

18th PASAI Congress, 13 – 16 October, 2015, Port Vila, Vanuatu

Summary of Heads of SAI papers

Background

For the 18th PASAI Congress in Port Vila, Vanuatu, the Heads of SAIs were asked to provide a presentation on the current status of independence of the SAI and associated issues, to align with the Congress theme of 'Securing Independence of SAIs to Improve the Effectiveness of the Audit Findings'.

A template was developed to assist the SAIs with their presentations. The template referenced the eight principles of the Mexico Declaration, and asked about:

- the existing practices or current status of SAI independence
- the legal or practical challenges faced by SAIs in achieving independence
- the type of assistance needed from other agencies or SAIs to address those challenges
- details of any plans of action or reforms to improve the SAI's position on independence and whether there is any set timeframe for implementation

This report is a summary of the responses from SAIs.

Nineteen responses were received. Respondents included: American Samoa; Australia; Cook Islands; Federated States of Micronesia—National; Federated States of Micronesia—Pohnpei; Fiji; French Polynesia; Guam; Nauru; New Caledonia; New South Wales; New Zealand; Palau; Queensland; Samoa; Solomon Islands; Tonga; Tuvalu; and Victoria.

What is the existing practice or current status of SAI on independence?

Most SAIs have their independence established by legislation, often both within their country's constitution and within specific legislation such as Audit Acts.

In New Caledonia, Territorial Chamber of Accounts (TCA) is one of the most independent audit bodies of the French financial jurisdiction system in terms of INTOSAI's standards, and it benefits from all the legal and organisational structures of the French court model, and is also totally independent from the New Caledonian government and congress, from acting to financing.

SAIs reported that, to date, there have been no challenges to SAI independence, other than lacking independence to recruit staff, establishing staff remuneration, no recourse for initiating punitive action. Requiring staff to be hired by a government department means that staff are classified as government employees and their salaries are linked to government compensation systems that cannot compete with salaries offered by autonomous government entities and private companies. Not being in control of hiring can also mean being at the mercy of lengthy recruitment processes.

Most SAIs reported that they have the freedom to decide the content and timing of their audit reports. Most SAIs cannot disseminate their reports until they have been presented to the Minister and then to the Parliament. The Nauru SAI does not disseminate their audit reports to the public, except through the Parliament. They also do not interact with the media on any official matter.

Most SAI budgets determined based on anticipated expenditure for the financial year and approved by Government. Some SAIs, such as Nauru, generally receive their requested budget allocation.

Other SAIs, such as Guam, prepare lengthy budget requests and appear before the appropriations committee to justify these requests. For FY2016, the Legislature reduced Guam SAIs budget request by \$64,000. While this amount seems low, this reduction may affect operations, particularly in hiring additional staff. Over the past several years, OPA has received minimal increases in appropriations averaging just 2%.

An anomaly is New Caledonia, where the financial and managerial autonomy allows the TCA to fulfil its mandate in a timely manner and that human, material and monetary resources are sufficient for the TCA to fulfil its mandate. Even though the French budget is constrained, the increased scope of TCA's mandate has been taken into consideration with a fourth audit team being appointed to the chamber.

While New Zealand has one of the most independent SAIs in the world, the challenges encountered in getting there are similar to those faced across the PASAI region. New Zealand's Public Audit Act is world class. Among its key points:

- The Act sets out the appointment process, length of term, remuneration process (which is set by the independent Remuneration Authority), and conditions under which an Auditor-General can be removed from office.
- It gives the Office the power to carry out financial audits, performance audits and hold inquiries. To fulfil these duties, the Act also grants the Auditor-General the power to obtain information from people and public entities, examine people under oath, inspect bank accounts (as long as a District Court Judge provides a warrant) and enter a public entity's premises.
- These enforcement powers are rarely, if ever, needed to be used. The Office's relationship with the public sector is built on trust and cooperation, rather than force; this makes for a stronger, more fruitful partnership.

New Zealand SAIs relationship with Parliament is also crucial. They cannot improve the performance of, and the public's trust in, the public sector without the support of those in positions of power. The Office's power lies in their reporting. Because the Office cannot make rulings or issue binding decisions, they need members of Parliament to audit findings to hold the public sector to account. Having a constructive, trusting relationship with Parliament, and the public sector, allows us to be heard, and our recommendations to be enforced.

Similar to other member SAIs, under the Public Audit Act:

- The Office must submit our draft annual plan to Parliament, and consult with members of Parliament about our proposed performance audits.
- The Office must also prepare and present to Parliament an annual report, including audited financial statements. Their annual budget is also submitted directly to Parliament through the Speaker.
- They must table our reports in Parliament before they are publicly released, although the gap between these steps is often no longer than a few minutes.
- At their request, the Office briefs Parliament's select committees on almost every report we publish. Explaining the findings in more detail improves Parliament's scrutiny of public entities and improves the public sector's performance.

