



Report on Accountability and Transparency in the Pacific Region 2009



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PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS (PASAI)

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PART 1: Introduction

The Pacific Islands Forum Leaders in 2005 recognised the benefits that would accrue from regional cooperation under the Pacific Plan, and endorsed a study of good governance and public accountability focusing on the role of supreme audit institutions (SAIs). The study was carried out in conjunction with the Pacific Association of Supreme Audit Institutions (PASAI), the association of SAIs and other government audit offices in the Pacific region. The resulting report called the Pacific Regional Audit Initiative (PRAI) was produced following two years of extensive consultations. The PRAI was endorsed by the Pacific Islands Forum Leaders' meeting in Niue in April 2008 and later in the Forum Economic Ministers' meeting in Port Vila in October 2008.

The goal of the PRAI is to improve the quality of public sector auditing in the Pacific to uniformly high standards. One of its four outputs is "to develop communication and advocate transparency and accountability in the region". PASAI's charter, adopted at its Congress in Palau in July 2009, similarly states PASAI's objective as being to promote transparent, accountable, effective, and efficient use of public sector resources in the Pacific, and charges PASAI to "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".

This Accountability and Transparency Report is one of the first activities of PASAI under that mandate.

PART 2: Principles of accountability and good governance

The role of SAIs in promoting good governance and accountability

It is widely accepted internationally that a nation state benefits from having a strongly functioning, independent SAI in its system of public governance and accountability. The UN Committee of Experts on Public Administration recognized the importance of the independence of SAIs when it met early this year.¹ Promoting SAI independence is also a priority of the International Association of Supreme Audit Institutions (INTOSAI), of which PASAI is a regional working group.

INTOSAI's most recent statement on SAI independence is the *Mexico Declaration on SAI Independence* ("Mexico Declaration"), which was adopted at the XIX Congress of INTOSAI in Mexico in 2007. The Mexico Declaration, together with the associated *INTOSAI Guidelines and Good Practices Related to SAI Independence* ("INTOSAI Guidelines"), form the basis of an international standard to be used by SAIs, and drawn upon by governments and international institutions when developing national and state governance frameworks.

¹ <http://www.intosai.org/blueline/upload/schlzcepae.pdf>

The Mexico Declaration is founded on 8 principles which provide the basis for SAIs to operate independently, enabling them to perform their tasks objectively and effectively. The principles are:

Principle 1

The existence of an appropriate and effective constitutional/statutory/legal framework and of *de facto* application provisions of this framework

Principle 2

The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties

Principle 3

A sufficiently broad mandate and full discretion, in the discharge of SAI functions

Principle 4

Unrestricted access to information

Principle 5

The right and obligation to report on work

Principle 6

The freedom to decide the content and timing of audit reports and to publish and disseminate them.

Principle 7

The existence of effective follow-up mechanisms on SAI recommendations

Principle 8

Financial and managerial/administrative autonomy and the availability of appropriate human material, and monetary resources

In summary, the principles recognize that SAIs can accomplish their tasks if they are independent of the audited entity and are protected against outside influence by law. While recognizing that SAIs cannot be absolutely independent, they should have the functional and organizational independence required to carry out their mandates. The SAI's capacity, resourcing and work practices are essential to achieving that independence. Any interference with, or restrictions on, the SAI's ability to operate independently consequently affects public accountability.

The role of legislatures

In the Pacific region, as elsewhere, there is universal recognition of the principles of public accountability for the use of government resources, the role of the legislature in holding the executive government to account, and the importance of the SAI in achieving that accountability. However, the methods of giving effect to those principles vary depending, among other things, on the origins of a country's system of government and its associations with others.

For example, legislatures based on the Westminster system of government typically have a Public Accounts Committee (PAC) or similar mechanism to oversee the public financial management system and scrutinize the public accounts. The SAI is responsible for the audit of the public accounts as well as reports on public sector performance, and the PAC provides a forum for receiving and deliberating on its reports. By contrast, the Congressional system places more emphasis on the role of the legislature in budget scrutiny, with the SAI having a role directed at reviewing performance and investigatory activities rather than financial auditing. Under this system, the SAI's reports are directed at the responsible entity or officials.

Both systems have their advantages and disadvantages. For example, the Congressional system has the advantage of enabling the SAI's reports to be actioned by those who are directly responsible, without the risk of issues becoming politicized; whereas the PAC model provides an additional level of scrutiny and a forum in which the responsible entity or officials can be held to account, providing greater incentives for the SAI's reports to be acted upon.

In either system, much turns on the quality and timeliness of the SAI's reports. Efficient production of reports allows timely dissemination of audit findings to the public, and gives the PAC sufficient time to carry out its scrutiny role and report to the legislature.

The focus of this accountability report is, therefore, on the systems and practices by which public accountability is achieved and, in particular, the capacity of (and resources available to) the SAI to carry out its role.

Forum Principles of Accountability

The Pacific Island Forum (PIF) Economic Ministers resolved to adopt 8 principles of accountability in their meeting in Cairns Australia in 1997. The principles, which have since been called the Forum Principles of Accountability, were to be promoted by each member country at a whole of government level as best practices for public accountability. The Forum Principles of Accountability are listed below.

- (i) Budgetary processes, including multi-year frameworks, to ensure Parliament/Congress is sufficiently informed to understand the longer term implications of appropriation decisions.
- (ii) The accounts of governments, state-owned enterprises and statutory corporations to be promptly and fully audited, and the audit reports published where they can be read by the general public.

- (iii) Loan agreements or guarantees entered into by governments to be presented to Parliament/Congress, with sufficient information to enable Parliament/Congress to understand the longer term implications.
- (iv) All government and public sector contracts to be openly advertised, competitively awarded, administered and publicly reported.
- (v) Contravention of financial regulations to be promptly disciplined.
- (vi) Public Accounts/Expenditure Committees of Parliament/ Congress to be empowered to require disclosure.
- (vii) Auditor General and Ombudsman to be provided with adequate fiscal resources and independent reporting rights to Parliament/Congress.
- (viii) Central Bank with statutory responsibility for non-partisan monitoring and advice, and regular and independent publication of informative reports.

This report draws in particular on principles (ii), (v), (vi) and (vii).

Forum Economic Ministers Stocktake

The Pacific Islands Forum Secretariat has conducted biennial stocktakes of the Forum Principles of Accountability and tabled its reports in the Forum Economic Ministers' meetings. The self-assessment stocktakes were conducted in 2002, 2004, 2006 and 2008.

Following the stocktake of these principles in 2002 and 2004, countries in the region were encouraged to integrate the principles in their national planning and budget processes and, more specifically, to recognize the need to strengthen audit capacity and improve mechanisms for systematic audit follow-up and timeliness of audit reports.² The 2006 stocktake saw significant movement in public accountability in the preceding 2 years, especially the implementation of the principles through various financial and economic reforms.³ The 2008 stocktake found similar results to the 2006 stocktake in the implementation of the accountability principles.⁴

PART 3: Objective of this Report

The objective of this first Accountability Report is to determine the status of accountability and transparency in the Pacific region and provide a basis for improving these in the future.

In the report, the focus is establishing the accountability and transparency mechanisms that exist in the various jurisdictions in the Pacific region and measure them against the Mexico

² Forum Economic Ministers Meeting, 2004 Biennial Stocktake, Pacific Island Forum Secretariat Website, <http://www.forumsec.org.fj/pages.cfm/about-us/>

³ Forum Economic Ministers Meeting, 2006 Biennial Stocktake, Pacific Island Forum Secretariat Website, <http://www.forumsec.org.fj/pages.cfm/about-us/>

⁴ Forum Economic Ministers Meeting, 2008 Biennial Stocktake, Pacific Island Forum Secretariat Website, <http://www.forumsec.org.fj/pages.cfm/about-us/>

Declaration, the INTOSAI Guidelines, the Forum Principles of Accountability, and other best practices.

The Report has been produced from responses to survey questionnaires completed by 21 SAIs in the region. With the high response rate of 91%, the results of the survey are significantly representative of the status of public accountability in the region.

The context of the survey

It needs to be emphasized that the survey was largely a form of self-assessment by SAI heads, which focused on the state of governance and accountability in respect of public finance management and, in particular, the role and operations of the SAI. This report has a similar context. However, PASAI is also aware of the many studies and commentaries which have painted a more depressing picture about the state of governance in the Pacific region.

Accordingly, PASAI arranged for this report to be independently reviewed by a Pacific governance expert.⁵ The expert commented that, while nothing in the survey points directly to failures of public auditing in the region, governance standards generally remain poor and, in some cases, seem to be deteriorating. This is despite the best efforts of public auditors (and other accountability institutions such as human rights bodies and ombudsmen), and of western development partners, which have given high priority to improving governance for many years now.

PASAI wishes the report to be seen in this wider context. It notes the expert's conclusion that there is potential for a wider study to be undertaken, possibly in conjunction with other regional governance bodies, to strengthen audit and other governance institutions by reference to relevant indigenous Pacific values. This suggestion will be considered further by PASAI's Governing Board as part of its next steps in advocating improved standards of governance and accountability in the Pacific region, following the publication of this first accountability report.

Outline of the report

The report first reviews statements of best practices of public accountability. It then discusses the study approach by highlighting the best practices covered in the previous section and using these in the development of a questionnaire in the methodology section. The results of the survey are analysed and discussed in the next two sections. The report ends with some recommendations for improvement of public accountability in the region, and concluding comments.

⁵ The commentary was provided by Mr Michael Powles, a former New Zealand ambassador to several Pacific nations and founding Chairperson of the Pacific Cooperation Foundation.

PART 4: Other best practices

The systems of public accountability in as far as the use of government resources are concerned in the American states and French territories are a little different from the Westminster system prevalent in the other countries in the Pacific. The systems illustrate that at certain points in the accountability process, the procedures differ. While the study has not explored these in detail because of the methodology used, the American states and the two French territories provide a few practices that are reviewed below.

