



# PASAI Bulletin

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This Bulletin provides Audit Offices in the PASAI region with:

- \* updates on issues of interest
- \* recent developments affecting SAIs
- \* emerging matters
- \* general "newsworthy" items.

SAIs and development partners are encouraged to contribute to this publication as it will be beneficial to all as a forum for information exchange and provide an understanding of the issues faced by SAIs in the region. Auditors-General who are members of the INTOSAI committees and working groups should also use this Bulletin to highlight the progress of the work that they are involved in.

## 1.0 Office of the Federated States of Micronesia National Public Auditor (ONPA)

### ONPA releases a report on the inspection of the two memoranda of understanding between the FSM National Government and the States of Chuuk and Kosrae

The Office of the National Public Auditor (ONPA) announces the release of Audit Report No. 2013-01, *Inspection of the Two Memoranda of Understanding (MOU) Between the National Government and the States of Chuuk and Kosrae*. A digital copy of the report is available for public review online at [www.fsmopa.fm](http://www.fsmopa.fm) and printed copies are available at the ONPA offices in Palikir, Pohnpei and on Weno, Chuuk. The inspection was conducted in accordance with the 2011 *Quality Standards for Inspections and Evaluations* established by the U.S. Council of the Inspectors General on Integrity and Efficiency (CIGIE).

The MOUs were made in response to the two state governments' financial crisis that resulted in the inability of the two states to advance their own money for the federal programs funded by U.S. grants. Under the MOUs, the Secretary of the FSM National Department of Finance & Administration (DF&A) assumed the responsibility of assisting the States of Chuuk and Kosrae in the securing, disbursing and recording of cash funds under the MOUs. Prior to these MOUs, the states' departments of finance were responsible for these functions.

The ONPA conducted the inspection of the MOUs in response to the request of the Chairman of the Ways and Means Committee to review the practice of advancing money from the Federated States of Micronesia (FSM) National General Fund to implement the terms of the MOUs. He believed that using monies in the General Fund was not contemplated under the terms of the two MOUs.

The objectives of the inspection were to determine whether:

- a. The terms of the MOUs allowed for the advancing of cash from the General Fund.
- b. In implementing the terms of the MOUs, DF&A has been (1) advancing cash from the General Fund and (2) handling grant funds under the MOUs in accordance with applicable FSM laws.

- c. The concerned departments from the FSM National Government have included only the discretionary grants, as agreed, in the implementation of the MOUs.

The results of the inspection revealed the following findings:

- a. The terms of the MOUs implied for the advancing of money from the General Fund were subject to compliance with the FSM laws.
- b. Cash advances from the General Fund were made to implement the MOUs but they were not appropriated by the FSM Congress as required by law.
- c. The actual implementation of the MOUs was not limited to only discretionary grants, as agreed to in the MOUs, but also covered all other grants.

The ONPA also found that files were not available to verify compliance with the requirements mandated by the Program Fund law for receiving of grants.

The ONPA made the following recommendations for management actions:

For the Office of Statistics, Budget, Economic Management, Compact and Aid Coordination (SBOC) to:

- a. Comply with the law by including the anticipated revenues and expenditures from all sources and uses, including the revenues and the expenditures of grants under MOUs, in the annual proposed budget submitted to the FSM Congress for appropriations.
- b. Indicate the Congress resolution/appropriation number in the advice of allotment to ensure that the authority to incur obligations processed under the account of the FSM National Government, including the expenditures of grants under MOUs, has Congress approval.

For the DF&A to:

- a. Disburse obligations for programs related to the US federal grants under the MOUs based on advice of allotment that has reference to a Congress resolution/appropriation number to ensure that the authority to incur obligations has the approval of the Congress.
- b. Propose amendment to the Program Fund law or implement regulations/policies/procedures to consider the impact of receiving the actual funds from the grant through either the advance basis or reimbursement method.

For both SBOC and DF&A to:

- a. Review thoroughly and revise accordingly the MOUs to reflect the true intent of all the parties to the two MOUs if the MOUs are to be continued/extended.
- b. Collaborate in promulgating the implementing policies, regulations, and procedures regarding the Foreign Assistance Fund and Program Fund to ensure sufficient compliance with the requirements of the related FSM laws. The implementing policies/procedures, starting from the grant application to receiving and depositing of grant funds or reimbursements, would provide clear guidance in the implementation and handling of the requirements of the laws particularly for handling and receiving reimbursable grants where cash advances and reimbursements are involved.

