

Analysis of audit issues and recommendations for 20 PASAI members



2022



Acknowledgements

The work was conducted by Professor David Hay, University of Auckland with help from my colleagues Adjunct Professor Carolyn Cordery, Victoria University of Wellington and Mr Sione Taufa, University of Auckland. We appreciate the cooperation of PASAI members and the PASAI Secretariat, and we are especially grateful to Mr Tiofilusi Tiueti.

Abbreviations used

GAAS: Generally Accepted Auditing Standards

GAGAS: Generally Accepted Government Auditing Standards

FSM: Federated States of Micronesia

ISA: International Standard on Auditing

ISSAI: International Standards for Supreme Audit Institutions

PASAI: Pacific Association of Supreme Audit Institutions

PEFA: Public Expenditure and Financial Accountability program

PFM: Public Financial Management

PMF: Performance Measurement Framework

SAI: Supreme Audit Institution

Executive summary

Objectives: This report examines the main audit issues raised in the audit reports from the financial audit of the Government financial statements for the most recent three years in 20 PASAI countries and states. It also examines management letters or internal control recommendations, and is supported by reference to SAI PMF and PEFA reports where available. The questions examined are, what are the issues reported by SAIs? What is the significance and impact of those issues on government operations and public sector financial management? Taking into account those issues, the report develops proposals and a reporting model.

Procedures: The procedures used were analysis of the three most recent whole-of-government financial reports and related management letters, along with examination of available PMF and PEFA reports. The report also includes analysis using a model of public value and considering external influences.

Summary of issues raised by SAIs: I concluded that there are five main causes of audit issues, namely internal control failures; misstatements of liabilities; problems with taxation systems; follow-up of recommendations; and the timeliness of financial reports and completion of audits.. Externally-provided audits and overall effectiveness are also commented on.

External influences: The project also includes examining external influences on SAIs and on their effectiveness. Factors that are associated with coercive external influences appeared to have a positive effect. Influences leading to greater uncertainty were associated with greater difficulty in providing high quality audits, and normative influences on accounting and auditing did not appear to make a difference.

Causation: The SAIs' comments about the causation of audit issues raised and of their recommendations not being adopted included frequent references to staffing issues, including the number of staff employed in accounting functions, and their capability. There were also some references to government entities not agreeing to adopt recommendations.

Proposals. The report proposes:

1. PASAI helping SAIs to increase their PMF and PEFA scores;
2. encouraging SAIs to follow PMF and PEFA recommendations;
3. publication of an annual report by each SAI;
4. effective use of Parliamentary Public Accounts Committees as a mechanism for monitoring and ensuring quality;
5. government responses being included in management letters;
6. an Office of the Government Accountant in each country or state with the objective of raising the quality of accounting records and reports;
7. reporting Key Audit Matters in the audit reports; and
8. adopting a framework where Material Weaknesses are reported each year.

The reporting framework recommended in this study includes a summary by PASAI of key information that allows SAIs to be compared, and avoids confidentiality issues. The report also suggests a detailed format for reporting information about each SAI.

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Introduction

This project aims to enable analysis of the audit issues raised across the region. This will contribute to improved awareness by Supreme Audit Institutions (SAIs) and their stakeholders about the main regional audit issues that are prevalent in 20 Pacific Association of Supreme Audit Institutions (PASAI) jurisdictions, and to what extent these issues are addressed over time in respective jurisdictions. It provides guidance on assessing whether a regional approach is needed to address some issues. It will also enable increased visibility of the value of SAIs in improving and strengthening a country or state's Public Financial Management (PFM) system.

The project required collecting audit reports including audit opinions, management reports and other related reports on whole of government activities for three years. I also reviewed PEFA (2018a, 2018b) and SAI PMF (INTOSAI 2016, 2020) reports. The reports to be collected were the audit report on the financial statements of the government of each of the countries and states, and the related management letter, for the most recent three years (2018 to 2020 where available, or earlier years in other cases). The report focused on the audit of whole of government accounts (sometimes called financial statement of the government), and did not require looking at every audit report issued by each SAI.

The information obtained is summarised in the report, including issues identified and a summary of common recommendations. I was then able to compile this report, which explains the significance and impact of the results. The report identifies common causes for recommendations not being implemented.

The analysis and reporting format used for the overall report is intended to provide a reporting model that the SAIs will use to report to their relevant Parliamentary body or legislature and to share information about audit issues. This analysis will also highlight areas where PASAI initiatives can support SAIs' technical capabilities to enable greater timeliness and high-quality audits.

The project leads to the proposals in the Proposals section. These include: (1) PASAI helping SAIs to increase their PMF and PEFA scores; (2) encouraging SAIs to follow PMF and PEFA recommendations; (3) publication of an annual report by each SA; (4) effective use of Public Accounts Committees as a mechanism for monitoring and ensuring quality; (5) government responses being included in management letters; (6) an Office of the Government Accountant in each country or state with the objective of raising the quality of accounting records and reports; (7) reporting Key Audit Matters in the audit reports; and (8) adopting a framework where Material Weaknesses are reported each year.

The recommended reporting formats include a summary of key information that allows SAIs to be compared, and avoids confidentiality issues. The report also suggests a detailed format for reporting information about each SAI and a framework for SAIs to use for a strategic review.

Extracts from the Terms of Reference

Background:

This project is to enable analysis of the audit issues raised across the region. To achieve this, we will use a consultant to collate and then analyse financial and compliance audit issues reported by SAIS over the last 3 years. This work aligns with strategic priority 3.¹ The project will provide useful information that will contribute to advancing towards the outcomes across all strategic priorities. A detailed analysis of the information gathered will be carried out using data analytic tools and techniques including against other frameworks and relevant PFM or SAI tools such as PEFA and SAI PMF. This will enable relationships with, and trend comparison to, other relevant indicators identified during the engagement. A report will present the analysis result to tell the 'story' on the significance and impact of these audit issues on government operation and the public sector financial management system in the country and across the PASAI region. The analysis and reporting format used for the regional report is intended to provide a reporting model that could also be adopted by individual SAIS and used for their reporting to Parliament/Legislature. The project will also include the development of an approach for the Secretariat, SAIs and other stakeholders to share information (audit issues) regularly without compromising confidentiality to the respective jurisdictions. The approach developed through this project will also be applied by the Secretariat to other audit streams (such as performance audit) with the aim to have complete information on all audit issues raised across the region by 2024. (From Terms of Reference in the Individual Consultant Procurement Notice, p.2)

The outcome of this project will be improved awareness of SAIs and stakeholders on the main regional audit issues and whether these issues are addressed over time in respective jurisdictions. It will also assist PASAI and SAI to assess whether a regional approach is needed to address some issues. It will also enable increased visibility of the value of SAIS in improving and strengthening a country's PFM system.

PASAI will use the information to enhance its interventions across all strategic priorities. It will also be used for internal and external reporting.

Data will be sourced primarily from SAIs, the PASAI Financial Statements of Government (FSG) data, and related financial and compliance audit reports over the past three years. (From contract, p. 10)

Indicators of success for the data and report at a minimum would be as follows:

- The data consists of a collection of audit issues from audit reports and other reports for financial and compliance audits of the twenty SAIs, analysed and categorised providing PASAI and SAIs with relevant information that will inform future areas for support and require further follow-up with relevant stakeholders.
- The report will identify audit issues in the region, analysis of findings and possible opportunities for regional solutions. The report will be used widely by PASAI and its stakeholders in designing long term solutions to PFM issues in the region.

¹ PASAI Strategic Priority 3: High-Quality Audits completed by Pacific SAIs on a timely basis: Public accounts audited in a timely manner to international standards by SAIs is fundamental to holding governments and public entities accountable through oversight by the legislature. PASAI works in partnership with regional organisations and key stakeholders to promote the effective preparation and scrutiny of audited financial statements of Pacific Island Governments. To achieve this, PASAI secretariat provides technical support to SAIs by delivering workshops and regional programmes, developing audit resources, and engaging audit experts at both the SAI, sub-regional and regional levels to achieve timeliness and high-quality audits.

- The analysis tools and reporting framework developed is to be used by PASAI and SAIs in reviewing and updating the data, analysing the information, and providing reports regularly in the future. The quality of the review and update of the data will be measured by:
 - Review of the draft data and draft report by PASAI staff — feedback provided directly via email and documented by the Programme Manager.
 - A survey based upon evaluating the level of quality, capacity, and capabilities demonstrated by the consultant during their engagement with various stakeholders as follows:
 - Engagement with SAIs and relevant stakeholders on obtaining the required audit reports and other relevant information.
 - Level of detail provided in creating the methodologies and approach to gather information, analyse, and report.
 - Delivery of a workshop/presentation and/or online sessions with the PASAI Secretariat Team on any concerns raised or clarifications sought in developing and using the data.

(Extracted from Contract for Services, p. 12-13.)

Relevant auditing standards

I examined the audit reports on whole of government financial reports and the management letters (or equivalent). Audit reports are the formal expression of the auditor's opinion on whether the financial statements are fairly presented and management letters are recommendations about weaknesses in internal control.

Audit reports can be unmodified — which is the usual type of report and indicates that the auditor considers the financial report is fairly presented — or modified. Modified reports can be qualified, meaning that there is a material disagreement or material limitation of scope; or they can be adverse or disclaimer reports when an issue is both material and pervasive. Audit reports can also include Emphasis of Matter paragraphs, to draw the attention of users to relevant issues, such as exceptional litigation or subsequent events. Auditors can also draw the attention of users to issues about whether the entity will continue to be a going concern using a Material Uncertainty Related to Going Concern paragraph. These requirements are set out in ISA 700, ISSAI 200 and related auditing standards.

Recent changes to international auditing standards require auditors to report on Key Audit Matters (Critical Audit Matters in the United States) in their audit reports on listed companies. This allows auditors to discuss matters of concern which were addressed during the audit. These requirements are not applied by the SAIs in our study.

ISA 265 and ISSAI 2265 deal with the responsibility of auditors to communicate deficiencies in internal control that the auditor has identified in the audit (ISA 265, 9). This is often done in a report called the management letter, although other names for that report are also used. The communication is to those charged with governance. The deficiencies should be reported on a timely basis. An appendix to ISA 265 suggests that it may be appropriate for the auditor to discuss the findings with management (ISA 265, A2). It is common practice for auditors to include management comments in the management letter. ISA 265 also states that if deficiencies remain from previous years, they should be reported again. The failure to act to remedy a deficiency is itself a significant deficiency (ISA 265, A17). ISA 265 observes that public sector auditors have additional responsibilities to report internal control deficiencies, for example in more detail, or to the legislature. The guidance notes to ISSAI 2265 point out the public sector auditors may have responsibilities to report to several distinct groups.

Procedures

Based on the terms of reference, I obtained the three most recent audit reports on the whole-of-government financial statements and related management letters for each SAI. These were obtained from public sources where possible, and with help from PASAI in other cases. The reports obtained covered the period 2018 to 2020 where these were available. In other cases, earlier years were used, including financial reports as far back as 2015. Available PEFA and PMF reports were also obtained. I then applied the following work programme:

1. Identify relevant information in the reports. Categorise audit issues, identify common issues, and classes of issues. Consider causes, factors and relationships. Identify and compare trends.
2. Summarise audit issues.
3. Consider regional solutions for audit issues and for training and development
4. Summarise information about external influences for each SAI using the provided by Cordery and Hay (2021) and discuss results.
5. Document common causes for audit recommendations not being addressed.
6. Develop proposals.