In Australia, the *Auditor-General Act 1997* establishes the office of Australian Auditor-General and the Australian National Audit Office (ANAO). The Auditor General is mandated to audit and report on

the financial statements of Australian Government entities and to conduct and report on performance audits of those entities; however, may only conduct performance audits of Government Business Enterprises (currently seven on total) at the request of the Joint Committee of Public Accounts and Audit.

Fiji Audit Office would like their mandate to be expanded to include 'follow the dollar' provisions and an oversight audit function for entities that have been empowered by legislation to select their own auditors.

As seen at the Congress last year, Samoa has undergone significant legislative reform since 2014 to:

- remove its staff from the control of the Public Service Commission
- make the appointment of the Controller and Auditor General subject to the input of Parliament through the Officers of Parliament Committee
- make the termination of the Controller and Auditor General subject to a 2/3rd vote of Parliament.

In the Samoa Audit Office's Strategic Plan for July 2014 to June 2024, the Audit Office will move towards achieving financial independence from the central budgeting and financial control by the Ministry of Finance and be sustained solely by audit fees. However, the audit fees alone may not be sufficient to fund all the audits and engagements required, as well as support infrastructural, capacity building and institutional strengthening needs of the Audit Office. The Audit Office also plans to divide its structure into an Operating/Technical Branch and Policy/Standard/Quality Assurance/ Branch and increase its outsource pool to maintain its current practice of completing quality audits in a timely manner.

Summary data

The following tables attempt to summarise the responses received from SAIs. Where a blank cell appears, either the SAI did not provide that information or it was unable to be cleared determined from the information provided. These tables should be considered a draft. The Secretariat encourages all SAIs to check the information in the table and to perhaps consider 'filling in the gaps' so that the Secretariat can finalise the tables as a usual overview of the status of our members' independence.

The existence of an appropriate and effective constitutional/statutory/legal framework

	AS	Aus	CI	FSM N	FSM P	F	FP	G	N	NC	NSW	NZ	P	Qld	RMI	Sa	SI	To	Tu	Vic
SAI established and mandated by the Constitution or other form of legislation	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
Independence of SAI spelt out in the Constitution or other legislative framework		Y	N			N	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y		Y
SAI independent from audited entities		Y	Y	Y			Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	
SAI protected against outside influence		Y					Y		Y	Y		Y		Y		Y	Y			?
SAI have functional and organisational independence to carry out its mandate		Y	Y	Y			Y	N	Y	Y		Y	Y	Y	Y	Y	Y	Y		Y

The independence of SAI head and members, including security of tenure and legal immunity in the normal discharge of its duties

	AS	Aus	CI	FSM N	FSM P	F	FP	G	N	NC	NSW	NZ	P	Qld	RMI	Sa	SI	To	Tu	Vic
Head of SAI appointed and removed from Office with due protection	Y	Y	Y	Y	Y	N		elected	Y			Y	Y	Y	Y	Y	Y	Y	Y	
Independence of the Head of SAI guaranteed in the Constitution or legislation		Y	Y	Y		N		Y	Y			Y	Y	N	Y	Y	Y	Y	Y	?
Tenure of office, qualification and remuneration for Head of SAI	Y	Y	Y	Y	Y	N		Y	Y			Y	Y	Y	Y	Y	S	Y	Y	Y
Legal immunity provided for Head of SAI or its staff in the normal discharge of their duties		Y	N	N		N		N					N	Y		Y	N			N 'inde munity only
Protection of SAI from interference through court action			N				Y	Y	Y	Y						Y	N			

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

	AS	Aus	CI	FSM N	FSM P	F	FP	G	N	NC	NSW	NZ	P	Qld	RMI	Sa	SI	To	Tu	Vic
A sufficiently broad mandate and full discretion, in the discharge of SAI functions		Y	Y			Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	N
SAI determines its work plan for the period	Y	Y	Y	Y	Y		Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	
Independence of SAI from the legislature/executive in the selection of audit issues, planning, programming, conduct, reporting and follow-up of its audits; organisation and management of its office; and enforcement of its audit findings	Y	Y	Y	Y	Y		Y	Y	Y	Y		Y (but draft work plan submitted to Parl.	Y	Y	Y	Y	Y	Y	Y	
Independence in who and what SAI cannot audit	Y		Y	Y	Y		Y	Y (except tax returns)	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	
Power of SAI to take or ensure enforcement of its findings, especially in cases of fraud or corruption								Y	N							Y	N			

