THE STATE OF ERITREA
OFFICE OF THE AUDITOR GENERAL

promote public accountability for the benefit of our society...
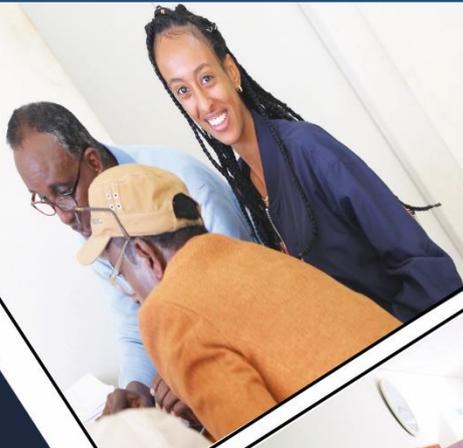
2020

Annual Performance Report

Asmara, March 2021

Office of the Auditor General

2020 Annual Performance report

Contents

Message from the Auditor General:

Following the World Health Organization announcement of a global pandemic of COVID-19 on February 11, 2020, the Government of the State of Eritrea took several preventive measures. Starting April 2, the government has declared a total lockdown. In enforcing social distancing to contain the spread of the disease, our offices have been operating with minimal or no staff for over 3 months. Proactive preparations were implemented in our work locations during this transition to ensure our offices and people were safe.

Under such circumstances, we have made modest progress in our strategy that was launched in the year 2019. Our focus was in the development of several audit and non-audit tools and policies, including manuals and guidelines. We were able to develop two audit manuals and several policies and guidelines such as staff performance appraisal guideline and OAG job descriptions.

We strengthened our online learning facility to work with the eLearning programs of AFROSAI-E. In the absence of a face-to-face training, we shifted our means to online delivery of short courses by developing a digital library and creating a connection point to access AFROSAI-E E-learning services.

Around 96% of our staff members were forced to stay at home. We ensured the continuity of high priority engagements by deploying limited auditors to work from the Head Office. Apart from the few who carry on the routine working norm, our management team continue to manage audit engagements through telephone communications. We focused on the high priority Investigative Audits and financial audits, which were on their final stage. In spite of the challenges arising from COVID-19, we continued to make good progress on a number of audits.

Our main findings in the financial audits were uncollected revenues, expenditures with incomplete supporting documents, procurements that overlooked financial directives, and over budget disbursements. Mismanagement of government property and cash receipt pads were also revealed.

Our budget consumption was only 63%. This is because of withdrawn training events associated with COVID-19. There is a gradual growth in our human resource capacity. This year, we were able to get 23 new graduates. Our technological capacity is also progressing bit by bit. Our laptop to Auditor ratio is improving every year.

In addition to our regular business, our focus for the year 2021 will be mainly on the development of our female employees by implementing a gender policy and Gender Action plan. We will also work towards closing the audit backlogs created over the past two decades.

I would like to take this opportunity to express my sincere gratitude to the Government of the State of Eritrea for its full support and our main stakeholders who are actively supporting the implementation of our strategic plan.

I wish you a peaceful and prosperous new year.

Thank you
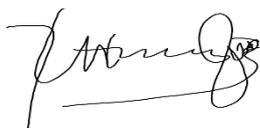
Gherezgiher Ghebremedhin

Highlights of Operations

Audit Coverage

In spite of the lock-down, the OAG was able to cover 76% of the planned audits.

Policies, Manuals, and Guidelines

Preparation and implementation of several Manuals, policies, and guidelines

24 Additional Human Resource

OAG Received twenty Three New Graduates and another one civil servants transferred from other Government Institutions

Continuous Professional Development

Through virtual workshops and e-learning platforms, the OAG staff members attended different regional training events

Stakeholder Engagement

Several Internal and external stakeholder engagement activities

Gender Considerations

The number of our Female colleagues has increased to 34%. The OAG strategic plan is under revision to include gender related objectives.

Chapter One: About the Office of the Auditor General

The Office of the Auditor General (OAG) was established in May 1992 by Proclamation No.23/1992 which was subsequently repealed and replaced by Proclamation No. 37/1993 and Legal Notice No. 14/1993 Article 2/25. During its establishment, the office had very limited resources in terms of both human and material. Since its establishment the management has been working in strengthening the office and several initiatives have been going on to date.

Mission, Vision, and Core Values
The following are the Vision, Mission, and Core Values of the OAG:

Vision Statement

"To be an independent, transparent, and effective audit institution that promotes public accountability for the benefit of our society."

Mission Statement

"To provide reasonable assurance in the management of public resources by our independent and objective public sector audit services."

Core Values, Beliefs, and Guiding Principles

"Integrity, Professionalism, Team work, Transparency, Innovation, and Continuous Development."

1. Integrity

The OAG staff members should be honest in performing their professional services and should have high personal discipline.

2. Professionalism

To provide consistently high-quality audit services, staff members are expected to maintain and develop high professional competence and expertise.

3. Team work

The OAG believes that cooperation among the staff members and collaboration with clients are vital indicators of success.

4. Transparency

The OAG should be transparent in its work. Regular communications should be made to the relevant stakeholders in the form of reports and briefings.

5. Innovation and Continuous development

The OAG will have to steer and encourage the staff creativity in audit methodologies, processes and procedures, and other institutional factors to fulfil its mission. The OAG has introduced mandatory Continuous Professional Development. This will demonstrate to our stakeholders that the OAG is striving to develop staff knowledge for better audit services.

Vision Statement
"To be an independent, transparent, and effective audit institution that promotes public accountability for the benefit of our society."

Mission Statement
"To provide reasonable assurance in the management of public resources by our independent and objective public sector audit services."

Core Values, Beliefs, and Guiding Principles
"Integrity, Professionalism, Team work, Transparency, Innovation, and Continuous Development."

Fig. 1: Mission Vision and Core Values

The Mandate of the OAG

According to Proclamation No. 37/1993 and Legal Notice 14/1993, Article 2/25, the mandate of the OAG is to audit or cause to be audited all Government institutions, parastatals, and State-owned Enterprises. Excluding State Enterprise and Parastatals, the OAG Currently has 177 budgetary audit clients. In contrast to the current capacity of the OAG, it is difficult for it to audit all its clients annually. Therefore, until the OAG is able to reach the required capacity, Parastatals and State-owned Enterprises are being audited by the Audit Services Corporation (ASC), which provides its professional audit services on fee basis and works autonomously under the general supervisory control of the Auditor General.

To discharge its mandate to the full satisfaction of its stakeholders, the OAG needs to increase its human and material capacity by a minimum of three fold. To achieve this target, it needs to build its capacity by increasing the number of its auditors and improve its technical and organizational capacity. The National Resources Coordination Center and the National Institute for Higher Education and Research have been supporting the OAG by supplying accounting graduates yearly. The OAG has also been working closely with the Ministry of National Development for additional link with development partners to strengthen its technical capacity.

In addition to its mandate for audit service, the OAG is also mandated with certification and supervision of private auditors and accountants and provide advisory services to the Ministry of Finance, where necessary.