In these countries and territories, there are no Public Accounts Committees or similar committees of legislature or congress to deliberate the reports of SAIs. Some advantages of not having these committees are there is no politicization of the contents of the reports and the reports are viewed independently and without bias. Another advantage is the reports are handed directly to the public and there is efficient dissemination. The disadvantage though, the report may not be recognized as a report of the legislature or congress and may not be given the same consideration as other reports tabled in the legislature. In addition, the committee could over-step their lines and cloud the audit process and become an issue for SAI independence.

Some American states and territories only conduct the financial audits of the whole of government and the audits of subsidiary entities are outsourced to the private sector. The SAIs are also involved in the conduct of performance audits. This ensures that the audit function is able to cover more audits and there is efficient completion of all the entities and aspects of government. Nevertheless, the audits are tabled in the Boards whose members are usually appointed the relevant Ministers.

The Australian and the New Zealand SAIs are able to provide high quality reports efficiently compared to other SAIs in the region. Unlike the American and French states, Australia and New Zealand have Public Accounts Committee. As the reports are produced efficiently, the PACs have sufficient time to scrutinize the reports and still provide their reports to Parliament and the public for efficient dissemination. This reflects the use of improved systems and practices.

The reports produced by the Courts of Account of the French territories in the south Pacific are not scrutinized by PAC or parliament. As an independent jurisdiction, the reports are provided directly to the media or to any territories assembly for public debate.

PART 5: Study Approach

The appropriate approach to use under the current circumstances is the public accountability approach, the origins of powers, production of audit reports, scrutiny and implementation of audit recommendations. In this study, the primary focus is on the role of the SAI and how the other elements of the accountability system support and give effect to the SAI's work. There are three main elements to this, which are discussed in turn below.

Legal framework, Mandate, Methodologies, and Resources

The independence and immunity provisions of the SAIs are essential to the effective performance of SAIs. If independence is impeded in any way, it is likely that the work of the SAIs will be affected and the results of audits lack credibility.

It is equally important that the SAI's mandate is sufficiently broad to cover all government entities. This ensures the complete scrutiny of public resources and holds officials and government to account.

The Mexico Declaration promotes the enactment of independence and immunity provisions for the SAI in the Constitution or other legislation, including terms and conditions of appointment, determination of remuneration, and protection from removal from office, and immunity from prosecution. An independent SAI also requires a mandate that, first, is sufficiently broad to cover all entities and all aspects of government and, secondly, enables the SAI to examine all aspects of an entity's activities including its financial performance and its overall efficiency and effectiveness.

The Mexico Declaration also provides that the legislature should be responsible for ensuring the SAI has sufficient resources annually to fulfill its mandate, without executive government control or direction. The INTOSAI Guidelines provide that the SAI should have the right to appeal to the legislature if its resources are inadequate, and that the SAI should be able to manage its own budget and allocate it as appropriate. One of the Forum Principles of Accountability also provides that the SAI is provided with adequate fiscal resources and independent reporting rights to Parliament or Congress.

Implicit in these principles is the need for strong audit methodologies. These are systems used for planning, conducting and reporting financial, performance and IT audits, the three types of audits which should make up an independent SAI's mandate. The use of best audit methodologies will assist SAIs to perform effectively and efficiently and to their full potential.

This, in turn, requires sufficient numbers of well resourced, competent staff, together with systems to ensure that the required outputs are produced within the budgeted hours and in accordance with plans. A higher minimum qualification requirement for appointment and promotion of staff is generally associated with competent and quality work. The requirement to complete specified professional development programs and the periodic assessment of performance ensures that staff provide appropriate and high quality professional work.

Conduct of Audits & Presentation and Publication of Audit Reports

The Mexico Declaration provides that the SAI should be able to select its audit topics independently and without external interference. It also provides that the SAI should have unrestricted access to information, the right and obligation to report all its audit work, and freedom to decide the content and timing of audit reports.

Generally, the accountability process involves the SAI's reports being presented to the legislature and being made public immediately thereafter. The efficient presentation of the SAI's reports ensures that the reports are quickly provided to the public and disseminated.

Public Accounts Committee (PAC)

In those countries with systems based on the Westminster style of government, a PAC or a similar committee of the legislature is established to deliberate on the reports of the SAI on its behalf. The PAC is usually empowered to require attendance by government officials and others, and production of information.

The PAC process should begin immediately following the presentation of the audit report. The requirements of the PAC, especially in respect of the attendance by officials at its meetings and the production of information, are important and should be respected. Whether it is a financial report or a performance report that is being considered, it should be released quickly for public consumption because decisions on resource allocation will depend on the outcome of the audit findings in the previous years. The efficiency with which the PAC deliberates and reports on the work of the SAI ensures quick resolution of the audit findings and recommendations. Inordinate delays may result in increase in government loss, wastage and extravagance, inefficient delivery of services and increase in abuse of government resources.

The PAC as a committee of the legislature should present its reports to the legislature and, on presentation, be made public as well. This process enhances the credibility or otherwise of the SAI's audit findings.

Audit follow-up and Impact

The Mexico Declaration provides that there should be an effective process of follow up on audit issues raised in the SAI's reports, that ensures lessons are learned, improvements made, and corrective actions taken. In the Congressional system, the focus of follow up is on the action taken by the executive government, or the relevant officials, in response to the SAI's report. In the Westminster system, the follow up process includes the actions taken by, and in response to, the PAC's report. The response should address all issues in the report and indicate the appropriate follow-up actions, including taking disciplinary action where necessary in accordance with the Forum Principles of Accountability.

The measures or actions taken by government agencies such as the Ministry of Finance, the Public Service Commission, and other authorities should be such as to ensure improvements in practice across the government system and, where necessary, deter inappropriate or unlawful conduct.

The impact of SAI's work reflects how effective the SAI has been in its work. This is not easy to measure and could take various forms from review of media coverage (volume), review of media (nature), review of subsequent legal/policy changes with audit recommendations, value of public money saved as a result of the SAI's work, and monitoring of implementation of audit recommendations.

PART 6: Methodology

A survey questionnaire was used for the study as there was insufficient time and resources to physically visit all countries in the region and obtain detail responses. The questionnaire is provided in Appendix I. The questionnaire was developed based on the Forum Principles of Accountability, the Mexico Declaration of SAI Independence and some best practices.

All 26 members of PASAI were sent electronic copies of the questionnaire in early June 2009. The hard copies of the questionnaire were distributed during the PASAI Congress held in Palau in July 2009. A list of the 26 members of PASAI is shown in Appendix II.

Part 7: Analysis of Questionnaires

A total of 21 responses from SAIs were received, or a response rate of 81%. Two SAIs, American Samoa and the Republic of the Marshall Islands could not be reached by email but the heads of the two SAIs were provided hard copies of the questionnaire during the PASAI Congress held in Palau in July 2009.

It was decided to exclude the 3 Australian state members, New South Wales, Queensland and Victoria from the study but include the Australian National Audit Office (ANAO), as being representative of the Australian approach. The response rate improved to 91% as a result of this.

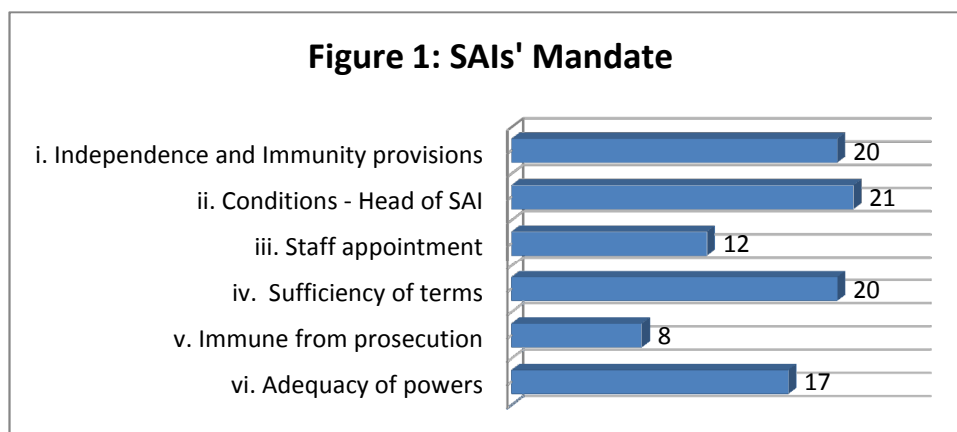
A list of SAI officials that completed the questionnaire is provided in Appendix III.

Mandate

The questionnaire requested responses on whether the independence and immunity provisions of SAI are adequately provided in the constitution or audit/finance legislation and if they specify the conditions for appointments, re-appointments, removal, retirement and remuneration of the head of SAI. It also sought responses on whether staff members of the SAI are appointed, removed and remunerated by a process that ensures independence from the executive.

With the exception of the Fiji SAI, all SAIs stated that the independence and immunity provisions of the SAIs are adequately provided.⁶ All SAIs stated that legislation provides the conditions for appointments, removal, retirement and remuneration of the head of SAI. The survey results are provided in Figure 1.

⁶ The Fiji SAI had enjoyed these privileges until the military coup in December 2006 and the abrogation of the Constitution in April 2009.



About 50% of SAIs stated that conditions for appointments, removal, retirement and remuneration of the staff do not always ensure independence from the executive. The SAI's staff cannot enjoy the same protection as the head of SAI under the relevant legislation.

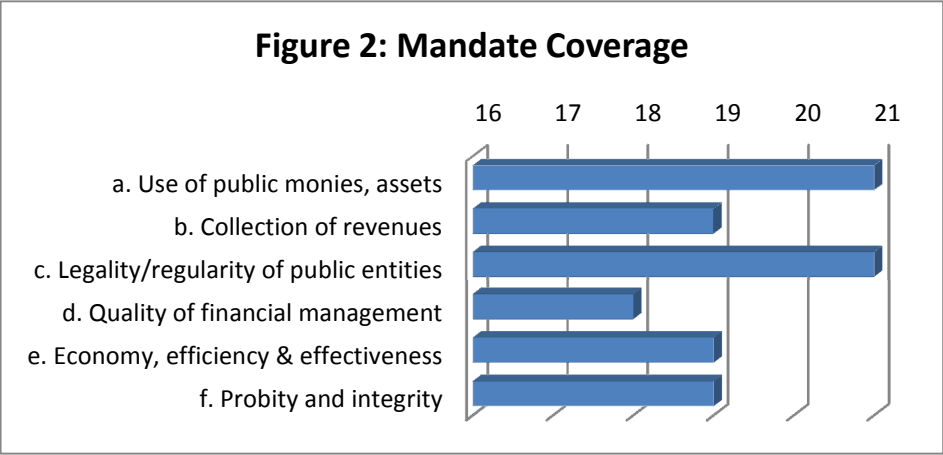
The questionnaire requested SAI to state whether the terms of appointment are sufficient to allow staff members and head of SAI to carry out their mandates independently without fear of retaliation, and if the SAI head and staff members are immune to any prosecution for any act, past or present, that result from the normal discharge of their duties.