The data examined are summarised in Table 1. We were able to obtain the three most recent financial statements (2018, 2019 and 2020) for 10 entities, 2018-2019 for one and 2017-2019 for five. For the remaining SAIs, the most recent financial statements were older (2016-2018 for Nauru, and 2015-2017 for Papua New Guinea, the Solomon Islands and Vanuatu). The table also shows that, from a total of 59 audits across 20 SAIs, a substantial number of modified audit opinions were provided: five SAIs had at least one adverse opinion, four had a disclaimer, and five more had qualified opinions. The majority of these qualified opinions were due to poor internal controls, valuation of assets and liabilities, the associated taxation system, follow-up of recommendations and audit/financial reporting timeliness, as described in the following section. The recurrence of these modified audit opinions and emphases of matter over the three years suggests that audit recommendations frequently do not lead to changes in accounting systems or procedures. The management letters or internal control letters usually covered the same periods as the financial reports, although in some cases the letters for the earlier years out of the three could not be obtained. Table A-1 (in Appendix A) shows details of the gaps in the information available, which I was generally able to work around.

The table also shows whether the audit was externally-provided by an audit firm, the auditing standards used (US GAGAS or ISSAI) and the type of opinion issued. Externally-provided audits and use of US GAGAS are usually associated with each other. In these cases, the SAI has a lesser role in the whole-of-government audit.

Overall summary of analysis of whole-of-government audit reports and reports on SAI operations

Detailed results for each SAI are reported in Appendix B. Our overall summary is reported in this section.

There are many issues that are raised by the three main types of evidence analysed: audit reports, auditee responses, and external reviews of SAIs through SAI PMF and PEFA reports. This overview canvasses the issues common to a number of SAIs and also compares SAIs that are audited under US-GAGAS² and whose audits are externally-provided, and those that do not use US-GAGAS and who undertake whole of government audits in-house. As noted, Appendix B, which lists each SAI jurisdiction alphabetically, includes more detailed summaries of SAI issues.

Main regional audit issues

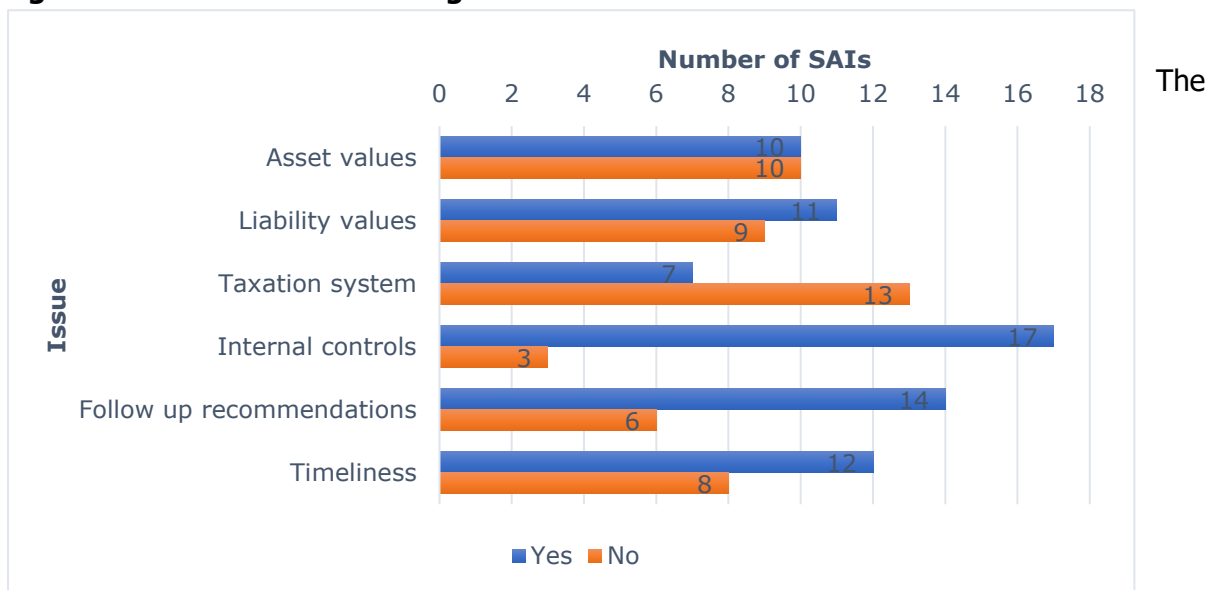
The majority of audit reports to management (i.e., management reports and internal control reports) across the region find issues in five main categories: internal controls, valuation of assets and liabilities, the associated taxation system, follow-up of recommendations and audit/financial reporting timeliness. These are summarised below and the incidence shown graphically in Figure 1.

- Failures in internal controls reflect the shortcomings in public sector staff capabilities and processes. These include delayed or the lack of reconciliations, untimely posting of items, lack of documentation, uncleared suspense accounts and failures to follow processes for approving expenditure. Such deficiencies and poor processes can lead to breaches of legal requirements and allow fraudulent activity to occur. (For example, independent analysis in the PEFA (PI-23) shows the Cook Islands and Kingdom of Tonga have poor payroll controls.)
- Both assets and liabilities are misstated, although liabilities are more likely to be misstated than assets. Reasons for non-compliance with the relevant GAAP include issues around actuarial valuations of pension obligations, land-lease claims, debt and other financial instruments. Evidence of balances – particularly correct cut-off – impacts the valuation of both assets and liabilities.
- Taxation systems are also problematic in many states. In particular, the audit reports point to an old system being used in American Samoa, which is not integrated with the public finance system. Despite consistent auditor recommendations over many years that this be remedied, a new system has not been identified nor implemented. More generally, taxation shortcomings raised by SAIs that could be resolved through better systems including appropriately recognising taxation receivables and reducing them.
- Whole-of-government follow-up of recommendations is a major issue that is shared between the public sector and the SAI. Audits undertaken in the countries using US-GAAP and audited by an externally-provided auditor (using GAGAS) are accompanied by a detailed listing of internal control and other issues found during the audit, as are those audits undertaken by the SAI (Using ISSAI). Yet, responses to these recommendations are often not included in those reports and even when they are, the issues are repeated and remain unresolved over many years.

² Some of these auditors refer to GAAS instead of GAGAS.

- Audit timeliness and the timeliness of the underlying reports is a severe issue in the Cook Islands, Kiribati and Papua New Guinea, with the financial reports of Guam also being delayed due to issues within the public sector that meant consolidated reports could not be completed in a timely manner. As noted below, in general, the audits undertaken in the countries using US-GAAP and audited by an externally-provided auditor (using GAGAS) have become increasingly timely and are now usually completed within three months of year-end. Tonga is a positive exception in the countries that operate in-house auditing and use ISSAIs, although it appears that the push for timeliness leads to other tasks being left undone. Delayed reporting and assurance are likely to reduce confidence in government financial systems.

Figure 1: Incidence of main regional audit issues raised

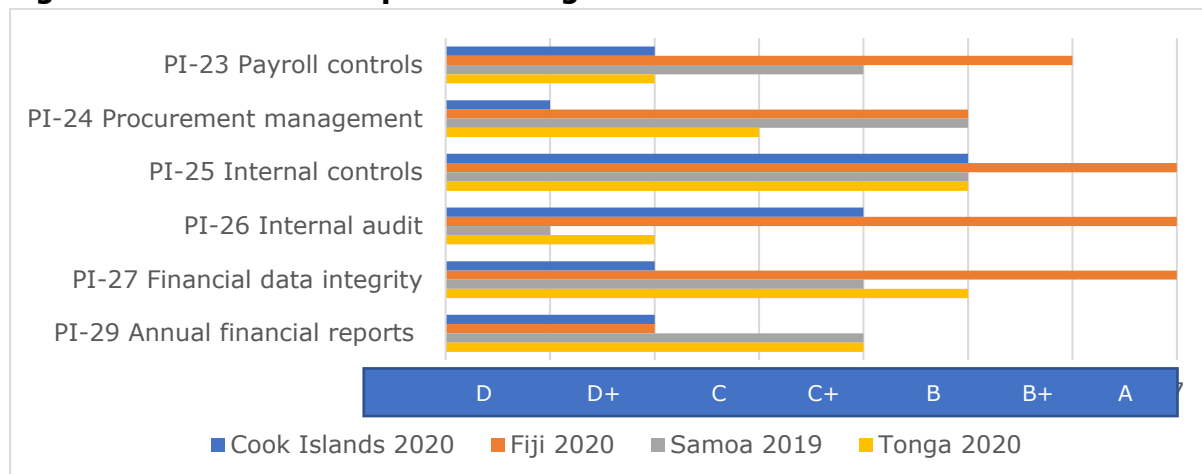


Issues raised in the SAIs' whole-of-government audit reports reflect on the public sector financial system itself, rather than the operation of the SAI. Inadequacies in staff capacity and capability could explain the repetition of similar audit issues every year as well as audit delays, as auditees lack the capability to adhere to processes, take shortcuts in order to complete tasks with fewer staff than is ideal or do not prepare the underlying reports on the due date/s.

Raising staff capacity and capability is a necessary step to remedy internal control issues and should lead to an increase in unmodified audit reports. Ideally, SAIs would be in a position to undertake training both in-house and in the public sector. Nevertheless, the SAIs alone cannot upskill all public sector financial staff, a project that requires government commitment and the assistance of other central departments and institutions.

PEFA reports are a further indicator of public sector management issues that impact the work of the SAI. Figure 2 shows the scores of 6 items that are relevant to public sector management and reflect on the main regional audit issues stated above.

Figure 2: PEFA scores on public management issues for 4 PASAI members

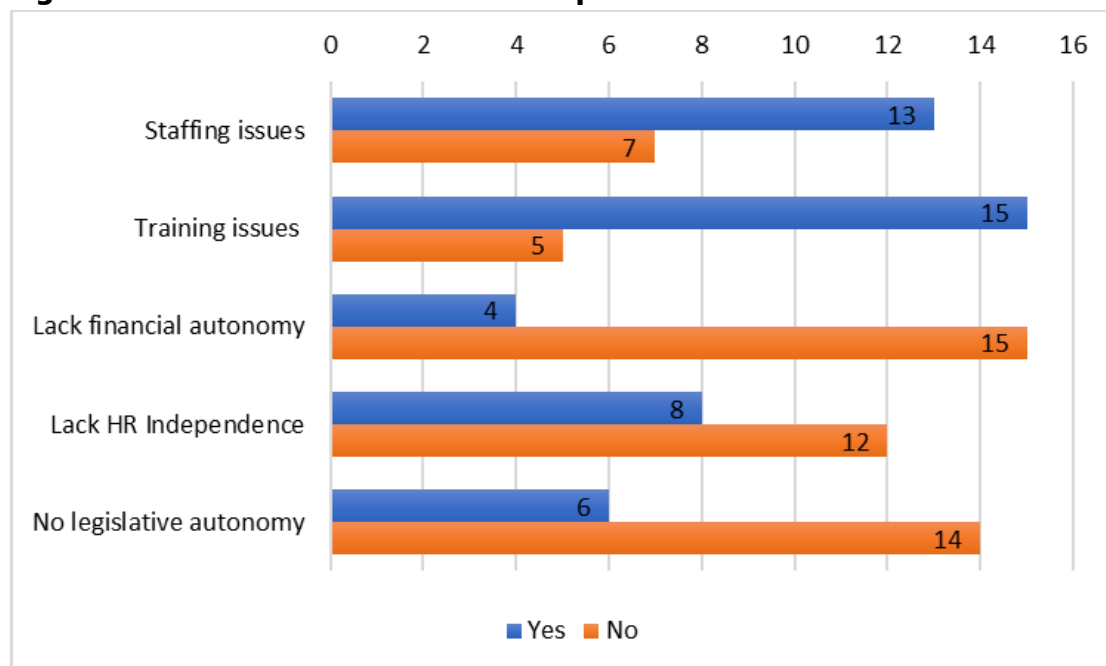


D is the lowest score with A being highest.

