



PACIFIC
ASSOCIATION OF
SUPREME AUDIT
INSTITUTIONS
(PASAI)

ANNUAL REPORT
2017

for year ended 30 June 2017



*“Pacific Auditors Working
Together”*

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Sarah Lineham
Deputy Secretary-General PASAI
Sector Manager – Local Government and PASAI
Support
Office of the Auditor-General New Zealand

SECRETARY-GENERAL'S MESSAGE

It is my honour to have the opportunity to reflect on PASAI's achievements over the past year. Our Office is currently going through a period of transition, challenge and change following the completion of the seven-year term of Lyn Provost. These challenges of operating in a political environment and within the public spotlight are well understood by many within the PASAI family. At this time it is reassuring to see PASAI operating effectively in its support to our members and to see a number of you achieving goals that have required many years of dedication and determination to bring to fruition.

I cannot move past the importance of independence for every SAI. This is a significant challenge for many in our region. As many of us have now completed or are close to completion of our SAI PMF assessments it is time to consider how to address the weaknesses and build on the strengths identified through this work. With the Independence Resource Kit established to suit the challenges of our region, we are well placed to address any weaknesses to our constitutional independence. I am encouraged by the recent achievements of some of the smallest nations within our region in this area. Tuvalu has new legislation and Kiribati has applied our resource kit in drafting their new audit bill with assistance from PASAI. These achievements should be an encouragement to us all.

Along with these fundamental system achievements there are many good programmes going on directly through the work of the PASAI Secretariat continuing to build the capacity of our people. Support across the PASAI family on a peer-to-peer basis is also growing in frequency and effectiveness. I personally have the pleasure of being involved in the twinning arrangements between New Zealand and Samoa and Cook Islands. This twinning programme is going from strength to strength working

SECRETARY-GENERAL'S MESSAGE

each year to build on the support provided the previous year, sharing expertise on technical and soft skill areas, focusing on the operational aspects of the SAI as well as the audits. It was fantastic to see the way that the programmes of PASAI, consultant support and twinning support has come together to assist Samoa with the implementation of TeamMate in recent months.

I believe we are well positioned with a broad range of programmes addressing key issues across our SAIs. As a result we can not only work on these current issues but also focus on preparing for the future. The SAI young leaders programme is part of this forward thinking. Our symposium in May has set a good platform to work from and will help us, with the support of IDI, to consider how best we can prepare, grow and develop strong future leaders for our SAIs.

We can only do this work because of the generous and ongoing support of our major funding partners – the New Zealand Ministry of Foreign Affairs and Trade, the Australian Department of Foreign Affairs and Trade, and the Asian Development Bank.

As Lyn has emphasised in the past I also encourage all of us, as we address the challenges of everyday, to remember the important mission that we have. Our work is not about ticking off the completion of annual accounts and meeting complex accounting and auditing standards for the sake of achieving compliance. Our mission is to improve transparency and accountability so that the services provided to

the people of the Pacific can be provided in the most efficient and effective ways, so that ultimately the lives of our people are better. The path to achieving this goal requires determination to keep taking the little steps towards our goal.

Finally, I thank all of the members of the Governing Board for their contributions to PASAI during the year. It is a privilege to work with you and learn from you as we work together. I would particularly like to thank Ihlen K. Joseph, Public Auditor of Pohnpei for his enthusiastic chairing of our board over the past year. His vast experience in the public sector and as an auditor and advocate for the SAIs of the Pacific has been invaluable. I would also like to thank Fuimaono Camillo Afele for taking over from New Zealand as the PASAI representative on the INTOSAI Governing Board and for agreeing to become a member of the PASAI Governing Board in his capacity as our representative.

Our Office looks forward to working with you in the coming year.

Sarah Lineham
Deputy Secretary-General PASAI
Sector Manager – Local Government and PASAI Support
Office of the Auditor-General New Zealand

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I am encouraged by the recent achievements of some of the smallest nations within our region in this area.

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REPORT FROM THE CHIEF EXECUTIVE

I am pleased to submit the PASAI Annual Report for the year ended 30 June 2017.

It was another busy but fruitful year for PASAI in implementing programmes that advocate SAI independence, ensuring high quality audits and building the capacity of SAIs.

We completed 68 activities in the reporting period. About 623 SAI staff (62% female) participated in one or more of our capacity building programmes conducted and facilitated which benefitted our member SAIs.

The passing of the new Audit Act (2016) for Tuvalu in December 2016 validated the commitment of SAI Tuvalu to strengthening its independence in order to be able make a difference to the quality of public sector governance and service delivery for the benefit of the people of Tuvalu. PASAI is pleased to have contributed to such a significant achievement for both Tuvalu and the PASAI community. Kiribati is expecting a similar favourable outcome with the submitting its Audit Bill in the next seating of parliament. We hope for more similar achievements with the support provided to other SAI members, in reforming and strengthening their legal frameworks.

The completion of the audit of the whole of government accounts for Nauru and Solomon Islands demonstrated the commitment of these governments and the respective SAIs to transparency and accountability. These great accomplishments are encouraging for PASAI in working with our Pacific SAIs to achieve high quality audits, particularly financial statements of government.

The joint effort by PASAI and the INTOSAI Development Initiative (IDI) in conducting SAI Performance Measurement Framework (SAI PMF) assessments for SAIs in the North Pacific region has assisted SAIs to develop a performance measurement framework to improve the delivery of their audit responsibilities. Such co-ordinated regional



Tiofilusi Tiueti
Chief Executive



REPORT FROM THE CHIEF EXECUTIVE

approaches have helped the participating SAIs tremendously in completing an assessment, compared to having to conduct the assessment by themselves.

PASAI is privileged to have joined the developing of various guidance and frameworks on thematic areas that have become global public goods for the INTOSAI community. The signing of the Memorandum of Understanding between PASAI and the IDI in September 2016 reaffirmed the commitment of PASAI to participate in regional and global ingenuities.

I would also like to specially thank Ms. Aolele Su'a Aloese, our former Director of Advocacy, Engagement and Financing, for all her capable services that has propelled PASAI's advocacy and engagement with SAIs and stakeholders to a remarkable level. It is with sympathy that she had to leave the PASAI team for personal reasons, so we wish her success in her future endeavours.

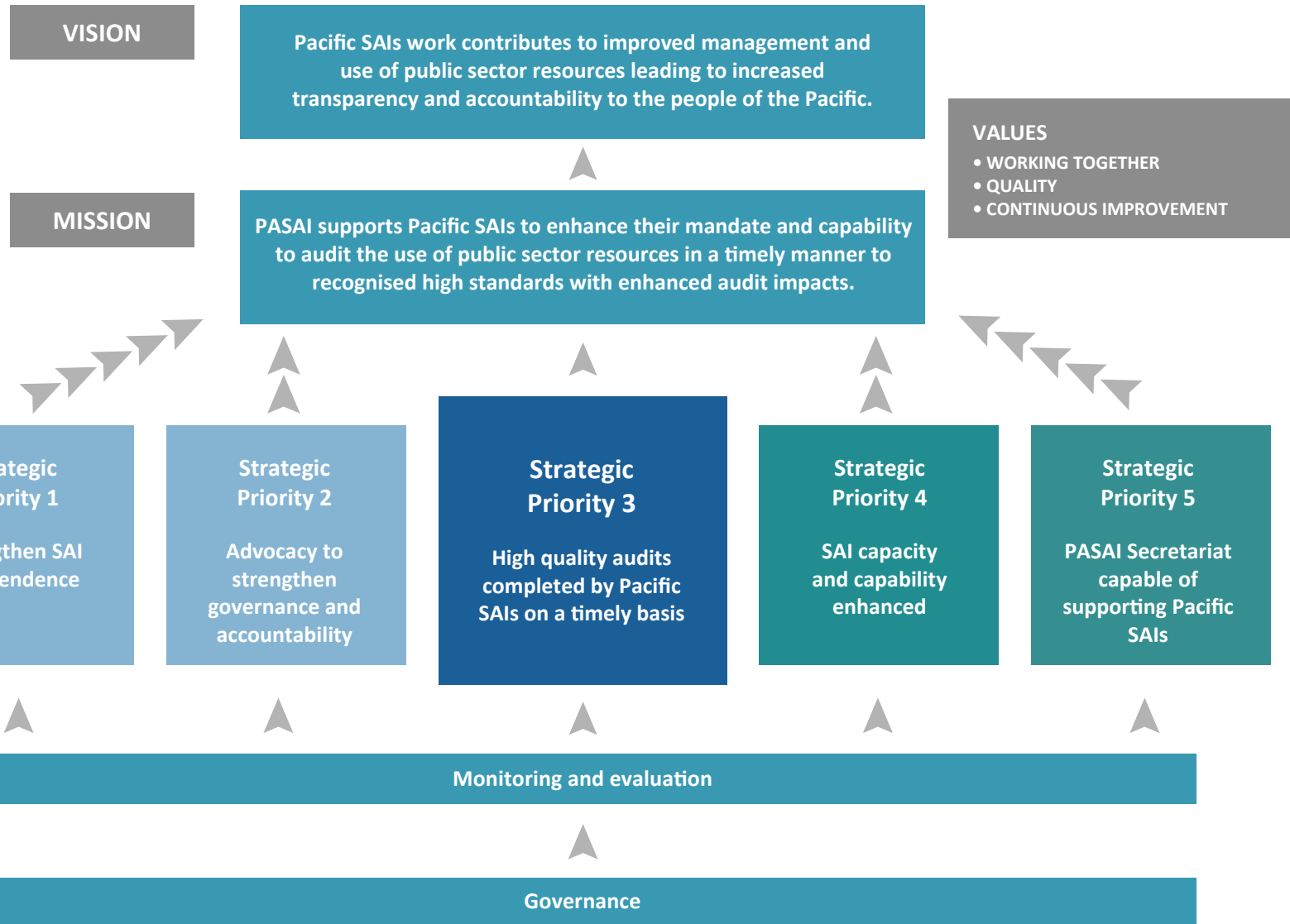
Last but not the least, I salute my robust team at the Secretariat for their resolve and great patience throughout the 2016-17 journey. Kia ora rawa atu team.

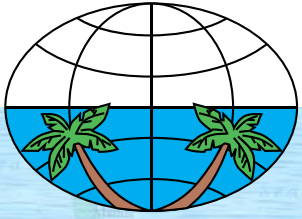
Malo 'aupito
Tiofilusi Tiueti
Chief Executive

VISION, MISSION, VALUES

PASAI STRATEGIC PLAN

2014-2024





“Pacific Auditors Working Together”



OUR MEMBERS

We had 28 members on 30 June 2017.

OUR PARTNERS

FUNDING



Japan
Fund for
Poverty
Reduction



CAPACITY BUILDING



*Empowered lives.
Resilient nations.*

REGIONAL



THE SECRETARIAT TEAM



LYN PROVOST (TO 31 JANUARY 2017)
MARTIN MATTHEWS (TO 30 JUNE 2017)
(SECRETARY-GENERAL OF PASAI AND AUDITOR-
GENERAL OF NEW ZEALAND)

TIOFILUSI TIUETI
(CHIEF EXECUTIVE)

A'EAU AGNES TUIAI-ARUWAFU
(DIRECTOR TECHNICAL SUPPORT)

SINAROSETA PALAMO IOSEFO
(DIRECTOR PRACTICE DEVELOPMENT)

AOLELE SU'A ALOESE
(DIRECTOR ADVOCACY, ENGAGEMENT AND
FINANCING)

NATALIE PRICE
(OFFICE COORDINATOR)

ERONI VATULOKA
(PASAI ADVOCATE)

SARAH LINEHAM
(DEPUTY SECRETARY-GENERAL – PASAI, SECTOR
MANAGER LOCAL GOVERNMENT -NEW ZEALAND
OFFICE OF THE AUDITOR GENERAL)

ROBERT BUCHANAN
(LEGAL EXPERT ADVISER)

CLAIRE KELLY
(PERFORMANCE AUDIT ADVISER)

TINA VAKA
(COMMUNICATIONS ADVISER)

AT A GLANCE

- 82% of SAIs achieved the timely audit of their country's Whole of Government/ Financial Statement Government Accounts compared to 75% in the previous year.
- PASAI "independence resource kit" was launched in July 2016 to assist member SAIs to strengthen their independence. The Kiribati National Audit Office (KNAO) was used to pilot the resource kit to strengthen KNAO's legal framework. The resource kit is also available to all SAIs globally on our website.
- The new Tuvalu Audit Act 2016 passed in December 2016, is a significant achievement for SAI Tuvalu, with modern legislation that significantly increased its statutory independence. Expert legal advice provided to support SAI Tuvalu has borne fruit. Similar support was provided to SAI Kiribati, Republic of the Marshall Islands, Solomon Islands, and other SAIs for modernised legislation and effective legislative reforms.
- The Government of Nauru's Public Accounts for 2013/2014 was tabled on 30th May 2017 in Parliament, closing a 15-year audit gap – a historical milestone for the Government of Nauru and also the Nauru Department of Audit (NDOA). Staff of NDOA are prepared to audit the 2014-2015 and 2015/2016 WOG accounts.
- SAI Performance Measurement Framework (SAI PMF) Lite project completed phase I and continued with phase II providing an opportunity for participating SAIs to gain a better understanding of SAI PMF, as well as learn how to use this framework as a measurement tool to measure their performance consistently over time. SAIs of Samoa, Tonga and Tuvalu from the South Pacific region and SAIs of FSM States of Pohnpei, Kosrae, Yap, and Guam, Republic of Marshall Islands from the North Pacific region were assessed or peer-reviewed.
- The first pilot of conducting a co-operative financial audit for the region resulted in the launch of the "*Practical Advice for Auditors of Foreign Aid Projects in the Pacific*" regional report, which SAIs Cook Islands, Fiji, Kiribati, Samoa, Tonga and Tuvalu participated with the support of IDI.
- Effective advocacy programmes led to increased awareness of the role of PASAI, SAIs and Public Accounts Committees (PACs) by Members of Parliament, Ministers, senior government officials, management of public sector agencies and non-government organisations of Pohnpei State of FSM, Kiribati, Samoa, and Tuvalu.
- PASAI signed an MOU with IDI and has participated in various product developments for INTOSAI. These include developing guidance and materials on: SAI Young Leaders; SAI Engagement with stakeholders; Audit of Sustainable Development Goals (SDGs) preparedness; and on SAI Independence. These products will become global public goods and will be made available for usage by the INTOSAI community.
- The website upgrade has provided up-to-date information on the activities of PASAI and its members. Further, PASAI created its own pages on social networks such as Facebook, Twitter, Instagram and LinkedIn during the year to expand its reach to a wider audience in the region and globally. A total of 30 Media Releases, 10 Monthly Updates and three Quarterly Bulletins were issued and shared on PASAI media networks.
- Continuing negotiations with core development partners to secure sustainable funding for PASAI remains a top priority. PASAI is pleased to confirm new funding from the EU and has extended its grant agreement with MFAT for another two years.
- In total, about 623 SAI staff (62% female) participated in one or more of our 15 training workshops, 13 technical support programmes, 10 SAI PMF assessments, eight product development and programme reports, and six programme design meetings.
- An unmodified audit opinion was issued for PASAI's financial performance for the year ended 30 June 2017 by the External Auditor on 3 August 2017: Total Members' Funds of more than NZ\$0.65 million at balance date.