The types of audit the OAG conducts

In 2019, the OAG established a Performance Audit team with five auditors. The team members were selected from the 21 auditors, trained by the African Organization for English Speaking Supreme Audit Institutions (AFROSAI-E) during 2018-2019. Since then, the management of the OAG has been expanding the team by increasing new recruits. Therefore, starting 2019 our office is undertaking Financial Audit, Compliance Audit and Performance Audit separately. In addition, the OAG also does investigative audits (also known as Forensic Audits) mainly at the request of its stakeholders.

Although it is of interest to the government and our office, currently the OAG do not have the capacity to undertake environmental and Information Systems audits.

The Audit process of the OAG

The audit process of the OAG is based on relevant audit manuals customized from the same manual developed by AFROSAI-E. The manuals were prepared in accordance to the International Standards for Supreme Audit Institutions (ISSAIs). For Financial Audits, it follows the eight phases of audits: Pre-Requisite, Pre-Engagement, Understanding the entity, Setting materiality, Risk assessment, Performing the Audit and Evaluation of Misstatements and Reporting. For the Compliance and Performance audits the steps are similar but the processes are different. Regardless of the type of audit, every audit which emanates from the strategic plan is always centered on the value adding role of the OAG based on the International Standards for Supreme Audit Institutions (ISSAIs).

Fig. 2: Summary of Audit Process

The OAG has been following the status of implementation for its audit recommendations on the next audit engagement. However, due to the limitation on its capacity, the OAG is unable to audit its clients on yearly basis and it usually takes 3-4 years to return and audit a client. For this reason, our follow-up mechanism was not effective due to timeliness and sometimes loss of relevance of the reported findings. Although our office has designed a guideline for follow-up of audit recommendations, it has not been implemented yet.

Audit Manuals

The OAG uses Audit Manuals that are based on International Standards of Auditing for Supreme Audit Institutions (ISSAIs). These manuals were prepared by AFROSAI-E and customized by the OAG to suit the Eritrean environment.

In addition to the customized Financial Audit Manual (FAM) and Compliance Audit Manual (CAM), the OAG currently has customized the Performance Audit Manual (PAM) and Information Systems Audit Manual (ITAM).

Standards and Policies

In 2020, the OAG has designed and implemented several policies and guidelines. Including the documents prepared in 2019, the following are the main policies and guidelines implemented in the OAG:

- Employee Performance Appraisal Guideline
- Change management guideline
- ISSAIs 130 based Ethical Standards
- Audit Supervision and review guideline
- Audit Follow-up guideline
- Quality Assurance review policy
- Communication policy
- IS Security Policy
- Delegation of Authority guideline
- Planning guideline
- Monitoring and evaluation guideline
- Training policy and management development program
- Risk management policy

The Communication Policy, Risk Management Policy and the Quality Assurance Review Policy would need a revision. The remaining policies are either newly designed or revised after 2019.

Our Organization

The OAG is organized in two Audit Departments with three Divisions under them and three Corporate Divisions. The Audit Department of Revenue, Economy, and Defense (R.E.D) is responsible for the audit of all government institutions mandated for revenue collection and organizations whose main expenditures are related to economic activities such as the Ministries of Public works, and Agriculture. This department also audits the Ministry of Defense and its organs.

The second Department, which is Audit Department of Social Services, Administration, and Local Governments (SALG) is responsible for auditing of all service giving Administrative Institutions, the six Regional Governments and institutions that are mandated with improving social services such as the Ministries of Health and Education.

According to the budgetary classification of the Ministry of Finance, each Audit Department has three divisions led by Directors. These divisions comprise 3-4 audit teams with an average of 35 auditors each. In the absence of Supervisors, the Directors of each Division are responsible for supervising their audit teams. The audit Departments are understaffed because of which there is substantial audit backlogs.

In addition to the two audit departments, the OAG has established a Performance Audit unit in March 2019 with five auditors and one was added to the number later. In 2020, additional seven new auditors were added to the unit, making the total number of team members to 13. A Director General directly supervises the unit.

The OAG has not yet established a separate Investigative Audit Unit. Investigative Audits are conducted by the two Audit Departments by assigning ad-hoc teams from the Financial and Compliance auditors. Those trained in the area undertake the Quality Assurance Reviews on part-time basis. It is high time that the OAG requires establishing Investigative Audit and QAR teams.

The Corporate Divisions that provide support services are:-

1. The Finance and Administration Division with three units under it, is mandated with the management of financial and administrative activities of the OAG.
2. The Human Resource Development Division is responsible for research, training, and reporting.
3. The Information Technology, Communication, and Information Systems Audit Division has three units under it and is responsible for Information Technology services, Information Systems Audit, and Communication.

All the divisions are also understaffed. In the absence of respective unit heads, their Directors directly manage majority of the activities in the Corporate Divisions. The managerial post for logistical support of the Finance and Administration division is running on a part-time basis by the Division's Director. In the HRD, the training function is being run by the Director of the Division and a group of senior auditors who are acting as part-time trainers. The reporting task is being temporary handled by the Communication unit of the ICT and IS Audit Division. The Director of HRD is coordinating the research and training activities. Similarly, the Director of the ICT and IS Audit Division is directly managing the IS audit unit and communication units.

The OAG has established several high level committees to prepare policies and guideline documents as well as oversee the implementation of activities associated with the strategic plan.

Strategic Plan Committee: This committee is responsible for the preparation of the OAG's strategic and operational plans. The committee is composed of senior members and is led by the Auditor General.

Technical committee: This committee was established in 2017 with five staff members all from management team. In 2019, additional five members, of which include three junior staff members were added to the committee. The committee is tasked with handling technical issues and preparation of relevant guidelines and policies. The committee is chaired by a Director General.

SAI Team: The team was established in 2019 to oversee the implementation of the various objectives and activities detailed in the OAG's strategic plan. The Team is also the contact team of Accelerated Peer support (PAP-APP) program parties, namely, AFROSAI-E, and the IDI. A Director General also leads this team.

Change management Team: In implementing the 2019-2023 strategic plan of the OAG, it is expected some discomfort and probably resistance to change from staff members. The team was established to champion changes introduced in the office originated from the implementation of the various goals and objectives identified in the strategic plan. The team is responsible to assist staff members move forward from the old way of doing things by organizing workshops, and support them on individual basis, where necessary.

Chapter two: About this report

Reporting on our performance is relatively new activity. In 2019 we prepared our first performance report and this report is the second. Prior to 2019, a compilation of audit reports was prepared mainly for internal consumption of the OAG to inform top management about audit progress during the year.

As breakdowns of the five year Strategic Plan for the years 2019-2023, the OAG also prepared comprehensive and detailed annual operational plans which integrate both the audit and non-audit functions of the OAG. This report is therefore, an information on the results of the operations of the annual operational plan initiated in January 2020.

This report is organized in seven chapters. The first two chapters present general information about the OAG and the content of this report. Chapter three summarizes the main activities planned and implemented in 2020. It starts with the relevant goal in the strategic plan, followed by the objectives and activities included in the operational plan of 2020. Chapter four describes the main resources of the OAG and how they were managed. Chapter five highlights the major training and other events of 2020 organized or attended by the OAG. Chapter six reports on the management of our stakeholders followed by the contribution of the OAG in regional and international organizations in chapter seven. Finally the main challenges and lessons learnt is summed up in Chapter eight.

