

Operational Input (OI)

TRINIDAD & TOBAGO

Institutional Strengthening of the Auditor General's Department (TT-T1024)

Date	June, 2011
Relationship to Loan	<p>The objectives and components of the proposed OI are directly aligned with the Programmatic Policy-Based Loan series entitled “Public Capital Expenditure Management Program”. The programmatic series comprises three independent but technically related operations starting with TT-L1019 (fully disbursed in December 2010), subsequently TT-L1020 (pipeline), as well as the third operation which has not yet been registered. The objective of the programmatic series is to enhance and modernize public capital expenditure management in Trinidad and Tobago. For this purpose, the program combines policy initiatives and government actions in three areas: (1) Policy design and public investment management; (2) Public procurement; and (3) Public financial management and audit.</p> <p>This OI has been prepared in response to a formal request from the Minister of Finance. It focuses on the area of external audit as a key component of improving the quality and effectiveness of public financial management (PFM) in Trinidad and Tobago. The Government of Trinidad & Tobago (GoRTT) has recently approved the Policy Note for the Auditor General's Department (AGD), which seeks to provide a framework for the strengthening in the operational efficiency and capacity of the Department. By and large the AGD finds itself facing new and changing circumstances with respect to a variety of challenges including the rapid expansion of Government operations; and changing international accounting and auditing standards and audit responsibility.</p> <p>The proposed OI would provide technical assistance to the AGD (i) to address the critical governance and institutional weaknesses that adversely affect the performance of its duties namely in the areas of audit coverage, professional skills and independence; and (ii) to heighten public accountability (focused on accounting practices) to the society, particularly as it concerns the Parliament (Public Accounts Committees).</p>
Project Team	Benjamin Santa Maria (ICS/CTT) Project Team Leader; Jorge Luis Von Horoch (ICF/ICS); Magda Theodate (PDP/CTT); Denise Salabie (PDP/CTT); Dale James (CCB/CTT); Rosina de Souza (LEG/SGO); and Luz Melody Ladrón de Guevara (ICF/ICS).
Responsible Division	Institutional Capacity of the State Division (ICF/ICS).

Executing Agency	Inter-American Development Bank (IDB). GoRTT has requested the Bank to be the Executing Agency ¹ .
Unit of Disbursement Responsibility	Country Office Trinidad and Tobago (ICS/CTT).
Source of Funding	To be determined by Grants and Cofinancing Management Unit (GCM) in accordance with the corresponding trust fund agreements.
Objective	Develop an institutional strengthening strategy to be implemented through the Public Capital Expenditure Management Program (TT-L1020) aimed at enhancing the external oversight function of the AGD.
Description	<p>Despite that audits are universally recognized as an essential instrument to assess accounting practices in public management, until recently (with the approval by Cabinet of the Policy Notes for Public Financial Management and External Audit in October 2010), there was no approved policy framework within which a financial management reform agenda could be defined. The Office of the Auditor General finds itself facing new and changing circumstances with respect to a variety of challenges including governance and institutional capacity weaknesses as follows:</p> <ul style="list-style-type: none"> - Governance: (i) due to a dichotomy in the external auditing framework for state enterprises, the AGD has no explicit audit mandate in respect of public monies allocated to state enterprises (estimated in US\$1.16 billion for FY 2010/2011) which represent half of the government investment program, and (ii) the process for the transmission of audited financial statements of state enterprises to Parliament does not go through the AGD. - Institutional capacity; (i) limited resource endowments, (ii) limited capacity to carry out audits in an effective and efficient manner, (iii) absence of modern techniques and approaches in audit, (iv) the rapid expansion of Government's systems, operational demands, and increased flow of public funds surpasses the capability and capacity of the AGD, and (v) changing international accounting and auditing standards and audit responsibility. <p>The Government and the AGD have agreed that opportunities exist for improving the quality and effectiveness of public financial management in Trinidad and Tobago. This includes the strengthening of the AGD, with the following goals:</p> <ol style="list-style-type: none"> 1. To ensure the integrity of the public financial management system in accordance with Government's stated policy. 2. To maintain and advance the capability and effectiveness of the AGD in providing the external oversight function for Government's public financial management system. 3. To expand its focus to the audit of all public monies and all the activities to which public monies are allocated, i.e. beyond the current focus on public entities.