All SAIs stated that the terms of appointment are sufficient and allow them to carry out their mandates and responsibilities without fear of retaliation. About 65% of the SAIs stated that they are not immune to prosecution as a result of the discharge of their duties.

The questionnaire also asked if SAIs have powers to audit (including contracting) all government entities and if these mandates are sufficiently broad to cover:

- 1) *the use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature;*
- 2) *collection of revenues owed to the government or public entities;*
- 3) *legality and regularity of government or public entities accounts;*
- 4) *quality of financial management and reporting;*
- 5) *economy, efficiency and effectiveness of government or public entities operations*
- 6) *probity, integrity and avoidance of conflicts of interest, whether through financial audit or special investigations.*

Except for 3 SAIs, all SAIs stated that they have adequate powers to audit all government entities. One SAI stated that it does not have powers to conduct performance audits of government business enterprises (GBEs) and of persons employed or engaged in the legislature. Another SAI cannot audit its central bank because its powers are restricted. A third cannot audit some trust funds, donor monies and subsidiary companies. The results are illustrated in Figure 2.



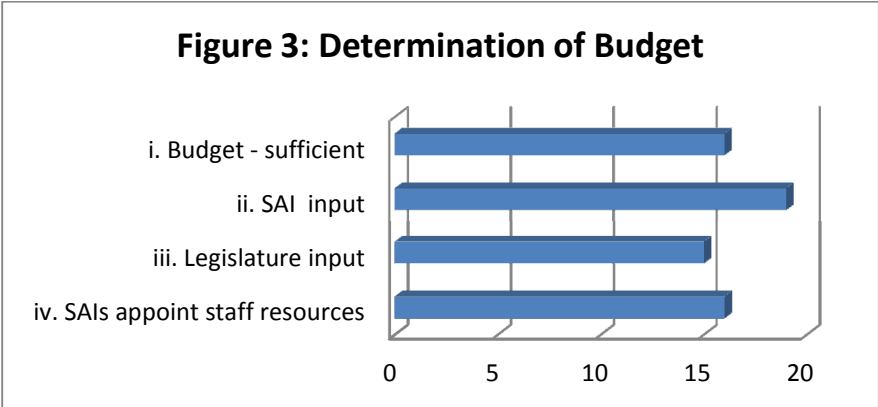
All SAIs stated that their mandates are sufficiently broad to cover the use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature and the legality and regularity of government or public entities accounts. Two SAIs stated that their mandates do not cover: (i) collection of revenues owed to the government or public entities; (ii) economy, efficiency and effectiveness of government or public entities operations; and (iii) probity, integrity and avoidance of conflicts of interest, whether through financial audit or special investigations. Three SAIs’ mandates do not cover the quality of financial management and reporting.

Resources

SAIs were asked to indicate the authority that determines the SAI’s budget and whether the budget is sufficient to satisfactorily meet the planned works of the SAI. If the executive determines the budget, the questionnaire requested the SAI to state if there is some input from the legislature or one of its committees.

The legislature determines the budget of 11 SAIs while the Ministry of Finance determines the budget of 11 other SAIs.

The survey results are provided in Figure 3.



Despite the determination of 9 SAIs’ budgets by the executive, 75% of the SAIs stated that the current budgets are sufficient to satisfactorily meet the planned works.

The staff resources for 15 SAIs are appointed by the SAIs whereas the staff of other SAIs are appointed by the Ministry of Public Service, the Public Service Commission and other authorities.

Audit Methodology

The questionnaire requested SAI to specify the name of the audit methodology it uses for financial, performance and information technology (IT) audits. The SAI was also asked to state if the methodologies for the three types of audits are adequate for the purposes of the organization and if there are plans to upgrade them.

The financial audit methodologies used vary between the SAIs. About 25% use the risk-based audit methodology, while some use internally developed audit methodology or national methodology.

A quarter of the SAIs stated that their audit methodologies are inadequate to meet their requirements and there are plans to upgrade them. Other SAIs whose financial audit methodologies are serving their purposes also have plans to upgrade them.

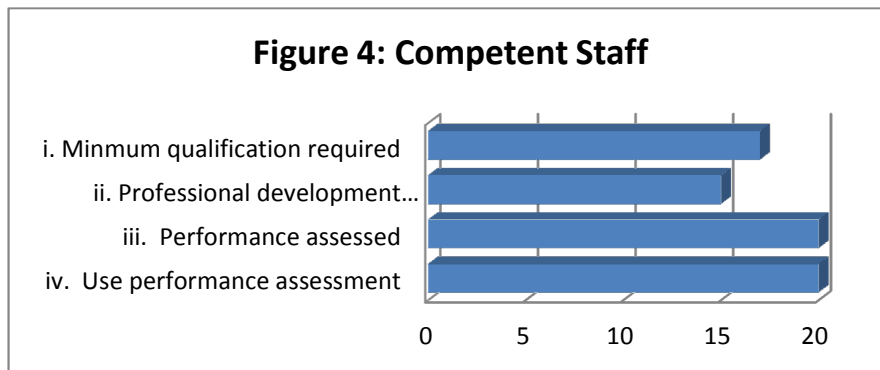
The SAIs of the American affiliated states and territories use the US Government Auditing Standards⁷. Others use a risk-based audit methodology or in-house methodology, while two French states adopt methodologies that are experienced based. All but two SAIs stated that the various performance audit methodologies they use are adequate and there are no plans to upgrade them. Seven SAIs which do not perform performance audits expressed intentions to acquire performance audit methodologies.

Only 6 SAIs have IT audit methodologies, which are either risk-based or internally developed. Others do not have such methodologies and would like to acquire them. The 6 SAIs that have IT audit methodologies stated that they are currently sufficient and meet their requirements.

Competent and Adequate Staff

The questionnaire requested SAI to state if their staff are legally required to meet a minimum qualification in order to be considered for vacant positions. SAIs were also asked to specify the minimum qualification for appointment; whether staff are required to meet minimum professional development hours annually; whether staff performance is assessed periodically; and whether those assessments are used when processing applications for promotion.

⁷ The US GAS is also called the generally accepted government auditing standards (GAGAS).



All but 4 SAIs legally require staff to meet a minimum qualification requirement to be considered for vacant positions. Most require the qualification requirement to be either a degree or College degree or diploma in the relevant area and some require competitive exam and one a 12th year exam. One SAI's qualification is specified by the relevant legislation. Those SAIS which require less than a degree as the minimum qualification requirement for junior staff require a degree for middle or senior management positions. About 75% of the SAIs require their staff to meet specified minimum professional development hours annually. The results are shown in Figure 4.

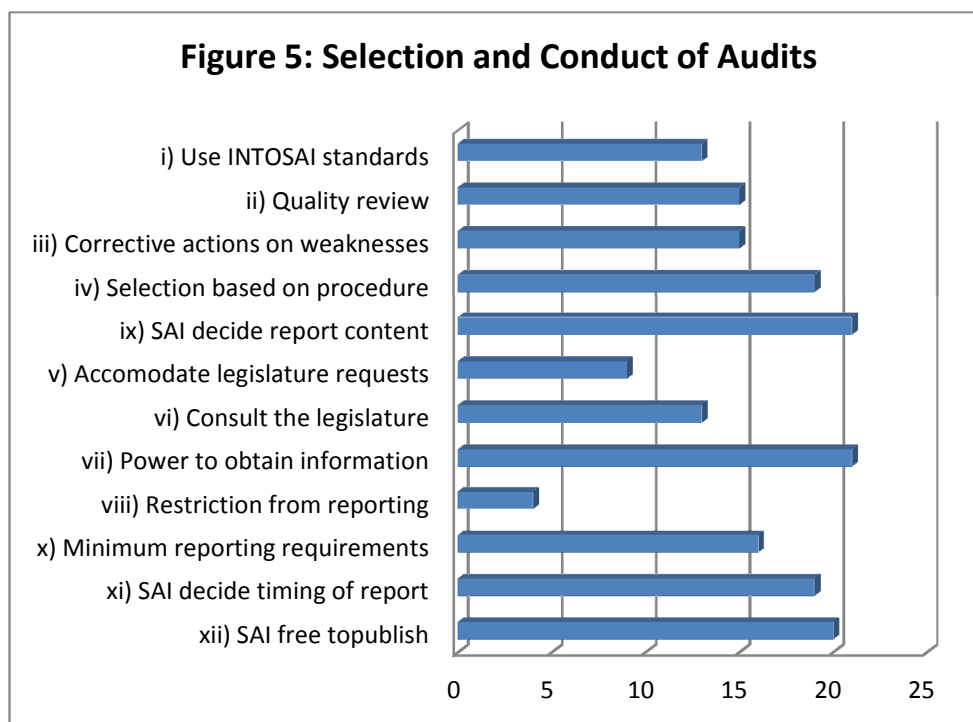
Staff performance is assessed annually by all except one SAI. These assessments are considered when processing applications for promotion.

Selection and Conduct of Audit

The questionnaire requested SAIs to state whether the SAI Head and his/her staff are legally required to use the International Standards on Auditing or INTOSAI Auditing Standards. In addition, SAIs were asked whether there is a quality review process to ensure that the standards have been met, and whether corrective actions are taken to address any weaknesses. The objective of this section of the questionnaire was to seek an understanding of the degree of independence that SAI is allowed to work under.