Since writing such a report is relatively new experience, continuous revision will be made to the content of the report to provide the required information to our stakeholders.

Chapter Three: Key achievements and results in audit

The working committees mentioned in the preceding paragraphs are active in designing new policies and guidance, and monitoring the implementation of those policies and guidelines which originated from OAG goals and objectives.

In 2019, the Financial Audit Manual and Compliance Audit Manual were customized. The IT Audit Manual and the Performance audit manual were customized towards the end of 2020. However only the Financial Audit Manual was rolled out and implemented. In addition, Delegation Policy, Planning Guideline, Audit Follow-up Guideline, Supervision and Review Guideline, Monitoring and Evaluation Guideline, Ethical Standards, and OAG Job Description were prepared and approved by the Auditor General.

Performance of annual operational plan of 2020

The Annual operational plan for 2020 was approved in January 2020. Based on the activities identified in the annual operational plan, the OAG has been conducting its business under close supervision by the Monitoring and evaluation sub-committee of the SAI Team. The following are the performance result of the annual operational plan:

Goal 1: To enhance the independence of the OAG

The OAG has the independence of deciding on the approach, methodology, reporting mechanisms of its audits. It has also unrestricted access to documents and people in conducting its audits. To secure its independence through Audit Act in accordance to the requirement of Lima declaration, the OAG drafted an Audit Legislation in 2003 and management revisited the document in 2010 and 2019. The Draft Audit Legislation describes all the pre-requisites for independent Supreme Audit Institution (SAI) in accordance to ISSAI 10. Though the Draft Audit Legislation was submitted to the concerned authorities for approval, it is not yet approved. Approval of the Draft Audit Legislation is beyond the scope of the OAG. However, the OAG will continue to work for securing the approval of the draft audit legislation.

Goal 2: To strengthen the Organization and Management Capacity of the OAG

A quality audit with a positive impact on public financial management is dependent on the quality of institutional capacity. Establishing policies and procedures that can strengthen the quality of its audit works is one of the organizational goals of the OAG. This can be attained by cultivating an internal culture that appreciates quality and devoted staff members and standardized work practice within the OAG. In light of this principle, the OAG has put several objectives and activities in its strategic plan of 2019-2023.

To improve mechanisms that uplift the performance of the OAG

In fulfilling the first Strategic Objective of Goal 2 of the OAG as identified in its strategic plan, improving the performance of the OAG is one of the strategic imperatives. To contribute to the enhancement of OAG's performance, the provision of necessary tools and equipment including securing power supply, deployment of sufficient IT Equipment, and preparation of basic Policies, Audit Manuals, and Guidelines is crucial.

Our solar energy covers the majority of the OAG's power requirement. In addition to its significant cost saving which is estimated cost cut of over 50%, this source of energy is also environmental friendly. The deployment of IT equipment on the OAG is gradually improving.

The following activities were planned and implemented during the year 2020.

To design a Management Information and Enterprise Resource Planning systems (MIS and ERP) for the OAG support divisions: The OAG has three corporate divisions assisting the core business of auditing. The Finance and Administration, the HRD and the IT Divisions, are vital for the effective and efficient management of auditing. Timely exchange of information between the two Audit Departments and the Corporate Divisions is extremely important. With this in mind, the OAG planned to develop a system that facilitates timely exchange of information and harmonize their input by creating a synergy of resource mobilization among all the organs. The development of the system is on track and is expected to be completed by June 2021.

Update the job description of the OAG: The job description of the OAG was prepared in mid 1990s in response to the OAG capacity during that period. Since then, the OAG has made several structural and operational change in line with the International Standards for Supreme Audit Institutions (ISSAIs). In addressing this gap, the OAG completed the update of the Job description for every level in the office.

Design and implement Employee Performance Appraisal System: As part of the development of performance management system, the OAG developed employee performance appraisal management policy and guideline. The implementation of this guideline will assist the OAG in identifying performance gaps and address the shortcomings through training and other available means.

To enhance the IT support function

In the era of information capital, Information Technology is basic for audits. The OAG should use IT as a fundamental business tool. The use of IT should contribute positively to the performance of the OAG, through appropriate implementation and operationalization of IT assets and alignment of IT with business needs. In realizing this contribution, an IT strategy plan aligned with the overall strategy of the OAG was prepared. In addition, we updated our IT security policy to address recent changes in Information Assets of the OAG.

Audit Management Software (such as Teammate) and Audit Interrogation Software (such as IDEA or ACL) should be implemented to improve strategic and operational capabilities of the OAG. To enable optimal use in managing its audit and administrative information sharing, the existing Local Area Network (LAN) infrastructure should be enhanced. In consideration of these facts, the following activities were sought and implemented:

Strengthen the LAN to be used for information and equipment sharing: The OAG is interconnected via local Area Network (LAN). Several equipment, such as printers, copiers and other communication facility are included in the network. To optimize the use of these resources, the OAG expanded its network to interconnect both floors of the office and by sharing the available resources among the OAG users.

Website launch: Towards the end of 2019, the OAG started to develop its own website. The development of the website was completed with the internal capacity of the OAG. Starting June 2020, the website "oageritrea.org" was globally launched. With the launch of the website, basic information about the OAG, including its history, policy documents, audit manuals, guidelines, and other relevant information was made public.

Increase number of laptops distributed to OAG staff: During 2020, the OAG was able to procure 20 laptops and were distributed among audit teams. Currently, the auditor/laptop ratio of the OAG has improved 3 to 2, a significant improvement from last year, which averaged 4 to 2 (two laptop per team).

To establish professional Accountancy body in Eritrea

In the absence of a professional accountancy body in Eritrea, the OAG has been issuing certificate of competence for practising authorized auditors and accountants and regulating their activities. In 2008, the OAG has started a professional accounting training by sponsoring young civil servants across the government institutions. To date, the Association of Chartered and Certified Accountants (ACCA) have certified over 40 Eritrean civil servants. The objective of this sponsorship was to produce a critical mass of professionals that are adequate to establish a professional body in the long run.