Unrestricted access to information

	AS	Aus	CI	FSM N	FSM P	F	FP	G	N	NC	NSW	NZ	P	Qld	RMI	Sa	SI	To	Tu	Vic
SAI power of access to records	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Exce acce prem
Statutory authority SAI has to receive information from other persons or the public	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	N
Restrictions the SAI has on accessing to information for the audit	N	N	N	N		N	N	Tax returns	N	N		N		Clarification required	N	Y	N		N	Y

The right and obligation to report on SAI work

	AS	Aus	CI	FSM N	FSM P	F	FP	G	N	NC	NSW	NZ	P	Qld	RMI	Sa	SI	To	Tu	Vic
Statutory requirement for SAI to report on the results of its work	Y	Y	Y	Y	Y	Y	N	Y	Y	N		Y	Y	Y		Y	Y	Y	Y	Y
How frequently are such reports being required	Annual	Annual	Annual (but provided qtrly)	Annual	Every 2 yrs		All year round	Annual	Annual	All year round		Annual	Annual	Annual	Annual and semi-annually	Annual		Annual	Annual	
Power SAI has to report on particular important and significant findings	Y	Y		Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y		Y
SAI handles specific requests for investigations or audits by the legislature, as a whole, or one of its committees such as the Public Accounts Committee, or by the government		Y	Y	Y	Y	Y		Y				Y	Y	Y	Y	Y	Y	Y		Y

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

	AS	Aus	CI	FSM N	FSM P	F	FP	G	N	NC	NSW	NZ	P	Qld	RMI	Sa	SI	To	Tu	Vic
Freedom to decide the content and timing of audit reports and to publish and disseminate them	Y	Y	Y	Y	Y		Y	Y	N	Y		Y	Y			Y	Y		Y	In an agree form
Restrictions on SAI reports being distributed and available to the public (e.g. requirement to table in the legislature first)	Y	Y	Y				N	N	N	N		Y	Y			Y	N			Y
SAI disseminates its reports to the public	Y	Y	Y				Y	Y	N	Y		Y	Y	Y		Y	Y			
SAI annually reports to its legislature	Y	Y	Y	Y	Y		Y	Y	Y	Y		Y	Y	Y		Y	Y	Y		
If yes, is this because of a statutory requirement? or voluntarily	SR	SR	SR	SR	SR		SR	SR	SR	SR		SR	SR	SR		SR		SR		
Freedom to interact with the media		Y	Y				Y	Y	N	Y		Y				Y	Y			

The existence of effective follow-up mechanisms on SAI recommendation

	AS	Aus	CI	FSM N	FSM P	F	FP	G	N	NC	NSW	NZ	P	Qld	RMI	Sa	SI	To	Tu	Vic
Power to submit own follow-up reports			Y	N	Y	Y	Y	Y		Y			Y	Y			Y		Y	N
Arrangements for SAI reports to be considered by the legislature or a committee such as a Public Accounts Committee		Y	Y					Nil									Y		Y	
Committee power to hold hearings and summon officials to appear			Y		Y		Y	Y									Y			
Committee reports publicly on its findings and has the power to hold the executive to account for SAI recommendations								Y									Y			
Other systems exist for ensuring SAI findings are followed-up and reported on						Y		Y					N			Y	Y			

Financial

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

	AS	Aus	CI	FSM N	FSM P	F	FP	G	N	NC	NSW	NZ	P	Qld	RMI	Sa	SI	To	Tu	Vic
How the SAI budget is determined		Govt	Govt	Govt	Audit Office	MOF		Govt	Govt			Govt	Govt	Govt	Govt	Audit Office		Govt	Govt	
Budget pressure experienced by SAI		N	Y	Y				Y	N	N		N			Y	Y	Y		Y	
Controls by the Executive or similar authoritative body on the SAI access to reasonable human, material and monetary resources		Y	Y		N			Y	Y					Y	Y	N	Y	Y	Y	Y
Legislature or any of its commissions established for ensuring that SAIs have the proper resources to fulfil its mandate					Y			Y	Y			Y				N	N	Y	Y	
SAI right to appeal to Legislature if the resources provided are insufficient to allow the fulfilment of SAI mandate			Not formally		Y			N	N							N	N			

Autonomy

	AS	Aus	CI	FSM N	FSM P	F	FP	G	N	NC	NSW	NZ	P	Qld	RMI	Sa	SI	To	Tu	Vic
Controls by the Executive or similar authoritative body on the SAI access to reasonable human resources		Y	Y		N			Y	Y	N			Y	N	Y	N	Y		Y	Y
SAI authority to develop its own human resource policy and procedures (recruit/dismiss/operation/performance evaluation etc) separate from the Executive or other similar authoritative body	N	N	Y		Y			N	N	Y			Y	Y	Y	Y	N		N	N
Power to set remuneration of SAI staff	N	N	N					N	N				Y	N	N		N		N	N

2. What are the legal or practical challenges faced by SAI in achieving independence?

Recruitment and retention of staff

A common issue plaguing SAIs is the recruitment and retention of qualified staff. Most SAIs do not operate on a level playing field when autonomous government entities can offer significantly higher salaries at all levels.