The ONPA discussed our findings and recommendations with the officials from DF&A and SBOC. Their responses, which indicated their agreement, are included in the final report now available at [www.fsmopa.fm.Office](http://www.fsmopa.fm.Office).

*If you would like further information please contact: ONPA by phone (691)320-2862/2863 .*

## 2.0 Papua New Guinea Auditor-General's Office (AGO)

### 2.1 General News

#### *E-Learning Implementation*

The AGO has developed and subsequently approved a business case for the full rollout and implementation of the SkillSoft e-learning application. This follows on from the pilot study started late in 2012. The pilot demonstrated strong user acceptance of the electronic approach to learning as an effective way of developing and expanding individual's knowledge and skills. The evaluation indicated the course content is relevant and practical and presented in a logical and structured manner.

The AGO is now licenced for 150 users who will have access to up to 100 different courses covering accounting and auditing principles, desktop IT applications, and a range of general business and communications skills. A mapping exercise has been completed to align courses with required competencies by job level and these are broadly aligned with the Australian Public Service Integrated Leadership System.

### 2.2 Reports to Parliament

#### *Public Accounts Committee*

On 5 February there were three Public Accounts Committee (PAC) enquiries into AGO audit reports scheduled:

- Part I Report dealing with the Public Accounts of Papua New Guinea;
- Part II Report dealing with National Government Departments and their agencies;
- Part IV Report dealing with Public Bodies and Subsidiaries, National Government-owned Companies and National Government's share holdings in Other Companies.

The Part III Report, dealing with Provincial Governments, their Public Bodies and Subsidiary Corporations, Local-level Governments, Hospital Boards and some Trust Funds, had been the subject of an earlier enquiry. Unfortunately the sitting of the PAC had to be postponed due to urgent Government business and now has been rescheduled for 11 March.

#### *Tabling of Audit Reports*

The AGO has an ambitious report tabling schedule planned up to 30 June. This schedule includes two AGO Annual Reports, two Part I, II and III Reports, three performance Audit Reports and one District Audit Report.

*If you would like further information please contact: Wayne Jones by email [WJones@ago.gov.pg](mailto:WJones@ago.gov.pg).*

## 3.0 Tonga Audit Office

### 3.1 Public Audit (Amendment) Act 2012.

To strengthen Tonga audit independence, an Amendment Audit Bill was passed in September 2012. There were three main purposes of this amendment:

- a. To move the appointment of the Auditor General completely from the Executive to the Speaker and the Legislature;
- b. To clarify more clearly the additional role of the Auditor General to conduct performance audit in the Public Audit Act 2007; and
- c. To move the staff of the Audit Office out from the Public Service Commission (PSC) to the Auditor General.

The process of moving of staff from PSC to the Auditor General himself is still in progress.

### 3.2 Annual Report for 2012.

The annual report for the year ended 30th June 2012 has been completed and signed on 20 February, 2013. The report has been send to Parliament to be tabled in the next available agenda.

### 3.3 Professional Development of Staff.

The office has made a strong commitment to the professional development of staff through a number of key initiatives. 'Utu'one Vena and Kelepi Makakaufaki have completed their first stage of becoming a New Zealand Chartered Accountant. They are to complete their final stage either this year or next year.

Audit staff have attended various training programs organised by PASAI in the combined efforts of the SAIs in the region and the developing partners to build up the capacity of the skills and experiences of the audit staff. In these various training activities, participants are asked to present action plans on areas of their training that they considered important to themselves and to the whole office as well. For instance, Maamaloa Fotofili and Sisilia Fe'iloaki who attended the second Communicative Effectively workshop in Nadi in September last year, proposed an action plan for the office to have a reporting style manual. A working group has been established with this task of working on preparing a manual. Hopefully at the end of the year a manual will be completed on reporting style.

Heleni Malele and Popua Mafi also attend Tier 1, which was held in Fiji on 28 February to 8 March.