To sustain the qualification of accountants who completed their study, a compulsory annual professional education is required. To fulfil this requirement, the OAG planned annual training event to professional accountants for 2020. However, due to the restriction on social gathering associated with COVID 19, it was cancelled.
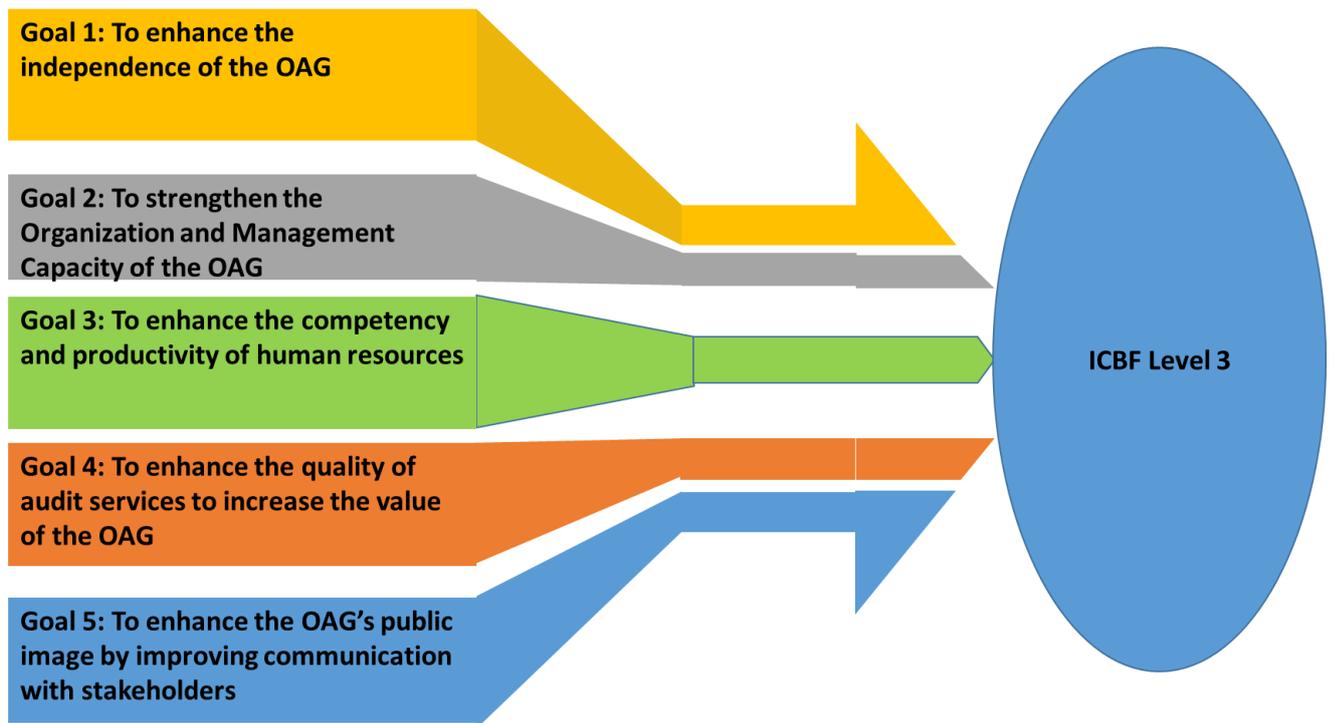
Fig. 3: The Five Strategic Goals of the OAG

Goal 3: To enhance the competency and productivity of human resources

Audit is one of the demanding and knowledge-based professions. The OAG requires adequate, competent, professionally developed and dependable human resource to deliver quality audit services that fulfil the expectations of its stakeholders. To obtain and retain optimal professionals, and maintain international standards, the OAG has set a number of projects and activities to be implemented during the five years strategic plan period. In relation to this goal, the following objectives and activities were planned and implemented during 2020:

To upgrade and retain the human resource of the OAG

The number and quality of audit staff we have in the OAG does not commensurate with the number of Government institutions that the OAG is mandated to audit. As a result, we have been encountered by substantial audit backlogs and have had to outsource some of the work. In addressing this challenge, the following activities were planned and implemented:

Request additional staff and increase budget accordingly: The plan was to increase the number of audit staff by requesting additional 20 new graduates from the Resource Coordination Center. Based on our request 23 new graduates and one civil servant who was working for another government institution were assigned to our office. This additional workforce has increased our human capacity to 139. Simultaneously, our budget for salary was also increased proportionally.

To improve the staff development and training policies

We planned to conduct a Training Needs Analysis (TNA) in 2019. This did not happen. It was done in 2020. Following the assessment of training needs in early 2020, the Technical Committee revised and updated the Staff Development and Training Policy, which was prepared in 2008.

To introduce a mechanism that motivates staff and a system that enhances the welfare of employees

The OAG is dependent on the regulations of the Civil Service Administration (CSA) for salary structure of its staff. Therefore, financial motivation is beyond the scope of the OAG. To compensate this limitation, the OAG has taken several initiatives.

One of the main means we use to motivate our staff is through the provision of educational and training opportunities. The OAG is sponsoring staff members with their study towards accounting qualification. The sponsorship include payment of registration, annual subscription, examination and membership fees as well as the provision of study materials and tutorial service for their study with ACCA.

With the increase in the number of employees in the recent years and the establishment of the Performance Audit Unit, securing an office has been one of the major challenge for the OAG. To address this issue, the management has been lobbying to the Administration of Government Houses to secure a space within the building the OAG is currently located. As a result, the OAG was able to get small additional space in the same building on temporary basis.

There is a small cafeteria where employees can go for their coffee breaks and two bathrooms one for male and another for female staff. Establishment of a daycare center for working mothers is also one of our priorities in the coming years.

The OAG is also striving to create a social working environment by organizing entertainment events. Due to the restrictions on social gathering however, all planned events are deferred.

Goal 4: To enhance the quality of audit services to increase the value of the OAG

The OAG should deliver quality audit services to its stakeholders. To provide the required quality audit services, it needs improvement in the approach audits are conducted based on International Auditing Standards for Supreme Audit Institutions (ISSAIs) and best practice. Solidification of the supervisory mechanism of audits, follow ups of audit recommendations, motivating staff for additional commitment are the main objectives identified to achieve this Goal. For 2020, the following activities were planned:

To strengthen the performance audit unit and establish the IT audit function and permanent Quality Assurance Unit

Fully equip/operationalize the Performance Audit function (prepare laptops, job descriptions, office, etc.)

The Performance Audit (PA) Unit was established in 2017 with five auditors and two laptops. In 2019, the management added one Economics graduate new employee to the unit.

Increase the number of auditors: In 2020, the OAG further strengthened the unit in terms of human and material resources. It increased the number of staff to 13 by additional new graduates. These new auditors were immediately enrolled in the AFROSAI-E e-learning program and completed the three

modules PA package online. The training was completed by piloting one audit assignment in Asmara Municipality.

Supply of tools: The PA teams have been using the AFROSAI-E Performance Audit Manual without customizing it. In 2020, the Technical Committee of the OAG customized the manual by making minor modification to suit Eritrean context. The management also supplied two laptop computers to the teams, making the ratio to two laptops for three auditors.

Office Space: the PA teams have been sharing the training center for their office needs. In 2020, the management was able to secure additional offices in the ground floor of the same building where the OAG is located.

The IT Audit and the permanent Quality Assurance Units are not yet established due to man power constraint.

To enhance the quality of audits and coverage by following the ISSAIs and introducing modern techniques

Customize and implement AFROSAI-E manuals: The Technical Committee completed the customization of Performance Audit Manual (PAM) and Information Technology (Systems) Audit Manual (ITAM). However, rollout of these manuals was postponed due to gathering restrictions in the event of COVID-19.