About 50% who responded stated that their auditing is legally required to be in accordance with the International Standards of Auditing or INTOSAI Auditing Standards. Two SAIs set their own standards, while the others are not required to adopt the international standards. The results are illustrated in Figure 5.

SAIs that do not adopt the international standards on auditing either use the US Government Auditing Standards (GAS) or the French standards, which the SAIs stated as being similar to the INTOSAI Standards.



About 60% of SAIs have some form of quality review to ensure that the applicable standards have been met. The French states' quality checks are through the collective decisions of the 3 magistrates of the Courts of Accounts.

A SAI's has internal and external quality checks performed by its professional body on individual staff who are members of the Institute, and through peer reviews. Two SAIs have internal Quality Audit Review Committees which conduct random reviews. The American affiliated states and territories have a system of peer reviews which are conducted every 3 years. The remaining SAIs stated that quality review checks are being developed.

For the SAIs that have quality audit review systems, corrective actions are taken to ensure compliance. The extent of the actions taken depends on the nature of the weaknesses and could include enhancement of policy, further training or act on the recommendations of the reviews.

The questionnaire requested responses on whether the topics for performance audit and special investigation are selected following a specified procedure, and whether the process involves consulting the legislature or the government. Alternatively, SAIs were requested to state whether they are legally required to accommodate investigations or audits at the direction of the legislature as a whole, one of its committees, or the government.

Except for two SAIs, the topics for performance audits and special investigations are selected following a specified process or procedure. Those other two SAIs do not conduct either performance audits or special investigations.

One SAI that conducts performance audits and special investigations bases its selection on the severity of the allegation, its public importance, the amount involved, or the number of

“red flags” identified during the financial audit process. Another SAI’s topics are provided in its annual plans.

About 60% of SAIs do not accommodate investigations or audits at the direction of the legislature or the government. For those that do, the requests are assessed with other topics determined through the formal process of selection before a decision is made whether to consider the topic. Those SAIs that are not subject to direction have a process to consult the legislature.

The questionnaire asked if SAIs have adequate powers to obtain timely, unfettered, direct, and free access to all the necessary documents and information, for the proper discharge of their statutory responsibilities; and whether the SAI is restricted in any way from reporting the results of its audit work. SAIs were also asked if they are free to decide the content of their audit reports, including making observations and recommendations taking into consideration, as appropriate, the views of the audited entity.

All SAIs have adequate powers to obtain timely, unfettered, direct, and free access to all the necessary documents and information, for the proper discharge of their statutory responsibilities. All SAIs are also free to decide the content of their audit reports.

Furthermore, SAIs were asked to state whether minimum audit reporting requirements exist and are legally required, and whether they are free to decide the timing of their audit reports (except where specific reporting requirements are prescribed by law), and to publish and disseminate its reports once they have been formally delivered to the appropriate authority as required by law.

All but four SAIs do not have any restriction in the way they report the results of their audits. Some SAIs are restricted from reporting sensitive information, disclosure of which in the opinion of the SAI head or a government official such as the Attorney General may be contrary to the public interest. Situations that would meet that test are outlined in legislation, and these include matters that may prejudice the security, defence or international relations of the country.

Except Fiji, all SAIs are free to publish and disseminate their reports, once they have been formally delivered. Four SAIs, do not have minimum audit reporting requirements. All but three SAIs are free to decide on the timing of their audit reports except where specific reporting requirements are prescribed by law.

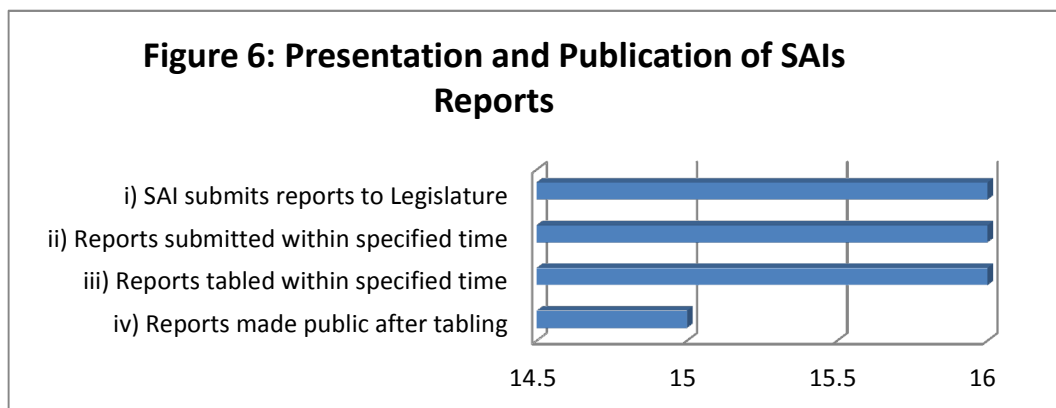
Presentation and Publication of Audit Reports

The questionnaire requested SAIs to indicate whether their audit reports are legally required to be submitted to the legislature within a specified time period. It also asked SAIs to specify the person who is responsible for tabling the audit reports in the legislature; whether the reports are legally required to be tabled within a specified time after they are received; and whether this is being practiced.

About 80% of SAIs are legally required to submit their reports within a specified time period. The financial audit reports are generally required to be submitted between 3 months to 9 months after the end of the financial year. Two SAIs do not have specified dates for

submission, but their audit reports must be submitted annually. One SAI submits its reports to the legislature by November, whilst another SAI can submit its various reports within a period of 4 to 12 months.

All SAIs that conduct performance audits or special investigations have no timelines for submission of reports. Most are required to submit their reports as soon as the audits are completed. One SAI's reports are required to be submitted within the times provided in their plans. The survey results are shown in Figure 6.



The SAIs in the two French states are required to submit their reports at the first session after communication by the SAI. The American affiliated states and territories are not required to table their reports in the Congress.

The reports of 7 SAIs are required to be tabled by the presiding member of the legislature. In 2 SAIs, the reports are required to be tabled by the Minister for Finance in the legislature. For two SAIs, the responsible Minister is required to table its financial audit reports. The performance audit reports are required to be tabled by the Presiding Officer. A SAI requires the Head of SAI to table its reports after consulting the magistrates.

Audit reports are not legally required to be tabled within a specified time in the American affiliated territories, the two French states, and by two other SAIs. With the exception of three SAIs, all SAIs which are required to table their reports in legislature are doing so within the required time.

The numbers of reports tabled in the past financial year by individual SAIs in the Pacific⁸ were:

Cook Islands 7; Federated States of Micronesia 8; Fiji 10; French Polynesia 10; Nauru 1; New Caledonia 18; Papua New Guinea 6; Samoa 2;; Solomon Island 1; Tonga 1; Tuvalu 2.

SAIs were also asked whether their reports are legally required to be made public following the tabling in the legislature, and whether all reports tabled in the past financial year were made public in compliance with the requirement.

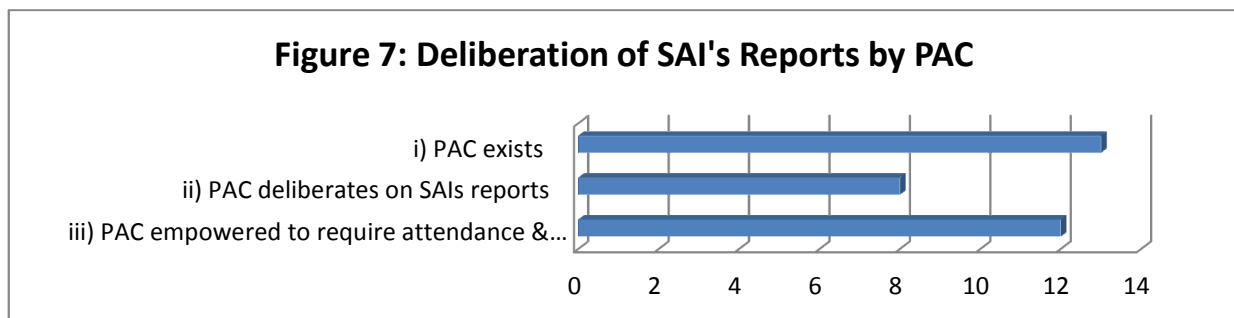
⁸ Excluding the Australian National Audit Office and the Auditor-General of New Zealand.

About 80% of the SAIs make public their audit reports following tabling in the legislature, either through websites or other form of publication or distribution. Other SAIs do not make public their reports. All but three SAIs made their reports public in the past financial year in compliance with the requirement.

Deliberation by the Public Accounts Committee (PAC)

The questionnaire requested responses on whether a country’s legislature has a PAC or a similar committee with the responsibility to deliberate on the SAI’s reports. If so, the SAI was asked whether the committee is legally required to convene and deliberate on the reports of the SAI following the tabling of the reports in the legislature.

There are no PACs in the American affiliated territories and the French states,⁹ and the SAIs in those jurisdictions do not table their reports in the legislature. A particular jurisdiction, the SAI’s reports are tabled in the legislature but the legislature does not have a PAC to deliberate the SAI’s reports. The other jurisdictions have PACs to deliberate the reports of the SAIs. In all jurisdictions that have PACs, the PAC is legally required to convene and deliberate on the SAI’s reports following tabling in the legislature. The survey results are provided in Figure 7.



The questionnaire also asked how long it takes the PAC to convene and deliberate on the SAI’s reports (i.e. from the date of tabling to the date when PAC deliberation starts), and how many reports were deliberated upon by the PAC in the last financial year.

The time it takes for PACs to convene and deliberate on SAIs’ reports varies. Some deliberations are immediate or take a short time period, while others take a considerable period of time. The sitting dates of some PACs have no specified time, while others are based on the sitting dates of the legislature. The time it takes for a particular PAC to convene vary depending on the complexity and nature of the workload. In another jurisdiction, the Finance and Expenditure Committee (FEC) convenes on a regular basis and there are no substantial delays in its deliberations following tabling.

