

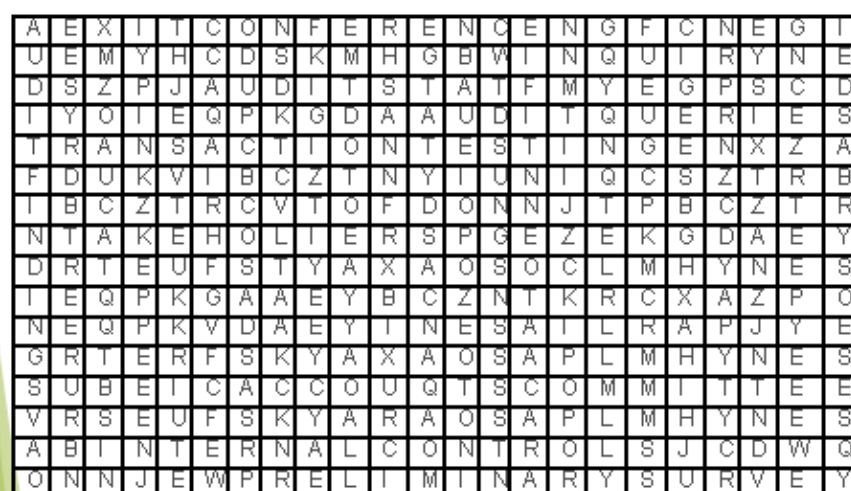
## Training

The Audit Office embarked on a series of in house training to build capacity and bolster employees' performance in the execution of duties. Presentations were conducted by the Director of Audit and members of management. The areas of focus were:

- audit planning;
- audit programmes;
- working papers;
- code of ethics for Auditors;
- audit queries ;
- audit of cash books; and
- audit of leave eligibility.

## Fun Corner

**Puzzle Category:** Executing phase of the audit process



Transaction Testing <input type="checkbox"/>	Exit Conference <input type="checkbox"/>	Internal controls <input type="checkbox"/>	Inspection <input type="checkbox"/>
Audit Findings <input type="checkbox"/>	Audit queries <input type="checkbox"/>	Observation <input type="checkbox"/>	Inquiry <input type="checkbox"/>

## Suggestion Corner

The Director of Audit and staff welcome feedback that will help to make the Audit Office more effective and efficient.

**We need your suggestions.**

*Your Ideas Count!*



The Audit Office  
Halifax Street  
Kingstown  
Saint Vincent and the Grenadines

## Contact Us

Give us a call for more information about our services.

Phone: (784) 456-1111 Ext. 4601  
Email: [office.audit@gov.vc](mailto:office.audit@gov.vc)

Visit us on the web at: <http://www.audit.gov.vc/>

## Frequently Asked Questions



### Do auditors check every transaction?

No. It will be impossible for an auditor to check every transaction. The auditor will only check a sample of the transactions. In order to arrive at the sample, the auditor will use a sampling technique or in some cases, the auditor's judgment.

### Why is a department or ministry audited?

A department or ministry is audited based on statutory or regulation requirement or at the request of the Accounting Officer.

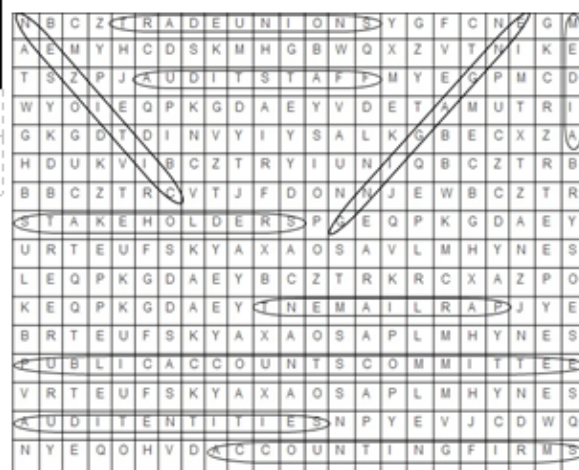
### What is the primary difference between internal audit and external audit?

Internal audits are conducted throughout the year by persons within the department or ministry, while external audits are independent of the entity and are conducted annually by the Audit Office.



"It's safe to come out - the auditors have gone."

**Puzzle Category:** Engaging our Stakeholders  
(Answers to puzzle from Volume1, Issue 1)



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Volume 1, Issue 2 - October 2021

# AUDIT IN FOCUS

## About the Newsletter

In achieving our goal in keeping our stakeholders informed about aspects pertaining to the Audit Office and its audit services, we present our second issue of the Audit in Focus Newsletter. This newsletter has been specifically created as part of a deliverable requirement of the INTOSAI Development Initiative (IDI) Workshop "SAI Engagement with Stakeholders", the major objective of which is achieving greater audit impact through stakeholders' engagement. One of the major stakeholders of the Audit Office is the audited entities. Accordingly, we continue to engage with the audited entities by conducting entrance and exit conferences at the commencement and completion of audits, respectively. The information presented articulates the importance of strong internal controls and the second phase of the audit process - Executing of the Audit. In this issue, we feel honoured to acknowledge the past and current Directors of Audit. We also highlight training conducted to build the capacity of staff in new audit methodologies, in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

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## ESSENTIAL CONTROL PRACTICE AND EXECUTING PHASE OF THE AUDIT PROCESS

### Internal Controls

Testing of internal controls is an essential and indispensable practice of the audit process. It allows the auditors to make a determination on the existence and adequacy of systems implemented, conclude on risks to the entity and enables development of audit procedures in response to the risks identified.