OUR SERVICE

At 30 June 2017, 68 activities had been carried out during the reporting period. At least 623 SAI staff (62% female) participated in one or more of our 68 capacity building programmes conducted and facilitated, which benefitted all our member SAIs.

The highlights achieved during the year are shown in Table 1. The details on capacity building programmes are provided in a later section of this report.

TABLE 1: SUMMARY OF ACTUAL AGAINST PLANNED ACTIVITIES BY STRATEGIC PRIORITY FOR THE PERIOD JULY 2016–JUNE 2017

STRATEGIC PRIORITIES	PROGRAMMES			PARTICIPATIONS					
	Planned (No.)	Actual (No.)	% of actual	No. of SAIs involved	Total	Male	%	Female	%
1: Strengthen SAI Independence	12	15	125%	20	160	72	45	88	55
2: Advocacy to strengthen transparency and accountability	6	9	150%	4	126	37	29	89	71
3: High-quality audits completed by Pacific SAIs on a timely basis	12	12	100%	22	126	31	25	95	75
4: SAI capacity and capability enhanced	15	15	100%	22	137	59	43	78	57
5: PASAI Secretariat capable of supporting SAIs	12	9	75%	All	74	40	54	34	46
TOTAL	57	68	119%	28	623	239	38	384	62

SP 1: STRENGTHEN SAI INDEPENDENCE

During the year, PASAI has worked extensively using various initiatives to promote, advocate, strengthen and raise awareness about the importance of SAIs having independence to effectively fulfil their mandates. PASAI has made huge progress and developments in strengthening Pacific SAIs legislation with one outstanding achievement for the Tuvalu SAI.

PASAI joined the international front with the launch of its “independence resource kit” in July 2016 to assist member SAIs to strengthen their independence. The Kiribati National Audit Office (KNAO) was used to pilot the resource kit to strengthen KNAO’s legal framework. The resource kit is also available to all SAIs globally, and is one of the primary resources being used by the INTOSAI Development Initiative (IDI) in developing an international guide on SAI independence (a project that PASAI is also directly contributing to with staff and consultant involvement).

Legal and technical support were also provided to SAIs in reforming and strengthening their legal frameworks to achieve greater independence. These SAIs include the Federated States of Micronesia (FSM), Kiribati, the Republic of Marshall Islands, Solomon Islands, Tuvalu and the Yap State of FSM.

Our Relevance and Impact

THE JOURNEY FOR TUVALU SAI

The Journey

PASAI encourages and supports its members to become independent and sustainable institutions that make a difference to the quality of public sector governance and service delivery for the benefit of their people. The SAI of Tuvalu has significantly increased its statutory independence with the recent passing of its new Audit Act 2016. The new Act meets many of the principles of SAI independence under the Mexico Declaration on SAI Independence (ISSAI 10).

In particular, it provides financial independence for the Tuvalu Office of the Auditor-General (TOAG) through a mechanism that places the funding of the SAI under the

control of the Parliament – a significant achievement for both Tuvalu and the Pacific SAI community. Additionally to further ensure the independence of the TOAG, there is a requirement that a minimum of 0.7% of the total annual appropriation (Parliament approved expenditure for the year) is to be provided to the TOAG.

The Government of Tuvalu and its Parliament are to be congratulated for recognizing the need for this reform, and for acting to update the legislation in the manner encouraged by the resolutions of the United Nations General Assembly in 2011 and 2014. The resolutions stressed the importance of a strong, properly resourced, and independent SAI in improving transparency, accountability and value for money to ensure that public funds are appropriately spent.

TOAG began its journey towards independence through discussions with other SAIs during PASAI Congresses.

“The Office learnt during the implementation of its old Audit Act that it was out of date and lacked appropriate independence mechanisms for the SAI. PASAI’s 2015 Accountability and Transparency study included Tuvalu in the in-depth research, and identified the need for the SAI to update its Audit Act” stated Mr Eli Lopati, Auditor-General of Tuvalu. Tuvalu’s new Audit Act leads the way in strengthening SAI independence.



The Challenges

The journey for TOAG in achieving this legislative reform was not straightforward. There were many challenges along the way, which included:

- Limited understanding within the Tuvaluan Government of the role and importance of an independent SAI in the public financial management system, including the significance of the international principles on SAI independence which were influencing the TOAG in its reform proposals.
- Applying the international principles and precedents from other jurisdictions, in a manner consistent with Tuvalu's national institutional structures and circumstances (including its small size).
- How to increase the independence of TOAG from the executive government (for example in terms of procurement and management of staff) in a manner that did not conflict with other legislation applying to government agencies. This was overcome by establishing the TOAG as a statutory body separate from the Government of Tuvalu, thus providing a basis to be exempted from the Government's procurement and recruitment requirements.

"The time required to perform the legislative change process should not be underestimated. The review and consultations take up a large amount of time, sometimes with the feeling that you are not getting anywhere," said Mr Tony Prceвич, Technical Advisor, TOAG.

The best approach to getting legislative support and buy in to strengthening SAI independence

The Tuvalu experience highlights some key lessons for obtaining legislative support and buy in for strengthening SAI independence. A key objective is to ensure that the review of the Act is part of the strategic plans of both the SAI and the Government, and therefore aligned with Government priorities. In Tuvalu, this made it easier to convince stakeholders that a change was required. As a result, the Government had an interest in ensuring that the review was completed in order to demonstrate progress against its strategic plan.

Secondly, without the support of the Attorney-General, it was unlikely the revised legislation would be supported. The Attorney-General in Tuvalu has oversight of the process of drafting government legislation. TOAG spent extensive time with the Attorney-General discussing the draft provisions sentence by sentence in order to gain her support. Thirdly, working collaboratively is the best approach as it

means working as one team rather than against each other. This included having representatives of the Attorney-General meet alongside the TOAG with the Prime Minister (the sponsor of the Bill) to ensure that the Prime Minister could feel comfortable that the Attorney-General had reviewed and endorsed the Bill.



SP 2: ADVOCACY TO STRENGTHEN GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY



During the year, PASAI has worked tirelessly to promote, advocate, strengthen and raise awareness about the importance of SAIs in making a difference to the lives of citizens. The focus has been on raising awareness about the important role SAIs play in instilling confidence in the public service by recommending improvements to public financial management systems, processes and service delivery. SAIs can therefore contribute significantly to improving public financial management and strengthen governance, transparency and accountability through the audits it completes.

The general advocacy and awareness programme delivered by PASAI during the year, was aimed at strengthening the financial oversight and external scrutiny role of Parliamentary or Legislative Committees, Audit Entities, State Owned Enterprises Boards, Chief Executives or Permanent Secretaries. The workshops were also extended to include representatives from media organisations, civil society organisations, private sector and donors.

PASAI continued to support SAIs in building their relationships and establishing strong partnerships with Parliamentary Committees (including Public Accounts Committees (PAC)) to strengthen their legislative oversight and external scrutiny role in ensuring effective public financial management and enhancing accountability and transparency. During the period PASAI conducted workshops for Pohnpei State of FSM, Kiribati, Samoa and Tuvalu.

Raising awareness about the role of the SAI and the value and benefits of SAIs in making a difference to the lives of citizens was the primary objective of two advocacy programmes held in Kiribati and Tuvalu. Stakeholders included audit entities, media organisations, non-government organisations, board members of

State Owned Enterprises and civil society organisations.

Improving SAIs capability to communicate effectively. PASAI's communications programme during this period was focussed on encouraging SAIs to demonstrate and effectively communicate their value, benefits and relevance to citizens and stakeholders. A training on effective communication, report writing and engagement with stakeholders was the goal for a regional communication workshop for SAI staff held during the period; and was also conducted for staff of SAIs Fiji, Solomon Islands, Tonga and Tuvalu. A regional leadership programme

on communications was also conducted for head of SAIs. All SAIs were represented in this regional workshop.

Our Relevance and Impact

The Challenges

Pacific SAIs face many challenges due to the lack of capacity and capability most island nations inherit due to remoteness, fragility and smallness. The visibility and understanding of the roles of SAIs within their respective jurisdictions was found to be extremely low through previous Accountability and Transparency studies undertaken by PASAI.

Impacts – SAI and PASAI region

The general awareness and advocacy programme was the first time SAIs had invited audit entities, PACs and other stakeholders to share about their work and their role in improving public financial management and making a difference in the lives of citizens. Members of legislative committees or PACs as well as representatives from other stakeholders appreciated the opportunity to learn more about the role of the SAI and how it can make a difference to the lives of citizens. Opportunities for the SAI to work more closely with stakeholders to achieve greater audit impact was discussed at these forums and outcome statements were prepared for implementation by the legislative committee and SAI together. Stakeholders understanding the role of SAIs and how to read and understand financial statements and audit reports enable them to implement audit recommendations more effectively and hold audited entities and public officials more accountable.

SP 3: HIGH-QUALITY AUDITS COMPLETED BY PACIFIC SAIs ON A TIMELY BASIS

High quality audits completed by Pacific SAIs on a timely basis is at the core of PASAI's strategic planning framework and PASAI continued to pursue this goal vigorously.

During the year, a blended approach of providing technical support to SAIs was delivered, such as engaging consultants to provide in-country SAI technical support, regional workshops, co-operative programmes, collaboration with regional organisations such as IDI, PFTAC, and participation in regional meetings. These activities were undertaken with the aim to achieve high quality financial, performance and compliance audits, and particularly to improve timeliness of Financial Statements of Government (FSG) or Whole of Government (WOG) accounts or Public accounts (PA). The overall challenge in achieving high quality audits is for SAIs to change or amend the audit practice to incorporate some of the learnings from these programmes/activities so that the audits are conducted more effectively to provide 'impact' to PFM strengthening and improve good governance. PASAI however achieved many positive results in conducting these programmes.

The results of the PASAI Global Survey and data gathering by the project team resulted in a comprehensive assessment of the performance audit capacity of Pacific SAIs, which was reported in a document *"Report of the Review of High Quality Performance Auditing in the Pacific"*. This helped shape the direction and focus for PASAI to join the global IDI programme on Sustainable Development Goals (SDGs) preparedness, which will be PASAI's 6th Co-operative performance audit programme.

A workshop on 'Building capacity to effectively audit the management of public assets' had the outcomes of: higher quality audits due to increased compliance of SAI audit practice and methodology with ISSAIs and GAGAS; improved timely completion of audits due to improved efficiencies in conducting the audit; greater integrity of audit reports due to improved audit processes and more consistent and

higher quality audit recommendations; and increased credibility of SAIs through competent and skilled staff.

The joint workshop with PFTAC to strengthen oversight functions of PFM through internal and external audit, made participants more aware of the work of internal and external auditors and realised the efficiencies that can be achieved by working more closely together.

The Quality Assurance (QA) Effectiveness programme Planning Design Meeting, was held and designed to take into account the issues and particular QA mechanisms already in place.

Providing technical support to SAIs to ensure achieving high quality audits benefited SAIs Kiribati, Nauru, Samoa, Solomon Islands, Tonga and Vanuatu during the period. These benefits included:

- improved understanding of the linkage between various financial statements,
- refining the audit methodology and developing a good quality assurance process that was executed; including training for audit staff
- identified gaps in Audit Office performance
- highlighted areas requiring long-term funded technical support in institutional and staff capacity development
- more strategic direction for the SAI to enhance its capacity and increase audit quality of performance audits conducted, and
- great sharing of knowledge within and between Pacific SAIs on using TeamMate.



Our Relevance and Impact

Nauru – succeeds at last

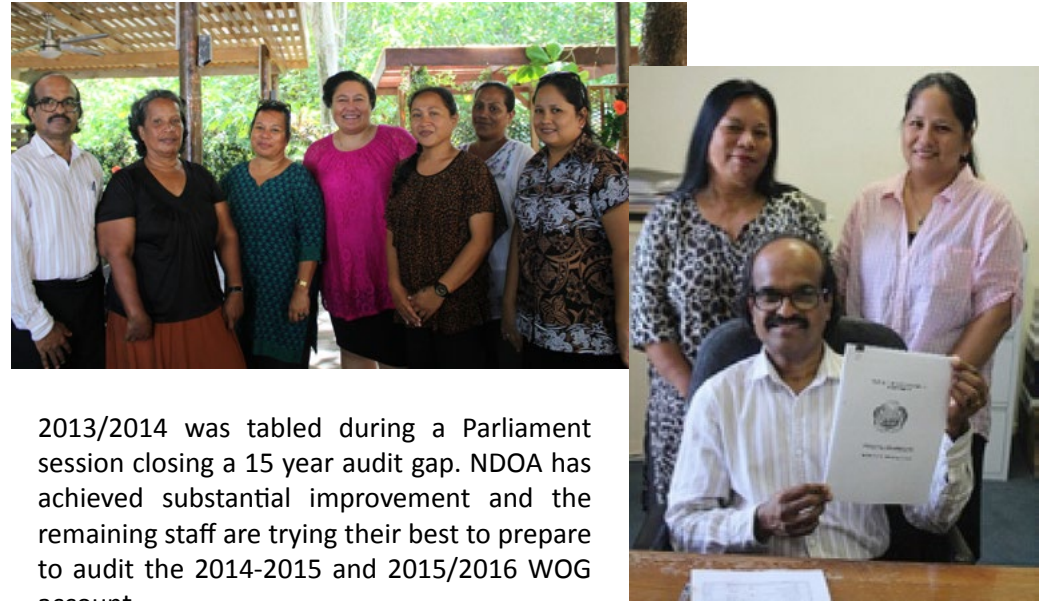
The Challenge for Nauru SAI

Since 2009 Nauru Department of Audit (NDOA) has participated in PASAI's Sub-Regional Audit Support or SAS programme, with the aim to build the capacity of the local staff in the conduct of financial audits. Especially because the Nauru Government had not produced any Whole of Government (WOG) financial statements since 1998, the SAS programme for Nauru focussed on financial audits of Statutory Owned Enterprises. However, in 2014 the SAS committee decided that PASAI needed to tailor a specific strategy to focus on this 15-year backlog in the audit of WOG financial statements and therefore withdrew NDOA from the SAS programme. In 2015 the NDOA was anticipating the audit of the WOG 2013/2014 for the first time, therefore PASAI engaged with the Auditor-General to identify his priority needs. The main challenge was the lack of experience and qualified audit staff to carry out this WOG audit and in a population of only 9,500 (approx.) this challenge was even more difficult.