¹ Letter from the Minister of Finance, dated February 4, 2011.

	<p>4. To provide adequate and appropriate staffing, on a timely basis.</p> <p>5. To ensure the independence of the AGD.</p> <p>6. To ensure that the AGD has the capacity and resources to develop its staff and to meet the challenges of a modern public financial management system.</p>
Components	<p>The program will finance the following activities:</p> <p>Component 1: Capacity Assessment and Strategy for the Institutional Strengthening of the Auditor General’s Department. This component will include an assessment of the AGD in order to identify the strengths, weaknesses, gaps and constraints that it faces. Areas to be assessed will include the organizational structure; human resource, particularly its professional staff; audit coverage and methodologies employed; familiarity and use of international accounting and auditing standards; use of information technology; and level of actual audit work outsourced to the private sector. An institutional strengthening strategy will be developed consequently.</p> <p>Component 2: Support to the first steps of the Institutional Strengthening Strategy. This component will fund activities related to the first steps of the institutional strengthening via the transfer of knowledge in international best practices, which may be suitable to the local audit environment. Activities will include:</p> <ul style="list-style-type: none"> • Readiness assessment across the entire audit cycle for comprehensive process of auditing; • Mapping, reviewing and re-engineering of the main audit processes and systems (eg. work papers, workflow, records management, etc); • Reassessment of professional proficiency in selected audited units through: <ul style="list-style-type: none"> ➢ Review of resource endowments, including a headcount; ➢ Review of audit manuals and guidelines; and ➢ Review of existing skills in audit methodologies and processes. <p>Component 3: Examination of the Institutions through which Public Accountability is enforced. Activities will include:</p> <ul style="list-style-type: none"> • Review of international best practices as they relate to options for the AGD to become more functionally independent by obtaining more control over it’s human and financial resources so as to objectively and effectively accomplish its tasks. • Update of the draft bill for the National Audit Office of Trinidad and Tobago so as to ensure co-ordination with Ministry of Finance (Treasury Dept) and the Parliament. • Review and identification of immediate legislative amendments required to effectively strengthen the audit remit and mandate of the AGD and development of a medium term plan for legislative reform. <p>Component 4: Heightening of Public Accountability Through Support to Parliament. Activities will include:</p> <ul style="list-style-type: none"> • Review of international best practices as they relate to governance for public accountability, including the relationship with Media. • Identification of options to support Parliament’s Public Accounts Committee (PAC) for the thorough review of external audit reports and

	in the follow-up on findings and recommendations.
Expected outputs	<ol style="list-style-type: none"> 1. Institutional Strengthening Strategy (Phase I) attaching an action plan, completed; 2. Improved audit manuals and detailed technical guides to help promote the practical use and achievement of the required standards completed; 3. Training program approved and certificates granted; 4. Revised draft legal framework completed; 5. Revised workflow between the links in the chain of control for public accountability completed; 6. Final evaluation and action plan for Phase II completed.
Expected Outcomes	GoRTT readiness for implementing core actions proposed in the institutional strengthening strategy developed through the OI.
Timeline	Execution Period: 18 months; Disbursement Period: 24 months.
Budget	US\$ 300,000.00 from source of funds to be confirmed by GCM.
Budget breakdown (Annex 1)	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35793703
Procurement/contracting plan	All contracts will be carried out in accordance with the “Policies for the Procurement of Goods and Works Financed by IDB” (GN-2349-7), and “Policies for the Selection and Contracting of Consultants Financed by the IDB” (GN-2350-7), and what is established in the Procurement Plan. In order to build capacity, there will be consideration to continue a twinning arrangement between the AGD and a Supreme Audit Institution involved in the same activities from a developed country like the United Kingdom’s National Audit Office. ²
Procurement Plan (Annex 2)	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35793717
Results Matrix (Annex 3)	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35777134
Terms of Reference (Annex 4)	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35936370
Signed Agreement with United Kingdom	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=36229871
Conditions for disbursements	None