Structural and operational issues identified across the PASAI members

The audit reports reveal weaknesses in the public sector, however analysis of the PEFA and SAI PFMs that were made available enable us to identify some structural and operational issues that are common across PASAI members. The incidence of structural and operational issues evident in SAIs are presented in Figure 3. Further, the structural and operational issues are discussed below and present graphically in Figures 4-6. While it is recognised that PEFA and SAI PMF assessments are undertaken for the SAI individually and may not be directly comparable between SAIs the methodology and measures provide a framework to indicate similarities and differences between SAIs.

Figure 3: Incidence of structural and operational issues evident in 20 SAIs



Structural

Five structural issues are analysed in this sub-section: SAI independence, mandate, parliamentary scrutiny, human resource management and financial resource management.

The SAI PMF (item 1) and PEFA reports (item PI-30) highlight that not all these SAIs are independent, despite the importance of the auditor of the whole-of-government accounts being independent from parliament. These reports score the following nations low on independence: American Samoa (PMF = 1),³ the Cook Islands (PEFA = D+),⁴ Kosrae - FSM (PMF = 1), Micronesia - FS National (PMF = 1), Nauru (PMF = 0), Samoa (PEFA = D+), Tonga, Kingdom of (PEFA = D+) and Vanuatu (PMF = 0). This suggests reforms are required to strengthen independence. It should be noted that all SAIs score 2 or above on 'mandate' (SAI PMF item 2) and therefore it is important to ensure that independence can be strengthened to match or exceed these levels.

Scrutiny by Parliament or the legislature and publication of such scrutiny can also highlight the need for public sector accountability which would confirm a SAI's efforts. However, the SAI PMF (item 23) and PEFA (item PI-31) note that there is no designative legislative committee to do this in American Samoa (PMF = 0), and shortcomings also occur in the Cook Islands (PEFA = D), Chuuk - FSM (PMF = 1) and Tonga, Kingdom of (PEFA = D). In Kiribati, while scrutiny occurs, the parliament does not publish a report on the outcomes. (While a number of nations score 0 or 1 in the SAI PMF category 'communication with legislature, executive and judiciary', this typically relates to the lack of a communications plan rather than a scrutiny requirement.) None of the reports provided evidence of audited accounts being discussed by a parliamentary accounts committee (or similar) as is typical in the system of public sector auditing used by these SAIs, and which is an important element in public sector accountability (Stapenhurst et al. 2005). These structural mechanisms in the ecosystem could increase accountability of the auditees as well as the auditor.

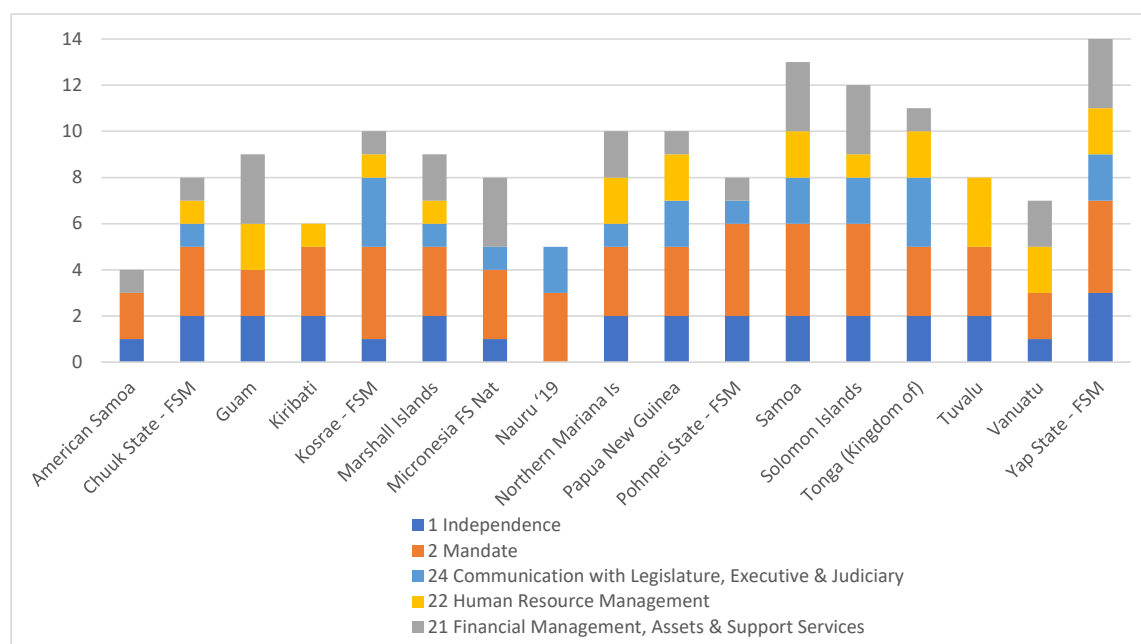
Two other structural issues have been combined with these three issues in Figure 4 - the ability of SAIs to recruit and manage their own human resources (item 22 in the SAI PMF) and also undertake their own financial resource management (item 21 in the SAI PMF). These are also structural issues – should the SAI not be able to recruit and develop policies for remuneration, promotion and staff welfare, it lacks independence and potentially the ability to build operational capacity. Further, a lack of financial autonomy not only puts independence into question but also limits the SAI's ability to be an exemplar for the public sector.

Figure 4 collates the scores for each SAI PMF item noted above. Five issues with a maximum score of 4 for each, makes the maximum possible score of 20, yet Yap State – FSM is the highest-ranking SAI with 14. (It should be noted that three SAIs received 'N/A' for item 22 – Marshall Islands, Micronesia FS National and Pohnpei State – FSM and Tuvalu received N/A for item 21.) Details of these scores are in Appendix D.

3 On a scale of 0 (lowest) to 4.

4 On a scale of D (lowest) to A+.

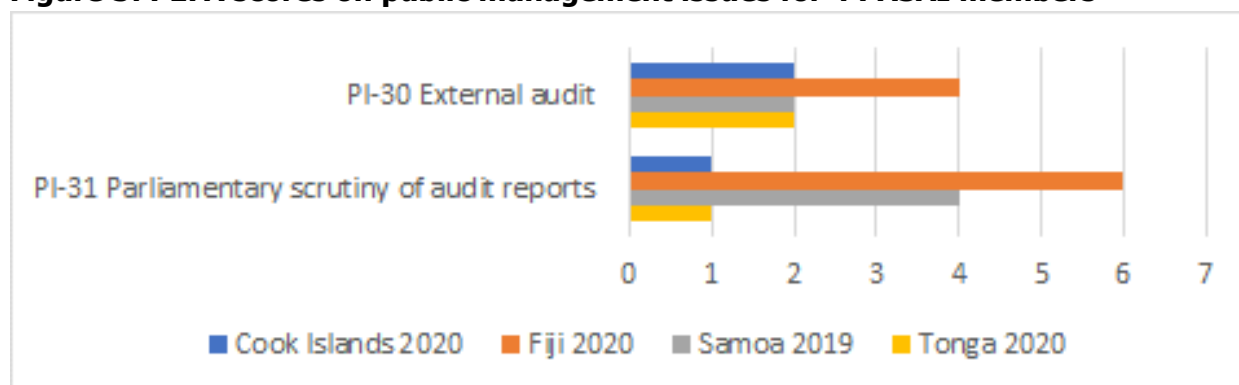
Figure 4: Scoring on SAI PMF structural issues



(SAI PMF numbers 1, 2, 21, 22 and 24)

Figure 5 shows the scores from the recent PEFA reports of four PASAI members. PI-30 includes audit coverage and standards, submission of audit reports to the legislature, external audit follow-up and SAI independence, and when combined with PI-31 'parliamentary scrutiny of audit reports' provides some comparability to the structural issues raised in the SAI PMF reports. Except for Fiji, these SAIs scored 'D+' on PI-30 external audit and Fiji and Samoa scored 'B+' and C+' respectively on PI-31 parliamentary scrutiny.

Figure 5: PEFA scores on public management issues for 4 PASAI members



Operational

Five operational issues are analysed in this sub-section: SAI strategic planning, organisational control environment, leadership and internal communication, overall audit planning and professional development and training.

The SAI PMF reports issues with SAIs' strategic planning (item 3), with only Samoa (PFM 2019 = 3) and Tonga, Kingdom of (SAI PMF = 2) scoring above 0 or 1. Specifically, while many have operational plans, no overarching strategy has been published, nor consulted on.

A strategic plan would enable SAIs to set longer-term goals and to involve other stakeholders in lifting capacity in the public sector (see above).

Strategic planning is closely related to SAI PMF item 7, 'overall audit planning'. Only four SAIs scored 2 (Guam, Kosrae – FSM, Pohnpei – SM, Yap – FSM) with one scoring 3 (Samoa). Covering both the processes and content behind audit planning, similar to the prior item, shortcomings in this area show a lack of documentation and the need for better planning within SAIs in order that their goals are achieved.

While more SAIs achieved more than 1 on 'organisational control and environment' (SAI PMF item 4), only 4 scored 2 (Chuuk – FSM, Guam, Marshall Islands and Samoa) with Kosrae – FSM scoring 3. The SAIs that scored more highly on this item were mostly those where the audit is externally-provided (US GAGAS). Some SAIs may operate a good internal system of control, yet many do not operate a code of ethics, nor a quality control system to review and check work undertaken. Making available standard documentation may assist these SAIs to improve their SAI PMF score and the quality of their work, especially as lack of documentation and reviews of internal controls at SAI level are also reflected across the public sector. The PEFA reports are not as detailed in respect of audit as the SAI PMF as they have a different purpose, but the two SAIs with PEFA instead of SAI PMFs - the Cook Islands and Kingdom of Tonga - did not score well on internal (PI-26) or external audits (PI-30⁵), which could be seen as equivalent to the SAI PMF 'organisational control environment'.

Leadership and internal communication are components of SAI PMF item 6. Five SAIs scored 1 being Kiribati, Kosrae – FSM, Micronesia FS National, Nauru and Tuvalu (the others scoring higher). It is encouraging that lack of leadership is not scored as poorly as some other items, yet analysis of the SAI PMFs suggests that staffing issues can derail a SAI and leadership is an important area to work on.