Internal controls are essential to every organisation's success; yet, many entities do not have a clear understanding of what they are and why they are important. Internal controls are simply good management practices, the primary responsibility of which, resides with Management. These are an entity's documented system of policies and procedures that are derived from best practices and other practices that the entity's Management, Board of Directors and other personnel, deem appropriate to safeguard the entity's assets and provide assurance that the entity is operating effectively and complying with all applicable laws, regulations and policies.

A properly designed and functioning internal control system will not eliminate, but reduce the risk of loss, since errors and fraud are inherent to organisations. Therefore, it is important to establish safeguards to ensure adequate fulfilment of fiduciary and operational responsibilities.

### Strong Internal controls are essential to:

1. protect an entity's resources against waste, fraud and abuse; and also, protect the entity from undesirable public scrutiny and reputational injury;
2. ensure:
  - a. accuracy and reliability in accounting and operating data; since inaccurate financial reporting can result in costly erroneous decision; and
  - b. operational efficiency;
3. secure compliance with applicable laws and regulations and the policies of the organisation; and
4. evaluate the performance of all organisational units.



## MISSION STATEMENT

Our mission is to serve the people of St. Vincent and the Grenadines by conducting independent audits and reporting on how government is managing its responsibilities and resources.

## VISION STATEMENT

Our vision is to be an independent, professional and respected Supreme Audit Institution, conducting innovative and efficient audits to advance transparency and accountability in government operations.



Excessive internal controls reduce productivity, increase the complexity and time of processing transactions and add no value to the activities. Therefore, in designing internal controls, Management should ensure that control systems are neither excessive nor deficient.

Importantly, an organisation should have adequate segregation of duties, providing a system of checks and balances. Segregation of duties reduces the likelihood of errors, irregularities and fraud; hence, an Officer should not have responsibility for more than one of the three transaction components of procurement - authorisation, custody, and record keeping. For example, an Officer who prepares a purchase order should not be responsible for the collection of the items from the supplier, creation and approval of the payment and reconciliation of the accounts. Similarly, in the collection of revenue, an Officer who collects cash should not record the transactions in the cash book and make deposits at the bank.

In conclusion, to succeed in an evolving environment, it is important for organisations to have effective internal controls. Monitoring of these controls is imperative for the attainment of the organisation's mandate. Therefore, it is critical that persons entrusted with supervisory and managerial oversight, understand their roles and functions in the achievement of the organisation's success, and assist in maintaining the organisation's internal controls. A framework for the continual assessment of the quality of the control systems should be instituted, with monitoring occurring throughout the daily course of operations.

### A View of the Executing Phase of the Audit Process

In our first issue, we discussed the audit process which encompasses four (4) phases namely: planning, executing, reporting and follow up; and provided a summary of the planning phase. In this issue, we will focus on the executing phase of the audit process, providing a brief summary of the steps involved.

#### Transaction Testing and Review of Documents

The purpose of testing of transactions and reviewing of documents is to:

- examine an entity's documents and electronic systems for evidence that information related to internal controls, provided to the auditors by personnel of the audited entity in the planning phase, are actually in place, adequate and functioning as intended; and
- to assess the entity's current operations in order to make a determination as to whether they are in keeping with the established criteria.

#### Audit Evidence

Audit evidence refers to statements of fact, information; and records or documents obtained to substantiate information, which are collected by the auditors. Audit evidence is primarily obtained from the audited entity; however, evidence can also be obtained from third parties such as other government entities and the bank, depending on the type and nature of the audit. The audit evidence is used by auditors in arriving at a conclusion on an audit. Auditors design and apply audit procedures to obtain sufficient, appropriate and reliable audit evidence in order to form a conclusion as to whether a subject matter and the financial statements comply, in all material respects, with the established criteria and applicable financial standards, respectively.



Generally, auditors do not examine all the information available, due to its volume and the extended time that will be required to conduct the examination. Hence, examination is carried out using methods of sampling and other techniques of obtaining audit evidence. The extent of the audit examination is dependent on the reliance of the internal controls. The following are a variety of techniques that may be used to obtain audit evidence at the executing phase of the audit:

- physical observation
- inspection of records/documents
- inquiry
- external confirmation
- re-performance
- re-calculation
- analytical procedures



#### Audit Findings

During the examination of an entity's records and systems, auditors document current situations or practices and evaluate them against the established criteria or requisite financial standards. Practices that are contrary to the established criteria or financial standards are identified and are referred to as audit findings. Audit findings may vary in nature as they can be ascribed to non-compliance, fraud or operational inefficiency.

#### Exit Conference

An exit conference is a meeting that is convened with the auditors and management of the audited entity on the completion of the examination phase of the audit. The purpose of the meeting is to inform the entity's management of the audit findings and the proposed recommendations to address the findings, obtain management's feedback, resolve any differences arising between the auditors and management as a result of the findings; and obtain management's verbal plan of action to improve performance of the entity.

### Directors of Audit -1969 to Current

The first Director of Audit of St. Vincent and the Grenadines was the late Mr. Hugh H. Hamlett MBE (1969-1971) who, prior to his appointment, served as Senior Auditor and also acted as Director of Audit of the Windward Islands.

The following persons have served as Directors of Audit from 1969 to current.

