of the office automated, and have an integrated database for all support services.
- To build a secure private network for the AGO:** Auditing is conducted across the nation, and the staff travel to all parts of the Maldives every year. The aim is to develop a private network for the AGO, where the staff can work outside the office premises, just as they would work in the office premises of the AGO.
- To digitally archive all the documents of AGO:** At present, hard copies of numerous

documents are filed at various locations within the office premises. The purpose is to digitally archive and store all these documents in a central location, and to develop an easy and quick searching mechanism that would enable fast access to all the documents.

- e. **To install an off-site backup system:** The aim is to have a complete backup of all office data in a highly secure and a reliable location. This would enable the office to restore business processes in case of unforeseen circumstances.
- f. **Develop and update the AGO website:** AGO's website would play a pivotal role in interacting with the public and other stakeholders for us to communicate our audit reports and other information. As such the ICT would launch a new website that would cater to these needs and keep it updated, incorporating the latest trends and functionalities used successfully by other institutions and SAIs.
- g. **Plan and implement other IT and ICT related projects** to drive AGO efficiency and productivity within reasonable cost levels.

Responsibility Assigned to	Corporate Services – ICT Unit
Timeline	Continued from 2017-2019. To provide a plan and phased approach to roll out the plans.
Resource requirements	Internal Staff / Research / Exposure / Training

G3-S7: Develop, implement and enhance Internal Audit Strategy and Risk Management Strategy

a. Risk Management

AGO risk management's vision is to contribute in protecting, developing and sustaining AGO's values and principles by providing reasonable assurance on achievement of its mandate and the aims and goals stated in this Plan. It aims to create a risk-matured culture at the organisation. Whilst it's a journey that has progressively developing elements to it, risk management at AGO requires the commitment of all levels of the management, especially the senior management to this end.

Risk management function at the AGO will carry out series of exercises to help identify, analyse, evaluate and develop measures to manage the key risks to the strategic aims and goals stated in this Strategic (SP). In doing so, it will help the management to develop a risk management policy that encompasses its risk appetite and tolerance levels for the achievement of stated strategic aims and goals. Once such a policy is developed, all the key decisions of the management will be made after due consideration of risks associated with them.

Risk Management at AGO will adopt best practices in the profession for its work. It will use COSO ERM (Enterprise-wide Risk Management) Framework as a risk assessment approach and techniques for developing and implementing its risk management practices.

Goals to achieve

1. Develop risk management strategy, including risk policy; risk appetite; risk tolerance levels
2. Develop a risk register
3. Monitor, refine and fine-tune risk management processes at the AGO

b. Internal Audit

Internal Audit at the AGO is an established function, which is functionally independent from its management, reporting directly to the Audit Committee. Upon learning the importance

of internal audit's role for successful implementation of this SDP, the Charters of Internal Audit and Audit and Risk Management Committee have been enhanced to include risk management within their remit.

A strategic internal audit plan will be developed to provide assurance on the risk management framework that helps deliver the SP's aims and goals. The internal audit strategic plan will draw from, and carry out independent risk assessments of the AGO risk management processes that will inform the strategic focus of AGO's internal audit. The annual plans of the internal audit will be aligned with the action plan for this SDP to ensure its assurances are timely and value-adding.

Internationally recognised practices are used in the internal audit function of the AGO. Attribute and Performance Standards of International Professional Practices for Framework (IPPF) for internal auditing are used at the AGO's internal audit function. These standards add credibility and quality to the work it performs.

Goals to achieve

4. Develop a strategic development plan for the Internal Audit, consistent with the strategic aims and goals of the AGO
5. Align the annual plans of the IA with the Action Plan for the SP
6. Enhance the scope of risk-based internal assignments to provide assurance on the risk management framework of the AGO

Responsibility Assigned to	Internal Audit and Risk Management Function
Timeline	(a-b) Continued from 2017. To develop and implement a phased out approach to undertake the activities 2017-2019.
Resource requirements	Internal Staff / Research / Exposure / Training

STRATEGIC GOAL 4: PROFESSIONAL ACCOUNTANCY ORGANISATION (PAO) DEVELOPMENT

The AGO is mandated the responsibilities to issue audit licences to private sector auditors and regulate the profession. At present a regulation has been issued to regulate the issuance of audit licences, observance of professional auditing standards, ethical requirements and provide for the monitoring of the audit profession. Whilst the requirements of the regulation needs to be strengthened in the short term, for the long term benefit of the profession the Professional Accountancy Organisation (PAO) needs to be established incorporated through a legislation.