The following numbers of reports were deliberated by PACs in the last financial year:

Australian National Audit Office 6; Fiji 10; Kiribati 9; New Zealand 8; Papua New Guinea 4; Samoa 2; Solomon 3; Tonga 1; and Tuvalu 4.

⁹ The questionnaire did not ask the US insular states who receives the SAIs’ reports and how they are acted upon.

Responses were sought on whether the PAC is empowered to require attendance or disclosure from all those implicated in the SAI’s reports and others who, in the opinion of the PAC, should attend or provide such disclosures; whether attendance may be required by both public and private sector representatives; and how non-attendances or non-disclosures are dealt with.

All countries that have PACs or similar committees empower them to require attendance or disclosure from those implicated in the SAI’s reports and others who in the opinion of the PAC should attend or provide such disclosures. PACs generally have powers to issue summons, or take disciplinary action through legal and executive processes.

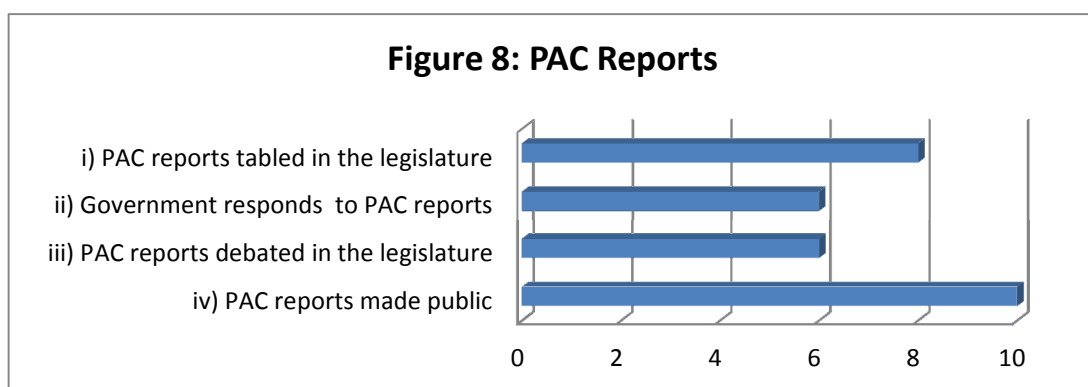
Tabling of PAC Reports in the Legislature

The questionnaire asked whether the PAC is legally required to table its reports in the legislature following its deliberations on the SAI’s reports, and how long it takes to table its report following the last day of deliberations. It also asked SAI to indicate the number of PAC reports that were tabled in the legislature in the last financial year, and whether they were debated in the legislature and made public.

With the exception of 3 jurisdictions, all countries that have PACs are legally required to table their reports in the legislature following deliberations on the SAI’s reports. All jurisdictions that have PACs make their reports public. The PAC reports are made public by the following persons or authorities: Chairpersons of PACs; Cabinet; Parliament; and, Clerks of PACs.

The time it takes to table the PAC’s reports after completion of deliberations varies. Some take 3 to 4 days, while others take 2 to 3 months. One PAC tables its reports in the very next meeting of the legislature, while two SAIs indicated that the time varies based on nature and complexity of the audit issues in the reports. The survey results are provided in Figure 8.

¹⁰



The PAC reports that were tabled in the legislature in the past financial year are as follows: Fiji 10 (reports tabled in Cabinet); Samoa 2; and, Tuvalu 4. The Solomon Islands PAC tabled 2 reports, both in respect of the estimates hearing.

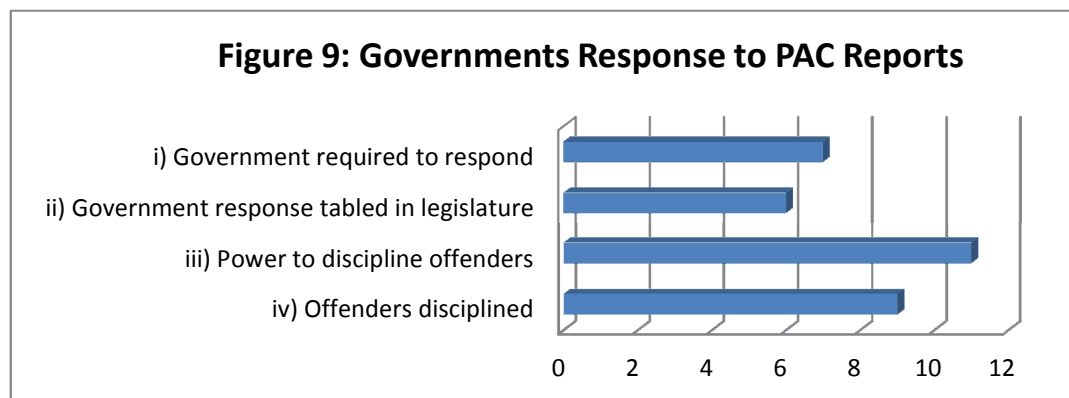
¹⁰ Excluding the Australian National Audit Office and the Auditor-General of New Zealand

Only a few SAIs stated that the government is required to respond officially to the reports of the PAC. In about 75% of the jurisdictions surveyed, the PAC's reports are not debated in the legislature.

Response by Government and Entities

The questionnaire asked whether the government is legally required to respond to the PAC's reports and within a certain time period. It also requested a record of government responses to PAC reports in the last financial year, and whether responses were made within the required timeline.

About a third of SAIs stated that the government is not required to respond to the PAC's reports. Those that do are required to respond within 3 months on receipt of the report. The record of responses to reports is generally poor. Five SAIs stated that the timelines are met, and one stated that the timeline is rarely met. The survey results are illustrated in Figure 9.



The questionnaire also asked whether the government's response to a PAC report is tabled in the legislature; what measures are taken to obtain a response; whether there are powers to discipline offending entities or officials; and whether they are disciplined in practice.

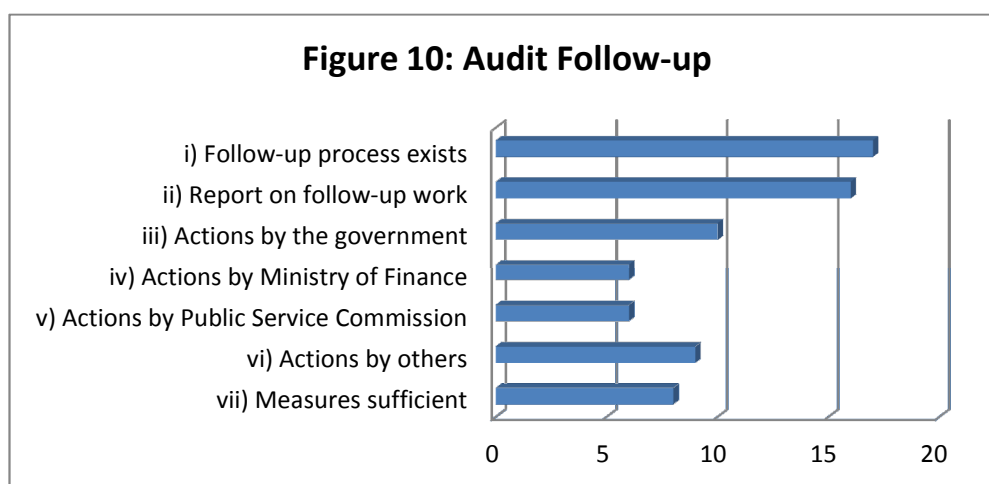
Four SAIs stated that the government's responses to the PAC's reports are tabled in the legislature. Some SAIs stated that comments on PAC reports are not required to be tabled, while other SAIs did not provide a response. In those cases where responses are not tabled, PACs use the officials such as the Solicitor General's Office, the Prime Minister's Office, or the Cabinet Offices to enforce entities to respond.

Only 30% of the PACs have powers to discipline offending entities and officials. The others either do not have powers or the SAI did not comment. 20% of SAIs stated that the PAC disciplines offenders in practice; the remainder either stated that there is no discipline in practice or did not comment.

Audit follow-up

The questionnaire asked SAIs to state whether they have a process for monitoring follow-up on audit recommendations, and whether this follow-up work is formally reported.

About 80% of SAIs have follow-up systems and prepare reports. For financial audits, SAIs require their auditors to follow up the previous year's audit recommendations at the beginning of the next audit. Performance audit recommendations are followed up in an annual compendium or follow-up report. Five SAIs track their recommendations, for example by sending periodic follow-up letters to entities with outstanding or unresolved recommendations. One SAI leaves the follow-up with the agencies' Audit Committees. The survey results are provided in Figure 10.



The questionnaire also asked about the measures taken by government agencies to follow up on audit recommendations, and whether those measures are sufficient to deter persistent offenders (both entities and officials).

a) Government

80% of governments take one of the following actions:

- refer fraud and violations of the law to the Office of the Attorney General for prosecution;
- Solicitor General follows up on audit recommendations;
- implement resolution or issue guidelines and circulars;
- refer the audit recommendations to the Public Service Commission and Ministry of Finance to take actions as necessary, including disciplinary and surcharge actions;
- management follow-up to ensure corrective actions are taken.

b) Ministry of Finance

About 65% of the jurisdictions in the region follow up the audit recommendations in accordance with the finance legislation or closely work with entities to implement the SAI's recommendations to improve financial management of the entity and the whole of government. One SAI stated that the Ministry of Finance imposes surcharges on offenders.

c) Public Service Commission (PSC)

About 70% of SAIs stated that the PSC follows up on its audit reports (as the employer of the CEOs), and takes steps to improve internal quality control, or takes disciplinary actions.

d) *Other Authorities*

The following actions are taken by other authorities:

- Audit Coordination Advisory Group of Congress - reviews all audit reports and discusses with the SAI their applicability and recommends them to the Governor and legislature for any changes in law or policies as desirable;
- Boards of Statutory Owned Enterprises (SOEs) - follow-up on recommendations;

About 40% of SAIs stated that the measures taken are sufficient to deter persistent offenders.

Audit impact

The questionnaire asked SAI to specify the system it uses to measure the impact of its reports. If there is no system, the SAI was asked to provide what would best describe the impact of the SAI's work.