In some SAIs, their work is hindered by staff shortages. For example, in Guam, OPA's highest staff complement was 18 full-time staff in 2006 when OPA staff were in unclassified service. Currently, they have 11 full-time staff.

While it reflects well on SAIs that other government entities want to hire their auditors because of their professionalism and training, it takes a toll on SAIs' ability and capacity to conduct audits and fulfil their mandates effectively. For example, in Guam, the SAI has averaged just over seven audits a year in the past three years compared, to nine in the prior three years.

Some of the more developed SAIs also have this problem. Australia supplements their staffing contingent by using contracted capability from the private sector as needed. For many years the Australian National Audit Office has also used the private sector to assist meeting its financial statement audit responsibilities.

Cook Islands SAI endeavours to use other means to attract staff by paying for staff professional development, using their status as an Approved Training Organisation for the New Zealand Institute of Chartered Accountants, giving staff the opportunity for secondments and attending PASAI and IDI workshops.

In Tuvalu, Public Service Commission approval is required for managing staff. There are limitations on budget expenditure. The OAG is not able to transfer budget between personnel and other expenditure without Government approval.

French Polynesia SAI also sees staff proficiency as a key challenge: as the SAI's activities become more technical (finance, tax system), staff proficiency needs to be maintained, or increased.

Lack of statutory power to follow up audit recommendations

Another issue cited by some SAIs is that they have no statutory power to follow up audit recommendations or impose sanctions for recommendations that are not implemented. In Nauru, for example, the only available option for following up audit recommendation is via PAC-initiated actions. FSM National is advocating for effectiveness in follow-up activity by having statutory power to follow-up recommendations, as well as having its own internal follow-up system. This is unlike the system of New Caledonia's Territorial Chamber of Accounts. As a court, the Chamber has the power to impose sanctions for irregularities in public accounting through the judgment of public accountants, such as the repayment of wrongly paid or unpaid sums.

In FSM — National, cases forwarded to Attorney General's Office for prosecution are not prosecuted in a timely way and reach the statute of limitations before anything is resolved. FSM—National see the solution as being the need for a dedicated Assistant Attorney General to review and prosecute the cases forwarded by SAI.

There is also a lack of immunity for some public auditor against unscrupulous lawsuits misdirected in the exercise of their normal audit duties.

Funding and financial independence

In some SAIs, such as the Cook Islands, the Audit Office must compete with other government entities for the same pool of funds, which means that the same level of funding for the SAI cannot be guaranteed each year. This affects planning of future audit activities.

Similarly in Tuvalu, financial independence is a challenge. There is a risk of the budget being cut or being inconsistent over years, with limited independence of the budget process.

Solomon Islands SAI depends on core ministries to obtain its financial (Ministry of Finance), personnel (Ministry of Public Service) and infrastructure (Ministry of Infrastructure Development; Ministry of Development Planning & Aid Coordination) resources. Any major decisions affecting the SAI's structure or resources are required to be submitted to the executive for approval rather than the Parliament directly. Submissions to the executive, including annual bids for resources, are required to be channelled through the Minister for Finance who may or may not be sympathetic to the request.

Samoa is moving into being funded by audit fees alone. However, the audit fees alone may not be able to fund all the audits and engagements required to be conducted as well as infrastructural, capacity building and institutional strengthening needs of the Audit Office from time to time.

In the Republic of the Marshall Islands, OAG's annual budget is prepared in accordance with a Budget Circular prepared by Budget Coordinating Committee (headed by Chief Secretary with Secretary of Finance, and other key government officials being members) rather than with primary reference to the intended work program. The OAG must then defend its budget proposals before the BCC as part of its normal consultation process. This, in effect, puts the OAG in a position where the budget is subject to direction and change by the OAG's audit client. The budget is open to further question, and possible reduction, by Cabinet before its inclusion in the annual Appropriation Bill.

Length of Auditor-General's term

In some SAIs, the Head of SAI employed for a specific term, which may not be long enough to carry out their mandates to their satisfaction.