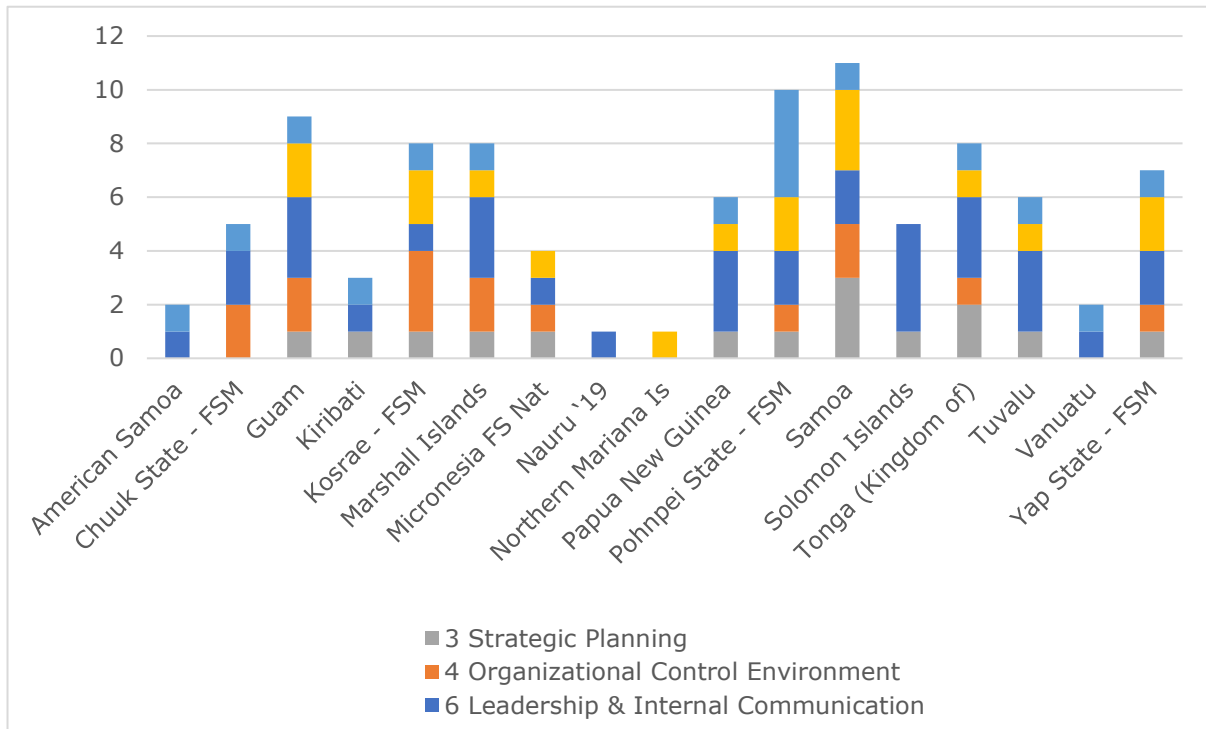
The overwhelming issue for the majority of SAIs is a lack of well-trained staff; including the need for plans to develop their staff. Many SAIs have insufficient staffing to manage their workload and find it hard to recruit well-qualified staff. This is exacerbated in the SAIs that are not autonomous in their funding and Human Resources management. It also is impacted when trained staff cannot share their learnings and upskill their colleagues (a specific issue in Papua New Guinea) and when staff leave, leaving a leadership vacuum (as has recently occurred in American Samoa). Only Pohnpei – FSM scored above 1 for Professional development and training (SAI PMF item 23), indeed, being scored at 4, while all the other SAIs scored either 0 or 1. This lack of staff capacity and capability is highlighted in the need for better in-house audit documentation and planning.

Figure 6 collates the scores for each SAI PMF item noted above. Five issues with a maximum score of 4 for each, makes the maximum possible score of 20, yet Samoa is the highest-ranking SAI with 11. (No SAIs received 'N/A' for any items.) Details of these scores are in Appendix D. There is no direct PEFA equivalent to these issues.

The SAI PMF/PEFA reports do not include responses by the SAIs or their respective parliament, therefore I cannot ascertain whether reforms have occurred to address the issues raised. Nevertheless, in the cases of the Cook Islands and Samoa, these reviews were undertaken in relatively short succession, with the Cook Islands undertaking reform before the 2020 PEFA. Papua New Guinea also had successive SAI PMFs, the most recent including comparative scores, many of which showed a decline in quality. Appendix D provides the scores from the most recent SAI PMF or PEFA where these reports have been made available for the research.

⁵ As noted above, PI-30 includes both operational (audit coverage and standards) as well as structural (submission of audit reports to the legislature, external audit follow-up and SAI independence) issues.

Figure 6: Scoring on SAI PMF operational issues (numbers 3, 4, 6, 7 and 23)



US GAGAS vs ISSAI and associated differences

This section compares differences between states using US-GAAP and audited under US-GAGAS and those where ISSAI are the base auditing standards. These latter states tend to report using IPSAS standards, and a majority utilise cash, rather than accrual, accounting. Cash reporters encounter broader issues with the valuation of, and providing sufficient evidence of, assets and liabilities.

The nations using US-GAAP that have externally-provided audits are: American Samoa, all of the Federated States of Micronesia, Guam, the Marshall Islands, the Northern Mariana Islands and Palau. These are 'single audits' undertaken to satisfy numerous US-based funders on grants to government entities. They also include a whole-of-government audit. The underlying financial reports and the single audits are more likely to be timely compared to the states that do not use US-GAAP. Indeed, not only are states with in-house auditing less timely, but in some cases (such as Papua New Guinea) rather than the most recent year of audited accounts being 2019 or 2020, completed audits are on financial reports that are years behind.

The timely reports on these externally-provided audits are detailed and are accompanied by a publicly available report from the externally-provided auditor on internal control compliance. These include recommendations of corrections and most reports list the age of the recommendation (i.e., the first year the issue became apparent), the auditee's response, corrective action to be taken (if any) and by whom. In contrast to states not using US-GAAP (where SAIs audit the whole-of-government accounts), it could be expected that implementing a system-wide publication of internal control reports would increase public pressure on auditees to respond positively to the recommendation. Nevertheless, even though most recommendations are accepted by the auditees, Chuuk - FSM, Yap - FSM and the Marshall Island SAIs do not follow up recommendations (the SAI PMF also notes that Micronesia FS National's 'audits do not always receive attention from auditees because ONPA lacks authority to force implementation').

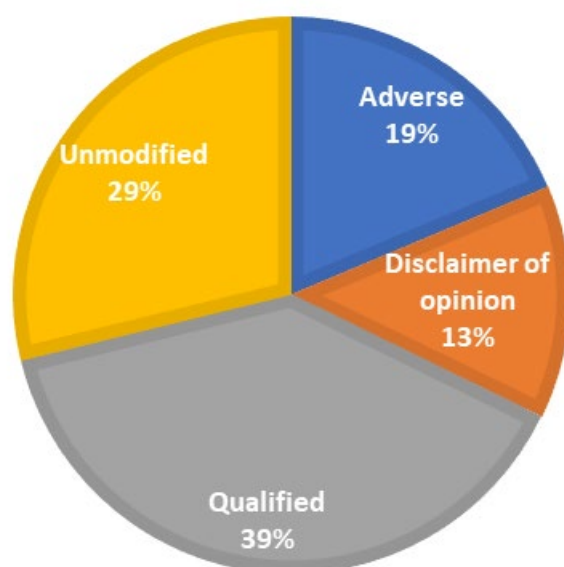
Financial reports prepared under US-GAAP and which are audited by externally-provided auditors are also less likely to receive a qualification than those where SAIs undertake in-house auditing, with 6/11 receiving audit qualifications (including adverse or disclaimers of opinion) compared to 8/9 for the those using ISSAI standards for in-house audits. (In all cases the remaining states received unmodified audits with emphasis of matter paragraphs.) There is little difference in the number of SAIs where audit concerns are raised in respect of the state's ability to manage its taxation systems, and the integration of such systems with the state's financial reporting system.

However, SAI PMF reports analysed show that US-GAAP reporters are less likely to be independent, especially for their Human Resources. As noted above, this impacts their training plans and ability to obtain the resources they need to undertake audits at local level.

Effectiveness of SAIs

Typically, the type of audit opinion is used as a broad indicator of accounting and audit quality; severity of recommendations as a more narrow measure. Table 1 indicates that four nations received disclaimers of opinion on at least one year's audit (Nauru = 1, Kiribati = 1, Papua New Guinea = 3, Solomon Islands = 3), with five receiving adverse opinions on at least one year's audit (American Samoa = 1, Northern Mariana Islands = 3, Yap - FSM = 3, Tuvalu = 1, Vanuatu = 3). Only five nations did not receive any qualification in any year and four of these were US-GAAP reporters with externally-provided audits (Guam, Kosrae - FSM, Micronesia - FS National, Marshall Islands) with Samoa being the only SAI reporting only emphases of matters on the whole-of-government accounts). Accordingly, the US-GAAP reporters appear to have more effective systems, although as these are externally-provided audits it cannot be said this directly reflects the effectiveness of the SAIs themselves. This data is shown graphically in Figure 7. Table 1 and 2 are heat maps of the data - further detail can be found in Appendices B and C.

Figure 7: Audit Modifications by category across three years of data



Whether auditees respond to recommendations so that they reduce over time, is a further measure of audit effectiveness. Only four SAIs regularly followed up recommendations (Cook Islands, Guam, Kosrae - FSM, Pohnpei - FSM). As noted above, neither Micronesia - FS National nor Samoa has the authority to force public sector entities to follow up recommendations; American Samoa has no internal audit department and does not follow up recommendations.

Many nations or states experience poor reporting quality and auditors are forced to modify their reports with adverse opinions and disclaimers of opinion being more common than might be expected. It is important that SAIs have appropriate resources and encouragement to develop systems to improve their effectiveness, and for national reforms that could lead to basic internal controls being practised.

Table 1: Overview of main regional audit issues and two key structural and operational issues against effectiveness

SAI	Financial reporting		Main regional audit issues					SAI issues		Audit Qualification
	Accrual vs Cash	GAAP	Asset/liability values	Taxation	Internal control	Timeliness	Follow up recommendations	Independence	Staffing	
American Samoa	Accrual	US	1	1	1	0	1	3	2	2
Cook Is.	Accrual	IPSAS	2	1	0	2	0	0	0	1
Chuuk - FSM	Accrual	US	1	1	1	0	1	2	2	1
Fiji, Republic of	Cash	IPSAS	1	1	1	2	1	1	1	1
Guam	Accrual	US	1	1	0	1	0	0	2	1
Kiribati	Cash	None	0	0	1	2	0	1	2	2
Kosrae - FSM	Accrual	US	0	0	0	0	0	2	1	0
Marshall Is.	Accrual	US	1	0	1	0	1	0	2	0
Micronesia, FS National	Accrual	US	0	1	1	0	0	2	1	0
Nauru	Accrual	US	2	0	1	2	1	1	1	2
Northern Mariana Is.	Accrual	US	2	0	1	0	1	0	2	2
Palau	Accrual	US	2	0	1	0	1	0	2	0
Papua New Guinea	Cash	None	2	0	1	2	1	0	2	3
Pohnpei - FSM	Accrual	US	1	0	1	0	0	1	1	1
Samoa	Cash	IPSAS	1	0	1	2	0	0	0	0

SAI	Financial reporting		Main regional audit issues					SAI issues		Audit Qualification
	Accrual vs Cash	GAAP	Asset/liability values	Taxation	Internal control	Timeliness	Follow up recommendations	Independence	Staffing	
Solomon Islands	Cash	IPSAS	2	0	1	2	1	1	2	3
Tonga, Kingdom of	Cash/Accrual	IPSAS	1	0	1	1	1	0	2	1
Tuvalu	Cash	None	1	0	1	2	1	2	2	1
Vanuatu	Accrual	IPSAS	2	1	1	2	1	2	2	3
Yap - FSM	Accrual	US	0	0	1	0	1	1	2	2
Key	All fields		0	= No issue						
	Asset/liability, timeliness and staffing		1	= 1 issue	2	= 2 issues				
	Taxation, internal control and follow up		1	= At least 1 issue						
	Independence		1	= 1 issue	2	= 2 issues	3	= 3 issues		
	Audit qualification (average)		1	Qualification	2	Adverse	3	Disclaimer		

Key: All fields 0 = no issue; Asset/liability, timeliness and staffing columns 1 = 1 issue and 2 = 2 issues; Taxation, internal control and follow up of recommendations are dichotomous (0 or 1 measure); Independence 1 = 1 issue, 2 = 2 issues and 3 = 3 issues; Audit Qualification: average across three years with 1 = Qualification, 2 = Adverse opinion, 3 = Disclaimer of opinion.