Goal 5: To enhance the OAG's public image by improving communication with stakeholders

The OAG needs to have a comprehensive communication policy and strategy that addresses internal and external stakeholders to increase impact for the audit services it provides. Modern audit profession demands Supreme Audit Institutions to properly communicate with internal and external stakeholders to understand and address the expectation of these stakeholders. Engaging the major stakeholders will also help in the successful implementation of OAG's initiatives for changes. In realizing this goal, the OAG identified the following objectives to be implemented in 2020:

To upgrade the OAG communication

Prepare a template and a guideline for preparing annual reports: There has been inconsistency in the preparation of the reports in the audit departments regarding the structure. This inconsistency was creating a problem in the compilation of annual audit reports. To alleviate this problem, the OAG prepared a template and guideline for the preparation of "Annual Audit Reports" in 2020. The templates for the report of the support service divisions will be prepared in 2021.

To engage with the media and other stakeholders to increase the awareness of the public

Get media coverage in EriTV, radio, and newspaper: As part of its stakeholder engagement activities, the OAG is working with the Ministry of Information to gain media coverage on the OAG activities through the available media outlets. In 2020, the Ministry of Information has disseminated information on the training events held in March and November.

Increase public awareness: The OAG distributed promotional items (Yearly Planner and Calendar of 2020, desk clocks, ball pens and T-shirts) with OAG logo and its vision statement. Due to closure of the international flights however, the promotional items were only delivered in mid-2020.

To design a mechanism for collecting feedback from stakeholders about the OAG

The OAG prepared a guideline to collect information on the outcome of OAG activities from both its internal and external stakeholders. The guideline also includes list of the areas to be assessed and the related questionnaire to be distributed. Accordingly, a survey was conducted to assess the level of employee satisfaction within the OAG.

Audit Coverage

In the year 2020, the audit departments had a plan to undertake a financial audit for 40 entities. In addition, based on the request from our stakeholders, six investigative audits were added making the total planned entities to 46. However, due to COVID-19 related lockdown, that figure was not attained. The lockdown, which was mandatory from the beginning of April to mid of July, was affecting not only the OAG, but also all audit clients, forcing the OAG to halt many audits except those of high priorities. During those three months, most of the OAG employees were forced to stay at home.

The OAG commenced its business towards the end of June, only to return to second round lockdown starting mid of December. In July, the management revised all annual plans and rearranged the priorities of the audits.

Out of the total planned 46 entities, 29 financial audits were completed and their audit reports were sent. Another nine audit engagements are in progress, some on their final stage. The remaining two audits were postponed due to work overload.

 Out of the six investigative audits, five were completed making the completed financial and investigative audits 34. These comprised 142 budget years. The remaining one was postponed to 2021. In addition, one performance audit and another pilot audit were completed.
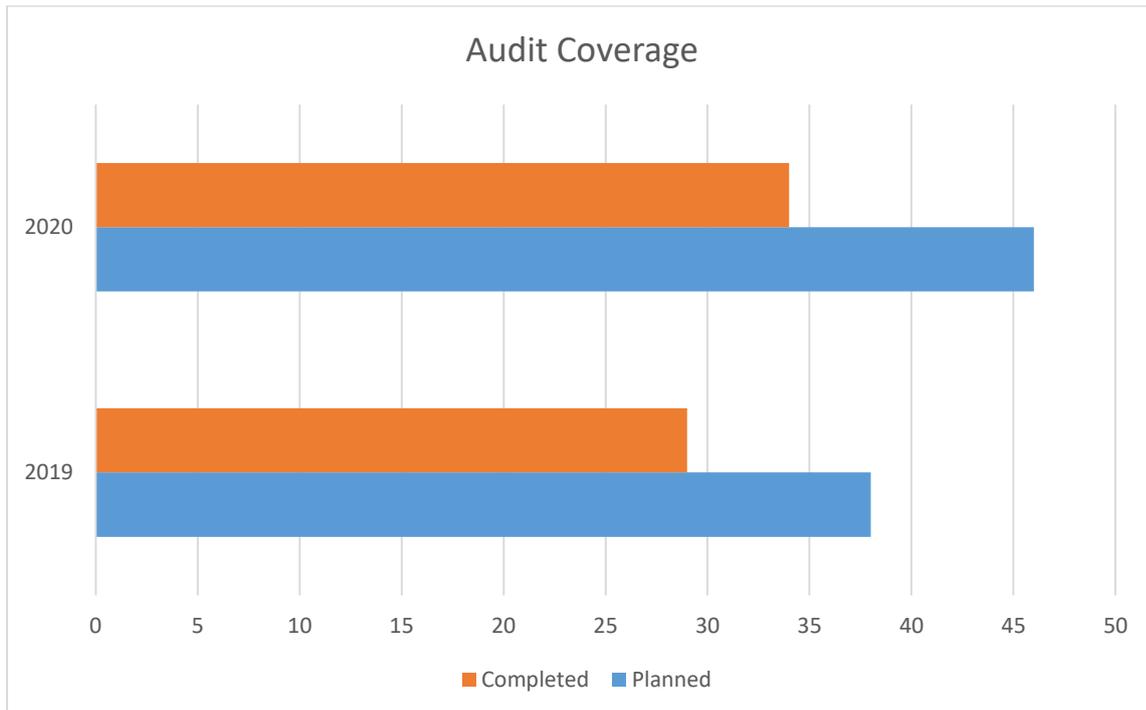
Fig. 4: our Audit coverage

Including the projects and special investigations, in 2020, the OAG has audited 142 budget years. The audit coverage of 2020 was 76% of the total planned. Comparing with last year, the planned audits were increased by 21%. Overall, the completed audit engagements has increased by 17%. Therefore Considering the over three months of lockdown associated with COVID 19, our efficiency was commendable. Although for almost a year now, several senior auditors are engaged in investigative audits, the audit efficiency is relatively constant. A strict supervision by audit managers and directors is one of the reasons for maintaining the momentum of audit coverage that started in 2019.

The result of our audit reveals that the overall financial management of the government is improving annually. However, poor implementation of audit recommendation combined with shortage of skilled human resource in the client organization is affecting the audit impact. Inadequate control over cash receipts is one of the main finding with potential for significant gap in the management of income in the government.

Our Performance audits has observed many unclear objectives, unmeasurable targets and sometimes, overambitious targets. Mismatch of project objectives with implementation process is also one of the major weaknesses identified. Lack of follow-up has resulted in unnecessary waste and leakage.

There are significant financial and compliance findings unveiled by the investigative audits whose report has been sent to organizations requested for it.

Chapter Four: Management of resources

In conducting its business, the OAG obtains its human, material, and financial resources from the Ministry of Finance (MoF) and the Resources Coordination Center (RCC), a body mandated with

equitable distribution of professionals to Government institutions. The management of the OAG makes every effort to increase its human capability and proper utilization of the resources obtained.

Human resource

The OAG is organized in to two audit departments and three supporting divisions. With the addition of the new recruits who came this year, the total number of OAG employees has reached 139.