SAI	Term of Auditor General
American Samoa	4 years (max 2 terms)
Australia	10 years, non-renewable
Cook Islands	3 years
Fiji	
French Polynesia	
FSM—National	4 years
FSM—Pohnpei	4 years
Guam	4 years (elected position)
Nauru	
New Caledonia	
New South Wales	
New Zealand	
Palau	6 years
Queensland	7 years

SAI	Term of Auditor General
Republic of Marshall Islands	Until 72 years of age
Samoa	
Solomon Islands	
Tonga	5 years and a maximum of 2 terms
Tuvalu	No fixed appointment period for the Auditor General.
Vanuatu	
Victoria	

Clarity of roles between the Audit Office and Public Expenditure Review Committees

Another challenge for Cook Islands is the uncertainty, duplication or overlap of roles between the Audit Office and the Public Expenditure Review Committee (PERC), in particular whether the Audit Office can undertake investigations, inquiries and special reviews. There is plan of action to modernise the Public Expenditure Review Committee and Audit Act particularly to clarify the roles of the PERC and the Audit Office, as well establishing the Audit Office's role in relation to the PAC. A number of areas requiring improvements to the legislation have been identified and legislation is being drafted before reviewing it prior to presentation to Parliament. It is anticipated that the final bill would be completed within the next 18 to 24 months.

Other challenges

In French Polynesia, other challenges for maintaining complete independence are:

- Management: if a quantitative method of measuring SAI activity was adopted, SAI independence might be affected
- 'Rights of Defense': if Rights of Defense have to be respected, they should not be an obstacle to SAI control. In some cases, the legal process in which the defense has the ability to argue, leads to very long procedures and to untimely and less interesting conclusions.

In Tuvalu, the Public Accounts Committee is not operating effectively to provide support and assistance in getting recommendations implemented.

In Fiji, any amendment to the Constitution would require a three-quarters majority vote in Parliament.

The way some NSW department clusters are structured is presenting governance challenges. For example, the current governance framework in the NSW public sector does not provide clarity on the authority, autonomy and accountability of the head Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of clusters.

In particular the responsibility of the head CEO and CFO of a cluster for financial management across the cluster is unclear and its consistency with legislative authority uncertain. This lack of clarity is likely to lead to sub-optimal financial management, as it is difficult to identify those accountable for performance

Additionally, the way some agencies are set up does not appear to support their financial sustainability nor robust assessment of their financial performance.

Independence challenges of more developed SAIs

New Zealand

In New Zealand, gaining their current level of independence was not easy. It was recommended that the Auditor-General and Deputy Auditor-General be made officers of Parliament in 1989. It took another 12 years, after the passing of the Public Audit Act 2001, for this to happen.

The main obstacle encountered was a lack of political will. Persuading a government that your cause is important, when there are so many other priorities to compete with, can be challenging.

Good Ministers of Audit appreciated the Office's role and people within the Office worked tirelessly, over many years, to draft and implement audit legislation that would cement independence and protect the Office's autonomy, regardless of any future changes in the political climate.

However, attempts at getting new legislation passed came up against resistance from officials and long delays. One significant challenge faced by the then Audit Department was a suggestion from Treasury that Parliament be given the authority to issue directions to the Auditor-General. This idea was ultimately rejected in 1998. In 2000, the Public Audit Bill was introduced, and it was passed the following year.

Australia (ANAO)

In Australia, there are two main challenges to the independence of the Australian Auditor-General. Firstly, the government determines the ANAO's budget. However, the Joint Committee of Public Accounts and Audit is required to make recommendations to both Houses of the Parliament and to the Prime Minister on whether the ANAO has sufficient funding to carry out its functions. Secondly, staff of the ANAO are subject to overarching legislation developed for the public service at large, which can include mechanisms to govern the classification of staff, the flexibility of staff deployment, and the method of recruitment, selection and appointment of staff. Historically, these matters have not impeded the ANAO in fulfilling its functions and Auditors-General have always reserved the right to report to the Parliament if they considered that their independence has been impaired.

Victoria (VAGO)

VAGO commissioned research on behalf of all Australasian audit offices in 2009 and 2013 to identify legislative provisions that impacted on each of the eight INTOSAI independence principles and scored each Australasian jurisdiction to measure the extent they were protected from executive influence. VAGO has the strongest independence safeguards for its Auditor-General of any of the other audit offices, because the role, appointment and status of the Auditor-General in Victoria is enshrined in the state's *Constitution Act 1975*. However, areas of weakness were identified and a number of these areas have become key legislative reforms. In summary, assessing VAGO's legislation against the INTOSAI Principles revealed that VAGO needed to seek the following significant reforms:

- **Principle 1** — Removal of Victorian Inspectorate oversight and removal of the involvement of the parliamentary committee in audit specifications and in setting the number and frequency of performance audits of authorities.
- **Principle 3** — VAGO's mandate is not sufficiently broad, as there is no clear ability to "follow the money" to audit bodies that receive funds on commercial terms. Reforms to seek capacity to audit all activity funded by Parliament.
- **Principle 4** — Enable unrestricted access to information, including to premises and unrestricted access to documents (including those that would otherwise be subject to secrecy) of third parties being audited. Remove the controls that restrict the Auditor-General's power to call for persons or documents.