40% of the SAIs provided the following as systems they use to measure the impact of the reports of SAIs:

- reports of the agency's individual Audit Committees;
- number of court cases won by the government as a result of the audit reports, change of CEOs because of poor performance highlighted in the reports, and restructuring following the audit recommendations;
- client survey questionnaires that are completed after every audit;
- financial impacts identified during an engagement and covered by the media.

A few SAIs stated they are developing their systems, such as filing an index number for each recommendation to measure the impact in terms of recommendations followed. One SAI monitors progress and achievements in audit reports to the legislature against its Strategic and Annual Plans.

In the absence of a system of measurement, SAIs provided the following as impacts of their work:

- agency's agreement to audit recommendations;
- the level of media interest and coverage of audit recommendations and the public responses in the media;
- audit recommendations that have been adopted and reforms that have taken place, and improvements that have been seen in systems, internal controls and presentation of financial reports;
- enhanced accountability;
- effectiveness of controls, records, etc.

The recent reports on what SAIs consider as impacts of their work are as follows:

- A state won its case against a public official who misused \$1.3 million over 7 years. The official was sentenced to prison for 3 years 9 months.
- The response received for audits undertaken in 2007 has an overall rating of 4 out of 5 from a survey of clients. This was reported in the Annual Report of the SAI in 2007.
- Two SAIs mentioned that each report includes an analysis of SAI's impact on the entity audited since previous control.

PART 8: Discussion of Results

Mandate and Resources

All SAIs in the region, with the exception of Fiji, stated that their independence and immunity provisions are provided in the constitution or audit/finance legislation as required under Principle 1 and 2 of the Mexico Declaration. The legal framework provides for the conditions for appointment, removal and remuneration of the head of the SAI.

The same could not be said for the staff of SAIs. Under independence principles, the appointment and removal of the staff should be the responsibility of the head of the SAI. Those SAIs that do not have a say on the appointment of their staff cannot be held to account for their competency and professionalism.

The extent to which SAI heads and staff are immune from criminal or civil legal action is low. The immunity provisions of some SAIs in the region need to be strengthened to provide protection from legal action, thereby providing the safety to discharge their responsibilities without fear of retaliation. This has significant effects on public accountability.

Where immunity provisions are provided in legislation, the SAIs appear to be of the view that these provisions are not sufficient to protect the SAI head and staff from legal action in the normal discharge of their duties. The questionnaire did not ask whether there had been any cases of legal action being taken, but there is anecdotal knowledge of such cases in the region.

SAIs disclosed that their audit mandates are sufficiently broad to cover all aspects of government activities, in accordance with Principle 3 of the Mexico Declaration and Principle 2 of the Forum Principles of Accountability. There were consensus in most areas of audits such as use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature and the legality and regularity of government or public entities' accounts. However, a few SAIs were restricted from auditing certain entities or activities of government.

SAIs' mandates should be sufficiently broad to cover all entities and all activities of government, and enable the SAI to carry out a range of auditing activity across those entities. To remove certain areas of government activity from the scrutiny of the SAI is unacceptable in public accountability and governance terms, and undermines the ability of the SAI to perform its full role as an instrument of accountability.

Principle 8 of the Mexico Declaration provides that the legislature should be responsible for ensuring that the SAI has sufficient resources annually, free from executive control or direction. This is reaffirmed by Principle 7 of the Forum Principles of Accountability.

The process for determination of the budgets of the SAIs by the executive and/or the legislature appears to be appropriate for 75% of the SAIs, as they stated that their budgets are sufficient to satisfactorily meet their planned works. Nevertheless, this does not preclude a SAI's budget being controlled by the executive. Not only are the staff of some of the SAIs discussed above appointed and removed by the executive, the financial resources are also controlled. The SAI's work could be affected if its resources are not determined independently, and this impinges on the ability of the SAI to hold the government accountable in an effective manner.

With the exception of a few SAIs, especially the US island states and territories, all SAIs conduct financial audits. This reflects the long standing practice in the US territories of focusing the SAI's work on performance audits and investigations, and outsourcing financial audit activities.

IT audit is usually associated with financial audits but is occasionally used in certain aspects of performance audit when required. The SAIs that do not have a performance or IT audit mandate would like to acquire them. Some SAIs are considering extending their mandates to include performance audit.

Generally, SAIs in the region use the internationally accepted audit methodologies for financial and performance audits while others use internally developed and national audit methodologies. Most found their audit methodologies adequate for their requirements but all SAIs would like to upgrade these methodologies. It could not be established if these methodologies are based on internationally accepted practices. However, the choice of the internationally accepted audit methodologies, especially those used by SAIs in the more developed states, indicates that SAIs are seeking to use the best methodologies available and upgrade them where possible. The questionnaire however did not obtain responses whether governments have supported the SAIs in these areas.

In respect of staffing, most SAIs appear to recruit staff with graduate degrees, and those that do not have this as a minimum requirement require middle and top management to be qualified. The meeting of specified professional development hours ensures that the professional staff are kept abreast of recent developments in regards audits.

Conduct of Audits & Presentation and Publication of Audit Reports

There is wide use in the region of the international auditing standards, US Government Auditing Standards or the French standards. Quality reviews are also widely conducted to ensure that the standards are met and any weaknesses dealt with appropriately, either through the enhancement of policy, further training or implementation of the recommendations of the reviews.

Principle 3 of the Mexico Declaration states that apart from financial audits, topics of other audits such as performance audits and special investigations should be selected by the SAI independently and without external interference. Irrespective of the process and how independent it may be, it is a concern that about 40% of SAIs have to accommodate legislature requests for performance audits and special investigations. Lack of the ability to say “no” to the government or legislature is a fundamental precept of SAI independence. If the SAI is not vigilant, its reports may be viewed as lacking credibility and being produced for political purposes.

All SAIs have unrestricted access to information in accordance with Principle 4 of the Mexico Declaration. With the exception of Fiji, all SAIs are free to publish and disseminate their reports, once they have been formally tabled in the legislature. This is a strong indicator of independence of the region’s SAIs.

Principle 5 of the Mexico Declaration states that the SAI should have the right and obligation to report all audit work. Those SAIs that are restricted in the manner they report their audits are limited because the information is sensitive, as determined under a test prescribed in legislation, or because they are information regarding overseas clients. Inappropriate use of those limitations would be unacceptable in independence terms. Apart from these situations, SAIs in the region have a reasonably strong level of independence under this indicator.

Except for one SAI, all SAIs in the region have freedom to decide the content and timing of their audit reports in accordance with Principle 6 of the Mexico Declaration.

Most SAIs submit their reports to the legislature, except 20% of SAIs that are not required by law to do so. There are timelines for the submission of financial audit reports, which are usually required to be submitted as soon as they are completed, less so for performance audit reports.

Of those SAIs whose reports are required to be tabled in the legislature, most reports last financial year were tabled and the reports made public. However, some SAIs have tabled only a few reports or no reports at all.

The submission and tabling of reports therefore generally meets good accountability requirements.

Public Accounts Committee (PAC)

Where there is a PAC, it has the power to deliberate on the SAI’s reports. However, the time it takes for a PAC to convene varies between countries ranging from being immediate for some committees to taking considerable time for others. PACs generally have powers to require attendance and disclosure.

The process for convening the PAC and deliberating the SAIs reports reflects a sound system of public accountability, but this tends to be more for the developed states in the

region. Other Westminster jurisdictions do not have an effective PAC or process. Some take long to meet while others do not meet at all, and produce a few reports.

Because of the ineffectiveness of the PACs in most jurisdictions, it could not be expected that the committees' reports would be tabled and debated in the legislature. The role of the PAC in scrutinising the SAI's reports on behalf of the legislature is not therefore widely effective. The accountability process is not complete until the PAC deliberates on the reports of the SAI and makes its own independent view of audit findings and recommendations.

Although a third of governments, in those countries where there is a PAC, are not required to respond to the PAC reports, those that do have not provided their responses as required. For the few governments that respond, some responses are not tabled in the legislature although there is some evidence that they do take actions as appropriate.

Persistent offenders tend to be dealt with in accordance with the nature and extent of the contraventions of financial regulations, pursuant to Principle 5 of the Forum Principles of Accountability.

There would be effective accountability if government responds positively to the reports of the PAC. This could be in a form of a detailed response from the government indicting the steps and measures it will take to address the identified weaknesses, and a timeline for the completion of this work.

Audit follow-up and Impact

Principle 7 of the Mexico Declaration states that there should be a process of audit follow up, which should involve either a system external to the SAI or involving the SAI itself revisiting issues and documenting the progress of improvements. Generally, most SAIs in the region conduct follow-up actions on audit findings and recommendations and these are documented. The relevant authorities take various measures to deter persistent offenders, but the questionnaire did not find out whether those measures have been effective.¹¹

The SAIs in the region also use various ways or systems to measure audit impacts on government operations and service delivery. However, these all seem subjective and it could not be established whether they are appropriate measures of audit impact. Nevertheless, SAIs recognize that the impacts of their work will enhance effective public accountability.

PART 9: Conclusions and Recommendations

The study has highlighted a number of significant gaps in public accountability in the Pacific region. These are in the areas of: mandate to cover all entities and aspects of government, and all types of public auditing activity including financial and performance audits; resourcing of SAIs and processes to enable independent resourcing decisions to be made; immunity from civil or criminal legal action; inappropriate limitations on the SAI's

¹¹ The 2010 study may explore this.

autonomy to determine audit topics (including powers of direction by the executive and/or the legislature); ineffective scrutiny of SAIs' reports by the PAC; and inadequate government responses to PACs' reports.

Legislative Accountability

A number of jurisdictions in the region have yet to provide the necessary mandate to SAIs to undertake the audits of all government entities and all aspects of government operations. The second Forum Accountability Principle states that the accounts of governments, state-owned enterprises and statutory corporations should be promptly and fully audited, and the audit reports published where they can be read by the general public. This principle is echoed in Principle 3 of the Mexico Declaration.

It is a concern that some SAIs do not have mandate to audit all government entities and ensure full audit coverage of all operations of government. It is best practice internationally for a SAI to audit all government operations, including sensitive operations of government and also its commercial activities. Special audit procedures can be developed for these operations.

