

TECHNICAL COOPERATION PROFILE

GUYANA

NOVEMBER 7, 2006

I. BASIC PROJECT DATA

Country:	Guyana		
Project name:	Support for the Implementation of the Strategic Plan of the Audit Office		
Project number:	GY-T1030		
Project team:	Leader: Gonzalo Afcha (RE3/ SC3); Paloma Baena (RE3/SC3), Javier Reyes (COF/GY); Valeria Wedolowski (RE3/SC3); and Ana Lucia Saettone (RE3/SC3).		
Date of request:	August 3, 2006 (Aide Memoire of the Portfolio and Program Update Mission)		
Beneficiaries:	The Cooperative Republic of Guyana		
Executing agency:	The Audit Office of Guyana (AOG)		
Financing plan:	IDB: (FSO)	US\$	600,000
	Local:	US\$	<u>60,000</u>
	Total:	US\$	660,000
Technical and basic responsibility:	The Audit Office of Guyana		
Tentative dates:	Orientation mission:	November 2006	
	Loan Committee:	November 2006	
	Approval by President:	December 2006	

II. BACKGROUND

A. Guyana's efforts to strengthen financial management and oversight

- 2.1 In recent years, the Government of Guyana, with the Bank's support, has adopted an ambitious reform program directed to strengthening the government's financial management systems and increasing government accountability through enhanced oversight systems.
- 2.2 A key element in the Guyana's oversight system is the Audit Office (AOG), which has a constitutional mandate to conduct financial and performance audits of all publicly funded entities in Guyana. The Constitutional amendment of 2001 established a mandate for greater institutional autonomy of the AOG, parliamentary oversight, independent budget, and direct reporting to the Legislature.

- 2.3 The institutional framework to enable a strong oversight system has been further strengthened with the enactment in 2004 of a new Audit Law and its corresponding regulations, the subsequent approval of the Rules, Policies and Procedures Manual for the AOG and the issuance of new set of rules for the operation of the Public Accounts Committee (PAC) and Economic Services Committee (ESC) of the Parliament in performing their oversight role.
- 2.4 Additionally, transparency in public financial management has been favored through the approval of a new Fiscal Management and Accountability Act (FMMA), the implementation in all ministries of integrated financial management systems (IFMAS) and the definition of new procedures for project selection and prioritization.

B. The transitional challenges in the Audit Office (AOG)

- 2.5 While the legal and regulatory changes mentioned above granted greater independence to the AOG, they also posed significant challenges in terms of undertaking, with limited resources and weak institutional capacity, a major transition to a more independent oversight body.
- 2.6 In order to support the initial steps of this transition, the Bank approved in late 2002 a Technical Cooperation (TC) ATN/SF-8184-GY, aimed at laying the foundation of an independent, capable and modern AOG in line with the provisions contained in the draft Audit Act that was then submitted to Parliament. The objective of the program supported by the TC was to strengthen the AOG institutional capacity through (i) improved organization and human resource management capability; (ii) improved operational procedures and technical standards; (iii) technological modernization and (iv) enhanced accountability climate.
- 2.7 The approval of the new Audit Law in April 2004 paved the way for the implementation of the Technical Cooperation. The TC was declared eligible for disbursements on November 2004, and since then the AOG made remarkable progress in the implementation of the program, leading to its early completion in November of 2006¹ with satisfactory achievement of the expected outputs. Some of these outputs are described in the following paragraphs.
- a. The AOG has completed a Rules, Policies and Procedures Manual (approved by the PAC) which assisted in the definition of a new organizational structure, the development of the capacity for strategic planning formulation, the design of standards and procedures and the implementation of a human resources management approach.
 - b. The AOG has achieved significant progress in the implementation of its IT strategic plan, resulting in the incorporation of modern technology that enhances capacity to integrate and consolidate operational information, and

¹ The original completion date for the TC was set to be November 19, 2007.

reduces the average time in audit preparation. Additionally, the building facilities have been refurbished and enhanced to house the new technology systems.

- c. The AOG has undertaken several training activities in audit preparation, planning, execution and reporting for managers, supervisors and auditors. Additionally, it has enhanced both its internal and external communications capacity with the set up of an intranet and an external web site of public access.
 - d. Finally, the AOG has monitored its own progress and identified the necessary continuing steps in the preparation of a three year Strategic Development Plan (SDP). The plan outlines the necessary steps and actions aimed at strengthening its organizational capacity and institutional knowledge as required to deliver an updated, timely and effective oversight service. The SDP has been sent to the PAC for its consideration. The GOG has reviewed the plan and has expressed its support by endorsing the AOG request for funds to the Bank.
- 2.8 The SDP takes into consideration current institutional challenges, some of them arising from several developments that have taken place in the country in the last three years. These developments require the AOG not only to consolidate the progress achieved but to develop new capacity in order to: (i) match the progressive implementation of new government information systems in the areas of procurement, financial management and tax administration; and (ii) fulfill the additional responsibilities and obligations set out in the 2004 Audit Law and subsequent regulations, in particular: perform forensic auditing, perform value for money auditing and establish an internal quality control mechanism.
- 2.9 In the light of the above, and in order to consolidate its key role in Guyana's oversight system, the AOG has requested the Bank's support for the implementation of key areas of its SDP by: (i) developing technical and operational capacity in the areas of forensic auditing, value for money auditing and internal quality control of audits; (ii) completing the development of supporting equipment and infrastructure, including information management systems; and (iii) creating stakeholder awareness of the key role it plays in enhancing financial good governance in the country.