Table 2 Recommendations frequently made by SAIs

Recommendations	Consolidation	Reconcile subsidiary ledgers	Complying with GAAP	Unearned revenue	Tax	Grant drawdowns	Provide all reports	Missing documents	Procurement	Verify assets	Underlying accounting records	Personnel policies/regulations
American Samoa	Light	Dark	Light	Light	Dark	Light	Dark					
Cook Islands	Dark				Dark							
Chuuk - FSM		Dark		Light	Light	Light		Light	Light	Light		
Fiji		Light					Light	Light		Light	Light	Light
Guam		Light		Dark	Light	Light	Light	Light	Light	Light	Light	Light
Kiribati		Dark	Light	Dark				Dark			Dark	Dark
Kosrae - FSM		Light		Light				Light				Light
Marshall Islands		Dark		Dark				Dark	Light	Dark	Light	Dark
FSM National		Dark		Light	Light	Light						
Nauru		Dark					Dark	Dark	Light	Light	Dark	Dark
N. Mariana Islands			Dark				Dark	Dark				Dark
Palau		Light		Light	Light	Light		Light				
Papua NG		Dark	Dark	Dark			Dark	Dark		Dark	Dark	
Pohnpei - FSM	Light			Light		Light	Light	Light	Light	Dark	Light	Light
Samoa	Dark	Dark								Dark	Dark	Dark
Solomon Islands		Dark					Dark	Dark	Dark	Dark	Dark	Dark
Tonga		Dark	Dark	Light						Light	Dark	
Tuvalu		Light	Dark									
Vanuatu		Dark	Dark	Dark				Dark		Dark	Dark	
Yap - FSM	Light	Light		Light		Light	Light	Light	Light			Light

Colour code:	Dark	All three years examined	Light	One year
	Light	Two years		Not found

Possible responses to SAI effectiveness issues

ISSAI 12: *The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens* (INTOSAI, 2013) asserts that SAIs deliver public value through ensuring public sector accountability, and independently and objectively supporting reform.

Previously, Cordery and Hay (2018) analysed the value of SAIs against ISSAI 12 (INTOSAI, 2013) and Moore's (1995; 2013) depiction of Public Value.

Cordery and Hay's (2018) framework and analysis of 16 SAIs captured how SAIs report on the impact of their activities. The article contains the full argument and relevant literature from which the framework was developed, but a brief summary is included here. The measures developed in that study have salience to the current research.

Moore's (1995, 2013) core argument is that public entities build public value through a 'strategic triangle' that (i) strategically develops public value, (ii) ensures legitimacy and support, and (iii) builds from operating capacity. The Cordery and Hay (2018) framework includes positive and negative public value components but also recognises the paucity of public engagement in developing public value. The analysis of the 20 SAIs in this study also show legislative and other structural issues that reduce the public value delivered by PASAI member SAIs.

(1) Strategically developing public value: two key factors form this strategy to develop public value: (a) public sector accountability, and (b) independently and objectively supporting reform. Citizens primarily depend on elected representatives to ensure public sector entities are accountable for their use of public resources, making the regular audit cycle a powerful government tool (Moore, 2013).

- a) When SAIs develop public value through public sector accountability, research argues they bring lower: government spending, tax rates and/or government deficits, with one measure of public value being the savings provided by performance audits. This has methodological concerns and may neglect to analyse the costs SAIs impose on other entities. Other literature suggests that SAIs can collaborate to reduce structural issues that reduce value (such as corruption (Cordery and Hay, 2018)).
- b) SAIs also build public value through independently and objectively supporting reform and publishing audit recommendations. Research shows that additional parliamentary and ministerial pressure increases the likelihood that auditees will implement these recommendations. Auditee reaction is a type of client satisfaction (a component of Moore's (2013) public value) and therefore public value could be measured by how many SAI recommendations auditees accept and act upon, with research showing that implementation of recommendations in the UK and the Netherlands are between 67% within three years and 90-100% overall, compared to Australia (91% in one year) and the US (72-83% over four years). Other countries record lower levels. Despite that, it has been argued this is a simplistic measure especially due to the regional and global nature of norms, suggesting the need for a holistic view of value of which this is one component.

(2) Ensuring Legitimacy and Support: SAIs obtain legitimacy and support through being: (a) independent and (b) building trust. In particular, a core legitimacy factor is SAIs' independence from government as executive. Independence requires the SAI to have freedom to choose what to audit, when, what to publish and the appropriate institutional arrangements (i.e., constitutional or legislative independence, a process for guaranteed funding, control over staff). This leads to arguments for SAI funding to be a core government appropriation so that audit quality does not reduce due to pressure from a

corrupt auditee. SAI PMF and PEFA analyses of independence assist in measuring the legitimacy and support SAIs can engender.

(3) Building Operating Capacity: SAIs with operating capacity deliver public value through (a) high quality audits and (b) responding appropriately to stakeholders.

- a) High quality audits transpire from: using legitimate audit standards, maintaining currency with audit techniques, complying with codes of ethics and employing well-trained staff (INTOSAI, 2013). In addition to integrating new techniques, some SAIs monitor and report how and when the SAI is called upon by parliament to assist in public governance and accountability, Further, quality can be assessed by SAIs' published annual reports and annual plans, and their timeliness. Others express the confidence stakeholders can have in the SAI by reporting the qualifications and ability of their staff, as well as the training they undertake.
- b) SAIs that assess public value are responsive to citizens (INTOSAI, 2013; Moore, 2013). In addition to publishing annual audit plans, SAIs undertake many outward facing activities to ascertain that their work is in the public interest and relevant. Measuring responsiveness could include counting media releases or the media activity following audits, complaints and suggestions by citizens, and how audit resolves these.

The current study has highlighted a number of high-level issues that need to be addressed by PASAI members before they can build public value. The measures from Cordery and Hay (2018) that could be applied to these members are provided in Table 3 with general observations from this study.

Table 3: Measurements of value by SAIs⁶

Moore's strategy	Sub-factors	Positive Impact measured by:	Evidence from this study:
1. Strategic plan to deliver Public Value	(a) Ensuring public sector accountability	1) Lack of corruption; 2) Strategic plans to ensure public sector accountability; 3) Dollar value of funds saved due to audits; and 4) Raising the competency of the Parliamentary oversight body.	1) Weak internal controls allow for illegal acts; (see Table E-1, Panel A statistics on corruption); 2) Many SAIs lack strategic plans (see Figure 6 and discussion on operational issues); 3) Savings are not measured, while this is popular in some countries, not in the Pacific; and 4) The Parliamentary oversight bodies are silent (see Figures 4 & 5 and discussion on structural issues).
	(b) Independently & objectively support reform	5) Number of completed audits and timeliness, number of unqualified reports issued (shows that underlying reports have improved); 6) Perception of auditees on usefulness of audit as measured by number of recommendations acted upon; 7) Number of reports tabled with Parliament (or appropriate body), recommendations made to improve efficiency and effectiveness; and 8) Better practice guides, contribute to Bills.	5) Only whole of government reports considered, but many audit reports show little improvement (see Table 1 and audit qualification discussion – audit effectiveness); 6) Comments above show that many auditees do not address recommendations (see Table 1, audit qualification discussion – audit effectiveness and Figure 7); 7) Very few reports published by parliamentary bodies were found (see Figures 4 & 5 and discussion on structural issues); and 8) None were found, although this issue could be further investigated.

⁶ adapted from Cordery and Hay, 2018

Moore's strategy	Sub-factors	Positive Impact measured by:	Evidence from this study:
2. Legitimacy and Support	(a) SAI Independence	1) Independence of legislative and other arrangements.	1) Numerous SAI PMFs and PEFA state SAIs are not sufficiently independent.
	(b) Building trust	2) Accreditation, reviews by PAC and other external bodies, providing summary measures; 3) Peer reviews, Audit Committee, Report on Integrity; 4) For performance audits, using focus groups, Panel of Experts; and 5) Independent review of outsourced auditing.	2) SAI PMFs and PEFA highlight shortcomings but SAIs do not provide documents showing their response, which could help to build trust (see Figures 4 & 5 and discussion on structural issues); 3) SAIs do not publish their own annual reports which would include these (see Figures 4 & 5 and discussion on structural issues); 4) Performance audits were not analysed in this study; and 5) These are not undertaken by those having outsourced audits.
3. Operating Capacity	(a) High quality audit	1) Sufficient resources to have high quality staff and audit tools; 2) Publishing an annual report (on-time), annual plan, strategic plan, low audit costs/budgets; 3) Clean audit reports on SAI's annual report are published; and 4) Quality governance.	1) Numerous SAIs are stretched for staff and budgets (see Figures 4 & 5 and discussion on structural issues as well as Figure 6 and discussion on operational issues); 2) See above, reports are not published; 3) No reports published or examined; and 4) Some SAI PMFs note poor leadership (see Figure 6 and discussion on operational issues).

Moore's strategy	Sub-factors	Positive Impact measured by:	Evidence from this study:
	(b) Responsiveness and voice	5) Number of media releases/media activity following audits; 6) Extent of public debate and input to audit activity (e.g., # of press releases, website visits, correspondence); 7) Number of public complaints and how they have been dealt with. 8) Strategic objective to ensure that users and managers find audit reports understandable to support democracy; and 9) Recognise the digital era and drive to transform services.	5) Not examined; 6) Not examined; 7) Not examined; 8) Not found (lack of strategic plans and these were not examined); and 9) Not examined.

External influences on SAIs

We also applied a model developed by Cordery and Hay (2021) in the book *Public Sector Auditing*. The model was developed to assess the extent to which each INTOSAI member globally is subject to external influences. It is used here to assess whether these influences provide relevant strengths and weaknesses for each SAI in responding to local challenges as already highlighted.

The Cordery and Hay (2021) model examines factors that might be expected to influence the extent to which SAIs come to resemble other SAIs. (This is sometimes called isomorphism). These factors are also likely to be relevant in explaining the effectiveness of SAIs. The three factors are a set of influences that are known to have an impact on the structure of entities (DiMaggio and Powell, 1983). They are coercive, mimetic and normative influences.

Coercive influences

Coercive influences are relevant when an external body can influence an organisation. Cordery and Hay (2021) examine whether high levels of aid (ODA), lower national income, higher debt and higher stock market capitalisation will be associated with adopting the model of SAI that includes an independent auditor-general.⁷ They suggest that it is plausible that these factors might influence public sector auditing, because aid agencies and lenders sometimes demand high quality accountability and auditing and might require their own preferred form of SAI to be imposed. This is a form of coercive isomorphism. Also, in countries with large and important stock markets, investors might expect similar accountability measures to those that apply in the financial markets, such as financial reports and audits. We might also expect that these measures will be associated with a more effective SAI. However, Cordery and Hay (2021) conclude that the evidence does not show that coercive influences have an overall impact on the type of SAI model adopted. Nevertheless, some of the measures might be relevant to our study of issues related to SAI effectiveness.

Table E-1 shows that PASAI member jurisdictions with relatively low ODA are Fiji and Papua New Guinea; a jurisdiction where it is relatively high is Tuvalu. Samoa and Tonga have high debt to income compared to other SAIs. Guam, Northern Mariana Islands and Palau have high GDP compared to other SAI areas. Papua New Guinea stands out as having the highest total debt and highest stock market capitalisation (of the two jurisdictions that have stock markets). There is thus some indication that jurisdictions with low development aid, low debt and low GDP have lower quality financial reporting and auditing. However, the evidence is not compelling and coercive external influences do not stand out as being associated with advantages for public sector auditing.

Mimetic (uncertainty) influences

Mimetic influences occur when organisations copy their organisational form from others that are successful or legitimate, especially under conditions of uncertainty. In the Cordery and Hay study, there was some evidence of this process occurring.