Actions Taken To Meet This Challenge

PASAI obtained approval from the Governing Board to engage a short-term consultant with the objective to offer a hand-holding experience whereby the NDOA would acquire the professional knowledge and the confidence to undertake financial audit of the Whole of Government accounts for the first time. A world class experienced consultant was engaged and his main task was to engage with the inexperienced audit staff and take them to a level where they would be able to continue financial auditing and also comply with International Standards of Supreme Audit Institutions (ISSAI). At the end of one month's training, after the consultant left the local staff were confident to take forward and continue with the audit of the 2013/2014 WOG. However during this period there were more staff resignations and another staff member was on suspension by the Government. This meant that the office only had three staff left to conduct this audit. Despite this setback, PASAI Secretariat provided online assistance to the draft audit report including the management letter. It also provided assistance during an in-country visit in May 2017.

On the **30th May 2017** the Government of Nauru, especially the NDOA reached a historical milestone because the Government of Nauru's Public Accounts for



2013/2014 was tabled during a Parliament session closing a 15 year audit gap. NDOA has achieved substantial improvement and the remaining staff are trying their best to prepare to audit the 2014-2015 and 2015/2016 WOG account.

Given the challenge of the lack of audit staff, PASAI developed a sub-regional programme for NDOA called "Financial Audit Secondment Technical Support" (FASTS) to invite Expressions of Interest from financial auditors from PASAI member SAIs to be seconded to NDOA and provide the much needed support they require. Secondments from Pacific SAIs are expected to begin in September/October 2017.

Impacts – SAI and PASAI Region

The continuing impact of this capacity support provided by the consultant in the previous reporting period and the ongoing support by PASAI has indeed increased the confidence and positive profile of the work of NDOA. Furthermore the Auditor-General of NDOA has grown more confident in his role as a result of PASAI interventions. PASAI is building a positive working relationship with NDOA, which is resulting in these great outputs.

The Pacific regional impact from the FASTS initiative will encourage south-to-south co-operation, build stronger networks and collaboration within the Pacific SAIs and showcase an example of actioning the PASAI motto of "Pacific Auditors Working Together". The FASTS initiative will also be an excellent model to pilot an approach to achieve sustainability for Pacific SAIs that face the ongoing challenge of lack of staff, inexperienced auditors and issues associated with succession planning.

SP 4: SAI CAPACITY AND CAPABILITY ENHANCE

There were several regional capacity development initiatives undertaken during the year, all sharing the main objective of strengthening and enhancing the organizational capacity of the SAIs, as well as the professional capacity of their employees.

PASAI supported the FSM State of Yap's Office of the Public Auditor (OPA) with developing its first strategic plan. The SAI Performance Measurement Framework (SAI PMF) was used as a "needs assessment" tool to identify the development needs of the OPA concerning the various areas of its operation. Using the results of this quick assessment, the staff discussed ways to address the needs identified, prioritized the needs given the resources available to the Office and its capacity, and gradually developed the strategic plan for the next four years. The support has laid a foundation for OPA to develop its current strategic plan as well as develop their capabilities to be able to develop their strategic plans in the future. The Public Auditor and eight of nine staff were involved in the workshop.

A SAI Young Leaders regional symposium was conducted to explore and identify the challenges faced by SAIs in developing leadership, and to inform the design and development of a regional leadership programme. Twenty-one staff from 19 PASAI members attended the symposium, including representatives from Australian National Audit Office (ANAO) and New Zealand Office of the Auditor-General (NZOAG) who shared their leadership development programmes and leadership capability framework.

PASAI partnered with the University of the South Pacific (USP) in facilitating a seven weeks regional online course on IPSAS Cash Basis to strengthen and update auditors' accounting skills and knowledge. It was the first time an online course was offered to all PASAI members. Thirty-seven staff from 12 SAIs took part in the course, including four staff from two Ministries of Finance in the region. Participants' feedback identified some benefits and challenges when undertaking the course, especially given that they also attend to their work responsibilities during the day. Additionally, the case of "out of sight, out of mind" was evident in the minimal interactions of some participants. An online quiz was offered to assess the level of knowledge gained through the course. Overall, 70% of participants passed while 24% did not complete the quiz.

Our Relevance and Impact

A case for SAI Performance Measurement Framework (SAI PMF) in the region

During the period, SAI Performance Measurement Framework (SAI PMF) Lite project continued to be implemented, and again provided an opportunity for participating SAIs to gain a better understanding of SAI PMF, as well as learn how to use this framework as a measurement tool to measure their performance consistently over time.

The collaboration between PASAI and the INTOSAI Development Initiatives (IDI) supported eleven PASAI members to implement the INTOSAI performance measurement framework, developed specifically for Supreme Audit Institutions. Participating SAIs were five from the South Pacific region (Cook Islands, Samoa, Solomon Islands, Tonga and Tuvalu) and six from the North Pacific region (Federated States of Micronesia's National Office of the Public Auditor, FSM States of Pohnpei, Kosrae and Yap, Guam and Republic of Marshall Islands) The project was implemented in two phases and commenced in January 2016 with the SAIs in the South Pacific.



The high interest (55% of PASAI members) in SAI PMF signified SAI's recognition of the importance of measuring their performance and obtaining an understanding of the SAI PMF as a tool to measure their performance. In the absence of their own performance measurement framework, it was important that SAIs familiarised themselves with and were trained on the INTOSAI framework to be able to adopt it as their own and use it to measure their performance when the need arises.

Challenges

The INTOSAI SAI Performance Measurement Framework is a comprehensive tool that is resource-intensive and requires appropriate capabilities. Because it was a new framework, SAIs in PASAI were in the capacity building or exploration phase, trying to understand the methodology and be able to apply it. Therefore a major challenge was that most of the participants had limited knowledge and practical experience of SAI PMF. Another challenge was that the participating SAIs were small in size with the number of staff ranging between six and 56, making it difficult for SAIs to allocate resources for an extensive assignment such as conducting a SAI PMF assessment.

Furthermore, SAIs in the PASAI region adopt different auditing standards. SAIs in the North Pacific adopt the US Generally Accepted Government Auditing Standards (GAGAS) instead of the International Standards of Supreme Audit Institutions (ISSAIs) that is used by the South Pacific and which are the foundation of the SAI PMF. Hence these SAIs had reservations about the applicability of SAI PMF to their respective SAIs.

Addressing the Challenges

Recognizing the immense challenges if individual SAIs were to explore and learn about SAI PMF alone, the PASAI and IDI project team decided on adopting a co-ordinated regional approach, implementing the project in two clusters – the North and South Pacific. The assessment of each SAI was conducted by a peer review team comprised of staff from SAIs supported by PASAI and IDI. Each participating SAI was asked to allocate two staff to take part in this project. Although an ideal assessment team should comprise of four to five people, but this project had to settle with a peer review team of three personnel due to financial constraints. At the completion of Phase I in the South Pacific, the participating SAIs were kind enough to agree to use some of their staff as resource persons for Phase II, which started in January 2017.

The co-ordinated regional approach facilitated capacity building, allowing the participants to have a “hands-on” experience with conducting SAI PMF assessments and providing opportunity to seek guided assistance on understanding the SAI PMF methodology, the criteria as well as a basic understanding of ISSAIs. This practical approach addressed the resource issue as well as capability issues through the composition of the peer review team, where staff of the SAIs are part of a peer review team that shared the assessment responsibilities with a resource person. Having resource persons from the first phase as part of the peer review teams to conduct assessments in the second phase, alleviated the resource issue. Additionally, this approach provided an opportunity for participants to share their varying practical learning experiences and the challenges encountered when conducting the assessment, and identify common solutions to address the challenges.

The planning workshops for the two phases prepared the assessment teams for the task. Guided assistance was provided on interpreting and understanding the SAI PMF methodology. This assistance helped the SAIs in the North relate the ISSAI-based methodology to their own structure and audit functions and gain an understanding of SAI PMF's applicability as a tool to measure their performance.



Key Achievements

All assessment fieldwork for Phase I was completed in 2016 with three SAI Performance Reports having been finalised and awaiting IDI's independent review. Phase II of the project is in progress and will be completed at the end of 2017. All assessment fieldwork except one, has been completed.

Some key achievements from this project so far are as follows:

- 11 SAIs have completed assessment of all five SAI PMF domains
- 30 staff of SAIs have been trained on conducting assessments using SAI PMF
- 33 staff of SAIs and PASAI staff Consultants have participated in an assessment
- Development needs of participating SAIs have been identified which will assist the PASAI Secretariat to develop targeted programmes and support to address the identified needs
- A regional pool of resource persons on SAI PMF has been created
- Good practices and opportunities for capacity development throughout the region has been identified.

Impact on the SAI and PASAI Region

The impact of this project on the SAIs and the region is immense and will be felt in a couple of years after the completion of the project, when SAIs are able to implement corrective actions to strengthen weaknesses identified through the assessment. Although the final SAI performance report is not finalised yet, SAIs who have completed their assessments have already used the preliminary results to determine appropriate measures to improve specific areas of their operations and ensure they have the institutional capacity and resources to deliver their mandates.

As a region, this project aims to progressively enhance the capacity and capability of all member SAIs to uniformly high standards. The assessment results will be used as baseline data to monitor the performance of member SAIs and their progress under each of the five SAI PMF domains. Furthermore, the assessment results will be used to compare SAIs performance across each domain with the aim of identifying opportunities for members to collaborate and support each other, but also to encourage development within SAIs and to inspire them to achieve the same level of standard as their regional peers.



SP 5: PASAI SECRETARIAT CAPABLE OF SUPPORTING PACIFIC SAIs

The Secretariat continued to ensure it had the skills and resources to be effective and efficient in providing leadership to facilitate the implementation of PASAI's strategy, affording operational support to SAIs and ensuring adequate funding and resources were available to sustain its operation.

PASAI's 5 year operational plan 2016-17 – 2020-21 was approved by the Governing Board and endorsed by Congress, together with the PASAI Annual Report 2015-16, which included the unmodified audited financial statements of PASAI Incorporated for the same period. The PASAI Monitoring, Evaluation and Reporting (MER) framework continued to be adopted and used to measure PASAI performance. The revision of PASAI's Charter, its governance code and operational policies, and the rules of PASAI Incorporated were completed. The Congress approved the revised Charter and governance code in August 2016 for adoption.

In addition, PASAI reviewed its operational policies to ensure it met the requirements of legislation and also of its development partners. Policies approved during the year include Governance and Operational Policy, Financial and Asset Management, Human Resource, Gender Strategy and PASAI funding strategy and other policies.

Collaborative partnerships within the region and in the global arena were achieved through productive meetings with, and providing progress and reports to development partners; the joint delivery of programmes; and by active participation in working groups and committee forums, such as the INTOSAI's Professional Standard Committee and INTOSAI's Taskforce for Auditor's Professionalization.

The 19th Congress of PASAI was held in Pohnpei, Federated States of Micronesia from 1–5 August 2016. The theme of the Congress was *“Fishing Together for a Pacific Free of Corruption and Poverty”* emphasising one of PASAI's five strategic priorities. The Annual Meeting of the PASAI Incorporated was also held during the Congress and the Governing Board met before the Congress. The significant progress that Pacific SAIs have made towards independence and the value of regionalism were the key messages to emerge from the Congress.

The PASAI Website upgrade was completed and presented to the Congress in August 2016. The new website has provided up-to-date information on the programmes and activities of PASAI and its member SAIs. Also created during the year were PASAI's own pages on social media networks such as Facebook, Twitter, Instagram and LinkedIn to expand its reach to a wider audience in the region and globally. A total of 30 Media Releases, 10 Monthly Updates and three Quarterly Bulletins were issued during the period. All PASAI media releases, monthly updates and quarterly bulletins can be accessed on the PASAI website <http://www.pasai.org/publications-intro/>

PASAI's Monitoring, Evaluation and Reporting (MER) framework continued to be used to measure performance and report against PASAI programs and activities, however, work is in progress to align PASAI PMF to the MER to establish appropriate performance indicators. This includes monitoring the risk through updating the risk register.

PASAI continued to work collaboratively with INTOSAI agencies and regional bodies. An MOU was signed with IDI for partnership in delivering programmes within PASAI and on the global front. PASAI also participated in developing guidance and materials on: SAI Young Leaders; SAI Engagement with stakeholders; Audit of Sustainable Development Goals (SDGs) preparedness; and on SAI Independence. These products will become global public goods and will be made available for usage by the INTOSAI community.



HEAD OF SAIs

New appointments and reappointments



Mr. Andrew Greaves,
Auditor-General,
Victoria State
of Australia, 19
September 2016



Mr. Haser Hairrick,
Public Auditor,
Federated States of
Micronesia (FSM)
National, 16 December
2016 (reappointed)



Mrs. Doris Flores
Brooks, Public Auditor,
Guam, 2 January 2017
(re-elected)



Mr. Ajay Nand,
Auditor-General, Fiji,
16 January, 2017.