PROPOSED STRATEGIES 2017-2019

G4-S1: Incorporate the Professional Accountancy Organisation (PAO) in the Maldives through Legislation and get regional and international recognition

The Auditor General is mandated under the Audit Act to issue licences to private sector auditors and regulate the audit profession in the Maldives. Our objective is to establish the PAO in the Maldives through legislation which would provide recognition as a full member by the South Asian Federation of Accountants (SAFA), the regional accountancy body of the SAARC region which is recognised by the International Federation of Accountants (IFAC). AGO has developed a draft legislation with the assistance from SAFA and is in the process of amending the draft to suit the local context and circumstances. It is proposed that the Auditor General and AGO would adopt a grandfathering approach and play a prominent role in the governing council of the proposed PAO until it becomes self-sustaining and reaches maturity.

Responsibility Assigned to	Technical Dept and Financial Audit Division.
Timeline	Send draft of the bill to obtain Attorney General's legal comments by February 2017 Send revised draft of the PAO Bill to the People's Majlis by April 2017
Resource requirements	Internal Staff / Expert Review from SAFA and audit community

G4-S2: Revise and amend the audit licencing regulation to enable the professionalization of audit services

AGO has issued a regulation titled "Regulation for Statutory Audit and Assurance Services in the Maldives" first issued in April 2012 with current revision in 2015. The Regulation is made pursuant to the authority granted to the Auditor General by the Section 3 (c)

of the Audit Act 2007 to set rules, regulations and standards governing the audit in the Maldives, and by the Section 5(j) of the Act to set rules and procedures for the issuance and cancellation of audit Operating Licence in the Maldives, and to issue and cancel audit Operating Licence according to the set rules and procedures.

Further revisions to the audit regulation are proposed, in consultation with key stakeholders, to achieve the following objectives:

- i. To help develop the accountancy and auditing profession by standardising the process of issuing and cancellation of practising certificate to suit the local requirements; and
- ii. To ensure consistency in the application of rules and procedures established for the purpose of issuance and cancellation of audit practising certificates while, at the same, enabling the development of an auditing and accountancy profession grounded on sound principles; and
- iii. To create a conducive environment for the aspiring Maldivian accountants to establish themselves in the auditing and accountancy profession; and
- iv. To provide a level playing field for all the firms and sole practitioners in public practice offering statutory audit and assurance services in the Maldives; and
- v. To promote quality, expertise and integrity in the auditing and accountancy profession the Maldives; and
- vi. To harness public confidence in the statutory audit and assurance services delivered in the Maldives; and
- vii. To ensure that auditing and accountancy profession in the Maldives is properly regulated and well-governed.

Responsibility Assigned to	Technical Dept in consultation with Audit Licencing and Disciplinary Committee.
Timeline	Regulation to be reviewed annually and amended if necessary.
Resource requirements	Internal Staff / Research / Exposure / Training

G4-S3: Develop capacity and professionalism of Small and Medium Practices (SMPs) through professional development trainings and seminars

The SMPs have been undertaking an increasing share of the audits of financial statements of small and medium sized firms in addition to accounting and other advisory services. The SMPs are also providing employment opportunities to semi-qualified accountants. Most of the SMPs are at the infant stages of developing the audit procedures and practices as per the ISAs although a few SMPs has graduated and have been awarded the A category recognition by MIRA to audit large companies.

The AGO sees the following priority areas for capacity development to be addressed through training programs and seminars.

- a. Quality Controls for SMPs
- b. IFRSs for SMEs
- c. ISAs with a special focus on application for SMP practices
- d. Accounting standard for micro enterprises developed by CA Sri-Lanka
- e. Provide an Audit Manual for SMP audit working paper documentation

Responsibility Assigned to	Technical Dept: Communications Unit
Timeline	Continued from 2017
Resource requirements	<p>-FAD, Technical Department and Training Unit to plan and coordinate the trainings.</p> <p>-Trainings to be undertaken by AGO Staff in collaboration with the international audit firms EY, KPMG, PWC as well as with Chartered Accountants of Sri-Lanka in undertaking these trainings.</p> <p>-On-going, continued from 2017-2019.</p>

G4-S4: Implement a system of quality assurance of licenced auditors by conducting post-reviews of the audits carried out by them.

The regulation on issuance of audit licence, also places upon the AGO the responsibility to undertake quality assurance reviews of licenced auditors. The reviews would be carried out in phased approach.

- i. First phase (2016/2017): The purpose of these initial reviews is to initially create an environment of seriousness to adhere to the ISAs in undertaking the audits and identify areas for improvement. A selected number of audits from all licenced auditors would be reviewed during the period 2016/2017. A follow-up review would be undertaken to ensure that recommendations are acted upon.
- ii. Second phase (2018/2019): More serious quality reviews would be undertaken during the second phase. AGO would take more serious action to discipline the licenced auditor who fail to observe the necessary standards of quality.