Out of the total number of employees, 106 are auditors actively working in the teams. The Audit Department of Revenue, Economy and Defense (R.E.D) has 48 Auditors, while The Social Services, Administrative, and local Government Audit Department (SALG) has 45 Audit staff. The remaining 13 auditors are in the Performance Audit teams. There are also other 6 auditors, all qualified by the ACCA, currently seconded in other private audit firms and parastatals. The remaining 27 are working in the corporate divisions.
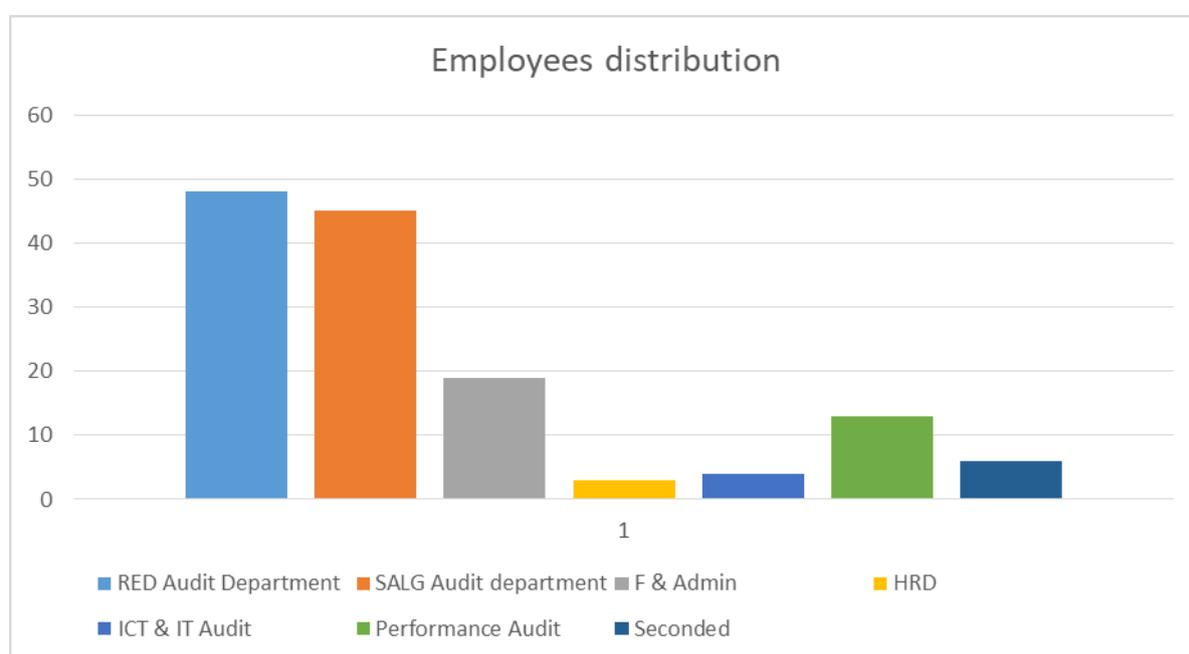

Fig. 5: Staff distribution among the OAG's organs

The human capital of the OAG is obtained from the Resource Coordination Center, an organ of the government responsible for the management of human capital in Eritrea. and the National Commission for Higher Education and Research. In 2020, the OAG received 23 new graduates and one civil servant transferred from other government institutions. All the new recruits were provided with a three days induction course and were deployed for work straightway.

In total, the OAG has 47 female employees. In 2019, the proportion of female employees was 31% of the total workforce. In 2020, the gender distribution of OAG has improved by 3% making the female employees 34% of the total number. Ensuring gender inclusion and gender equality is one of OAG's priority. In the 2019-2023 strategic plan, the OAG has included several gender specific activities to be implemented during the five years period. The strategic plan is currently under revision and inclusion of gender specific objectives will be one of the major changes in the revised edition. The OAG is committed to create encouraging ground for our female employees to enable them develop their

career while looking after their families. The OAG will invest in female employees who are competitive and dedicated to their jobs and professional development. Lack of female employees at managerial level is a concern of the OAG. In addressing this concern, the OAG has drafted a Gender Policy and Gender Action Plan documents.

Professional Diversity

Legend:
- Non professionals
- Secretarial Science
- Finance
- Business Administration
- ICT & IT
- Management
- Accounting
- Sociology and Social Work
- Public Administration
- Electricity
- Archives and record management
- Economics
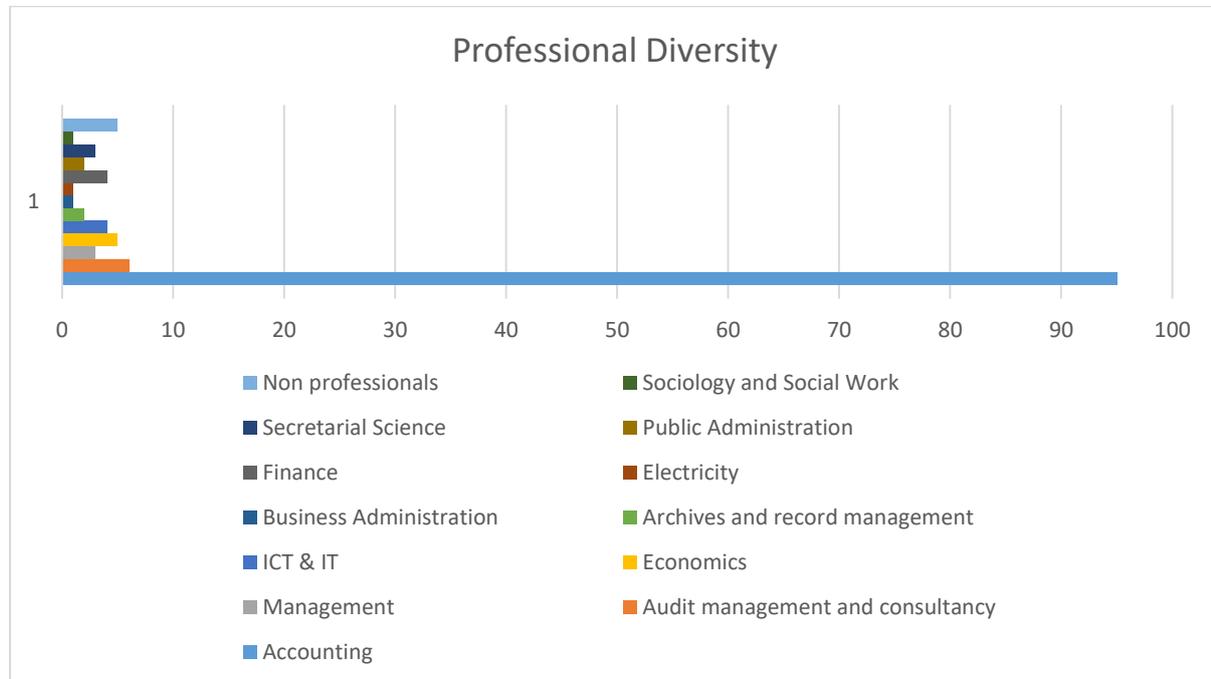- Audit management and consultancy

Fig. 6: The areas of specialization in the OAG

The OAG efforts in human resource investment is focused on young employees including increased encouragement to the existing experienced staff members. The young employees of the OAG below the age of 30 years cover closer to 56% of the total number. To ensure sustainability of the office, this generation should be developed and coached for higher responsibility. The OAG management encourage young employees to forward their views without reservation. In addition, every employee is encouraged to express suggestions and comments to any level of management without any reservation. To express their views the management has increased the frequency of annual general meeting to twice a year. Young employees are already included in the various work committees.