Completed term of office



Mr. John Path, Auditor-
General, Vanuatu, 17
October 2016



Mr. David Hausman,
Public Auditor,
Chuuk State of FSM,
December 2016





Mrs. Lyn Provost,
Controller and Auditor-
General, New Zealand, 31
January, 2017

CAPACITY DEVELOPMENT

In total, about 623 SAI staff (62% female) participated in one or more of our 15 training workshops, 13 technical support programmes, 10 SAI PMF assessments, eight product development and programme reports, and six programme design meetings. PASAI also participated in eight regional and international forums, represented from various SAIs and the Secretariat. Three governance meetings were held during the period. Secretariat staff also participated in two staff development workshops during the year. Details are provided in the table below.

Table 2: Summary of trainings carried out and number of staff participation

TYPES OF CAPACITY DEVELOPMENT	NUMBER OF CAPACITY DEVELOPMENT PROGRAMS	NUMBER OF SAIS INVOLVED	NUMBER OF PARTICIPANTS (PASAI)	GENDER (F:M)	
					
Trainings and Workshops	15	20	380	231	149
Development Support for SAI	13	9	97	60	37
Programme Design and Report	6	15	29	22	7
Product development and Programme Reports	8	All	-	10	6
SAI PMF Assessments	10	12	43	21	22
Development Partners Report	3	-	-	-	-
Regional and International Forums	8	-	10	5	5
Governance Meetings	3	25	62	35	27
Secretariat Staff Development	2	-	2	0	2
TOTAL	68	28	623	384	239
				62%	38%



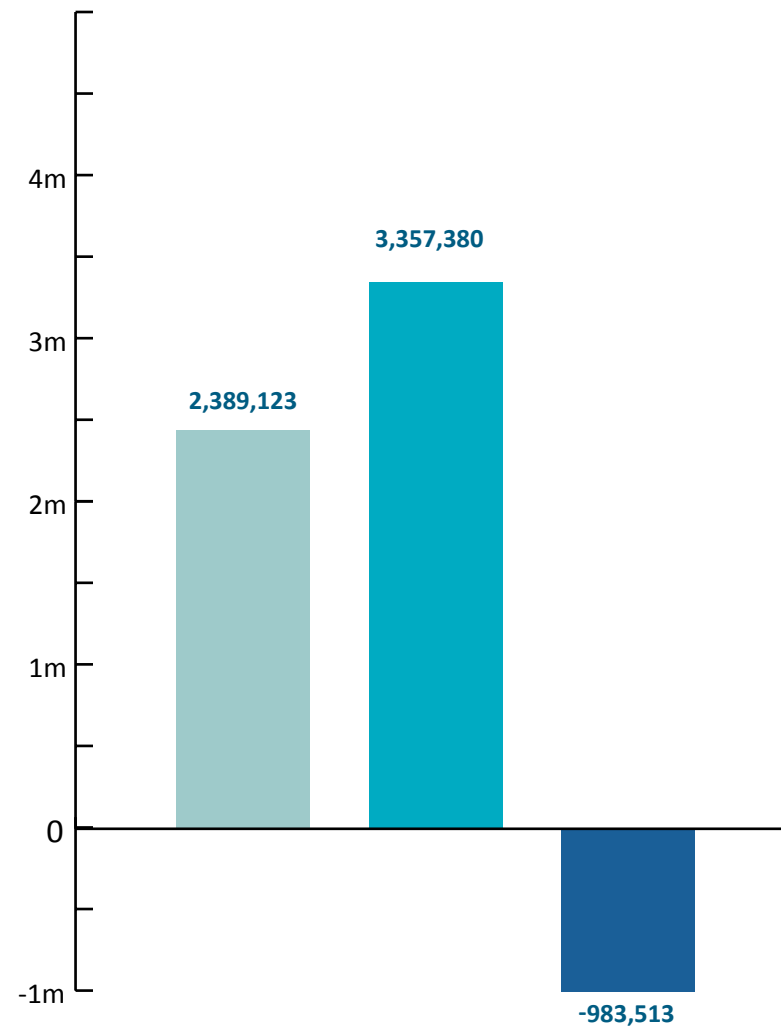
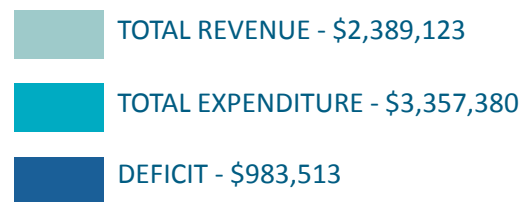
OUR RESOURCES

AUDITED FINANCIAL REPORT

The PASAI financial statements for the year ended 30 June 2017 was signed on the 3 August 2017, with an unmodified audit opinion (Annex II).

FINANCIAL PERFORMANCE

We received all our agreed funding for the year from our development partners together with additional funds from regional partners. These funds were fully used for conducting programmes and for operation of the Secretariat for the year. Part of our retained earnings was used to cover for the resultant in a net deficit for the reporting year.



FINANCIAL POSITION

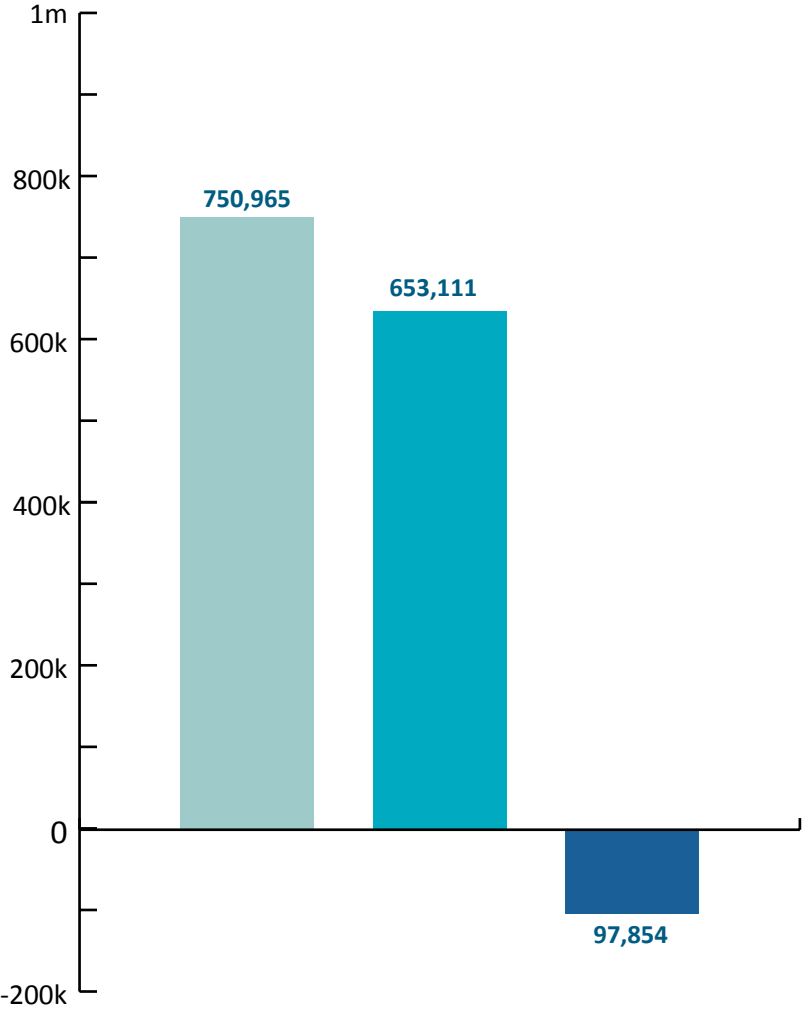
PASAI financial position as at 30 June 2017 was satisfactory.

MEMBERS FUNDS

Total Members' funds stood at NZ\$0.65m at balance date.

NZ\$0.65M

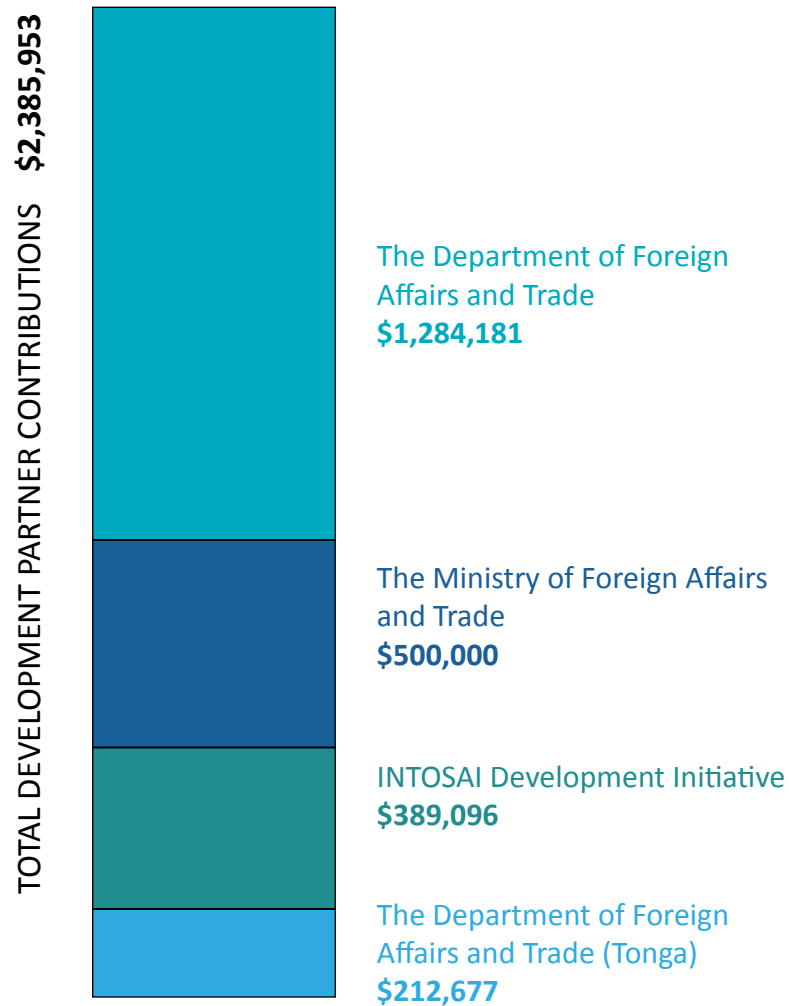
- TOTAL ASSETS - \$750,965
- TOTAL EQUITY - \$653,111
- TOTAL LIABILITIES - \$97,854



REVENUE

Total Revenue received for the year was about \$2.4 million. Australia DFAT was still our main funder donating 54% of total revenue, followed by New Zealand MFAT with 21%.

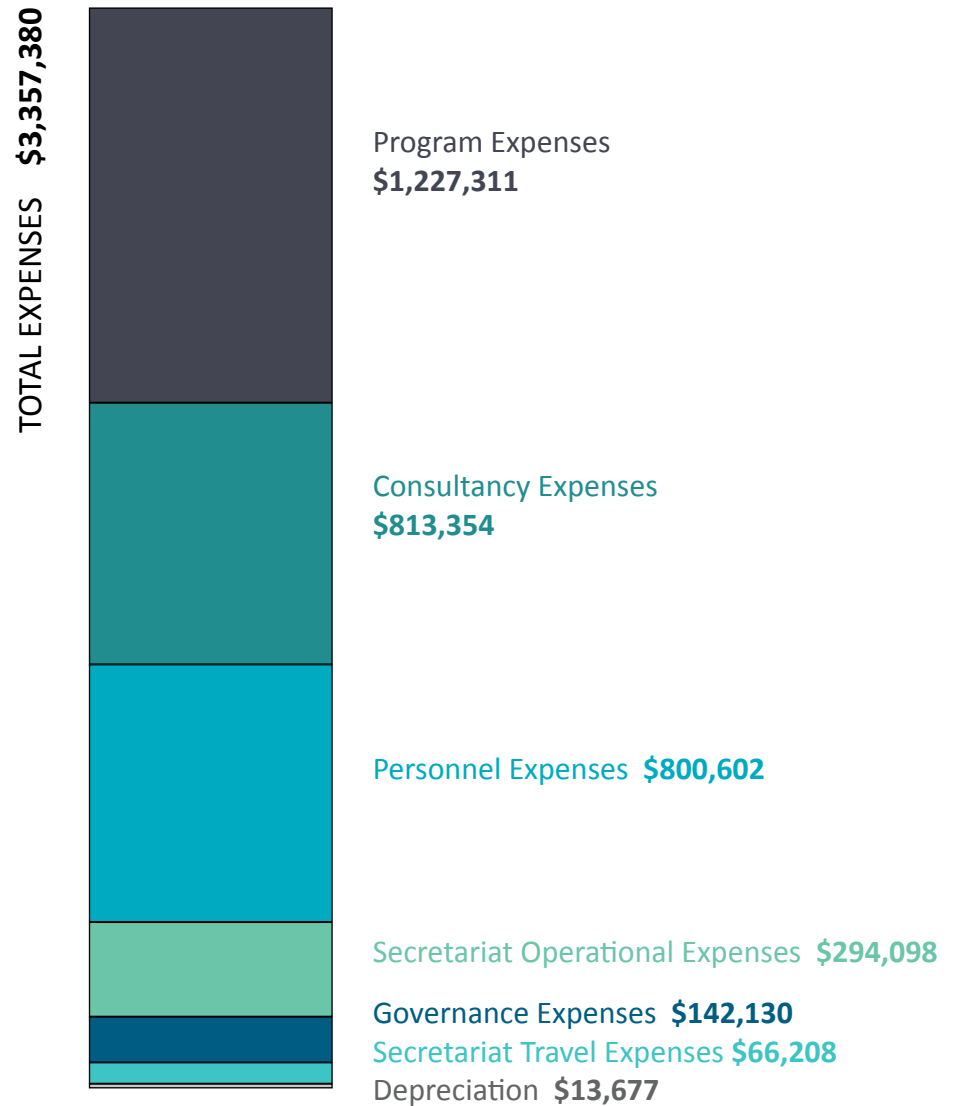
DEVELOPMENT PARTNERS FUNDING



EXPENDITURE

Spending for the year was totalled to around \$3.4 million. About 61% of that was spent on Programmes delivered during the year.