- **Principle 6** — Remove a restriction in reporting that provides that the Auditor-General must avoid prejudicing criminal investigations or proceedings, and investigations by the Victorian Inspectorate and the anti-corruption commission.
- **Principle 8** — Remove the oversight of VAGO officers by the Victorian Inspectorate.

Queensland (QAO)

As part of the same study, Queensland determined that it has a modern audit mandate that is one of the most progressive in Australia and reflects better practice both in Australia and internationally. Their mandate includes performance audits, 'follow the dollar' audits and collaborative audit powers. However, the 2013 review concluded that Queensland significantly lags behind other jurisdictions for functional and organisational independence. The three key areas of independence of the Auditor-General that need work are:

1. Strengthening the relationship between the Auditor-General and Parliament, including formal recognition as an independent 'officer of the Parliament' and Queensland Audit Office oversight functions being moved from the executive government to Parliament.
2. Protecting the role of the Auditor-General from the control and undue influence of the executive government.
3. Achieving appropriate financial and administrative autonomy for managing the Queensland Audit Office. At present the executive can constrain the resources and resource limitations compromise quality. Autonomy would include employing staff under the office's Act and legal structure.

New South Wales

In recent times, the NSW Public Accounts Committee and government-sponsored reviews have recommended legislative changes to the scope and nature of the work the NSW Auditor-General does to better cover government activity.

In 2013, the Public Accounts Committee in 2013 recommended that the Auditor-General have 'follow the dollar' powers. These powers will allow the Audit Office of NSW to go beyond government agencies and examine the increasing number of non-government organisations and other external service providers that spend public money.

In another review, the 'Independent Local Government Review Panel: Revitalising Local Government' recommended that NSW local council audits come under the Auditor-General's control. Currently, local government councils in New South Wales appoint their own auditors. In response, the Audit Office of NSW has been working closely with the Office of Local Government to prepare for the possible transition of local government audits to the Audit Office. Several other State Auditors-General in Australia already have these powers.

The previous Public Accounts Committee of the NSW Parliament and the NSW Financial Audit 2011 Report (Lambert Report) recommended that the Auditor-General has explicit powers to undertake compliance audits. This recognised the limitations the Audit Office has in doing compliance audits as performance audits or as a request from the Treasurer. A far more efficient way is to allow the Auditor-General to independently initiate such reviews.

The Lambert Report made a number of other recommendations including giving the Auditor-General powers to access cabinet documents; allowing to choose not to audit dormant entities; reducing the number of days an agency has to respond to a performance audit; and requiring the Auditor-General to include agency comments in financial audit reports to parliament.

NSW Treasury has developed a Directions Paper on reforming the NSW Financial Management Framework, which will incorporate the financial reporting elements of:

- *The Public Finance and Audit Act 1983*
- *The Public Authorities (Financial Arrangements) Act 1987*
- *The Annual Reports (Departments) Act 1985*
- *The Annual Reports (Statutory Bodies) Act 1984.*

There has been no fundamental reform of the NSW financial management framework since the Public Finance and Audit Act 1983 was introduced. The Audit Office is providing comment as the detailed proposals are issued for comment.

The Audit Office of NSW is generally supportive of the proposals. Their main suggestions are for complete financial estimates for all government entities as part of the annual budgetary process and for comprehensive reporting at whole-of-government level, including provision of performance information. There are also moves to reduce reporting timeframes more in line with other jurisdictions.

A separate Auditor-General Act is proposed but no detail is available yet.

3. What kind of assistance is needed from other SAIs or other agencies to address those challenges?

Regional collaboration and advocacy

All the country paper indicated that regional collaboration is vital. An allied front is necessary to show the importance of what SAIs do to legislatures across the Pacific region. There is a need for SAI bodies and development partners to reaffirm the need to comply with international auditing standards through advocacy, including advocacy for the need for real independence by way of resourcing and protection of the Auditor General and staff from political interference.

International collaboration

International collaboration is also important to SAIs. For example, French Polynesia SAI states that international cooperation (PASAI, INTOSAI) helps to increase awareness of how other SAIs are dealing with similar situations and improves knowledge and idea sharing. Fiji would favour any assistance or leadership from the Forum Secretariat and other transparency institutions as a 'top-down' approach for full adoption across the Pacific.

RMI SAI is seeking guidance from PASAI and other SAIs about immunity from prosecution during normal conduct of works to be consistent with the international approach.