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## 4.0 Vanuatu Office of The Auditor-General (OAG)

### Team Building Day for Staff of OAG, Internal Audit, Finance, and Customs

On Wednesday 20 February 2013, the Office of the Auditor-General (OAG) hosted a team building day event at Benjor resort. The event was funded with assistance from Australian Aid (AusAID) through the Governance for Growth (GFG) program. One key result area for assistance from GFG is to strengthen the capacity and effectiveness of audit staff to undertake financial audits in the public sector.

Beulah Daunakamakama (technical assistance to the Office of the Auditor-General also funded through GFG) organised the full day event for staff from OAG, Customs/VAT, Finance and Internal Audit Unit (finance). The morning covered one technical session on 'reading and understanding financial statements' and also sessions on effective teamwork and communications. Proverbs 6:6-8 was used to illustrate the work ethic of 'ants' as an effective team and each office was asked to discuss and present on how they could work more effectively. The afternoon was reserved for outdoor activities to reinforce the concepts of teamwork and communication. Teams were asked to solve puzzles, 'cross the river', work on being 'stranded on a very small island' and target shooting with some water balloons.

The OAG is legislatively required to undertake the audit of the Vanuatu Government annually. This requires a great deal of technical knowledge and team work. Communication and collaboration across teams is essential for obtaining the information needed. OAG staff have received a combination of modes of training through daily 'on the job' technical & soft skills training, workshops and local office training on various technical areas. This domestic training is also supplemented through technical training provided by the Pacific Association of Supreme Audit Institutions (PASAI) usually conducted in Fiji. The teambuilding event with staff from finance, internal audit, customs and VAT has allowed the OAG to build the professional relationships needed to conduct their audits as well as reflect on how they can improve.

The ongoing support from Australian Aid has been beneficial for the OAG in building capacity of the office. The team building event was also an opportunity for the OAG staff to showcase their new casual uniforms. The new uniforms (consisting of formal office shirts and casual polo shirts) have increased the exposure of the OAG, and lifted the level of professionalism and pride staff have in their office. The uniforms were made possible through GFG funding.



The participants of the team building day for staff of OAG, internal audit, finance, and customs.

*If you would like further information please contact: Beulah Daunakamakama by email [dbeulah@vanuatu.gov.vu](mailto:dbeulah@vanuatu.gov.vu)*

## 5.0 Victorian Auditor-General's Office (VAGO)

### 5.1 Transition to the next Auditor-General

The Premier has announced that the next Auditor-General of Victoria will be Mr John Doyle, currently Auditor-General of British Columbia, Canada. VAGO understand Mr Doyle plans to take up this appointment by 1 July 2013, but have not been provided any further detail. In the interim, Dr Peter Frost remains Acting Auditor-General. More info is at <http://www.premier.vic.gov.au/media-centre/media-releases/5975-victorias-new-auditor-general.html>.

### 5.2 Changes to the Audit Act 1994 and other new legislative obligations

The Government has introduced new legislation to set up an Independent Broad Based Anti-Corruption Commission. As part of this new legislation, changes have been made to the Audit Act 1994 including:

- new procedural fairness requirements that apply to both coercive and some voluntary interactions with agencies and individuals, including constraints on content of reports to protect individuals and to prevent 'prejudice' of other investigations and legal proceedings;
- new oversight regime under the Victorian Inspectorate who can receive complaints on VAGO and investigate certain VAGO functions;
- new obligations to notify the Anti-Corruption Commission of corrupt conduct uncovered through audits; and
- new capacity to share information and referrals with the Anti-Corruption Commission, Ombudsman and other integrity bodies.

### 5.3 Changes to the Audit Act 1994 and other new legislative obligations

On the eve of his retirement, outgoing Auditor-General Des Pearson published a special edition of the VAGO newsletter, featuring analysis of audits tabled during his tenure from 2006 -2012. Reflections on audits '2006 -2012: Lessons from the past, challenges for the future' has built on the previous year's Key Audit Themes projects, which looked at themes emerging from the annual program of audits. The newsletter identifies six aspects of public sector operations across the past six years where VAGO reports have found persistent problems. The analysis also draws on the research and consultation underpinning VAGO's annual planning process, to anticipate a range of emerging pressure points for the public sector. The special edition of the VAGO newsletter can be found at: [http://www.audit.vic.gov.au/reports\\_publications/newsletter.aspx](http://www.audit.vic.gov.au/reports_publications/newsletter.aspx)

### 5.4 Analysis of external use and interest in VAGO reports

VAGO's half yearly analysis of external interest in our audits and reports showed:

- reports featuring most strongly in media, Hansard and website use were Managing Major Projects and Auditor-General's Report on the Annual Financial Report of the State of Victoria.
- mentions in Parliament of VAGO and the Auditor-General jumped by 28% compared with 2011. This reflected the ongoing increase in use of our reports in Parliamentary debate as well as a 'spike' during debate of the IALA and resignation of the Auditor-General.