EXPENDITURE BY CATEGORIES



OUR REVIEW

The PASAI Monitoring, Evaluation and Reporting (MER) framework was developed during 2014/15. The MER framework is a fundamental component of the PASAI Strategic Plan 2014–2024 to ensure that PASAI is on track to achieve its vision. Because of this the MER is subject to on-going revision to maintain the currency of its performance measures and indicators. The MER framework was developed through consultation and collaboration with PASAI development partners and stakeholders. It has a number of interrelated purposes:

- articulates the results of the strategic plan and the relationship between results in a clear and transparent way
- gives all stakeholders a shared 'line of sight' of results so that they can identify their contribution to the strategic plan
- illustrates how results will be achieved
- provides the indicators, measures, and processes that will track and report results
- assigns roles and responsibilities to different stakeholders in the MER system.

The MER framework informs and assists management at the strategic, programme, partnership and SAI levels. It will identify why and how results are achieved and will provide a basis to analyse any unexpected outcomes from activities. The MER framework will form the basis of accountability and reporting of results to development partners.

The MER framework focuses on results and the interrelationship between inputs, activities, and results (outputs, outcomes, and impact). Ongoing tracking and assessing of results requires regular and systematic consideration of the strategic plan's relevance, efficiency, and effectiveness as well as its long-term impact and sustainability.

The MER framework is based on stakeholders' ability to engage with the framework to achieve and report results. The MER framework will focus on tracking results and identifying areas for programme adjustments. Over time, it is expected the MER system will become an intrinsic part of PASAI's and member SAIs' planning, management and reporting processes.

During 2016/17, PASAI integrated the MER with its project (activity) planning processes. This supports the principle of being able to clearly identify the contribution of PASAI's funded capacity development projects to PASAI's long term goals and vision. PASAI has also developed a web-based database which will improve the recording of information and monitor results. PASAI's database design was funded by the ADB.

ANNEX I — PERFORMANCE ACHIEVEMENT 2016–2017

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
STRATEGIC PRIORITY 1: STRENGTHEN SAI INDEPENDENCE					
OBJECTIVE A: SAIS ARE INDEPENDENT WITH A MODERN MANDATE CONSISTENT WITH THE UN GENERAL ASSEMBLY RESOLUTION ON SAI INDEPENDENCE AND THE LIMA AND MEXICO DECLARATIONS.					
1A1	Assess SAI independence against 8 Mexico principles and report in Accountability & Transparency report	Independence & Reporting	SAIs to assess their independence against 8 Mexico Principles using the “independence resource kit” & SAI PMF results to report on their status and provide an action plan for addressing shortfalls. Provide support to DAEF to address shortfalls for SAIs on SAI independence	A SAI PMF peer review of SAIs Guam, Kosrae State, Marshall Islands, Pohnpei State, Samoa, Tonga, Tuvalu, and Yap State included an assessment of independence Provided support to the Kiribati National Audit Office included comments on the draft Kiribati Audit Bill to ensure it addresses the 8 pillars of independence (Also refer 1A2 below). Prepared abstract paper on SAI independence for the Pacific Constitution Conference that was held on 23-25 November 2016 in Vanuatu.	9 SAIs
1A2	Support SAIs to access expertise to address independence issues	Training & Support	Provide access to independence expertise and work with other agencies in the Pacific to promote SAI independence. SAI Supplementation support for legal advisory for changes in legislation	Legal support for the Kiribati National Audit Office to assist with the review of its proposed Audit Bill was completed. A Concept Paper was prepared and presented to the SAI to guide its action plan. This forms part of the pilot for the “independence resource kit”. Legal support for the RMI Public Auditor Office to assist with the review of the Audit Act in their Constitutional reform. Participated in IDI Product Design meeting on SAI Independence, Oslo, Norway, 14-18 November 2016	2 SAIs
1A3	SAIs advocate to improve independence	Independence & Reporting	Encourage and support SAIs by delivering Public Accounts Committee workshops.	Conducted PAC workshops for Pohnpei State (21 – 25 November 2016), Samoa, (16 – 20 January 2017), Tuvalu (3 – 8 March 2017), and Kiribati (7 April, 2017).	4 SAIs

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
OBJECTIVE B: SAI INDEPENDENCE IS SUPPORTED BY ADEQUATE RESOURCES AND CAPABILITY.				
1B1	Identify resourcing and capability shortfalls & advocate for additional capacity needs	Capability	<p>Assist SAIs to advocate for additional resourcing where necessary to effectively implement audit mandate.</p> <p>Assist SAIs with legal advice and advocacy support to review legislation and discuss how to meet capacity shortfalls within the SAIs in the context of the overall public finance management system</p>	<p>Refer 1A2 above</p> <p>2 SAIs</p>
OBJECTIVE C: SAIS DEMONSTRATE AND EFFECTIVELY COMMUNICATE THEIR INDEPENDENCE AND RELEVANCE TO CITIZENS AND OTHER STAKEHOLDERS.				
1C1	SAIs report on state of independence, audit findings, follow up and other issues		<p>Provide an online template for SAIs to report on state of independence, audit findings, follow up on recommendations and other issues as part of the website.</p> <p>Provide SAI Supplementation support for either (a) legal advisory or other (b) onsite support in relation to improving or making changes in legislation (if required) (c) develop communications strategy.</p>	<p>Refer 1A1 and 1A2.</p> <p>4 SAIs</p>
1C2	Improved communications & relationships with PACs	Independence & Reporting	<p>Facilitate online discussions on independence and use independence resource kit.</p> <p>Work with PACs for island states, commencing with those that have completed their general elections for countries stated in 2B1</p>	<p>Refer 1A3 and 2B1</p>

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
1C3 Develop, implement and report using effective Communications Strategies	Independence & Reporting	Conduct a regional communications training for all member SAIs to develop their SAI communications strategy and how to write reports effectively, concisely and clearly.	Regional communication workshop held in Vanuatu, 5-9 September 2016. 18 participants (7 male, 11 female) attended representing 13 SAIs. SAIs represented were able to draft their respective communication strategy.	13 SAIs
		Conduct communications training for specific SAIs to assist with report writing and implementation of the SAI communications strategy.	Conducted SAI specific communication workshop for SAIs Tonga (10 – 14 October 2016), Fiji (5 – 9 December 2016), Solomon Islands (6 – 10 June, 2017), and Tuvalu (27 – 30 June, 2017).	4 SAIs
			A regional leadership communication with stakeholders programme for SAI Heads was conducted in Nadi, Fiji, 29 – 31 May 2017.	20 SAIs
1C4 Develop and maintain effective websites to assist with independence communications		Liaise with SAIs on status of their websites and identify areas to assist SAIs to improve their websites including assistance to source website developer suitable for member use.	Discussed with and encouraged SAIs to pursue during the regional communications programmes mentioned in 1C3 above.	

OBJECTIVE D: SAIS SHARE INFORMATION AND PROMOTE INDEPENDENCE WITHIN THEIR SAI AND SUPPORT OTHER SAIS TO MEET CHALLENGES TO THEIR INDEPENDENCE

MER : IOI1.4 Percentage of SAIs that share information and promote independence and support other SAIs to meet independence challenges.

1D1 Share experience on independence challenges		Organise a SAI independence working group to meet regularly to share experience and address independence challenges using the “independence resource kit” as a guide	A review of the SAI independence of the Vanuatu National Audit Office was conducted by INTOSAI and the Austria Audit Office in September 2016 and shared with PASAI	1 SAI
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OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
STRATEGIC PRIORITY 2: ADVOCACY TO STRENGTHEN TRANSPARENCY AND ACCOUNTABILITY					
OBJECTIVE A: PASAI REGULARLY REPORTS ON THE CONTRIBUTION MADE BY AUDITING PUBLIC RESOURCES TO TRANSPARENCY AND ACCOUNTABILITY IN THE REGION					
2A1	Complete 3 yearly Accountability & Transparency report, plan actions to address findings	Advocacy	Develop an annual survey to gather annual data/ information to assist with reporting against the existing baseline data and to track progress to date on past A&T report recommendations.	Few surveys conducted during the year on certain A & T issues with work progressing to develop an annual survey. However, brochures and copies of the 2015 A&T report have been distributed to stakeholders during PAC workshops and other programmes by PASAI.	20 SAIs
			Provide guidance and oversight over the A&T triennial studies, support SAIs on their action plan to address independence shortfalls, meet stakeholders, and provide SAI independence training	Refer 1C2	4 SAIs

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
OBJECTIVE B: SAIS ARE SEEN IN THEIR COUNTRY SYSTEMS AND ACROSS THE REGION, AS A CREDIBLE SOURCE OF INDEPENDENT AND OBJECTIVE INSIGHT AND GUIDANCE ON THE MANAGEMENT OF PUBLIC RESOURCES.					
2B1	SAIs increasingly recognised by government & civil society groups as advocates of good public financial management	Governance, Accountability & Transparency	Support and encourage SAIs to hold awareness workshops on their role and the difference it can make to the lives of citizens including public servants, civil societies, NGOs and public officials (for Tuvalu, Marshall Islands, Kiribati, Samoa, Tonga, FSM National, American Samoa)	Conducted Stakeholders workshop with Pohnpei State (21-25 November 2016), Samoa (16 – 20 January 2017), Tuvalu (3 – 8 March 2017) and Kiribati (8 – 9 May 2017).	4 SAIs
			Video production services on PASAI’s journey and PASAI programmes advocating for good public financial management	A PASAI Journey video has been produced and is to be presented to the 2017 Congress in August.	All SAIs
			Support SAIs to advocate for good governance, accountability and transparency through the use of branded promotional materials with key messages	Branded promotional materials have been developed, printed and distributed to SAIs and other regional organisations. An ongoing task.	All SAIs
			Participate in a working group to develop a guidance manual on SAIs engaging with stakeholders led by IDI.	PASAI was part of the Resource Team to develop a guidance manual on SAI Engaging with Stakeholders, Manila, Philippines, 10 – 21 October, 2016.	
2B2	Actions taken to advocate for PFM system improvements to improve governance and reduce corruption	Public Financial Management	Support SAIs to advocate improvements and strengtheni country’s PFM system through quality audits, publications, stakeholders’ engagement and trainings. These may include: (a) Co-ordinate activities with PFTAC; and (b) Use PEFA assessment results as basis for providing ongoing support/guidance for SAI’s role in PFM.	Refer 2B1	

	OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
OBJECTIVE C: STRONG PARTNERSHIPS ARE DEVELOPED WITH REGIONAL ORGANISATIONS WITH AN INTEREST IN ENHANCED ACCOUNTABILITY AND TRANSPARENCY.					
2C1	Examples of impacts and benefits of collaboration with stakeholders collected, assessed and reported	Governance, A&T	Conduct collaborative meetings and discussions with key stakeholders such as UNDP, PIFS, PFTAC, World Bank, ADB, AusAid, NZ Aid, Transparency International, etc includes developing an Agreement or MOU of joint results oriented frameworks	Collaborative meetings held with development partners relating to status of PASAI programmes and funding issues. Joint facilitating of programmes with PFTAC, UNDP, and USP. PASAI/ World Bank prepared joint paper that was presented during the Pacific Constitutional Multi-Disciplinary Network Conference in Vanuatu on the 23-25 November 2016.	All SAIs
2C2	Develop triennial partnership agreements with regional partners	Advocacy	Hold annual 'roadshow' for all development partners on PASAI Programmes.	Refer 2C1	All SAIs
2C3	Support for SAIs initiatives to strengthen understanding of Accountability & Transparency	Advocacy	Support SAIs to follow up on recommendations of the 2015 A&T report and to provide support as required	Refer 2A1	All SAIs
OBJECTIVE D: SAIS ADVOCATE FOR IMPROVEMENTS IN THE PUBLIC FINANCIAL MANAGEMENT SYSTEMS ADOPTED BY THEIR COUNTRIES.					
2D2	Work with stakeholders to improve timeliness & scrutiny of Whole of Government and Financial Statements of Governments (WOG/ FSGs) and audit reports.	Advocacy	Provide stakeholders with better understanding of the value and benefits of timely WOG/FSGs audit reports and how it can make a difference to the lives of citizens (i.e. WOG covered during awareness & PAC workshops)	Refer 3A2	1 SAI
OBJECTIVE E: PASAI IDENTIFIES AND PROMOTES GOOD PRACTICE BY SAIS TO OTHER SAIS.					
2E1	Database of good practice examples in place and promoted annually	Training & Support	Facilitate sharing of good practice examples from SAIs monthly and annually using the new database and website.	PASAI Web-based database is being developed to collect and capture information on programmes and activities conducted by PASAI.	All SAIs

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
STRATEGIC PRIORITY 3: HIGH QUALITY AUDITS COMPLETED BY PACIFIC SAIS ON A TIMELY BASIS					
OBJECTIVE A: UP-TO-DATE FINANCIAL STATEMENT OF GOVERNMENT (FSG) OR WHOLE OF GOVERNMENT (WOG) REPORTS ARE AUDITED (USING STANDARDS APPROPRIATE TO THE INDIVIDUAL SAI) ON A TIMELY BASIS FOR APPLICABLE MEMBER NATIONS.					
3A1	Status of FSG/WOG audits known and reported	Practice Management	Collate information (baseline data) on the status of WOG/FSG monthly from relevant sources such as Finance websites, participants to PASAI workshops, etc	WOG database for ‘timeliness’ and summary of audit opinions, financial reporting frameworks for the three year ends in our region 30 Sept, 30 June and 31 Dec finalised and incorporated into the PASAI website. Ongoing work required to refine and analyse the data gathered on WOG to become a credible database that can be relied upon for valid and accurate data for member SAIs.	All SAIs
3A2	SAIs recognised as supporting Ministry of Finance initiatives for timely completion of FSG/WOG for audit	Public Financial Management	Develop a joint workshop with PFTAC to strengthen PFM with the focus on internal and external audit functions. Includes engaging internal audit consultants, external audit expert and TeamMate to develop programme and deliver	Conducted a workshop jointly with PFTAC on Strengthening Oversight functions of PFM through internal and external audits, Honiara, Solomon Islands. 28 participants (14 from 7 SAIs (7 females, 7 males) and 14 from 7 government countries’ Internal Audit agencies.	7 SAIs