Taking a united stance on the issue of staff recruitment and retention

Continued support from other SAIs is also critical given the common issue of finding and retaining qualified staff. There is a need to seek support from legislatures to approve compensation and allow SAIs more flexibility in hiring staff. It would be useful to discuss how other SAIs have they dealt with the restrictions of salary bands across government.

Reviews of legislative frameworks

There is an opportunity for audit offices without sufficient legislation to look to how other SAIs have drafted bills and local laws in a similar fashion to other SAIs. For example, FSM—National would like to amend their legislation to:

- increase the term of office for future Public Auditors from 4 to 15 years
- provide immunity to the Head of SAI
- provide statutory power for follow-up and sanctions.

Tuvalu would like assistance with reviewing their legislation and some recommendations on how to further improve independence to ensure budget consistency and independence.

Cook Islands would like a discussion around what are the benefits of having the SAI budget approved a select committee of Parliament as opposed to the general budget process that applies to all government entities? And what are the risks to the Head of the SAI and their staff of not obtaining immunity from civil liability or court action?

The Victorian Auditor General's Office (VAGO) stated that over the past seven years they have appreciated the cooperation and assistance from other audit offices in providing information on their legislative frameworks. VAGO has always taken a proactive approach to determining how the INTOSAI principles apply to audit legislation by:

- commissioning comparative legislation research against INTOSAI principles
- developing and maintaining a legislative comparison table for all audit offices in Australasia

- undertaking a number of information round-ups on legislative issues, including most recently a 'wish list' for all audit offices on what key changes they are looking for within the parameters of the INTOSAI independence principles.

Shared experiences

Tuvalu would like assistance with developing our external relations (stakeholder communication and education) and sharing of experiences about how to effectively enforce audit findings.

For example, in Cook Islands the audit office reports to the Public Service Commissioner about any failings by a Head of Ministry to fulfil their financial management responsibilities and obligations, or cases of mismanagement of public funds under their leadership or failures to meet reporting requirements. These issues are taken into account by the Public Service Commissioner when evaluating Heads of Ministry's performances. Cook Islands Audit Office also provides a report to the Budget Committee that lists government ministries that have received qualified audit opinions, reasons for qualifications, cases of mismanagement of public funds, budget overspent and failures to fulfil their financial management obligations. The Budget Committee have found this process to be relevant and effective in leveraging and ensuring SAI recommendations are acted upon.

In New Caledonia, to help in the following up, standard for recommendations have been developed (wording and content, number, sum up in a list for an easier access) and a program facilitating their input and assessment.

In Tonga, there is a tendency for increasing requests for special audits from the Executive and the Legislative Assembly. These requests are in addition to the approved annual plan for the financial year. Have any other SAIs had similar situations and how do they deal with them? If reaching the stage of influencing the independence (audit program/annual plan) of the Auditor General and SAI and rectifications?

Funding and technical assistance

Samoa may require funding and technical assistance from PASAI, INTOSAI or IDI if audit fees and resources are not adequate to support the audit demands or if audit demands are not adequate to support the remuneration of staff and outsourced auditors.

4. Is there a plan of action or reform in place to improve SAI's position on the issue? Is there any set timeframe for implementation?

Reforms relating to recruitment

In terms of recruitment of staff, some SAIs are proactively seeking their solutions to the problem. For example, in Guam an external consultant completed a compensation study that reviewed position descriptions and corresponding salary levels. The next step in the process is to introduce legislation to approve the study. While the Governor has indicated his support for the bill, finding a senatorial sponsor for the bill has been challenging and no bill has yet been drafted.

Solomon Islands SAI has started negotiating a 'scheme of service' for staff, which would delegate the hiring, promoting and dismissing powers to the Auditor General, but still require staff to be paid in accordance with established public service pay scales, which is 30–50% of the remuneration paid in the private sector and by development agencies.

In Tuvalu, the Office of the Auditor General will seek support from the Public Accounts Committee and the Office of the Attorney General on how its legislation could be amended to provide organisational independence for the SAI in the appointment, recruitment and remuneration for its staff. A submission has also been made to increase their 2016 budget to allow for a Communications Manager position to assist with external relations (PAC, public, Parliament).

During the year, the Audit Office of New South Wales embarked on a new people strategy. A significant part of the strategy was to implement a staff enterprise agreement covering the working conditions and remuneration for our non-executive members of staff. Despite staff rejecting this agreement, the Office Executive are fully committed to creating a modern, competitive, cost-effective and flexible workplace that fulfils their mandate.

The three policies that were dependent on the staff agreement being voted in (the flexible work practices, leave and remuneration policies) have been reviewed and changes made to ensure they comply with the Award. The remaining policies on performance agreements, learning and development, grievance and consultation and the implementation of a Human Resources system are proceeding as planned.