The influences examined in this PASAI study were political stability, property rights, political rights, civil liberties, public corruption and governmental effectiveness. I found that political

⁷ Or equivalent such as Office of the Public Auditor. The World Bank (Stapenhurst and Titsworth 2001) calls this the Westminster model and contrasts it to other forms of SAI that use a court system (as in French Polynesia) or a board system (as in Indonesia).

stability scores were high (rank in the top 20 countries) for the Federated States of Micronesia (and thus for Chuuk, Kosrae, Pohnpei and Yap), and for Samoa and Tuvalu; medium (35-55) for Fiji, Kiribati, Palau, Tonga and Vanuatu; and low for Papua New Guinea and the Solomon Islands. Property rights were similar in nearly all of the SAI jurisdictions at 3 to 4 on a scale of 1 to 6, with the exception of Papua New Guinea (2). Political rights and civil liberties were similar to each other and most SAI regions scored the highest score of 1. Exceptions are Fiji, Papua New Guinea, Solomon Islands and Tonga. There appears to be an association between better accounting and auditing and more favourable scores on the uncertainty measures.

Normative influences

Normative influences are important when there are professional influences from education, especially university education in a discipline, and from professional membership and activity. Cordery and Hay examine education levels and professional accounting including an index of auditing standards and enforcement, adoption of international standards and membership of regional SAI bodies. They conclude that there is consistent evidence that normative isomorphism has an effect on the type of SAI in a country.

The equivalent measures that were available to us for this study are the primary education completion rate, and the existence of an accounting profession (see Panel B of Table E-1). The results are not as informative as I had hoped, perhaps because scores are all relatively similar. PASAI itself is a normative influence, which also affects all of the SAIs in the study. In addition, data for these measures is limited.

Summary comments

Based only on the isomorphic influences, and therefore before taking account of special national and local differences, it is to be expected that coercive, mimetic and normative influences would affect the type of SAI and its operations. Similar influences would also affect the accounting profession in each SAI and therefore the issues that come to the attention of the auditors. Based on the previous two effects, audit issues are also influenced by these factors.

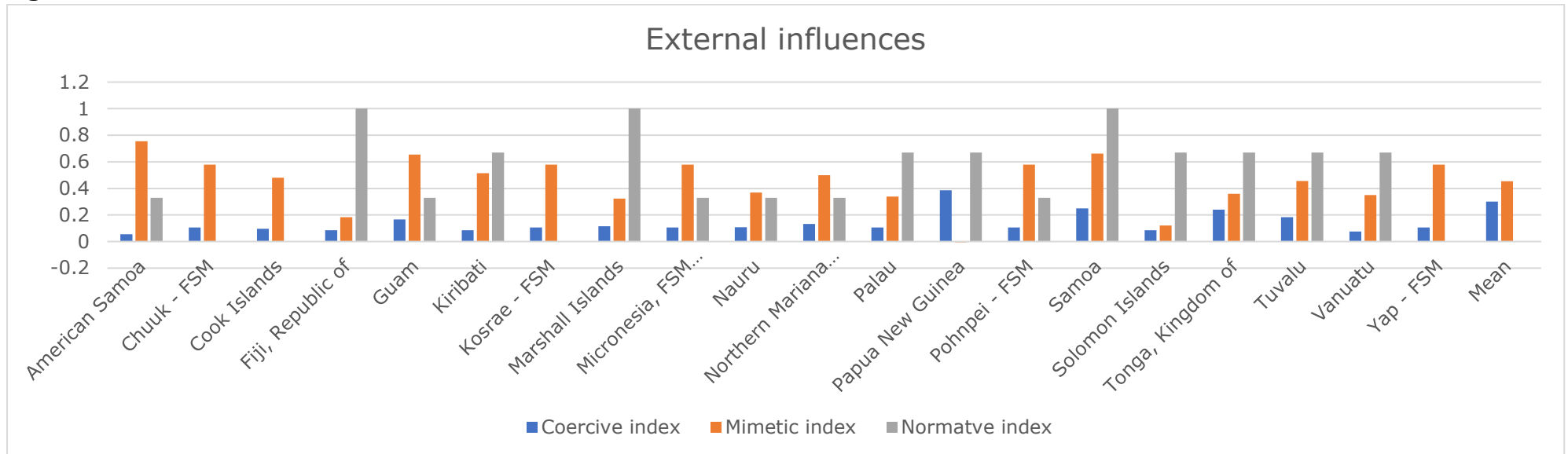
Figure 8 depicts how the isomorphic influences and other relevant factors might interact. Influences such as debt, political stability and education might have an impact on the availability of qualified accountants and standard of accounting, and also on the availability of auditors and standard of auditing. Constitutional factors such as the independence of the audit function and its funding will also affect the quality of auditing. The two factors of accounting and auditing will have an impact on the quality of accounting records and financial reports, and this will affect the audit opinion issued and the management letter recommending any necessary changes. There will also be a feedback loop, where matters in the audit opinion and management letter can have an influence on the constitutional arrangements for auditor independence.

Figure 9 shows graphically the influences across the PASAI members. There is some indication that coercive factors (aid, debt and income) have a positive impact on the quality of accounting and auditing in the 20 PASAI jurisdictions. Our results show that the factors associated with mimetic isomorphism appear to have an impact, and that where there is less political stability, lower property rights and civil liberties and more corruption, then it is more difficult for auditing to be of high quality. These factors are also indicators of less stability. I did not find evidence of normative influences. This may be because all of the SAIs are in similar settings as far as education and professional accounting are concerned, but also because they are all subject to similar influences from PASAI.

Figure 8: Interrelation of factors having an impact on audit opinions and management letters



Figure 9: External influences



Coercive index: index of aid (official development assistance), debt to income, total debt, gross domestic product and market capitalisation

Mimetic index: index of political stability, property rights, political rights, civil liberties, public corruption and government efficiency

Normative index: index of financial reporting standards, auditing standards, primary education, bachelor’s degrees, accounting profession

Causation analysis

The reasons for recommendations not being taken up by the governments concerned are discussed in this section. Most commonly, these were staffing issues at the government agencies concerned. The main issues were internal control, accounting liabilities, systems for taxation revenue, reconciliations, and timely accounting. The main reasons stated by SAIs for not addressing these recommendations were:

- Staff capabilities and staff numbers in the accounting functions
- Weak internal control contributing to the other issues
- Management responsibility issues such as management not responding to issues or agreeing but not assigning explicit responsibility
- Communication among governmental units or among staff
- Transitions between cash and accrual accounting
- Parliamentary scrutiny not being fully developed.

In each case for American Samoa, Chuuk state, the national office of the Federated States of Micronesia, Guam, Kiribati, the Marshall Islands, the Nauru, Solomon Islands, Tuvalu and Vanuatu, some form of staff issue was mentioned in the SAI PMF. Variations on the issue of staff included the staff ability to conduct reconciliations, or staffing levels and qualifications and the related budget. It is clear that the difficulty in obtaining suitably qualified staff is an important issue throughout the region.

Other issues that were mentioned and that relate to management within the country or state include disagreements regarding recommendations (Chuuk); operational planning and strategy (Kiribati); and missing documentation (American Samoa, Marshall Islands). In Tonga, the move from a cash basis to accrual accounting was cited as an issue.

Some issues seem more amenable to changes that could allow audit recommendations to be implemented. These include disagreement over whether a recommendation is necessary (Chuuk). In the Marshall Islands, a documentation plan for the SAI is needed. In Nauru, the management comment is often "noted", but without a commitment to address the recommendation. In Papua New Guinea, no management response was provided, and there is some difficulty in getting staff to share learning from overseas experience. Some of the proposals in this report may help to overcome these issues.

Proposals

A: Recommendations to ensure audit issues are followed up

Proposal 1: Help SAIs to meet SAI PMF or PEFA requirements

Some SAIs do not meet the minimum requirements for the SAI PMF or PEFA framework, and score a zero or D. Some of the requirements not met include e.g., lack of documentation, lack of strategic planning and these should be capable of being implemented. I recommend that PASAI should present workshops for SAIs on the SAI PMF and PEFA measures so SAIs can work on areas where improvement is needed and so that they can subsequently measure improvement. Templates and standard documents may also assist.

Proposal 2: Encourage follow up of SAI PMFs and PEFAs

Encourage SAIs to conduct a follow-up review of their SAI PMFs and PEFAs. After one or two years, the SAI should be able to self-review and decide whether improvements have been made. In conjunction with this recommendation, SAIs should encourage inhouse training, especially where audit staff have gained relevant experience in other countries.

Proposal 3: SAI annual reports

Annual reports by SAIs can help to achieve the objectives of legitimacy and support needed to deliver public value. This proposal is for each SAI to publish an annual report setting out its objectives and achievements. An independent audit of that report would deliver higher public value.

Proposal 4: Public Accounts Committees

A Public Accounts Committee (PAC) of the legislature (or a function that is equivalent to a PAC) is a widely used mechanism, in conjunction with a SAI, for assuring public sector accountability. A World Bank paper (Stapenhurst et al., 2005) examines this institution and reports seven case studies at the country or state level that use the system of public sector auditing similar to that used in these SAIs. They describe the PAC as an important institution of public sector accountability. It is not clear to what extent PACs are active in SAI countries or states, but this proposal recommends greater use of them. High-level scrutiny of government financial reports, audit opinions and management letters will help to encourage public sector accounting to be further developed and recommendations to be implemented. Khan and Hoque (2016) examine this mechanism in a developing country setting and note its effectiveness. To make these committees more effective, I recommend SAIs should provide briefings to newly elected members of Parliament and other elected representatives on public sector accountability. The SAI could also provide briefings to the PAC explaining issues of accounting and internal control that the PAC could ask to be explained by public sector managers.

Proposal 5: Government response to audit recommendations

In some jurisdictions, each recommendation by the auditor is accompanied in the management letter by a management response indicating what is to be done. This recommendation is that publications of responses should be more widely implemented, and the auditee should give a detailed indication of what is to be done where recommendations are significant.

Proposal 6: Office of the Government Accountant

In most cases, many of the recommendations arise from shortages of accounting staff in the government bodies that are audited, or lack of the necessary skills. I suggest that each SAI should encourage their government to appoint a chief accountant with overall responsibility for improving the recruitment and training of accounting staff. This official should also be involved in ensuring that auditor recommendations are implemented. Many SAIs reported common issues which result from poor financial management and lack of attention to audit recommendations. This appointment may help to avoid these problems. It may be helpful to consider centralised accounting advice and possibly centralised accounting systems

Proposal 7: Key Audit Matters

A recent innovation in the private sector in many countries is the requirement for auditors of listed companies to discuss Key Audit Matters in the audit report (Critical Audit Matters in the USA). Reporting Key Audit Matters in the audit reports of listed companies has generally been useful in informing stakeholders of the important issues arising in the audit, and how they have been approached by the auditor. Adding these to audit reports by SAIs on whole-of-government financial reports will help to ensure stakeholders understand what is going on, and also motivate government bodies to improve their accounting processes and controls.

Proposal 8: Material weaknesses

I suggest that SAIs adopt something similar to the requirement for major listed companies in the United States for auditors to identify Material Weaknesses and include them in the audit report. This distinction will help to clarify more important issues. According to the Public Company Accounting Oversight Board (PCAOB, undated):

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

This is in contrast to a significant deficiency:

a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Reporting material weaknesses in the audit report, and disclosing the number of significant deficiencies, would provide further clarification about the audit issues that need to be addressed. It would also be useful in reporting (see below). To accompany this change, it would be helpful for public sector managers to also be responsible for reporting on internal control and whether there are Material Weaknesses, so that the auditors are providing independent attestation of reports by management.