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
3A3	Timely audits of FSG/WOG are completed and audit findings reported	Audit Delivery	<p>Nauru SAIs – Engage consultant to conduct training and assist with the audit of WOG. PASAI involvement is debriefing, engaging, co-ordinating this work. PASAI will conduct post-evaluation of work of consultant and achievements of expected results.</p> <p>Solomon SAI – Engage consultant to conduct training and provide technical support to complete audit of WOG which is to be prepared and IPSAS compliant. PASAI will be involved in debriefing, engagement, co-ordinating with consultant. PASAI will conduct post-evaluation of work of consultant and achievements of expected results.</p> <p>Solomon Islands AG requested further technical support to assist with finalising WOG 2014 and further assistance for the WOG 2015.</p> <p>Vanuatu SAI requested for technical support in relation to their 31 Dec 2014 WOG accounts.</p>	<p>Consultant completed work and presented a final report then a follow up and further technical support for Nauru SAI provided in relation to the 2013/2014 WOG audit report</p> <p>Also refer to 3A1 above</p> <p>Consultant completed work in the Solomon Islands SAI with final report submitted and reviewed. 1st Audit Report by the AG completed with other summative report of over 160 audit results/reports included.</p> <p>PASAI/ NSWAO/DFAT/SIOAG synergize the efforts to strengthen Solomon SAI.</p> <p>Completed and provided report on work performed with desired output achieved especially updating audit report backlog.</p> <p>Consultant engaged and provided support for Vanuatu SAI to complete WOG</p>	<p>1 SAI</p> <p>1 SAI</p> <p>1 SAI</p> <p>1 SAI</p>

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
OBJECTIVE B: SAIS PRODUCE HIGH QUALITY FINANCIAL AUDITS IN ACCORDANCE WITH NATIONAL/INTERNATIONAL STANDARDS					
3B1	Financial Audit Manual (FAM) aligned to current ISSAIs as a result of annual review	Training & Support	<p>Review the usage by SAIs of the FAM and how they have applied it to their audits and obtained relevant information as inputs that may contribute to updating of the FAM.</p> <p>Determine any updates on relevant ISSAIs that relates to Financial Audits. Update the PASAI FAM to be compliant with revised ISSAIs.</p> <p>Attendance to AFROSAI-E Regularity Audit Refresher workshop only in November (1 week)</p>	<p>Attended the AFROSAI-E technical Update in November. Also attended AFROSAI-E secretariat planning meeting whereby further collaborative activities were discussed. PASAI developed Technical Support Resources and will be made available to all PASAI members on the PASAI website and launched at 2017 Congress.</p>	All SAIs
3B2	High quality financial audits confirmed by Peer reviews	Practice Management	<p>Design a draft regional peer review for South [Use lessons from SAI PMF lite and TeamMate project]</p> <p>Teammate Support with attachments for SAIs using TeamMate in 2016/2017</p>	<p>Peer reviews under the SAI PMF lite project still underway (refer to SP4).</p> <p>Continually liaising with SAIs about TeamMate and updating PASAI Facebook TeamMate Forum Group. Assisted Tonga with their TeamMate workshop / training program</p> <p>PASAI TeamMate Champion PNG AGO attachment to Samoa Audit office to provide TeamMate technical support. The timing of this activity was at the same time NZ Audit Office sent their TeamMate Champion.</p> <p>Conducted the design meeting for the PASAI Regional QA workshop to be held in October 2017. Engaged short-term consultant and OAG NZ QA Director.</p>	All SAIs

	OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
3B3	Co-operative financial audits undertaken	Audit Delivery	IDI/PASAI joint co-operative compliance audit on public procurement: Conduct IDI/PASAI joint co-operative compliance audit on public procurement meeting (Phase 2 & 3).	Conducted the IDI/PASAI co-operative procurement audit, Apia, Samoa, 15 – 21 December, 2016 with 22 participants representing 10 SAIs	10 SAIs
3B4	SAS programme to progress arrears and raise capacity	Capability	“Sharing the story of the SAS programme” Finalisation of the SAS FINAL REPORT and development of a video production on SAS programme.	Final Overall Reflection Report was produced and finalised and now accessible on the PASAI website.	
3B5	Financial auditor training	Capability	Refer to DPD’s time included in 4D4 . Conduct a Regional Asset management Workshop and engage Consultants to design the workshop and develop PASAI training materials. Deliver at end November 2016 in PNG	Refer 4D4 Started in January 2017 a “Technical Update” column in the PASAI monthly update publication. The PASAI layout design consultant was engaged and worked on a new section of the website including content for “technical resources – financial, compliance and performance audit streams” which is being developed and will be launched by Congress in August 2017.	

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
OBJECTIVE C: SAIS PRODUCE HIGH QUALITY PERFORMANCE AUDITS (PA) OF GOVERNMENT AND REGIONAL PROGRAMMES.				
3C1	High quality performance audits completed, quality confirmed by peer reviews	<p>PASAI Regional Performance Audit Programme - Achieve High Quality to include a review of the PASAI performance audit manual</p> <p>IDI/PASAI Auditing of SDGs Programmes: (i) Participate in the Guidance development meetings for Auditing of SDGs Programme of the SDG Resource Group. (ii) Develop an appropriate programme for Auditing SDGs programmes for SAIs.</p> <p>Technical support to Tonga SAI (Tonga PFM Roadmap) Performance auditing - (i) Planning performance audit training (includes conducting iCAT) for an actual performance audit [June 2017] (ii) Reporting phase performance audit to be carried out in 2017/2018). Kiribati SAI requested technical support for performance audit.</p>	<p>Conducted the Regional Performance Audit Programme meeting at the Secretariat office in Auckland, New Zealand, 26 – 30 October 2016. The Final report Review of High Quality Performance Auditing in the Pacific” indicating the results of the Global Survey and this programme was finalised and presented to the Governing Board.</p> <p>Joint regional programme with IDI. Participated and Contributed in a product development meeting to draft handbook on audit of preparedness for SDGs for the INTOSAI members held in New Delhi, India, 3 – 7 October, 2016. PASAI held a design meeting with a project team to prepare for the global/regional programme on the performance audit programme on SDG implementation (6th Co-operative Performance Audit).</p> <p>Co-ordinating with IDI for this programme to be a joint programme relating to ISSAI implementation</p> <p>PASAI team travelled to Kiribati and provided technical support on performance audit. The team consisted of PASAI’s Performance Audit Advisor and PASAI’s Melanesian sub-regional representative (PNG Audit Office) provided the requested technical support.</p>	All SAIs
3C2	Performance Audit manual (PAM) aligned to current ISSAIs as a result of periodic review	Training & Support	<i>Refer to project activity under 3C1</i>	

	OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
3C3	Co-operative performance audits are undertaken	Audit Delivery	<i>Refer to project activity under 3C1</i>		
3C4	2 or more SAI co-ordinated performance audits completed every 2 years	Audit Delivery	<i>Refer to project activity under 3C1</i>		
OBJECTIVE D; EACH SAI IS AUDITED ANNUALLY TO SET AN EXAMPLE TO PUBLIC ENTITIES IN THE PACIFIC					
MER : OI 3.7 Percentage of SAIs audited annually					
3D1	SAIs own financial statements are audited and recommendations actioned	Practice Management	Gather information and baseline data on the SAIs that conduct own financial statements. Identify issues, challenges and consider designing a programme for 2017/2018.	Refer 3A1	All SAIs

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
STRATEGIC PRIORITY 4: SAI CAPACITY AND CAPABILITY ENHANCED					
OBJECTIVE A: SAIS DEVELOP AND IMPLEMENT THEIR OWN COMPREHENSIVE AND REALISTIC STRATEGIC PLANS.					
4A1	SAIs develop comprehensive strategic plans	Practice Management	Develop and implement a programme plan to assist SAIs to develop their strategic plans. (Secretariat) Assist SAI Yap to develop their Strategic Plan (August 2016).	Completed strategic planning workshop with SAI Yap	1 SAI
4A2	SAIs report publicly against their strategic plans	Practice Management	Support SAIs with reporting on their strategic plans. (Secretariat). Maintain database on SAI strategic plan and co-ordinate online support to SAIs upon request.	Refer 4A1 Included in PASAI Web-based database currently developed.	All SAIs
OBJECTIVE B: SAIS ADOPT AND APPLY THE INTOSAI PERFORMANCE MEASUREMENT FRAMEWORK (PMF).					
4B1	SAIs develop performance measurement framework (INTOSAI model)	Practice Management	Conduct and co-ordinate SAI PMF peer reviews and SAI Performance Analysis meeting for selected SAIs.	Completed peer reviews for Guam, Kosrae, Marshall Islands, Pohnpei, Samoa, Tonga, Tuvalu and Yap. Conducted the SAI PMF Performance Analysis meeting for South SAIs, and conducted SAI PMF 'lite' planning meeting with North SAIs	14 SAIs
4B2	SAI results improve through targeted assistance to address issues identified through SAI PMF and A&T report	Practice Management	Co-ordinate and target assistance directly to SAIs based on issues identified through PMF assessments, A&T report work and other MER processes.	Improvements to be monitored after SAI completes SAI PMF assessment.	All SAIs

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
OBJECTIVE C: PARTNERSHIPS AND 'TWINNING' ARRANGEMENTS ARE DEVELOPED BETWEEN SAIS WITHIN PASAI AND GLOBALLY.					
4C1	Assist to develop twinning arrangements & reports impact annually	Advocacy	<p>Co-ordinate and facilitate existing twinning arrangements between ACAG and PASAI members and share information with Secretariat.</p> <p>Develop contract documents to assist monitoring of staff exchanges between SAIs and maintaining a related twinning database and monitor relationships.</p>	<p>Twinning arrangements active during the period were between: Samoa/ Cook Islands and NZOAG, Fiji and Tasmania, PNG and ANAO, Solomon Islands and NSWAO.</p> <p>The ACAG secretariat has provided up to date information regarding the status of twinning arrangements of ACAG/ PASAI members.</p> <p>A database of ACAG/PASAI members twinning arrangements was established and to be updated on a regular basis.</p>	8 SAIs
OBJECTIVE D: SAIS PLAN FOR AND USE PASAI TRAINING RESOURCES AND PROGRAMMES.					
4D1	Senior and middle management trained for leadership positions	Capability	<p>Plan and facilitate the Scoping and Design meeting to discuss the content, modality and duration of the Regional SAI Young Leaders programme</p> <p>Attend IDI's global programme SAI Young Leaders design meeting (Oslo)</p>	<p>Conducted the SAI Young Leaders symposium, Auckland, New Zealand, 3-7 April 2017.</p> <p>Participated in the IDI's global programme SAI Young Leaders design meeting in Oslo.</p>	All SAIs

	OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
4D2	SAIs have 3 year training plans in place for all staff	Capability	Assist SAIs to develop training plans based on needs identified in Strategic Plans and PMF work. (Secretariat)	Refer 4A1	All SAIs
4D3	All relevant staff complete ISSAI and Tier training	Capability	Co-ordinate and arrange further trainings on ISSAIs including updates from meetings or dialogues with IDI.	Refer 3C1	1 SAI
4D4	All staff requiring current accounting skills complete accounting IFRS/IPSAS training	Capability	Co-ordinate and facilitate e-Course on Cash Basis IPSAS in collaboration with USP. (Secretariat/USP)	Co-ordinated and completed delivery of online course with USP on IPSAS Cash from 1 May to 16 June 2017. 37 staff from 12 SAIs participated included four staff from two Ministries of Finance in the region.	12 SAIs
4D5	Increased numbers of SAI staff have recognised certifications	Capability	<p>Create and maintain database of relevant certifications for auditors; database to include information on SAI staff qualifications</p> <p>Develop a collaborative relationship with institutions in the region that provide necessary qualifications (eg: CPA, NZICA, IPAA, PICPA, USP, etc). (Secretariat)</p>	Included in the PASAI web-based database that is currently being developed.	ALL PASAI members

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
STRATEGIC PRIORITY 5: PASAI SECRETARIAT CAPABLE OF SUPPORTING PACIFIC SAIS				
OBJECTIVE A: THE SECRETARIAT HAS THE SKILLS AND RESOURCES TO BE EFFECTIVE AND EFFICIENT IN PROVIDING LEADERSHIP OF THIS STRATEGY AND CAPACITY-BUILDING OPPORTUNITIES AND OPERATIONAL SUPPORT TO SAIS.				
5A2	PASAI staff training and development plan developed and implemented	Training & Support	Develop a PASAI staff training and development plan to ensure currency of technical knowledge and skills required to fulfil roles and responsibilities	Director Technical Support attended CPA Workshop. Director Advocacy, Engagement and Financing attended CANZ workshop
OBJECTIVE B: ADEQUATE FUNDING IS AVAILABLE TO IMPLEMENT THE PASAI STRATEGY				
5B1	Funding strategy approved, implemented and monitored	Management, Funding & Reporting	<p>Implement and monitor funding strategy</p> <p>Conduct collaborative meetings and consultations with development partners and other potential donors and communicate with all stakeholders</p>	<p>Funding strategy approved GB and Congress in Pohnpei 2016. Funding strategy resubmitted to the February 2017 GB meeting together with a Negotiation strategy.</p> <p>Conducted regular meetings with DFAT on status of PASAI programme implementation and future funding. Progress and milestone report for developments partners submitted.</p>

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
OBJECTIVE C: AN EFFECTIVE OPERATIONAL PLAN UNDERPINS THE IMPLEMENTATION OF PASAI'S STRATEGY.					
5C1	5 year operational plan and budget confirmed annually and reported against	Management, Funding & Reporting	<p>Develop 5 year Operational Plan and budget aligned with the long term strategy and funding agreements</p> <p>2. Organise and attend the 2016 Congress and 2017 GB</p> <p>3. Attend the IDI Meeting with INTOSAI Regions (Oslo) and other INTOSAI meetings.</p>	<p>5 Year Operational plan 2016/17 – 2020/21 and Budget 2016-17 approved by the Congress and GB. Draft 5 Year Operational plan 2017/18 – 2021/22 and Budget 2017—18 approved by circulation by the Board.</p> <p>2016 Congress and 15th GB meetings completed in August 2016. 16th GB meeting completed in February 2017.</p> <p>Attended the IDI meeting with the INTOSAI Regions in Oslo, 29 Aug – 5 September 2016</p> <p>Attended the XXII INCOSAI, Abu Dhabi, UAE. 5 – 11 December, 2016</p> <p>Staff meeting with new Secretary-General on 12 April, PASAI Secretariat Office.</p>	
5C3	Develop regional communications strategy & implement	Management, Funding & Reporting	<p>Perform oversight of the implementation of the PASAI communications strategy (media releases, newsletters, review reports, correspondence of PASAI, update website regularly, etc)</p> <p>Complete the upgrade of the PASAI website</p>	<p>A total of 30 Media Releases, 10 Monthly Updates and three Quarterly Bulletins were issued and shared on PASAI media networks</p> <p>PASAI's new website was launched at the Congress 2016. Created own pages on social networks such as Facebook, Twitter, Instagram and LinkedIn expanding its reach to wider audiences in the region and globally.</p>	

	OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
5D1	Strategy monitoring and evaluation	Management, Funding & Reporting	Prepare monthly performance status report to GB members on progress of implementing PASAI's Strategy	Monthly Performance status report submitted to the Board members.	
			Prepare half-yearly report to GB and Annual Report to Congress on progress of implementing PASAI's Strategy	Chief Executive reports presented to the GB in August 2016 and GB in February 2017	
			Prepare Interim progress report on PASAI's 10 year strategy reported to Congress and development partners	PASAI Annual Report 2015-16 approved by the Congress	

ANNEX II
FINANCIAL
ACHIEVEMENT
2016 - 2017



PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS
(PASAI) INCORPORATED

FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2017



*“Pacific Auditors Working
Together”*

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI) INCORPORATED

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PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI) INCORPORATED

Directory for the year ended 30 June 2017

Legal Name	Pacific Association of Supreme Audit Institutions (PASAI) Incorporated
Nature of Business	Facilitation of support to audit offices in the Pacific region in order to improve quality and build capacity.
Entity Type	PASAI is an Incorporated Society, incorporated on 18 November 2009, under the Incorporated Societies Act 1908
Entity's Mission	PASAI promotes transparent, accountable, effective, and efficient use of public sector resources in the Pacific. PASAI contributes to that goal by helping its member Supreme Audit Institutions (SAIs) improve the quality of public sector auditing in the Pacific to uniformly high standards. PASAI works to strengthen understanding, co-operation, and coordination between its members, advocate the interests of good governance, including transparency, accountability, and the need for strong and independent SAIs, to governments and others in the Pacific region, as well as building and sustaining public auditing capacity across the Pacific by sharing knowledge with, and providing support to, its members, and assisting its members to perform their auditing functions, including through co-operative audits and similar activities. PASAI also serves as a regional working group of International Organisation of Supreme Audit Institutions (INTOSAI), in the interests of all SAIs in the Pacific and beyond and encourages the co-operation with other regional working groups and SAIs.
Entity's Structure	Under the guidance of the annual PASAI Congress, the PASAI Governing Board sets PASAI's direction and oversees the activities of its Secretariat. The Governing Board is responsible for formulating strategies and policies for the organisation. The Board also approves the 3-year work plan and budget and the rules for the conduct of PASAI activities. Membership of the Governing Board is made up of the current PASAI chair, the Secretary General, immediate past PASAI chair and the next PASAI chair. Three representative members are drawn from the Melanesian, Micronesian and Polynesian member states. The Executive Director of the PASAI Secretariat is also an ex-officio member of the Board.
Main Source of Funding	PASAI's main source of funds and cash are derived from grants received from governments, development organisations and public and private institutions. Funding is also sourced from membership subscriptions, income from publications, conferences and other activities, the proceeds from the sale of any assets, interest earned from the investment of surplus cash, as well as any other method approved by the Governing Board.
Business Address	Suite 7, Level 2 168 Parnell Road Parnell 1052 Auckland
Postal Address	PASAI Secretariat PO Box 37 276 Parnell 1151 Auckland
IRD Number	103-852-250

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI) INCORPORATED

Directory (continued) for the year ended 30 June 2017

Office Holders	<u>Chairperson:</u> Ihlen Joseph, Public Auditor, Pohnpei Federated States of Micronesia <u>Secretary - General:</u> Greg Schollum, Deputy Controller & Auditor-General, New Zealand <u>Deputy Secretary-General:</u> Sarah Lineham, New Zealand <u>Governing Board:</u> Doris Flores Brooks, Public Auditor, Guam Eli Lopati, Auditor General, Tuvalu Ajay Nand, Auditor General, Fiji Jean-Yves Marquet, President de la Chambre, New Caledonia Sefita Tangi, Auditor General, Fiji Elsie Willy, Acting Auditor General, Vanuatu <u>Chief Executive:</u> Tiofilusi Tiueti, PASAI Secretariat, New Zealand
PASAI Members	American Samoa Australia Australian Capital Territory Cook Islands Federated States of Micronesia (National Office) Federated States of Micronesia (Chuuk) Fiji Islands French Polynesia Guam Kiribati Kosrae Marshall Islands Nauru New Caledonia New South Wales New Zealand Northern Mariana Islands Palau Papua New Guinea Pohnpei Queensland Samoa Solomon Islands Tonga Tuvalu Vanuatu Victoria Yap
Auditor	RSM Hayes Audit Chartered Accountants 1 Broadway, Newmarket, Auckland
Bankers	Westpac New Zealand Limited
Accountants	Bellingham Wallace Limited 470 Parnell Road, Parnell, Auckland

**PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI)
INCORPORATED**

**Statement of Comprehensive Revenue and Expense
for the year ended 30 June 2017**

	Notes	2017 NZ\$	2016 NZ\$ <i>Restated</i>
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Development Partner Contributions	5	2,385,953	2,479,390
Total revenue from non-exchange transactions		2,385,953	2,479,390
REVENUE FROM EXCHANGE TRANSACTIONS			
Dividend Income		370	370
Membership Subscriptions		2,800	2,800
Total revenue from exchange transactions		3,170	3,170
TOTAL REVENUE		2,389,123	2,482,560
EXPENSES			
Personnel Expenses	6	800,602	650,167
Consultancy Expenses	6	813,354	177,344
Depreciation		13,677	8,443
Program Expenses	6	1,227,311	1,260,361
Secretariat Travel Expenses	6	66,208	107,213
Secretariat Operational Expenses	6	294,098	291,151
Governance Expenses	6	142,130	-
TOTAL EXPENSES		3,357,380	2,494,679
Interest income		12,314	10,484
Finance costs		-	-
NET FINANCE COSTS		12,314	10,484
OPERATING SURPLUS/(DEFICIT)		(955,943)	(1,635)
OTHER GAINS/(LOSSES)			
Gain/(loss) on foreign exchange transactions		(24,400)	(53,159)
SURPLUS/ (DEFICIT) FOR THE YEAR BEFORE TAX		(980,343)	(54,794)
Income Tax Expense	12	3,170	2,794
SURPLUS/ (DEFICIT) FOR THE YEAR AFTER TAX		(983,513)	(57,588)
SURPLUS/ (DEFICIT) ATTRIBUTABLE TO THE OWNERS		(983,513)	(57,588)

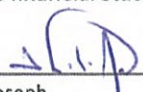
These financial statements should be read in conjunction with the notes to the financial statements and the Auditor's Report.

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI)
INCORPORATED

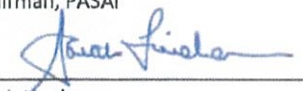
Statement of Financial Position
as at 30 June 2017

	Notes	2017 NZ\$	2016 NZ\$ <i>Restated</i>
ASSETS			
Current			
Cash and cash equivalents	7	149,285	1,123,822
Receivables from exchange transactions	8	5,561	54,148
Prepayments	9	156,886	140,579
Income tax receivable		3,383	3,755
Short term deposits	11	389,605	382,463
Total current assets		704,720	1,704,767
Non-current			
Property, plant and equipment	10	46,245	13,313
Total non-current assets		46,245	13,313
TOTAL ASSETS		750,965	1,718,080
LIABILITIES			
Current			
Payables from exchange transactions	13	47,883	32,520
Employee benefits	14	49,971	48,935
Total current liabilities		97,854	81,455
TOTAL LIABILITIES		97,854	81,455
NET ASSETS		653,111	1,636,624
EQUITY			
Retained Earnings		653,111	1,636,624
TOTAL EQUITY		653,111	1,636,624


These financial statements have been authorised for issue by the Governing Board on 3 August 2017.


Ihlen Joseph
Public Auditor, Pohnpei State of FSM
Chairman, PASAI

03-08-17
Date


Sarah Lineham
Deputy Secretary-General

3 August 2017
Date


Tiofilusi Tiueti
Chief Executive

3 August 2017
Date

These financial statements should be read in conjunction with the notes to the financial statements and the Auditor's Report.

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI)
INCORPORATED

Statement of Changes in Net Assets/Equity
for the year ended 30 June 2017

	Retained earnings	Total equity
	NZ\$	NZ\$
Balance 1 July 2016	1,636,624	1,636,624
Surplus/ (deficit) for the year	(983,513)	(983,513)
Total comprehensive revenue and expense	(983,513)	(983,513)
Balance 30 June 2017	653,111	653,111
Balance 1 July 2015	1,694,212	1,694,212
Surplus/ (deficit) for the year	(57,588)	(57,588)
Total comprehensive revenue and expense	(57,588)	(57,588)
Balance 30 June 2016 (Restated)	1,636,624	1,636,624

These financial statements should be read in conjunction with the notes to the financial statements and the Auditor's Report.

**PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI)
INCORPORATED**

**Statement of Cash Flows
for the year ended 30 June 2017**

	Notes	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Cash flow from operating activities			
<i>Cash was provided from/(applied to):</i>			
Membership subscriptions		2,846	4,265
Receipts from Development Partners		2,412,490	2,375,297
Payments to suppliers & employees		(3,346,451)	(2,625,495)
Net cash from/(used in) operating activities		(931,115)	(245,933)
Cash flow from investing activities			
<i>Cash was provided from/(applied to):</i>			
Proceeds from sale of property, plant and equipment		-	970
Purchase of property, plant and equipment		(46,608)	(2,768)
Purchase of assets		(7,142)	(325,474)
Interest and dividends received		10,328	11,116
Net cash from/(used in) investing activities		(43,422)	(316,156)
Net increase/(decrease) in cash and cash equivalents		(974,537)	(562,089)
Cash and cash equivalents, beginning of the year		1,123,822	1,685,911
Cash and cash equivalents at end of the year	7	149,285	1,123,822

These financial statements should be read in conjunction with the notes to the financial statements and the Auditor's Report.

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI) INCORPORATED

Notes to the Financial Statements for the year ended 30 June 2017

1 Reporting entity

These financial statements comprise the financial statements of Pacific Association of Supreme Audit Institutions for the year ended 30 June 2017.

The financial statements were authorised for issue by the Governing Board on 3 August 2017.

This is the entity's first set of financial statements presented in accordance with Tier 2 PBE Accounting Standards.

Upon transition to the Tier 2 Accounting Standards the entity has applied a transitional provision afforded in PBE FRS-47, these are detailed in Note 20 (Transition to PBE Standards RDR).

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with Public Benefit Entity Accounting Standards Reduced Disclosure Regime ("PBE Standards RDR") and other applicable Financial Reporting Standards as appropriate to Public Benefit Entities.

The entity is eligible to report in accordance with Tier 2 PBE Accounting Standards on the basis that it does not have public accountability and annual expenditure does not exceed \$30 million.

The entity is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the public sector and has been established with a view to supporting that primary objective rather than a financial return.

(b) Basis of measurement

The financial statements have been prepared on a historical costs basis.

The financial statements have been prepared on a going concern basis.

(c) Presentation currency

The financial statements are presented in New Zealand Dollars.

(d) Changes in accounting policy

For the year ended 30 June 2016, the financial statements were prepared using Public Benefit Entity Simple Format Report - Accrual (Not-for-profit). These have now been restated to Public Benefit Entity Standards Reduced Disclosure Regime. An explanation of how the transition to Public Benefit Entity Standards Reduced Disclosures Regime has affected the Statement of Financial Position and Statement of Comprehensive Income is provided in note 20.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are summarised below:

(a) Foreign currency translation

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction.

Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(c) Property, plant and equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation rates have been applied on a basis that reflects the estimated useful life of the asset.

Notes to the Financial Statements for the year ended 30 June 2017

Additions and subsequent costs

Subsequent costs and the cost replacing part of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

All repairs and maintenance expenditure is charged to surplus or deficit in the year in which the expense is incurred.

Disposals

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use or disposal.

When an item of property, plant or equipment is disposed of, the gain or loss recognised in the surplus or deficit is calculated as the difference between the net sale proceeds and the carrying amount of the asset.

Depreciation

Depreciation is recognised as an expense in the reported surplus or deficit and measured on a straight value (SL) basis on all property, plant and equipment over the estimated useful life of the asset. The following depreciation rates have been applied at each class of property, plant and equipment:

Computer and Technology	30 - 50% (2-3 years)
Office Equipment	10% - 67% (2-10 years)

The residual value, useful life, and depreciation methods of property, plant and equipment are reassessed annually.

(i) Leased assets

Leases where the Entity assumes substantially all the risks and rewards incidental to ownership of the leased assets, are classified as finance leases. All other leases are classified as operating leases.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

(d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments are comprised of accounts receivable and other receivables, cash and cash equivalents, other financial assets and accounts payable and other payables.

Initial recognition and measurement

Financial assets and financial liabilities are recognised initially at fair value plus transaction costs attributable to the acquisition, except for those carried at fair value through surplus or deficit, which are expensed in the period incurred.

Financial assets and financial liabilities are recognised when the reporting entity becomes a party to the contractual provisions of the financial instrument.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the entity transfers the financial asset to another party without retaining control or substantial all risks and rewards of the asset.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification, which is primarily determined by the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition into one of four categories defined below, and re-evaluates this designation at each reporting date.

Notes to the Financial Statements for the year ended 30 June 2017

All financial assets except for those classified as fair value through profit or loss are subject to review for impairment at least at each reporting date. Different criteria to determine impairment are applied to each category of financial assets, which are described below.

The classification of financial instruments into one of four categories being loans and receivables, financial assets at fair value through surplus or deficit, held-to-maturity investments and available-for-sale financial assets, determines the basis for subsequent measurement and the whether any resulting movements in value are recognised in the reported surplus and deficit or other comprehensive revenue and expense. Below are the classifications relevant to the entity:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The entity's cash and cash equivalents, trade debtors and other receivables fall into this category of financial instruments.