Another key part of the strategy was to introduce performance agreements for all staff supported by a new human resources system. Performance agreements are being finalised and will be in place in early 2015–16 and the new human resources system will be fully implemented during the 2015–16.

A new resource scheduling system called Retain is currently being rolled out, which will give much greater transparency and clarity on the allocation of resources across Financial Audit. The implementation of Retain follows the changes made to Financial Audit's resource allocation process last year, in which business team leaders were given greater control of how staff are allocated to teams and audits.

Retain also has a centralised scheduling to allocate audit staff based on availability, skill level and preferred work locations. It will also assist managers to achieve a fairer distribution of work across teams while recognising that audit staff may wish to develop their skills in a particular area.

Reforms relating to financial autonomy

To address financial autonomy, Guam requested the Legislature approve a lump sum in the FY2016 budget for the SAI to spend flexibly, approving carry-over of FY 2015 funds from personnel lapses, and exempting OPA from allotment control like other elected offices and the Judiciary. This request was granted in the final FY 2016 budget act.

Reviews of audit legislation

Victoria

Since 2008, the Victorian Auditor General's Office has been seeking a full rewrite of their audit legislation. Their governing legislation is now more than 20 years old and while it has been amended a few times, it is no longer fit-for-purpose. In 2010, a Parliamentary Committee Inquiry into the audit legislation recommended a number of changes to the Act.

Since 2010, there have been two changes of government in Victoria. VAGO put their blueprint for reform to each new government and the reforms have been narrowed to fit government priorities:

- In 2011, the then government introduced an anti-corruption commission into Victoria. As a result, the audit legislation was amended to fit with this new body, but there were no amendments that dealt with VAGO's concerns. At the request of the government, VAGO narrowed the proposed reforms down to a 'top ten' list to expedite the pace of legislative change, but they were not implemented within that government's term.
- In 2014, with a new government in power, VAGO again proposed a full rewrite of the audit legislation and again they narrowed this list to five key reforms. The current government has further narrowed this to two key reforms:
 1. providing VAGO with 'follow the dollar powers'
 2. reforms to enable VAGO to share information with other bodies such as the Victorian anti-corruption commission and the Ombudsman.

The current government has committed to a broader review of the legislation in 2016, with amendments being introduced into Parliament this year.

Queensland

The Parliamentary Finance and Administration Committee is the Queensland equivalent of a Public Accounts Committee. This committee is currently undertaking an inquiry into the legislative arrangements assuring the Queensland Auditor-General's independence.

The inquiry started in 2013, but lapsed when an election was called in early 2015. The new committee has recently resolved to continue the inquiry with the same terms of reference. The inquiry's terms of reference including:

- the effectiveness of section 56 of the *Auditor-General Act 2009* (Audit Fees)
- the legislative arrangements for the independence and accountability of the Auditor-General and the Queensland Audit Office
- how the Queensland arrangements compare to the arrangements in New Zealand and other Australian jurisdictions
- how the Queensland arrangements compare with international best practice
- other independence issues

The recommendations from this inquiry will be the catalyst for whether the *Auditor-General Act* will be amended to strengthen the independence of the Auditor General and in what timeframe. The importance of strengthening independence has been raised with the current Premier. In the meantime, The Queensland Audit Office continues to engage with the executive government to determine support for the amendments to the *Auditor-General Act*.

Solomon Islands

An Audit Bill has been prepared to update colonial-era legislation for the Auditor General and their Office. The Bill was reviewed by PASAI's Legal Consultant before being finalised for discussion with stakeholders prior to submission to the executive for approval to be included in the government's legislative program. Due to a very large 'catch up' legislative program (and few Parliamentary sitting days), it is envisaged that the Bill will go before Parliament sometime in 2016.

The Bill provides for semi-independent financial protection within the annual national budget given the public financial management realities as well as a clearer mandate over recipients of public moneys and referral powers for reporting malfeasance. The Bill also provides for scrutiny of the operations of the SAI by an independent auditor.

Cook Islands

As well as the redrafting the Public Expenditure Review Committee and Audit Act (PERCA Act), the Ministry of Finance Act is also under review and any changes could have implications for the PERCA Act.

Fiji

Fiji made a submission to the Constitutional Review Commission to incorporate all the principles of independence in the Constitution, but these have only partially been met.

Tuvalu

A draft Public Accounts Committee Act has been compiled and is awaiting feedback from members of Parliament. The draft contains additional powers for the Public Accounts Committee and requirements for formal responses to the Public Accounts Committee reports.

Republic of the Marshall Islands

The following specific actions are being considered, which will require legislation:

1. Audit Act to address financial autonomy of RMI SAI
2. Audit Act to address human resources management autonomy of RMI SAI
3. Point 1 and 2 are also being considered as RMI Parliament voted to hold a Constitutional Convention.