Other issues specific to PASAI

I found substantial differences between SAIs that use US GAGAS vs ISSAI. Some of the differences were directly related to the use of the particular auditing standards, while other associated differences were related to other factors about the jurisdictions concerned. These differences are often also related to the use of externally-provided versus in-house auditors. However, it is not recommended that externally-provided auditing is adopted more widely, as it has the disadvantage that it does not contribute to developing local expertise.

B: Reporting framework

Proposal 1: PASAI summary

It is proposed that PASAI should publish on its website and regularly update a summary table of key measures for each SAI. These should include: the latest year that whole-of-government accounts were audited; type of opinion (modified, qualified, adverse, etc.); number of material weaknesses; number of significant deficiencies; number of material weaknesses and significant deficiencies not remediated since the prior year. This information is very general and not likely to cause confidentiality issues.

Proposal 2: The reporting framework in Appendix B

Appendix B presents our approach to reviewing each whole-of-government financial report and audit. It is designed to summarise the audit opinion and major issues, and then provide more context.

Proposal 3: Assess for future development whether SAIs can add value using Moore's public value framework as part of a strategic review

This assessment can be based on the discussion of the framework in this report (see Table 3). The framework includes various measures of positive impact.

References

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Appendix A: Research procedures for each SAI

Table A-1: Data and Overview of major issues

SAI	Most recent years' accounts	Financial statements examined	Most recent management/internal control letters	SAI PMF	PEFA	Out-sourced audit	Auditing standards used	Audit opinions
American Samoa	2018, 2019, 2020	Financial Statements of unincorporated Territory of the USA	2018, 2019, 2020	2021	-	Y	GAGAS	Adverse 2018, Qualified 2019-20
Chuuk - FSM	2018, 2019, 2020	Government-wide financial statements	2019, 2020	2020	-	Y	GAGAS	Qualified
Cook Islands	2017, 2018, 2019	Financial Statements of Government	Not available	2016	2021	N	ISSAI	Qualified
Fiji, Republic of	2018, 2019	Financial Statements of Government	2018 (2 years)	2020	-	N	GAGAS	Qualified
Guam	2018, 2019, 2020	Financial Statements of	2018, 2019, 2020	2019	-	Y	GAGAS	Emphasis of matter 2018

SAI	Most recent years' accounts	Financial statements examined	Most recent management/internal control letters	SAI PMF	PEF A	Out-sourced audit	Auditing standards used	Audit opinions
		the Government of Guam						
Kiribati	2017, 2018, 2019	Government of Kiribati Annual Account	2017, 2018, 2019	2020	2016	N	ISSAI	Disclaimer 2019, Qualified 2017-18
Kosrae - FSM	2018, 2019, 2020	Financial Statements of the State of Kosrae	2018, 2019, 2020	2018	-	Y	GAGAS	Emphasis of matter
Marshall Islands	2017, 2018, 2019	Financial Statements of the Republic of the Marshall Islands	2017, 2018, 2019	2021	2012	Y	GAGAS	Unmodified
Micronesia, Fed. Sts.	2018, 2019, 2020	Financial Statements of the Federated States of Micronesia	2018, 2019, 2020	2020	-	Y	GAGAS	Emphasis of matter

SAI	Most recent years' accounts	Financial statements examined	Most recent management/internal control letters	SAI PMF	PEF A	Out-sourced audit	Auditing standards used	Audit opinions
Nauru	2016, 2017, 2018	Whole of government	2016, 2017, 2018	2019	2021	N	ISSAI	Disclaimer, Qualified
Northern Mariana Islands	2017, 2018, 2019	Financial Statements of the Commonwealth of the Northern Mariana Islands	2017, 2018, 2019	2021	-	Y	GAGAS	Adverse
Palau	2018, 2019, 2020	Financial Statements of the Republic of Palau	2017, 2018, 2019	-	-	Y	GAGAS	Emphasis of matter
Papua New Guinea	2015, 2016, 2017	Public account of the government	2015, 2016, 2017	2020	-	N	ISSAI	Disclaimer
Pohnpei - FSM	2018, 2019, 2020	Financial Statements of the State of Pohnpei	2019, 2020	2019	-	Y	GAGAS	Qualified

SAI	Most recent years' accounts	Financial statements examined	Most recent management/internal control letters	SAI PMF	PEF A	Out-sourced audit	Auditing standards used	Audit opinions
Samoa	2017, 2018, 2019	Whole of government	2019	2020	2014	N	ISSAI	Emphasis of matter
Solomon Islands	2015, 2016, 2017	Whole of government	2016-17	2017	2012	N	ISSAI	Disclaimer
Tonga, Kingdom of	2018, 2019, 2020	Financial Statements for the Government	2020	2018	2020	N	ISSAI	Qualified
Tuvalu	2018, 2019, 2020	Whole of government	2018, 2019, 2020	2018	2011	N	ISSAI	Adverse 2019, Qualified 2018, 2020
Vanuatu	2015, 2016, 2017	Whole of government	2015-17	2020	2013	N	ISSAI	Adverse
Yap - FSM	2018, 2019, 2020	Government-wide financial statements	2018, 2019, N/A	2018	-	Y	GAGAS	Adverse

Table A-2: Overview of auditor findings of issues and other characteristics

SAI	Staffing	Independence	Timeliness	Accrual vs Cash	GAAP	Parliamentary issues	Asset/liability values	Taxation	Internal control	Slow follow up of recommendations	Audit Qualification
Panel A: US GAAP reporting and externally-provided auditor using US-GAGAS											
American Samoa	S* T*	Ac*, HR* Le*	x	Accrual	US	* Pub. rep	L*	*	*	*	*Ad1,Q2
Chuuk - FSM	S* T*	Ac* HR*	X	Accrual	US	* Scrutiny	L*	*	*	*	*Q3
Guam	S* T*	x	F*	Accrual	US	x	L*	*	x	x	X
Kosrae - FSM	T*	Ac* Le*	x	Accrual	US	x	X	x	x	x	X
Marshall Is.	S* T*	x	X	Accrual	US	x	A*	x	*	*	X
Micronesia, FS National	T*	HR* Le*	X	Accrual	US	x	X	x	*	N/A	X
Nauru	T*	Le*	F* R*	Accrual	US	x	A* L*	x	*	*	*D1,Q2
Northern Mariana Is.	S*T*	x	X	Accrual	US	X	A* L*	x	*	*	*Ad3
Palau	S* T*	-	x	Accrual	US	-	A* L*	*	*	*	X
Pohnpei - FSM	T*	HR*	X	Accrual	US	X	L*	x	*	X	*Q3
Yap - FSM	S* T*	HR*	x	Accrual	US	x	X	x	*	*	*Ad3

Appendix B: Results for each SAI

American Samoa



Issues

Adverse and qualified opinions on these accrual accounts due to:

GAAP not applied to consolidation	Yes, 2018-20 American Samoa Power Authority
Insufficient evidence of balances (cut-off)	Yes, due to poor systems
Actuarial valuations questionable	Yes, 2018-20 (staff benefits)
Poor taxation practices (past due/fraud)	Yes, 2018-20 (both)
Unauthorised activity/poor processes	Yes, fraud but also lack of reconciliations and deficiencies in internal controls
Poor internal controls	Yes
Severe breaches of legal requirements	Yes
Going concern qualification?	Yes, LBJ Health Centre

Recommendations made by auditor

A lack of reconciliation of ledgers in respect of federal awards, accounts not closed in a timely manner and difficulties with GAAP compliance. Recommended a monthly close-off instead of just an annual one.

Issues with collections of taxes and communication with Treasury. Recommend a replacement for the unintegrated 'Moana' tax system.

More and better trained staff are required to ensure all documents are able to be obtained and financial reports to be available for all aspects of the audit. Material Weaknesses in Internal Controls were noted, including unallowable costs/ expenditures made against grant funding.

Whether auditor's recommendations adopted

Recommendations are accepted and on average three are resolved each year, but issues continue. No new tax system has been identified or implemented. While Territory has responded that it has enhanced its standard operating policies and training, this has not yet had an impact.

In 2019, an auditor recommendation on a deficiency with workers compensation calculation was disagreed with. This deficiency is repeated in 2020 with some areas of agreement.

Reasons for auditor's recommendations not being implemented

Not stated, although a new tax system is still being researched.

Overall comments

Externally-provided audits completed in six months after year-end. Overall, there is a need for basic procedures to be improved and also for a new integrated taxation system. With respect to the SAI, there is insufficient budget and senior/ longstanding people have left. A new SAI Head has only recently been appointed and therefore a lack of leadership has impacted the SAI's operations. The SAI PMF notes that lack of manpower and qualified staff restrict the SAI's ability to meet its mandate, as does its lack of documentation of planning processes and strategic plan.

Chuuk State - Federated States of Micronesia



Issues

Qualified opinion on these accrual accounts due to:

Liabilities incorrectly valued	Yes 2018-20 land leases & related claims under-reported
Poor taxation practices (past due/fraud)	Internal control deficiency late postings of tax
Poor internal controls	Yes 2018 - need better reconciliations and timely posting of cash receipt and tax collections, reducing to small errors by 2020
<p>Other:</p> <p>Recent audits make an emphasis of matter due to receivables from the FSM National Government and Covid-19</p>	

Recommendations made by auditor

The financial audit highlights the issues that require correction and better compliance. These include: lack of documents (challenging verification of some assets and fire damage to lease agreements); lack of timely reconciliation on subsidiary ledgers and loan records. The auditor encourages the public sector to obtain bids on contracts for transparency and fairness.

Whether auditor's recommendations adopted

There is a corrective action plan with dates and individuals alongside to correct each highlighted issue. Nevertheless, these few items have been carried over each year. There was auditor-auditee disagreement on one point which was compliance with grant documentation.

Reasons for auditor's recommendations not being implemented

No reasons are obvious, except for the comments below.

Overall comments

Externally-provided audit completed in an increasingly timely manner and now completed within 3 months of year end. With respect to the SAI, there is insufficient budget which means the SAI cannot employ the six staff it budgeted for, nor can they afford to engage in external training. The SAI PMF notes that lack of manpower and qualified staff restrict the SAI's ability to meet its mandate, as does its lack of documentation of planning processes and strategic plan.

Cook Islands



Issues

Qualified opinion on these accrual accounts due to:

Use of uncleared suspense accounts	2017
Lack of disclosure of key estimates/ assumptions	2017
Actuarial valuations questionable	2017 financial instruments
Poor taxation practices (past due/ fraud)	2017-19 receivables
Insufficient evidence of balances (cut-off)	2017-19 receivables/low interest loans
Insufficient evidence of asset balances	2017-19
GAAP not applied to consolidation	2017-19 inter-entity trans/prior period adjustments
Lack of timeliness in audit	Yes but improving

Recommendations made by auditor

The PEFA notes that all issues raised in prior years were to be followed up in subsequent audits. There is no evidence of this. The audit reports are qualified for the same matters each year (there was an improvement from seven issues in 2017 to four in 2018 and 2019); 57% of government's budgeted expenditures are subjected to internal audit.

Reasons for auditor's recommendations not being implemented

A lack of capacity results in financial reports not being available for audit, as well as slow reconciliations and lack of adherence to policies. A lack of parliamentary scrutiny may also contribute to recommendations not being implemented.

Overall comments

Audits completed in eighteen months after year-end. The PEFA showed improvements over the SAI PMF 2016 and the reforms that have been undertaken in the interim. A new financial management system was installed in 2017. However, the impact of budget constraints, a lack of control over Human Resource functions, and a lack of independence are exacerbated by the lack of auditor reporting to Parliament. Poor practices in the public sector begin with a lack of reconciliations which are basic to the audit function.