After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

The Entity's financial liabilities consist of trade and other payables.

(e) Employee benefits

Short-term employee benefits

Employee benefits, previously earned from past services, that the entity expect to be settled within 12 months of reporting date are measured based on accrued entitlements at current rate of pays. These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date.

(f) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and revenue can be reliably measured. Revenue is measured at the fair value of consideration received.

The following specific recognition criteria must be met before revenue is recognised:

Revenue from non-exchange transactions

Development Partner Contributions is recognised as non-exchange income.

Revenue from non-exchange transactions is recognised upon receipt of contributions from the development partner.

Any unspent development partner contributions, on the expiry date of the contracts or upon termination of the contracts by mutual consent, are to be repaid to the funder. The Governing Board believes that the contracts in place are unlikely to be terminated before their expiry dates, and that any unspent funds at the end of the contracts will be minimal. Accordingly, no provision for any liability has been made in the financial statements.

Revenue from exchange transactions

Interest and dividend income is recognised as exchange income.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Dividend Income

Dividend income is recognised upon receipt of the dividend received.

(g) Income tax

PASAI is an Incorporated Society and as such can only be taxed on net income from non-members. The first \$1,000 of such net income is exempt.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where PASAI operates and generates taxable income.

Notes to the Financial Statements for the year ended 30 June 2017

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting surplus or deficit nor taxable surplus or deficit.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting surplus or deficit nor taxable surplus or deficit.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable surplus will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

(h) Goods and Services Tax (GST)

All amounts in these financial statements are shown inclusive of GST.

4 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a) Judgements:

In the process of applying the accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

- Revenue recognition: non-exchange revenue (conditions vs. restrictions) generating assets for the purposes of assessing impairment indicators and impairment testing.

The majority of property, plant and equipment held by PASAI is classified as cash generating assets.

b) Assumptions and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. PASAI based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of PASAI. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators:

- The condition of the asset based on the assessment of experts employed by PASAI
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI) INCORPORATED

Notes to the Financial Statements for the year ended 30 June 2017

5 Development Partner Contributions

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Asian Development Bank	-	18,206
INTOSAI Development Initiative	389,096	307,198
The Department of Foreign Affairs and Trade	1,284,181	1,296,978
The Ministry of Foreign Affairs and Trade	500,000	544,954
The Ministry of Foreign Affairs and Trade (PIC)	-	50,940
The Department of Foreign Affairs and Trade (Tonga)	212,677	215,613
The Pacific Islands Centre for Public Administration	-	41,395
The United Nations Development Programme	-	4,927
Returned Funds	-	(821)
Total Development Partner Contributions	2,385,953	2,479,390

6 Expenses

The following amounts were expensed in the surplus/(deficit) for the year:

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Personnel Expenses		
ACC Levies	1,746	1,296
Employer Kiwisaver Contributions	5,983	4,374
Payroll Processing Fees	819	697
Staff Training	4,626	3,809
Salaries	787,428	639,991
Total Personnel Expenses	800,602	650,167
Consultancy Expenses		
Consultancy - Fees	637,116	158,789
Consultancy - Airfares	99,546	9,070
Consultancy - Accommodation	49,167	5,160
Consultancy - Ground Transport	-	201
Consultancy - Per Diem	27,525	4,124
Total Consultancy Expenses	813,354	177,344
Program Expenses		
Program - Airfares	604,737	621,761
Program - Accommodation	308,819	345,967
Program - Per Diem	153,894	162,156
Program - Venue Hire	51,378	79,598
Program - Event Catering	55,934	39,629
Program - Miscellaneous Expenses	45,049	8,926
Program - Ground Transport	-	2,324
Facilitator - Fees	7,500	-
	1,227,311	1,260,361
Secretariat Travel Expenses		
Secretariat - Travel	42,443	62,810
Secretariat - Accommodation	11,996	16,772
Secretariat - Per Diem	11,769	27,631
Total Secretariat Travel Expenses	66,208	107,213
Secretariat Operational Expenses		
Audit Fee	11,006	11,833
Bank Fees	8,882	4,739
Cleaning	5,824	4,422
Computer Expenses	20,054	10,486
Electricity	4,293	3,713
Health and Safety	236	-

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI) INCORPORATED

Notes to the Financial Statements for the year ended 30 June 2017

Secretariat Operational Expenses (contd.)

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Insurance	7,373	6,964
Equipment Lease	8,467	9,401
Loss on Sale of Fixed Assets	-	7,933
Office Expenses	9,610	11,037
Postage, Printing & Stationery	43,038	11,708
Professional Fees	76,060	69,524
Rent	82,446	84,918
Relocation & Recruitment	-	35,781
Repairs & Maintenance	3,072	744
Subscriptions	4,240	4,005
Telephone	6,458	8,328
Website Expenditure	3,039	5,615
Total Secretariat Operational Expenses	294,098	291,151

Governance Expenses

Governance - Accommodation	20,589	-
Governance - Event Catering	8,014	-
Governance - Other Expense	3,427	-
Governance - Per Diem	10,731	-
Governance - Travel	91,031	-
Governance - Venue Hire	8,338	-
Total Governance Expenses	142,130	-

In the prior year, governance expenses were included in consultancy expense and secretariat travel expenses. In 2017 expenses related to governance have been recorded separately.

7 Cash and cash equivalents

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Westpac New Zealand Limited - Cheque	148,624	292,327
Westpac New Zealand Limited MFAT - GRA80105	70	275,501
Westpac New Zealand Limited DFAT - GFA70596	70	555,983
Petty Cash Administration	521	11
Total cash and cash equivalents	149,285	1,123,822

Cash and cash equivalents comprise of cash at bank and on hand. The carrying value of cash at banks and on hand approximates their fair value. There are no restrictions over cash and cash equivalents held by PASAI.

8 Receivables from exchange transactions

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Accounts Receivable	2,915	53,897
Interest Income Receivable	2,646	251
Total receivables from exchange transactions	5,561	54,148

Accounts receivable are non-interest bearing and receipt is normally on 30 days terms. Therefore the carrying value of accounts receivable approximates its fair value. As at 30 June 2016 and 2017, all overdue receivables have been assessed for impairment and no allowances were made.

9 Prepayments

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Insurance Prepaid	2,350	2,286
Travel Expenses Prepaid	154,536	125,911
Rental Bond Prepaid	-	12,382
Total prepayments	156,886	140,579

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI) INCORPORATED

Notes to the Financial Statements for the year ended 30 June 2017

10 Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

2017	Computer	Office Equipment	Total
	NZ\$	NZ\$	NZ\$
Cost			
Balance as at 1 July 2016	67,437	50,486	117,923
Additions (exchange)	45,009	1,600	46,608
Balance as at 30 June 2017	112,446	52,086	164,532
Accumulated depreciation			
Balance as at 1 July 2016	67,437	37,173	104,610
Depreciation	9,457	4,220	13,677
Balance as at 30 June 2017	76,894	41,393	118,287
Net book value			
As at 1 July 2015	5,144	22,748	27,892
As at 1 July 2016	-	13,313	13,313
As at 30 June 2017	35,552	10,693	46,245

11 Short term deposits

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Westpac New Zealand Limited - Term Deposit	389,605	382,463
Total short term deposits	389,605	382,463

The term deposit is due to mature in September 2017, and at balance date had an interest rate of 3.30% per annum. There is no impairment provision for investments.

12 Income tax receivable

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
<i>Current tax expense</i>		
Current year	3,170	2,794
Adjustment for prior years	-	-
	3,170	2,794
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	-	-
	3,170	2,794

Reconciliation of tax expense and the accounting surplus multiplied by the domestic tax rate:

Operating surplus / (deficit) before income tax	(980,343)	(54,794)
Non taxable income	(2,388,753)	(2,439,862)
Tax exempt income	(1,000)	(1,000)
Non taxable dividend	-	6
	(3,370,096)	(2,495,650)

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI) INCORPORATED

Notes to the Financial Statements for the year ended 30 June 2017

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Add Back		
ICA credits attached to dividends received	141	141
Non deductible expenses	3,381,780	2,505,992
	<u>11,825</u>	<u>10,483</u>
At statutory tax rate of 28%	3,311	2,935
ICA credits attached to dividends received	(141)	(141)
	<u>3,170</u>	<u>2,794</u>

Deferred Tax

There is no deferred tax asset/liability.

13 Payables under exchange transactions

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Current		
Accounts Payable	35,278	20,318
Westpac MasterCard	1,599	368
Audit Fee Payable	11,006	11,834
Total current	47,883	32,520
Total payables under exchange transactions	<u>47,883</u>	<u>32,520</u>

Accounts payable and other payables are normally settled on 30 day terms; therefore their carrying amount approximates their fair value.

14 Employee benefits

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Current		
Annual leave entitlements	29,878	28,942
Wages payable	20,093	19,993
Total employee benefits	<u>49,971</u>	<u>48,935</u>

15 Commitments

Operating leases are held for premises used for office space, as well as the lease of office equipment.

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
<i>Non-cancellable operating leases are payable as follows:</i>		
Less than one year	62,435	54,817
Between one and five years	104,068	135,928
More than five years	-	-
Total operating leases	<u>166,503</u>	<u>190,745</u>

Lease of Land & Buildings

Property: Suite 7, Level 2, "Heards Building", 168 Parnell Road, Parnell, Auckland, New Zealand

Annual Rent: \$54,371

Rent payments: Monthly

Rent Reviews: 2 yearly

Right of Renewal: 1 January 2020

Lease of Assets

Asset: Fuji Xerox Copier

Monthly Rent: \$672

Term: 48 months from 14 September 2016

Notes to the Financial Statements
for the year ended 30 June 2017

16 Financial instruments

(a) Carrying value of financial instruments

The carrying amount of all material financial position assets and liabilities are considered to be equivalent to fair value. Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

(b) Classification of financial instruments

All financial assets held by the entity are classified as "loans and receivables" are carried at cost less accumulated impairment losses. All financial liabilities held by the Company are classified as financial liabilities at amortised cost.

(c) Classification of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities.

2017	Loans and receivables NZ\$
Financial assets	
Cash and cash equivalents	538,890
Accounts receivable and other receivables	5,561
Other financial assets	-
Total	544,451
	Amortised cost
Financial liabilities	
Accounts payable and other payables	47,883
Loans and borrowings	-
Other financial liabilities	-
Total	47,883
2016	Loans and receivables NZ\$ <i>Restated</i>
Financial assets	
Cash and cash equivalents	1,506,285
Accounts receivable and other receivables	54,148
Other financial assets	-
Total	1,560,433
	Amortised cost
Financial liabilities	
Accounts payable and other payables	32,520
Loans and borrowings	-
Other financial liabilities	-
Total	32,520

17 Contingent liabilities and contingent assets

Make Good Provision

The premises at Suite 7, Level 2, 168 Parnell Road has a "make good obligation" (reinstatement works), which PASAI has to comply with at the end of the lease or when the lease is terminated. The lease has a commencement date of 1 January 2016, and a term of four years. The next rent review date is 1 January 2018, and the next renewal date 1 January 2020.

Development Partner Contributions

Any unspent development partner contributions, on the expiry date of the contracts or upon termination of the contracts by mutual consent, are to be repaid to the funder. The Governing Board believes that the contracts in place are unlikely to be terminated before their expiry dates, and that any unspent funds at the end of the contracts will be minimal. Accordingly, no provision for any liability has been made in the performance report.

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI) INCORPORATED

Notes to the Financial Statements for the year ended 30 June 2017

18 Events after the reporting date

There were no significant events after the reporting date.

19 Key management compensation

The entity has a related party relationship with its key management personnel. Key management personnel includes only the Directors of PASAI.

Key management personnel compensation includes the following expenses:

	2017 NZ\$	2016 NZ\$ <i>Restated</i>
Salaries and other short-term employee benefits	582,242	563,404
Total remuneration	582,242	563,404
Number of persons recognised as key management personnel	4	4

20 Transition to PBE Standards RDR

The following adjustments were required upon adoption of PBE Standards RDR at transition date:

	NZ GAAP	(a)	(RDR)
	30 June 2016		30 June 2016
Website Development	4,929	(4,929)	-
Accumulated revenue and expense	-	4,929	4,929
	<u>4,929</u>	<u>-</u>	<u>4,929</u>
Total net assets/equity	<u>1,641,553</u>	<u>-</u>	<u>1,636,624</u>

Note (a) - Previously, the Entity's policy was to capitalise any expenditure directly related to building a new website or when expenditure was incurred for works that significantly improved the functionality and capability of the website. Upon transition to PBE Standards RDR, it is now the Entity's accounting policy to expense any website expenditure unless a direct future economic benefit can be gained from the website.

21 Technical Assistance Grant

During the comparative year (2016) the Asian Development Bank (ADB) provided funding of \$USD373,857 (\$NZD523,976) to support costs associated with the activities of PASAI, in particular the Sub Regional Audit Support Program. These transactions have occurred directly between ADB and the respective consultants, secondees or other third parties and have not been recognised in this performance report.

Independent Auditor's Report

To Members of Pacific Association of Supreme Audit Institutions Incorporated

RSM Hayes Audit

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Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023

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Opinion

We have audited the financial statements of Pacific Association of Supreme Audit Institutions Incorporated, which comprise:

- the statement of financial position as at 30 June 2017;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets/equity;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the accompanying financial statements on pages 3 to 16 present fairly, in all material respects, the financial position of Pacific Association of Supreme Audit Institutions Incorporated as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Pacific Association of Supreme Audit Institutions Incorporated in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Pacific Association of Supreme Audit Institutions Incorporated.

Other information

The governing board is responsible for the other information. The other information comprises the Directory on pages 1 to 2 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the governing board for the financial statements

The governing board is responsible, on behalf of Pacific Association of Supreme Audit Institutions Incorporated, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, the governing board is responsible, on behalf of the Pacific Association of Supreme Audit Institutions Incorporated, for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governing board either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Who we report to

This report is made solely to the members, as a body. Our audit has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the members as a body, for our work, for this report, or for the opinions we have formed.

RSM

RSM Hayes Audit
Auckland

3 August 2017