The lack of SAI immunity is also an area of concern. A SAI may be inhibited from undertaking its work effectively if it is not protected from legal action on matters that arise from the normal discharge of audit work. The immunity provisions of SAIs in the region should be provided specifically in the Constitution or other relevant legislation and where SAI feels insecure about the existing provisions of the legislation, governments should be prepared to take appropriate measures to strengthen the immunity provisions. Principle 2 of the Mexico Declaration supports the legal immunity of auditors in the normal discharge of their duties.

PACs' work in the region (in those states where PACs are a feature) has been generally poor and ineffective. Most developing states do not have effective PACs that meet regularly and deliberate reports of SAIs efficiently. Unless this is improved, the independent scrutiny of SAIs' reports may not be carried out effectively.

Executive Accountability

The same principle 2 of the Mexico Declaration provides for the independent appointment of the employees of SAI. Unfortunately, most SAIs in the region lack provisions to independently appoint their own employees. In those cases, SAI employees, like any other government employees, are appointed through the usual administrative process of the public service. While this process ensures the uniformity of public service appointments and facilitates the consideration of relativity of positions in the various professional groups, it however affects the independence of the SAI. Governments should ensure that all employees of the SAI are appointed through a process which recognises that independence.

In addition, the budgets of about 50% of SAIs in the region are determined by the government without any input by the SAIs. Despite the satisfaction of most SAIs on their levels of resources, the determination of the SAIs budget should still be provided independently of the executive. Governments in the region should put in place necessary

procedures to allow SAIs to determine their own budgets. To allow the executive to determine a SAI's budget essentially signifies that the SAI is controlled by the executive.

SAIs in the region have also expressed the need to upgrade financial, performance and IT audit methodologies. The questionnaire did not seek to find out whether governments are supportive of the SAI's requests. Principle 7 of the Forum Principles of Accountability and Principle 8 of the Mexico Declaration provide that SAIs should have adequate fiscal resources. It is necessary therefore for governments in the region to take action to provide the resource needs of SAIs on a basis that reflects the requirements of their mandate, as this will improve the quality and efficient completion of audits and, in turn, contribute to good governance and accountability.

Most governments of the Pacific region do not formally respond to PAC reports. The official responses of the governments should be issued immediately to indicate that they have considered the audit findings and recommendations and will take measures to address them as appropriate. It is fundamental that government responds.

Finally, there is a need for improvement in the practices relating to reports of both PAC and government's response to PAC reports being tabled in the legislature. The countries in the region should consider these as they are important steps in the cycle of public accountability.

SAIs' Accountability

The 40% of SAIs that accommodate the audit topics proposed by legislature and government risk diminishing the credibility of their reports, especially if the reports are used against political opponents and others. It is important for governments and legislatures in the region to allow SAIs to select audit topics independently.

PART 10: Concluding Comments

The focus of this first Accountability and Transparency Report has been to identify the current state of accountability and transparency in the Pacific region. with particular reference to public finance management and the roles of SAIs and legislatures in achieving accountability for the use of public resources. This report has identified the accountability and transparency mechanisms that exist in the various jurisdictions in the Pacific region, and taken a first step to measure them against available best practices.

The Pacific Island countries should commit to improving accountability and transparency by ensuring that their legislatures, governments and SAIs are accountable. The independence of SAI is fundamental to effective public accountability. The Mexico Declaration provides that SAIs can accomplish their tasks if they are independent of the audited entity and are protected by law against outside influence. This independence should exist at the functional and organizational level, as well as under the relevant constitutional or legislative provisions. Any restrictions on SAI independence consequently undermine effective public accountability.

This study has provided an independent view of public accountability in the region and included countries in the northern Pacific which are not members of the Pacific Islands Forum (PIF). The 3 self-assessed biennial stocktakes of the Forum Principles of Accountability by PIF countries over the last 8 years have not detailed gaps in public accountability. Nevertheless, this study is not without its limitations and PASAI hopes that its ongoing work in this area will sharpen the focus, and also provide a wider basis for measurement, as suggested in the expert commentary on this report.¹²

As noted in the expert commentary, the study methodology of obtaining responses through a questionnaire may not be sufficient on its own to obtain a full picture of the state of accountability in the Pacific and the part played by SAIs and legislatures in achieving it. PASAI's governing board will turn its attention to these issues as it considers the next steps in this important area of activity under the PRAI.

¹² See note 5 above.

PART 11: Appendices

PASAI Accountability and Transparency Questionnaire



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Fiji Islands

Accountability and Transparency Questionnaire - 2009

SAs may be aware that the Pacific Regional Audit Initiative (PRAI) has progressed with the following activities in 2009: my appointment as Program Coordinator; the appointment of the Sub-regional Audit Support (SAS) Program Coordinator and the SAS Expert; and, the survey of topics for the first cooperative performance audit.

Another of the activities in 2009 is the production of an Accountability and Transparency report under the fourth PRAI output - *Strengthen Communication and Advocate Transparency and Accountability*. The report will be based on the Pacific Island Forum Eight Principles of Accountability and the Mexico Declaration of SAI Independence. The PASAI secretariat intends to update this annually and over time to assess trends in the development of transparency and accountability in the region.

In order to facilitate the production of this report, the secretariat has developed a questionnaire to be completed by SAs in the region. SAs have the option to complete the electronic questionnaire or print and complete a hard copy. SAs finding difficulties completing the questionnaire will be assisted during the Palau congress in July 2009.

For any clarifications, please send me a note on evatuloka1@connect.com.fj or eroni.vatuloka@yahoo.com.

I look forward to your cooperation.

Eroni Vatuloka
Program Coordinator (PRAI)

1. Details of SAI

- a. Name of SAI _____
- b. Person completing the questionnaire _____
 - i. Name and position _____
 - ii. No. of years in the position _____

1. Mandate

Desired Standards

- a. The independence and immunity provisions of the SAI are adequately provided in the constitution or audit/finance legislation [Mexico Declaration on SAI's Independence (Mex.) Principle 1 and 2 (P-1&2)].
- b. The audit mandate is sufficiently broad cover all aspects of government activity [Mex. P-3].
- c. All government entities (including those contracted) are audited by the SAI [Forum Economic Ministers (FEM) Principle 2 (P-2)].

Questions

- i. *Are the independence and immunity provisions of the SAI adequately provided in the constitution or audit/finance legislation?*

Response [Yes] or [No]

Please specify

- ii. *Does the legislation specify the conditions for appointments, re-appointments, removal, retirement and remuneration of the head of SAI?*

Response [Yes] or [No]

Please specify

- iii. *Are staff members of the SAI appointed, re-appointed, removed and remunerated by a process that ensures independence from the executive?*

Response [Yes] or [No]

Please explain

- iv. Are the terms of appointment sufficient to allow staff members and head of SAI to carry out their mandates independently without fear of retaliation?

Response [Yes] or [No]

Please explain

- v. Are the SAI head and staff members immune to any prosecution for any act, past or present, that result from the normal discharge of their duties?

Response [Yes] or [No]

Please explain

- vi. Does the SAI have adequate powers to audit (including contracting) all government entities?

Response [Yes] or [No]

If no, specify which entities are excluded and what legislation restricts the SAI Head from his/her audits?

Response

- vii. Is the SAI's mandate sufficiently broad to cover:

1. the use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature; Response [Yes] or [No]

2. collection of revenues owed to the government or public entities; Response [Yes] or [No]

3. legality and regularity of government or public entities accounts; Response [Yes] or [No]

4. *quality of financial management and reporting;*
Response [Yes] or [No]

5. *economy, efficiency and effectiveness of government or public entities operations*
Response [Yes] or [No]

6. *probity, integrity and avoidance of conflicts of interest, whether through financial audit or special investigations?*

Response [Yes] or [No]

2. Resources

Desired Standard

- a. The legislature is responsible for ensuring that the SAI has sufficient resources annually, without executive control or direction [Mex. P-8].
- b. Government is committed to providing those resources annually [FEM. P-7].
- c. The SAI Head has autonomy in the management of the office and the engagement of personnel [Mex. P-8].

Questions

- i. *Which authority determines the budget of the SAI?*

Please specify

- ii. *Is it generally sufficient to satisfactorily meet the planned works of the SAI?*

Response [Yes] or [No]

Please elaborate

- iii. *Does the SAI have an input in the determination of its budget?*

Response [Yes] or [No]

Please specify

- iv. *If the executive determines the budget, does the legislature/PAC have an input to the process?*

Response [Yes] or [No]

v. Are the staff resources appointed by the SAI?

Response [Yes] or [No]

vi. If no, which authority makes these appointments?

Please specify

3. Audit Methodology

Definition of Audit Methodology for Financial, Performance and IT Audits

- a. Financial audit methodology is a system used for planning, conducting and reporting financial audits.
- b. Performance audit methodology is a system used for planning, conducting and reporting performance audits.
- c. IT audit methodology is a system used for planning, conducting and reporting IT audits.

Questions

i. What is the existing financial audit methodology used?

Response

ii. Is the financial audit methodology adequate to meet the requirements of the organization? Response [Yes] or [No]

Please elaborate

iii. Is there a plan to upgrade the financial audit methodology? Response [Yes] or [No]

iv. What is the existing performance audit methodology used? Response

v. Is the performance audit methodology adequate to meet the requirements of the organization?

Response [Yes] or [No]

Please elaborate

vi. Is there a plan to upgrade the performance audit methodology?

Response [Yes] or [No]

vii. What is the existing IT audit methodology used?

Response

viii. Is the IT audit methodology adequate to meet the requirements of the organization?

Response [Yes] or [No]

Please elaborate

ix. Is there a plan to upgrade the IT audit methodology?

Response [Yes] or [No]

4. Competent and Adequate Staff

Desired Standards

- a. The members of the staff of the SAI are competent and produce the required outputs.
- b. Audits are completed within the budgeted hours.

Questions

i. Are the staff of the SAI legally required to meet a minimum qualification to be considered for vacant positions?