Budget

The primary source of financing for the OAG is the budget obtained from the government through the Ministry of Finance. The OAG's budget was approved in January 2020. Most of the budget received from was for recurrent activities and salary. The budget also include limited amount for capital expenditure such as for procurement of IT materials, renovation, and maintenance of building, and other similar activities.

Through the Ministry of National Development, the OAG also received some fund from the United Nations Development Program (UNDP) for a Capacity Building purpose. The process for obtaining fund from external financiers has its own process for the preparation of project proposals, which requires prior approval by the Ministry of National Development.

In 2020, our office received a total of ERN 7.36 Million from the Government and 3.4 Million additional fund from UNDP. The fund obtained from UNDP is strictly for capital expenditure, focused on capacity building projects. Out of the available amount, only ERN 6.8 million (63%) was utilized. The reason is associated with COVID 19 and the subsequent lockdown.

The Finance and Administration Division of the OAG is responsible for the management of all obtained financial resources. In utilizing the budget and additional fund, the OAG follows the Financial Regulations of the Ministry of Finance, regardless of its source. During the year 2020, our Office has submitted the financial reports to the Ministry of Finance and the UNDP in accordance to their requested reporting framework.

The major component of the OAG expenditure was salary of staff and procurement of IT equipment. In the year 2020 the amount paid for salary covers over 37% of the total approved budget. The expenditure pertaining to procurement of IT and office equipment, covers 47% of the total budget. The expenditure for training and development was only 4% as majority of the planed training events were cancelled. The remaining 12% covered utility and office supplies.

Audit teams deployed for all type of audit engagement outside the capital Asmara require daily subsistence. Therefore, daily subsistence is one of the major expenditures of the OAG. However, in 2020, due to the restrictions on movement associated with COVID-19, there was no field trip and no travel subsistence was paid.

Property management in the OAG is improving annually. The OAG made reforms in the management of fixed and consumable assets. This year the inventory count was completed with updated property register.

The OAG is a budgetary unit that obtains its annual budgets from the Government of the State of Eritrea. However, it also looks for additional fund. In addition, for a successful implementation of its strategic plan assistance from stakeholders, including development partners is imperative. To this end, the OAG has prepared a draft project proposal for funding for the years 2021-2023.
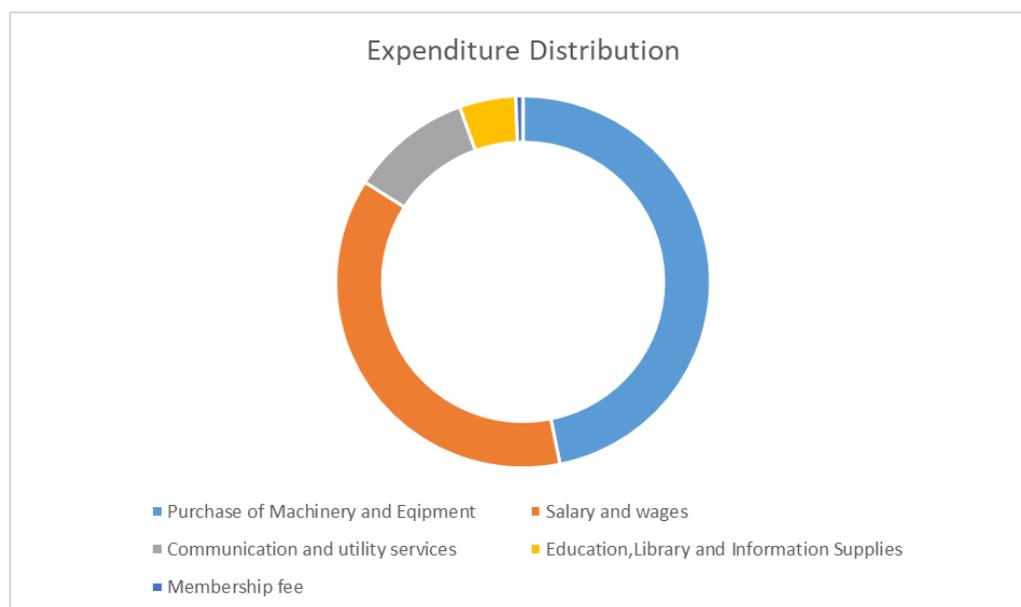

Fig.7: Budget utilization chart

Equipment and facilities

Training rooms

The OAG has a modest training room equipped with an LCD projector and an Air Conditioner. The training room can accommodate at least 35 people at a time. In addition, there is also a meeting room with a capacity of 70-100 people also equipped with an LCD projector, a laptop, an Air conditioner and a sound system. In 2019 one old LCD projector was replaced and a wireless router was acquired to facilitate the training events. The facilities also include heavy-duty copiers, binding machine, laminators, and color printers.

IT infrastructure

The OAG is interconnected with local Area Network (LAN) with up-to-date servers, Routers and Layer 3 Switches. In 2020 additional 2 network cables were pulled increasing the available total network port inside the office to 68. By mapping the network drives, audit teams are now able to share information and files through network.

Laptops, desktop, copiers, and printers

The Office of the Auditor General is interconnected via Local Area Network (LAN). There are over 68 connection points, all cabled. Printers are shared among members of divisions. Our audit teams are equipped with at least three laptops per team. Compared to the year 2019, the available number of laptops have increased by 18. All the 18 new laptops acquired in 2020 were automatically deployed to the audit teams.

The office of the top management, including the office of their secretaries, Finance and Administration office and its units, the HRD and the IT divisions are all equipped with Desktop computers, printers and laptop computers.

Communication Equipment

The Private Branch Exchange (PBX) communication network was installed in 2001. The system has 32 cards distributed in two floors. With the recent addition of offices in the ground floor, one line was extended to ground floor, which facilitated communication among the three floors of the OAG. However, the system is now outdated and its capacity is unparalleled with the growth of the OAG. Therefore, the system needs to be replaced soon.

Chapter five: Seminars and events

Most of the planed seminars and training events were cancelled due to COVID 19. In 2020, the OAG hosted limited Continuous professional Education (CPE) events to its staff members and other partners. Majority of the training events were delivered through AFROSAI-E e-learning platform with only three face-to-face workshop programs delivered to Internal Auditors and staff from the corporate divisions of the OAG.

In 2020, the following seminars and training events were conducted:

Internal Audit Training: In March, a face-to-face Internal Audit training was delivered for five days to 45 internal Audit staff from government institutions. The training was concluded just before the announcement of the lock down. The training covered the various audit steps of internal auditing, including audit planning, audit execution, audit tools and methods, reporting and other topics.

Another training in collaboration with the Eritrean Center for Organizational Excellence (ERCOE) was delivered in November. The purpose of the two weeks training was to assist internal auditors develop their own strategic plan. The training was attended by 36 heads of internal audit units from all government institutions. At the end of the training program, internal audit heads were able to prepare their own strategic plans.