² Currently an agreement signed in 2010 between the AGD and UK’s NAO (through a lead consultant from its International Technical Cooperation Unit) covers training activities provided to 60 staff of the former’s Department in basic and advanced value for money techniques and supervision of value for money audits. This agreement will be completed in June 2011; its continuation will depend upon the UK’s NAO capacity to handhold the AGD through a more comprehensive capacity building strategy in situ, to be discussed and negotiated. Should grant resources confirmation be received from GCM for the proposed OI (i) component 1 including M&E activities as described in the TORS may be merged into one consultancy, and (ii) components 2, 3 and 4 would be implemented through a new arrangement with UK’s NAO (SSS in line with Bank policies).

Advance of Funds	N/A
Evaluation	Final Participatory Evaluation Report (outputs and processes).
Reports	Progress Reports, Consultant Reports.
Audits	N/A

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Annex 1 - Budget Breakdown for Operational Input
(US Dollars)

	IDB	GOTT	Total
Component 1: Capacity Assessment and Institutional Strengthening Strategy [22 consultancy days estimated]	\$50,000.00	\$0.00	\$50,000.00
Component 2: Support to the initial Implementation of the Institutional Strengthening Strategy [53 consultancy days estimated]	\$120,000.00	\$0.00	\$120,000.00
Component 3: Examination of the Institutions through which Public Accountability is enforced [18 consultancy days estimated]	\$40,000.00	\$0.00	\$40,000.00
Component 4: Heightening of Public Accountability through Support to Parliament [18 consultancy days estimated]	\$40,000.00	\$0.00	\$40,000.00
Monitoring and Final Evaluation Report [20 consultancy days estimated]	\$45,000.00	\$0.00	\$45,000.00
Contingency	\$5,000.00	\$0.00	\$5,000.00
	\$300,000.00	\$0.00	\$300,000.00

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Annex 2 - Procurement Plan for Operational Input

(US Dollars)

Ref. No. ¹	Description of and category of procurement contract	Estimated cost in (US\$ thousands)	Procurement method ²	Source of financing and percentage		Prequalification ³ (Yes/No)	Estimated Dates		Status ⁴ (pending, in process, awarded, cancelled)	Comments
				IDB %	Local / Other %		Publication of specific proc. notice	Completion of contract		
1	GOODS AND WORKS									
	None									
2	CONSULTING SERVICES (Individual)									
	None									
3	CONSULTING SERVICES (Firm)									
3.a	- Capacity assessment, institutional strategy, implementation plan, and M&E	\$50,000	SSS	100%	0%		May, 2011	May, 2011	Pending	ToRs drafted, and international consulting firm of exceptional worth for the assignment identified.
3.b	- Improved audit manuals and detailed technical guides; - Initial program approved and training certificates granted; - Legislative review and draft legal framework; - Proposed workflow between the links in the chain of control for public accountability.	\$245,000	SSS	100%	0%		July, 2011	May, 2011	Pending	Setting up a twinning arrangement between the AGD and a Supreme Audit Institution involved in the same activities from a developed country like the United Kingdom's National Audit Office will also be explored to build capacity ¹ .

¹ Currently an agreement signed in 2010 between the AGD and UK's NAO (through a lead consultant from its International Technical Cooperation Unit) covers training activities provided to 60 staff of the former's Department in basic and advanced value for money techniques and supervision of value for money audits. This agreement will be completed in June 2011; its continuation will depend upon the UK's NAO capacity to handhold the AGD through a more comprehensive capacity building strategy in situ, to be discussed and negotiated. Should grant resources confirmation be received from GCM for the proposed OI (i) component 1 including M&E activities as described in the TORS may be merged into one consultancy, and (ii) components 2, 3 and 4 would be implemented through a new arrangement with UK's NAO (SSS in line with Bank policies).