C. Bank's strategy

- 2.10 The Bank's strategy for Guyana is focused on the promotion of sustainable growth, social development and poverty reduction in addressing its major development challenges: (i) maintaining a sound macroeconomic framework for sustain growth; (ii) improve governance and public sector modernization; (iii) encouraging private sector development through policy and institutional reforms; and (iv) improving social sector infrastructure. This operation directly supports the second strategic objective and indirectly the third objective. It is also compatible with the strategy's

criterion for identification and prioritization of new Bank projects/programs in the area of public sector modernization.

III. THE PROGRAM

A. Objective

- 3.1 The present TC is aimed at improving further the structure and operation of the AOG, by supporting the implementation of critical activities of its Strategic Development Plan that will contribute to consolidate its key role in Guyana's oversight system. Specifically the TC is designed to assist the AOG in further enhancing its technical and operational capacity in order to complete an adequate transition into an independent and improved national audit office, as mandated by the 2001 constitutional amendment to improve public accountability.

B. Description

- 3.2 The Technical Cooperation will be implemented through the following components:

1. Enhancing professional audit practices and standards

- 3.3 The program will support the implementation of critically important elements that the Audit Act defines as part of the core competences of the AOG, such as Value for Money Auditing (Performance Auditing) and Forensic Auditing. International auditing standards as well as national requirements are to be formally introduced and updated to cover these competences. In addition, some TC funds will be devoted to the establishment of a Quality Review Unit to ensure adherence to all professional standards, practices and procedures.

2. Improving critical support systems to enhance operational effectiveness

- 3.4 This component will be directed to improve the operation of support systems in the areas of information technology and records management. Some of the activities will be directed to enhance the contribution of these systems to the AOG capabilities to audit information systems. The program will also include activities to enhance the administrative functions of the Audit Office, including the necessary support for the reorganization of the Finance and Accounts Division within the Office.

- 3.5 The provision of computers, equipment with mobile technology and tools to improve communication connectivity will be financed under this component.

3. Institutionalizing best practices and skill transfer for sustainability

- 3.6 Following the training plan and curriculum developed under the first IDB supported program, the activities under this component will be directed to develop three sets of tools to ensure that all training is integrated into the AOG procedures, documentation and practices. These tools are defined as: (i) the

enhancement of the train the trainers program; (ii) the promotion of increased capacity building opportunities for the staff (training courses; participation in peer review programs, distance learning activities, internships); and (iii) the development of an agenda for technical assistance activities supported by other Supreme Audit Institutions (SAI) or international audit organizations. The training areas that will be emphasized under these tools are: certified information system audit, fraud examination, value for money audit, quality control of audits, and specialized training for support divisions such as IT, human resource management and finance.

4. Creating stakeholder awareness of constructive oversight role of the AOG

- 3.7 The program will finance discrete dissemination activities through specialized workshops and publications, in order to create stakeholder awareness in relation to the AOG 's duties, responsibilities, procedures, reporting mechanisms, and especially its constructive oversight role.

IV. COST AND FINANCING

- 4.1 The cost of the program has been estimated at US\$660,000, of which the Bank would finance up to US\$600,000 of the costs on a non-reimbursable basis from the resources of the Fund for Special Operations (FSO). The Government of Guyana through the AOG will contribute the equivalent of US\$60,000 as counterpart funds.

BUDGET (US\$)			
	IDB	GOG	TOTAL
1. Enhancing Professional Audit Practices and Standards	125,000	0	125,000
2. Improving critical support systems	167,500	27,500	195,000
3. Institutionalizing Best Practices and Skills Transfer	145,000	0	145,000
4. Creating Stakeholder Awareness	17,500	0	17,500
5. Administration, Evaluation, Audit	120,000	32,500	152,500
TOTAL	600,000	60,000	660,000

V. EXECUTION

- 5.1 The AOG will be the executing agency for this program. To ensure continuity of the execution of the supporting programs, it is proposed to maintain the execution mechanism of the current TC operation (ATN/SF-8184-GY), as well as the structure and operation of the existing Project Execution Unit (PEU). The AOG and the PEU that support the implementation of the TC have demonstrated the ability to appropriately carry out the execution of an institutional strengthening program.
- 5.2 The PEU is currently operated by staff of the AOG which was assigned to the project on a full time basis. Given that the quality work of the PEU is critical for a successful implementation of the project, the AOG authorities have requested the

Bank to finance top-up payments based on performance to the personnel responsible of the PEU. This request falls within the scope of the section D paragraph 26 of the Country Financing Parameters for Guyana approved by the Board of Executive Directors.

- 5.3 The estimated timeframe for execution is 30 months, while the expected disbursement period is 36 months, from the date of signature of the Letter of Agreement.

VI. ACTION PLAN

- 6.1 It is expected that the preparation of the Plan of Operations will take place in November 2006 and its approval by the Bank's president in December 2006.

VII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 7.1 Given the focus of this program upon institutional strengthening activities, no social or environmental issues are foreseen.