- visits to VAGO's website continue to increase, up 13.5% compared to 2011, with 'spikes' around the time the previous Auditor-General announced his retirement
- enquiries from the community seeking to raise matters for audit attention remained fairly stable, with around 60 received across July - Dec. The growth in enquiries arriving via email, combined with the high levels of referral to other agencies, has triggered development of a VAGO web-form linked to information on other bodies that can handle concerns.

## 5.5 International engagement

VAGO has recently listed its criteria for considering applications for international delegations and secondments on its website - [http://www.audit.vic.gov.au/about\\_us/corporate\\_information/international\\_engagement.aspx](http://www.audit.vic.gov.au/about_us/corporate_information/international_engagement.aspx).

## 5.6 Recent reports to Parliament

Three audit reports were tabled in Parliament in February 2013, all of the results of performance audits. They were, *Rating Practices in Local Government*, *Implementation of School Infrastructure Programs*, *Addressing Homelessness: Partnerships and Plans*. A further two audit reports on the results of performance audits are due to be tabled in March 2013

All VAGO reports are available at [http://www.audit.vic.gov.au/reports\\_publications.aspx](http://www.audit.vic.gov.au/reports_publications.aspx).

*If you would like further information please contact: Richard Foale by email [Richard.Foale@audit.vic.gov.au](mailto:Richard.Foale@audit.vic.gov.au)*

## 6.0 Pacific Association of Supreme Audit Institutions (PASAI)

The IX Congress of CAROSAI was held in Trinidad and Tobago on 17 to 21 March 2013. As Secretary General of PASAI, Mrs Lyn Provost was invited to make a presentation on how to build a well-functioning regional secretariat as a driver for the development of the SAIs in the region - the PASAI. The slides from the presentation are available from the Secretariat. They are a resource for all members and Mrs Provost encourages PASAI members to use them in their countries or at regional meetings.



Mrs Lyn Provost at the IX Congress of Carosai.



On behalf of all PASAI members, Mrs Provost also presented CAROSAI with a painting, congratulating them on their 25th anniversary.

The other sessions covered the CAROSAI's strategic plan, the Commonwealth Communique, Jamaica's election to IFAC, collaboration, risk-based financial audit, internal/external audit, the World Bank's priorities, and IDI talked about the 3i programme and iCAT.

Mrs Provost left before the trip to Tobago, where there was a launch of the PASAI/CAROSAI publication, Business Continuity Guide.

Participants had a lovely evening in the Pan-yard, listening to the national instrument of Trinidad and Tobago - steel pan drums - and eating Shark'n'bake. The Congress dinner also featured great music.

Mrs Provost has a number of observations to share from her attendance at this CAROSAI congress:

- our charter is very good. Congratulations to those who drafted it;
- CAROSAI and PASAI are groupings of island nations across a spectrum of developed and developing countries;
- we share similar challenges, such as inadequate legal mandates, independence issues (particularly for funding and staffing), capability development needs, staffing shortages, corruption, and poor financial management in government;
- the World Bank has SAI development as a priority;
- CAROSAI seems to do more financial audit than performance audit. They are thinking about co-operative audits, including one for tax revenue;
- CAROSAI, with the World Bank, have developed a model audit act; and
- the Public Accounts Committee guidance from CCAF and the ParlAmerica handbook on PACs may be of use in our accountability and transparency work.

All the presentations from the Congress are available from the PASAI Secretariat.

It was a privilege to represent PASAI at this event. And as Mrs Provost said at the welcome ceremony, she hopes it is the start of a closer working relationship between PASAI and CAROSAI.

For any clarification of any of the items in this Bulletin, please do not hesitate to contact the PASAI Secretariat by

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