¹ If there are a number of similar individual contracts to be executed in different places or at different times, these can be grouped together under a single heading, with an explanation in the comments column, indicating the average of individual amount and the period during which the contracts would be executed. For example: an education project that includes school construction might include an item labeled “School Construction” for an estimated cost of US\$20 million and an explanation under the Comments column such as this: “This item encompasses some 200 contracts for school construction averaging US\$100,000 each, to be awarded individually by the participating municipal governments over a three-year period between January 2006 and December 2008.”

² **Goods and Works:** **ICB:** International competitive bidding; **LIB:** limited international bidding; **NCB:** national competitive bidding; **PC:** price comparison; **DC:** direct contracting; **FA:** force account; **PSA:** Procurement through specialized agencies; **PAs:** Procurement agents; **IA:** Inspection agents; **PLFI:** Procurement in loans to financial intermediaries; **BOO/BOT/BOOT:** Build, own, operate/build, operate, transfer/build, own, operate, transfer; **PBP:** Performance-based procurement; **PLGB:** Procurement under loans guaranteed by the Bank; **PCP:** Community participation procurement; **Consulting Firms:** **QCBS:** Quality- and cost-based selection; **QBS:** Quality-based selection; **FBS:** Selection under a fixed budget; **LCS:** Least-cost selection; **CQS:** Selection based on the consultants’ qualifications; **SSS:** Single-source selection; **Individual Consultants:** **QCNI:** Selection based on comparison of qualifications of national individual consultants; **QCII:** Selection based on comparison of qualifications of international individual consultants.

³ Applicable only to Goods and Works in case the new Policies apply. In the case of previous Policies, it is applicable to Goods, Works and Consulting Services.

⁴ Column “Status” will be used for retroactive procurement and when updating the procurement plan.

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Annex 3 - Results Matrix for Operational Input

Project Objective	Develop an institutional strengthening strategy to be implemented through the Public Capital Expenditure Management Program (TT-L1020) aimed at enhancing the external oversight function of the AGD.								
Outcome Indicator	Base Level				Target Level			Comments	
GoRTT readiness for implementing core actions proposed in the institutional strengthening strategy developed through the OI	Baseline (February 2011): 0				% of core actions recommended in the institutional strengthening strategy developed by this OI being implemented in a way that indicates compliance with trigger established for PBL PCEMP TT-L1020			This goal will be verified in the final participatory evaluation of the Program.	
Component 1: Capacity Assessment and Strategy for the Institutional Strengthening of the Auditor General's Department.	Base	Year 1 (first quarter)	Year 1 (second quarter)	Year 1 (third quarter)	Year 1 (fourth quarter)	Year 2 (first quarter)	Final evaluation	Target	Comments
Outputs									
Institutional Strengthening Strategy and Implementation Plan completed			1					1	Verifiable through implementation plan submitted by the consultant.
Component 2: Support to the initial implementation of the institutional Strengthening Strategy	Base	Year 1 (first quarter)	Year 1 (second quarter)	Year 1 (third quarter)	Year 1 (fourth quarter)	Year 2 (first quarter)	Final evaluation	Target	Comments
Outputs									
Improved audit manuals and detailed technical guides to help promote the practical use and achievement of the required standards completed	1			1				1	Draft manual available. Verifiable through two technical visit reports

Training program approved and certificates granted	60 staff				40 staff	20 staff		60 staff	Verifiable through joint two site visits.
Component 3: Examination of the Institutions through which Public Accountability is enforced.	Base	Year 1 (first quarter)	Year 1 (second quarter)	Year 1 (third quarter)	Year 1 (fourth quarter)	Year 2 (first quarter)	Final evaluation	Target	Comments
Outputs									
Legislative review and revised draft legal framework completed	1			1				1	Draft National Audit Office Bill 2006 available Verifiable through approval of draft legislation by Auditor General
Component 4: Heightening of Public Accountability Through Support to Parliament.	Base	Year 1 (first quarter)	Year 1 (second quarter)	Year 1 (third quarter)	Year 1 (fourth quarter)	Year 2 (first quarter)	Final evaluation	Target	Comments
Outputs									
Revised workflow between the links in the chain of control for public accountability completed				1					Verifiable through one technical visit report
Final Evaluation with Action Plan for Phase II completed							1		End of Project