The OAG staff were able to attend the following online trainings and meetings organized by the African Organization of English-Speaking Supreme Audit Institutions (AFROSAI-E) and the INTOSAI Development Initiative (IDI):

Audit of Extractive Industry: This training was initially planned on a face-to-face workshop to be held in Zambia, during April 20-24, 2020. The training which was delivered by subject matter experts from AFROSAI-E member SAIs was about the audit of extractive industry including environment consideration, audit of natural resource reserves, joint mining activities, accountability of mining income and others. By participating in that training, OAG staff members were able to gain knowledge and understanding of the emerging risks in the sector, and to support their own continuous professional development. The course included the in-depth study of the AFROSAI-E Guideline, Audit considerations for Extractive Industries. Two of OAG staff members (both female) attended the three weeks online training.

Governing Board Meeting: The 2020 strategic review and 17th Governing Board meeting was scheduled to be held from 11 - 15 May, in Accra - Ghana. However, due to COVID 19, the meeting was cancelled and was changed to a virtual meeting. The Auditor General attended the strategic review meeting which was held during May. As part of the HR sub-committee, Eritrea attended the May 12 sub-committee meeting.

Environmental Audit risk: With the support of the GIZ, AFROSAI-E developed an innovative audit approach to integrate environmental audit risks at local government level in the normal audit activities of supreme audit institutions. The purpose of the training was to enable SAIs to add value by integrating environmental risks, and the compliance with environmental laws and regulations into regularity or performance audits. Thus, SAIs can make a significant impact on effective environmental management. Three staff members of the OAG (one female and two males) attended the three weeks online training.

Coastal Audit: The AFROSAI-E (African Organization of English-Speaking Supreme Audit Institutions) with the support of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) initiated a project to capacitate SAIs of countries with coastal areas, to conduct audits to assess the state of coastal ecosystems, understand the significant issues and coastal zone management, risks for coastal communities, and make recommendations for improvement. Two OAG staff members (one male and one female) attended the three weeks training program.

Performance Audit: This three-module course is estimated to take at 9-12 months to complete. Starting from July, three new recruits of the OAG completed the two weeks Basic Module of the course using the AFROSAI-E e-learning course in the OAG. The first module, the e-learning course, requires facilitation by sufficiently experienced facilitators from the OAG. Following the completion of the Basic Module, the participants, under the supervision of one experienced performance auditor, conducted a pilot audit and submitted the report in December 2020.

IT Audit working group workshop: The four days' workshop program was conducted from September 28 to October 01, 2020. The purpose of the workshop was to supporting a remote Audit Office using technology. During the workshop topics such as big data, cyber security, remote audit assistance and the use of audit software in assisting audit management were discussed. One staff member from the OAG participated in the workshop.

Technical update: The annual Technical Update and Refresher Course for the year 2020 was held from 02 to 06 November. The training which was attended by 10 OAG staff members covered topics, including among others, resilience during disasters, gender audits, shaping ethical workplace culture, Public Financial Management (PFM) reporting framework tool and refresher courses for regularity and performance audits. The management of UNDP provided their conference hall along with its internet communication facility for the entire 5 days.

Chapter six: management of key stakeholders

Based on the Stakeholders' Engagement strategy approved in December 2018, the OAG has been implementing several activities in engaging both internal and external stakeholders.

Internal Stakeholders
Employee satisfaction survey

Under Goal Five - "Communication and Stakeholders' Management" of the strategic plan, the preparation and implementation of stakeholder feedback collection guideline was planned for 2020. Accordingly, the OAG prepared the guideline and designed questionnaire for both external and internal stakeholders.

In 2020, OAG's HR and Communication Units jointly conducted employees' satisfaction survey by taking 51 random employees from the audit departments and divisions. The questionnaire had 14 questions categorized into the following three areas:

1. Workplace culture

2. Leadership and Management

3. Individual jobs

The aggregated result of the survey showed that 89.62% of the respondents had a positive feeling about the OAG. In answering the particular question about their satisfaction on working in the OAG, 92% of respondents said they are satisfied.

Analysis of the responses revead that the following are major areas of improvement:

a) Social activities: Employees feel the current social activities are limited. Additional social gatherings and activities such as sport clubs, retreats, and organized in-country tours should be considered.

b) Lack of space and limited sanitary services: Auditors feel their office is crowded and dusty.

c) Career developments: Some employees felt the OAG should expand its educational opportunities. Apart from the professional development, educational opportunities such as post graduate degrees should be granted to employees

d) Shortage of consumables: many staff members believed there is apparent shortage in the distribution of office supplies, such as stationery materials.

Digital signage

To facilitate exchange of information and short educational materials, the OAG installed a digital signage. The signage is being used to convey visual information on COVID 19, ISSAIs, OAG strategic plan and other information.

Prepare template and guideline for preparing annual reports:

There has been inconsistency in the reports of the OAG. This inconsistency was creating a problem in the compilation of annual reports. To alleviate this problem, the OAG prepared a template and guideline for the preparation of "Annual Audit Reports" in 2020 and the other templates (Annual performance report and support service divisions' annual report) will be prepared in 2021.

Audit clients

In 2020, our engagement with our client was mainly through management letter and exit meetings. The seminars planned for the year was all cancelled to observe social distancing.

Fig. 8: Stakeholders' category

The OAG distributed promotional items (Yearly Planner and Calendar of 2020, desk clocks, ball pens and T-shirts) with OAG logo and its vision statement. Due to closure of international flights however, the promotional items were only delivered in mid-2020.

The promotional items were distributed among OAG employees and other stakeholders.

Media

As part of its stakeholder engagement activities, the OAG is working with the Ministry of Information to air OAG activities through the available media outlets. In 2020, the Ministry of Information has disseminated information on the training events held in March and November.

Chapter seven: International contributions

The OAG is a member of INTOSAI, AFROSAI and AFROSAI-E. The OAG has fully paid the membership fee for all the three international organizations. The Auditor General also participated in the Governing Board meeting of AFROSAI-E.

Chapter Eight: Challenges and Lessons learnt

Challenges

The pandemic of COVID-19 was the biggest challenge for the implementation of the OAG's planned activities. Several training events were cancelled due to the associated measures of lockdown and social distancing. To alleviate this challenge, the OAG conducted limited training activities through online platforms.

Similarly, because the lockdown was also applicable to our audit clients, our audit work and other stakeholder engagement activities were also negatively affected. In response to this challenge, the OAG decided to resume its audit activities for the high priority areas to a limited extent by applying all the necessary precautions.

Lessons learnt

Preparedness for resilience in time of challenges such as COVID-19 was of paramount importance. The OAG was able to withstand the effect of the COVID pandemic by taking fast action in reviewing its annual operational plan, prioritizing the most critical activities and implementing the priority areas through a systematic and safe way.

Office of the Auditor general
Dembe sembel, Green Building
Block "A', second floor
P.O.Box 918
Asmara – Eritrea

Tel. +291-1-151441, +291-1-152203
Fax. +291-1-150252

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