Responsibility Assigned to	Technical Dept: Communications Unit
Timeline	On-going. Continued from 2017-2019
Resource requirements	Internal Staff / Research / Exposure / Training

G4-S5: Promoting the accounting and audit profession in collaboration with key stakeholders

AGO in collaboration with key stakeholder would strive to represent and uphold the interest and concerns of the accountancy and audit profession at various forums and events, both locally and internationally. Among these initiatives would include:

- i. **Organise the Audit Forum:** An forum of practicing accountants, auditors and key stakeholders to provide a forum discuss the developments in accounting and auditing standards, ethical requirements, and challenges facing the profession.
- ii. **Representation at international forums** such as SAFA, CAPA and IFAC events.
- iii. **Stronger ties with CA Sri Lanka and PAOs**

Responsibility Assigned to	Technical Dept: Communications Unit
Timeline	On-going. Continued from 2017-2019
Resource requirements	Internal Staff / Research / Exposure / Training

ANNEX I: UNDERLYING MEANINGS OF AGO'S MOTO, VISION AND MISSION STATEMENTS

Motto

Auditing for the Nation and Citizens.

Meaning:

- Nation: Symbolises the public resources of the country, which belong to the present and also future generations of the citizens of country.
- Citizens: Stress the fundamental fiduciary accountability of public sector accounting and auditing is for the citizens / shareholders.
- FOR stresses the ultimate reason why the AGO exists and FOR what purpose.

MISSION

Audit and report to the President, the Parliament and the Citizens on the proper accounting and also on the economy, efficiency and effectiveness in the use of public resources to enhance public accountability.

Meaning:

- **To whom we report to:** President (representing the Head of the Government and State as stated in the Constitution), Parliament (PAC – providing oversight function and making the Government accountable with the assistance from AGO reports), Citizens (representing the owners of public resources) –the three stakeholders within the Public Accountability Cycle.
- **Proper accounting:** financial reporting and financial statements audits.
- **3 E's:** representing performance auditing.
- **Enhance public accountability:** what financial auditing and performance auditing should result in.

VISION

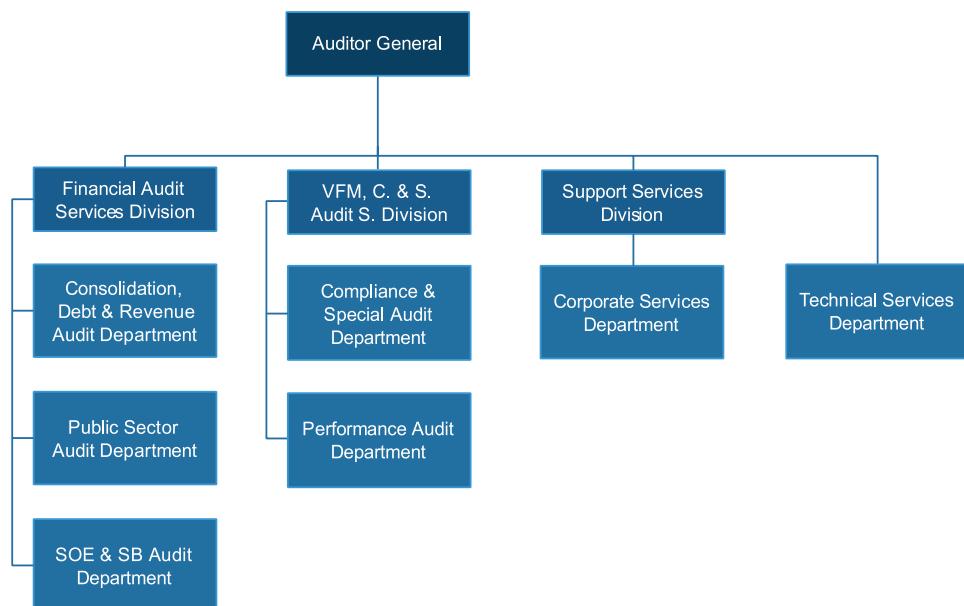
Independent, Professional and Effective Supreme Audit Institution (SAI) providing value and benefits to the Nation and Citizens through public sector auditing.

Qualities:

- **Independence:** Fundamental for an SAI as promulgated in the LIMA and Mexico Declarations and UN Resolution.
- **Professional:** Encapsulates the values of professional standards, i.e. integrity, independence, objectivity and impartiality, confidentiality and professional competence
- **Effective SAI:** Results-oriented, timely reporting and providing recommendations that are relevant and AGO recommendations are respected and adhered
- **Outcome:** Public sector auditing should ultimately result in creating / providing value and benefits to the Nation and Citizens.

ANNEX II:

ORGANISATIONAL STRUCTURE





1st Floor, Ghazee Building
Ameeru Ahmed Magu, 20114
Male', Republic of Maldives
Tel: (+960) 3323939, Fax: (+960) 3316430
Email: info@audit.gov.mv
www.audit.gov.mv