TERMS OF REFERENCE FOR A CAPACITY ASSESSMENT REPORT
CONSULTING FIRM WITH A LEAD CONSULTANT (EXTERNAL AUDIT
ADVISER) TO SUPPORT THE OFFICE OF THE AUDITOR GENERAL
TRINIDAD & TOBAGO

1. Background

The Auditor General's Department of Trinidad & Tobago (AGD) is responsible for contributing to the transparency and accountability in the use of the state's public funds through the conduct of audits and reporting on its findings to parliament and other stakeholders.

According to the Public Expenditure and Financial Accountability (PEFA) Report 2008, the Office of Auditor General conducts a wide range of audits, including some systems audits focusing primarily on controls, financial and compliance audits, as well as value for money audits. The standards adopted are guided by the International Organisation of Supreme Audit Institutions (INTOSAI). Recently, the United Kingdom's National Audit Office (UK's NAO) has been providing assistance for one year to the AGD to improve performance audits. The audit report along with their audited financial statements is submitted to the legislature within seven months from the end of the fiscal year.

The PEFA Report also highlights a number of short-comings which need to be addressed to further strengthen the AGD in line with the INTOSAI standards and international best practice. The AGD finds itself facing new and changing circumstances with respect to a variety of challenges including (i) the rapid expansion of Government operations; (ii) completely different strategies for procurement and project implementation; (iii) the proliferation of fragmented electronic information systems; (iv) proposals for reform of the public financial management system; and (v) changing international accounting and auditing standards and audit responsibility.

The Government of Trinidad & Tobago (GoRTT) has recently approved the Policy Note for the Auditor General's Department (AGD), which seeks to provide a framework for the strengthening in the operational efficiency and capacity of the Department. At present the IDB is providing grant resources to fund a strategic planning workshop and the preparation of the 2011-2016 strategic plan for setting a common direction of the AGD.

Concurrently the IDB would provide further technical assistance with additional grant resources: (i) to address the critical weaknesses that adversely affect the performance of its duties namely in the areas of audit coverage, professional skills and independence; and (ii) to heighten public accountability, particularly as it concerns the Parliament (Public Accounts Committee).

2. Objective of the Consultancy

The overarching objective is to develop an institutional strengthening strategy to be implemented through the Public Capital Expenditure Management Program (TT-L1020) aimed at enhancing the external oversight function of the AGD.

The objective of this consultancy is to conduct a capacity assessment of the AGD to determine interventions to strengthen its capability to carry out its mandate of conducting audits of all central government ministries and statutory bodies and reporting to parliament and other stakeholders more effectively and efficiently. This will include a twinning arrangement with the UK's NAO.

3. Recipient

The key recipients are the AGD and the Inter-American Development Bank (IDB).

4. Scope of Work

An External Audit Adviser will review the current functioning of the AGD and identify measures to further strengthen its capability. There will be a strong focus on working collaboratively with counterparts to ensure ownership by the staff of the AGD.

Specific tasks will likely include but not be limited to:

1. In follow-up to the 2008 PEFA assessment, hold discussions with relevant AGD staff to understand the existing mandate and vision, legislation, governance arrangements, organisational structure, staffing arrangements and policies and operations which underpin its work;
2. Map these findings to INTOSAI standards and other best practice guidelines;
3. Based on needs identified, develop a draft sequenced Action Plan to improve the capacity of the Office in line with international best practice. This will include (but not limited to) the following areas:
 - a. Adequacy of the legislation underpinning the independence, governance and operations of the AGD including the Constitution (Article 116) and the Exchequer and Audit Act;
 - b. Appropriateness of governance arrangements;
 - c. Adequacy of overall strategy;
 - d. Organisational structure and staffing;
 - e. Scope/nature of audits performed (including adherence to auditing standards);
 - f. Quality and timeliness of submission of audit reports to the legislature;
 - g. Legislative scrutiny of external audit reports including timeliness of examination by the Public Accounts Committee (PAC), quality of review and extent of hearings on key findings;
 - h. Following PAC review, issuance of recommendations and implementation of these by the executive;
 - i. Human resource management policies and practices to attract and retain qualified staff;
 - j. Capacity development including twinning, training and on-the-job coaching to improve staff performance.
4. Finalise this Action Plan following discussions with the Auditor-General, staff and other key stakeholders;
5. Advise on the twinning and capacity building activities to be supported by the UK's NAO.