Response - [Yes] or [No]

ii. Please specify, whether it is a degree or diploma, or high school examination certificate?

iii. Are staff required to meet minimum professional development hours annually?

Response [Yes] or [No]

iv. *Is staff's performance assessed periodically?*

Response [Yes] or [No]

v. *Are these assessments considered when processing applications for promotion?*

Response [Yes] or [No]

5. Selection and Conduct of Audit

Desired Standards

- a. Audit conduct is completed and audit objectives have been met.
- b. Apart from financial audits, topics of other audits such as performance audits and special investigations are selected by the SAI independently and without external interference [Mex. P-3].
- c. There is unrestricted access to information [Mex. P-4].
- d. SAI has the right and obligation to report all audit work [Mex. P-5].
- e. SAI has freedom to decide content and timing of audit reports [Mex. P-6].

Questions

i. *Is the work of the SAI Head and his/her staff legally required to be in accordance with International Standards on Auditing or INTOSAI Auditing Standards?*

Response [Yes] or [No]

ii. *If no, specify what standards are used.*

iii. *Is there a quality review to ensure that the standards have been met?*

iv. *If the reviews contain weaknesses, what corrective actions are taken to address them?*

Response

- v. *Are the topics for performance audit and special investigation selected following a specified process/procedure? Response [Yes] or [No]*

Please elaborate

- vi. *Is the SAI legally required to accommodate investigations or audits if directed by the Legislature, as a whole, or one of its committees, or the government?*

Response [Yes] or [No]

Please specify

- vii. *If there is no legal requirement, is there a process to consult the legislature and/or consider requests for investigations or audits?*

Response [Yes] or [No]

Please specify

- viii. *Does the SAI have adequate powers to obtain timely, unfettered, direct, and free access to all the necessary documents and information, for the proper discharge of its statutory responsibilities?*

Response [Yes] or [No]

Please elaborate

- ix. *Is the SAI restricted in any way from reporting the results of its audit work? Response [Yes] or [No]*

Please elaborate

- x. *Is the SAI free to decide the content of its audit reports including making observations and recommendations in its audit reports, taking into consideration, as appropriate, the views of the audited entity?*

Response [Yes] or [No]

Please explain

xi. Do minimum audit reporting requirements exist and are they legally required?

Response [Yes] or [No]

Please specify

xii. Is the SAI free to decide on the timing of its audit reports except where specific reporting requirements are prescribed by law? Response [Yes] or [No]

Please specify

xiii. Is the SAI free to publish and disseminate its reports, once they have been formally tabled or delivered to the appropriate authority as required by law?

Response [Yes] or [No]

6. Presentation and Publication of Audit Reports [Mex. P-6]

Desired Standards

- a. Reports are delivered to the Legislature.
- b. Reports are tabled in the Legislature.
- c. Reports are made public.

Questions

i. Are the reports of the SAI legally required to be submitted to the Legislature?

Response [Yes] or [No]

ii. If no, please elaborate

iii. Are the reports legally required to be submitted within a specified time period?

Response [Yes] or [No]

If yes, please specify
Financial audit reports

Performance audit & special investigations reports

iv. *Who is responsible for tabling of the audit reports in the Legislature?*

Please specify

v. *Are the reports legally required to be tabled within a specified time after they are received?*

Response [Yes] or [No]

Please specify

vi. *Are the reports tabled within the required time?*

Response [Yes] or [No]

vii. *How many reports were tabled in the past financial year?*

viii. *Are the reports legally required to be made public following the tabling in the Legislature?*

Response [Yes] or [No]

Please specify process

ix. *Were all reports made public in the past financial year in compliance with the process?*

Response [Yes] or [No]

7. Deliberation by the Public Accounts Committee (PAC)

Desired Standards

- a. There is a PAC or similar committee which convenes and deliberates on the SAI's reports after tabling.
- b. The PAC is empowered to require attendance of officials and other persons, and disclosure of information and evidence by those persons.

Questions

- i. *Is there a PAC or other committee of the Legislature with responsibility to deliberate on the SAI's reports?*

Response [Yes] or [No]

- ii. *Is the PAC legally required to convene and deliberate on the reports of the SAI following the tabling in the Legislature?*

Response [Yes] or [No]

- iii. *In practice, how long does it take for the PAC to convene and deliberate on the SAI's reports – i.e. from the date of tabling to date when PAC deliberation starts?*

Response

- iv. *How many reports were deliberated by the PAC in the past financial year?*

Please specify

- v. *Is the PAC empowered to require attendance or disclosure from all those implicated in the SAI's reports and others who in the opinion of the PAC should attend or provide such disclosures, from the public and private sectors?*

Response [Yes] or [No]

Please explain

- vi. *How is non-attendance or non-disclosure dealt with?*

Please explain

8. Tabling of PAC Reports in the Legislature

Desired Standards

- a. PAC tables its reports after deliberation and interviews with the heads of government entities and others dealt with in the previous section.
- b. PAC report is tabled in the Legislature and made public.

Questions

- i. *Is the PAC legally required to table its report in the Legislature following deliberations on the SAs report?*

Response [Yes] or [No]

- ii. *How long does it take to table its report, after the last day of interviews?*

Specify days/months/years

- iii. *How many reports were tabled in the Legislature in the past financial year?*

Please specify

- iv. *If no to (i), is the report submitted to the government for an official response?*

Response [Yes] or [No]

- v. *In practice, is the PAC report debated in the Legislature?*

Response [Yes] or [No]

- vi. *Is the PAC report made public?*

Response [Yes] or [No]

- vii. *Who is required to make the report public?*

Please Specify

9. Response by Government and Entities

Desired Standards

- a. Government responds to the PAC's reports.
- b. Contraventions of financial regulations are dealt with [FEM P-5].

Questions

- i. *Is the government legally required to respond to the PAC's reports?*
Response [Yes] or [No]
- ii. *If yes, is it required to respond within a certain time period? Response [specify number of days or months]*

- iii. *What is the record of government responses to PAC reports in the past financial year?*

Please explain

- iv. *If the government responds officially, does it do so within the required timeline?*

Response [Yes] or [No]

If no, how long does it take to respond? Response [specify number of days/months]

- v. *Is government's response to the report of the PAC tabled in the Legislature?*

Response [Yes] or [No]

- vi. *What measures are taken to obtain a response?*

Response

- vii. *Is there power to discipline offending entities or officials?*

Response [Yes] or [No]

- viii. *Are persistent offenders disciplined in practice?*

Response [Yes] or [No]

10. Audit follow-up

Desired Standard

There is a process of audit follow up, or the SAI revisits the issue and documents the progress of improvements [Mex. P-7].

Questions

- i. Does the SAI have a process for monitoring follow-up on audit recommendations? Response [Yes] or [No]

Please explain

- ii. Does the SAI report on the follow-up work?

Response [Yes] or [No]

- iii. What measures are taken by the following agencies to follow up on audit recommendations:

1. the government?

2. Ministry of Finance?

3. Public Service Commission?

4. other authority?

- iv. Are these measures sufficient to deter persistent offenders (entities and officials)?

11. Audit impact

Desired standard

There are systems to measure audit impact, i.e. the effect, quantifiable/non-quantifiable, of the audit on government operations and service delivery.

i. Is there a system to measure the impact of the reports of your SAI?

Response [Yes] or [No]

ii. If yes to (i), please specify

iii. What is the latest report on the impact of your SAIs work? Response [SAI to specify]

iv. If there is no system to measure the audit impact, what would best describe the impact of your SAIs work? Response [SAI to specify]

----- End of Questionnaire -----

Please complete the questionnaire and return to:

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Appendix II – List of PASAI Members

- (a) American Samoa
- (b) Australia (National Audit Office)
- (c) Australia (New South Wales)
- (d) Australia (Queensland)
- (e) Australia (Victoria)
- (f) Cook Islands
- (g) Federated States of Micronesia (FSM)
- (h) FSM (State of Kosrae)
- (i) FSM (State of Pohnpei)
- (j) FSM (State of Yap)
- (k) Fiji Islands
- (l) French Polynesia
- (m) Guam
- (n) Kiribati
- (o) Marshall Islands, Republic of
- (p) Nauru
- (q) New Caledonia
- (r) New Zealand
- (s) Northern Mariana Islands, Commonwealth of (CNMI)
- (t) Palau
- (u) Papua New Guinea
- (v) Samoa
- (w) Solomon Islands
- (x) Tonga
- (y) Tuvalu
- (z) Vanuatu

11.2 Appendix III – List of SAI Officials that Completed the Questionnaire

SAI	Official that completed the questionnaire	Position	Years in the position
Australia National Audit Office	Christine King	Senior Director, External Relations	1
Commonwealth of Northern Mariana Islands (CNMI)	Rosauro D Zaparta	Senior Audit Manager	15
Cook Islands	Allen Parker	Audit Manager, Special Reviews and Investigations	5
Federated States of Micronesia (FSM)	Haser Hanrick	National Public Auditor	7
FSM(Kosrae)	Stoney Taulung	Public Auditor	6
FSM(Pohnpei)	Annes H Leben	State Public Auditor	5
FSM(Yap)	Wilfred Oliver Ldolos	Acting Public Auditor	9 months
Fiji Islands	Tevita Bolanavanua	Deputy Auditor General	3
French Polynesia	Jacques Basset	President	4
Guam	Rodalyn May Marquez	Audit Supervisor	3 months
Kiribati	Raimon Taake	Auditor General	5
Nauru	Bivash Mondal	Director of Audit	1
New Caledonia	Thiery Moutard	Premier Conseller	11
New Zealand	Bruce Robertson	Assistant AG Local Government	5
Palau	Satrunino Tewid	Acting Public Auditor	13
Papua New Guinea	Thomas Holland	Deputy Auditor General	6 months
Samoa	Tamaseu Leni Warren	Controller and Chief Auditor	11
Solomon Islands	Eric Muir	Deputy Auditor General	3
Tonga	Pohiva Tuionetoa	Auditor General	30
Tuvalu	Isaako Kine	Auditor General	4
Vanuatu	Hamilton Moli	Officer in Charge	1