The External Audit Adviser will work closely with the Auditor General, his staff, members of the PAC and other key stakeholders to ensure strong ownership and buy-in of final plan to strengthen the capacity of the AGD.

5. Level of Effort and Key Outputs

It is anticipated that this work will require 22 non-continuous days which will include two field trips to T&T. The place of work is the consulting firm's country of residence, and Port of Spain. Upon request, CTT may make the following facilities available to the consultant: a non-dedicated furnished office, existing photocopy facilities, and other non-dedicated facilities within CTT, one (1) PC and printer, office consumables, Internet access and the availability of a landline for local telephone calls (international telephone calls require locally available calling cards not supported by the CTT).

Key outputs are as follows:

- Review of the AGD in line with international best practice standards including INTOSAI's International Standards of Supreme Audit Institutions;
- Capacity building strategy and action plan to strengthen and build the capacity of the AGD in line with international best practice standards;
- Terms of reference on the twinning/capacity building activities to be supported by the UK's NAO.

If essential for the project and is in the interest of the Bank and AGD, the contract may be continued in a subsequent stage as related to M&E of the implementation of the proposed institutional strengthening strategy, on the condition of good or excellent performance of the consultant in the capacity assessment assignment.

6. Reporting Relationships

The External Audit Adviser will report to the head of the AGD, Mrs Sharman Ottley or her designated representative, in collaboration with the Inter-American Development Bank. In the latter case, Benjamin Santa Maria (ICS/CTT) will coordinate, facilitate and supervise the consultant's work in the field, and alongside Denise Salabie (PDP/CTT) will also provide final comments on the overall report and other inputs as required.

7. Payment Schedule

Payments in US dollars will be made as follows:

- a. First payment: 20 percent for mobilization,
- b. Second payment: 40 percent on delivery of the first draft report, and
- c. Final payment: 40 percent on delivery of the final report, upon acceptance by the Bank.

8. Qualifications and Experience

A lead consultant provided by a firm with international consulting experience will be required for this consultancy and it is essential that this person has current experience and knowledge of the external auditing system of Trinidad and Tobago and a strong understanding of the country's social, political and cultural structures and environment. In addition this consultant must have experience in countries that face similar challenges.

- Degree in accountancy and post-graduate degree in a discipline relevant to this position;
- A minimum of fifteen years' work experience relevant to this position;
- Experience of working in a line position in a supreme audit institution;
- Excellent inter-personal skills and proven ability to work constructively with government counterparts;
- Excellent English verbal and written communication skills.
- Have an exemplary ethical and professional reputation.

9. Budget Estimate

US\$56,000 (22 consultancy days estimated).

10. Follow on consultancy

On the condition of good or excellent performance of the consultant in the capacity assessment assignment, the ToRs for M&E of twinning agreement will be negotiated with consulting firm, as to produce a realistic assessment of how the implementation phase has been executed, whether it has achieved its objectives, and what impact it has had on heightening accountability. Potential activities may include,

- Collect data from official statistics and data sources as to measure project progress, propose baseline and develop context-specific indicators to measure progress towards an overarching purpose, intermediate outputs and milestones, and indicators that track progress in project implementation,
- Keep track of progress made, and handhold the AGD as to increase its information-gathering capacity,
- Adherence of project implementation to the agreed guiding principles, policies and objectives,
- Implementation of project activities,
- Extent to which local ownership has been built through the involvement and contributions of all key stakeholders,
- Extent to which partnerships have been developed between different institutions that enables an integrated approach to accountability,
- Impact of project implementation on baseline indicators, and
- Relevance of established objectives to changing realities on the ground and how the project should develop to address new challenges and opportunities.