Fiji, Republic of



Issues

Qualified opinions with emphasis of matter paragraphs on these IPSAS cash accounts due to:

Accuracy and completeness of Trust Fund balances	2018-2019 Significant amounts included in the balances of the Trust funds could not be sufficiently verified
Emphasis of matter due to unreconciled variances in multiple balances	2018-2019 Ledgers, bank statements and reported accounts do not reconcile for multiple ministries
Trading and Manufacturing accounts are operating under a semi-accrual basis instead of full accrual basis	2018-2019 They are also not disclosed in the financial statements. It is also divergent from the other accounts which are prepared under IPSAS Cash
No adjustments have been made to the financial statements for the financial implications if any caused by COVID-19 although measures and initiatives made by the government to ensure the safety of the public and the economy have been disclosed	There are notes and disclosures but no adjustment to any forecasts, recoverable balances or outstanding debt
Internal controls continue to be an issue in almost all the ministries	If they are not properly addressed, these can result in future material misstatements
Other: 2018 Mis-procurement of a project has resulted in a donor pulling funds for the project, leaving the Government to incur the full cost of the project that totals over \$30 million	

Recommendations made by auditor

Audit reports are significantly delayed, and some management letters are not available. In the only management letter analysed (2019), there were 2 recommendations for the current year for issues regarding the financial statement of government and 9 current issues regarding consolidated issues of ministries and departments. There were also 4 current year resolved issues for the financial statement of government and 3 current year resolved issues for the consolidated issues for ministries and departments. Of the prior year audit recommendations of issues, only 3 were resolved. There were still 14 prior year issues that were not resolved, 3 were for issues regarding the financial statement of government and 11 were for issues regarding consolidated ministries and departments.

The issues that were raised by the qualified opinions are almost identical for both years of interest.

Whether auditor's recommendations adopted

Almost all the recommendations were agreed upon and gained a response. The resolved issues show progress, but the mounting prior year issues need to be addressed timely, so it does not accumulate more.

Reasons for auditor's recommendations not being implemented

Timeliness of submitting audited accounts to Parliament is a major issue. While the Ministry of Economy is responsible for the financial statements, it does rely on the other ministries for the data it consolidates. Those ministries are struggling to keep up to date data due to lack of capable staff and lack of resources. There are also legacy issues that were inherited and reconciliations that stretch back over 20 years. One ministry quoted that with current staff constraints they are on pace to finish those past reconciliations in a few years' time. There are also recommendations not implemented due to differences in accounting regulations and legislative mandates governing specific departments actions. Internal control issues are also an ongoing problem, but the MOE has stated that it is more a responsibility of the accounting heads of ministries rather than something that the Central Government should be dictating.

Overall comments

The Office of the Auditor General has a sufficient mandate to conduct its audits across its jurisdiction. However not being fully financially independent is a hindrance as budget appropriation must still go through the appropriate ministries. There have also been instances of interference from the Executive towards the OAG although these issues were minor.

Timeliness of receiving financial information remains an issue causing a backlog of audits. During the 2018 financial year, the OAG outsourced the external audit services for certain financial audits including those that were in back-log, to the accounting firms BDO, EY, and KPMG. The process of engaging Chartered Accounting firms is through invitations to tender.

The current AG was appointed in 2017 after two years of the position being vacant which partially explains why audits were late. The public financial management system in Fiji is on track to be strong in terms of control of the execution of the budget. However, the timeliness of the annual financial statements that impinges on realising the benefits of the good external scrutiny that Fiji possesses.

Guam



Issues

Emphasis of matter due to:

Liabilities incorrectly valued	Yes 2018 with first-time adoption of post-retirement benefits (GASB 75) & other immaterial matters
Insufficient evidence of asset balances	Missing receipt sequences (immaterial)
Actuarial valuations questionable	Leases an immaterial issue
Poor taxation practices (past due/fraud)	Yes 2018 as limitation in human resources meant severe delays in processing tax returns. The auditor could not assess the impact of the Trump Tax Cuts and Jobs Act 2018.
Late/missing financial statements	2019 because the Guam Housing and Urban Renewal Authority was late in completing its financial reports. These include an overstatement of unearned revenue
Covid-19	Yes 2019 and 2020

Recommendations made by auditor

There is an increasing number of recommendations (e.g., 17 for 9 government agencies were added to four carried over from 2018, 20 were listed for 2020). These relate to General Ledger maintenance, reconciliations, General Ledger integration and validity; need for better systems and extra staff to enable tasks to be managed. Recommendations also address correcting the classifications of certain revenues and expenditures and the need to pursue debt collection. They note the need for further analysis and data in respect of tax refunds, especially for the 2018 tax cuts. Monitoring is required.

Whether auditor's recommendations adopted

The prior period issues and recommendations are carried over with no agreement/dissent. No table of outstanding issues and actions is provided.

Reasons for auditor's recommendations not being implemented

The externally-provided auditor highlights public sector staff shortages. No other comments are provided as to why the recommendations continue to grow.

Overall comments

Externally-provided audit completed in an increasingly timely manner and now completed within 8 months of year end. The SAI PMF calls for more staff autonomy, better staff training, and the auditor likewise seeks more staff across the public sector.

Kiribati



Issues

Qualified opinion on these cash accounts due to:

Actuarial valuations questionable	Yes, but these are audited by a fund manager (has led to an emphasis of matter)
Unauthorised activity/poor processes	Unauthorised expenditure, annual board to consider cash balances not held 2017
Poor internal controls	Yes
Severe breaches of legal requirements	Some
Other: Disclaimer of opinion in 2019 due to outstanding 2018 audit issues overstatement of revenues for 2019, understatement of expenditure, lack of certain evidence and incorrect adjustments Emphasis of matter as Kiribati still has not adopted IPSAS for Cash Basis	

Some issues with incorrect records being given to auditors but also reconciliations. Detailed analysis of budget and expenditure, including staff leave - materiality does not seem to be an issue.

Recommendations made by auditor

There are a number of issues regarding specific balances and unreconciled amounts. Reconciliations between departments and central government, and the data provided to auditors are also issues. Materiality does not appear to have been considered as many items are quite small (e.g., \$200) with all issues being less than \$250k. However, in 2017 more Departments have an unqualified opinion over two years prior (15 rather than 9). The auditor struggles to opine on certain foreign bank accounts. The audit opinion includes an emphasis of matter concerning the Revenue Equalisation Reserve which is handled by a fund manager.

Whether auditor's recommendations adopted

Some have been resolved but these are very detailed. Government generally agrees with the recommendations and promises to fix errors in the following year, to undertake reconciliations, to improve the imprest database and minimise errors, but these continue to be highlighted. Departments agreed not to provide detail of unauthorised expenditure unless material.

Reasons for auditor's recommendations not being implemented

See below which summarises the SAI PMF report as reasons for non-implementation of recommendations.

Overall comments

The audit of cash accounts took 18 months in 2017 and 2018, 11½ months in 2019. The SAI also opines on the government's budget.

The SAI PMF notes that there is a lack of qualified staff across the public sector including local councils (87% of the 23 councils had not submitted financial statements due to a lack of expertise). It states that the SAI operates within a weak PFM system. Although there have been improvements in some areas as identified by the 2017 PEFA assessments, among other pillars of the PFM systems, the SAI PMF argued there was a need to improve the Financial Management Information Systems to improve fiscal controls, consolidation of data, analysis, and reporting. Kiribati also needs to train finance officers within government entities so that they are familiar with the system. This would ensure the completeness and integrity of financial information captured by the system. The SAI PMF notes that such developments will improve the timeliness and quality of financial statements available to be audited.

These issues also impact the SAI which the SAI PMF notes lack the expected key internal governance systems such as having clear processes for organisational planning and quality. Poor planning may lead to ineffective use of limited resources, especially when combined with an operational plan without appropriate. The SAI PMF calls for the SAI leadership to take immediate action to establish a better culture aligned to quality and includes structured and systematic training, but this has not occurred.

Kosrae State - Federated States of Micronesia



Issues

Qualified opinion on these accrual accounts due to:

Poor internal controls	Yes, only in 2020 and this relates to untimely reviews of bank reconciliations and financial statements
Other: Audits make an emphasis of matter due to receivables from the FSM National Government and Covid-19	

Recommendations made by auditor

The financial audit highlights issues in 2020 that require correction and better compliance as above. There were no issues or recommendations in 2018, nor 2019.

Whether auditor's recommendations adopted

Yes, they are agreed and a lack of carry over in prior years shows they are resolved.

Reasons for auditor's recommendations not being implemented

Not applicable.

Overall comments

Externally-provided audit completed in an increasingly timely manner and now completed within 3 months of year end. With respect to the SAI, they have a small budget which makes it hard to attract qualified US nationals. The SAI PMF argues for greater autonomy and greater documentation of processes undertaken.

Marshall Islands



Issues

Qualified opinion on these cash accounts due to:

Insufficient evidence of balances (cut-off)	Yes, minor
Insufficient evidence of asset balances	Yes, minor related to documents etc.
Use of uncleared suspense accounts	Yes, Petty Cash imprest a/cs
Poor internal controls	Yes
Each year there is an emphasis of matter on Federal Grants Receivable which are being negotiated and Social Security Obligations that the government might not be able to meet in the future. 'Other matters' are that the auditor does not express an opinion on the supplementary information in the appendices although they have reviewed them	

Recommendations made by auditor

The qualifications are related (in 2017) to six 'major Federal programs' in relations to allowable costs; period of availability of Federal funds; period of performance; cash management; and as also found in four programs in 2018, and two in 2019, procurement & suspension of debatement; subrecipient monitoring and equipment and real property management.

Recommendations and issues identified some invalid petty cash imprest accounts; cash recorded for a closed bank account; Ministry of Education running an account that is not recorded by the country; miscellaneous receivables which did not have subsidiary information; unidentified income (a Dr); (in 2017 and 2019, lack of documentation on some capital assets); lack of review and reconciliation of encumbrances; exceptions in payroll expenditure; some other issues regarding small matters.

Whether auditor's recommendations adopted

During 2015/16 a long list of recommendations was still pending at the SAI, due to shortage of audit investigators.

Reasons for auditor's recommendations not being implemented

The SAI has responded to the investigations and fraud allegations by embarking on a new initiative in 2017 to train its auditors to also become Certified Fraud Examiners (CFE) to address this growing concern.

Overall comments

Externally-provided audit delayed over the time period moving from 9 to 18 months after year-end. The SAI PMF blamed the SAI's lack of documentation of their processes which limits proper coordination and planning of its audit and non-audit activities. Further, there is a limited pool of qualified accountants, and the SAI has struggled to recruit accountants and therefore there is a lack of good resources with good training. The SAI lacks a separate plan for professional development and training and is yet to implement its Quality Assurance function as specified by its manual 2014 due to staff and resource constraints, although it is planning to set up this function in the future.

Micronesia - Federated States National



Issues

Qualified opinion on these accrual accounts due to:

GAAP not applied to consolidation	Yes, 2017, but did not result in an Emphasis of matter
Poor internal controls	Yes, 2019 saw a peak of issues being raised in this area whereas only one document was missing in 2020. 2018 and 2019 highlighted the need for better reconciliations and timely posting of cash receipt and tax collections
Other: Recent audits include emphasis of matter paragraphs due to the going concern of the health insurance scheme and Covid-19	

Recommendations made by auditor

The financial audit highlights the issues that require correction and better compliance as above. Recurrent issues are timely reconciliations and controls over grants and reporting grant expenditures.

Whether auditor's recommendations adopted

While in 2018 some older recommendations were written off under 2-year and 6-year rules, others dating from 2014 onwards have been progressively resolved.

Reasons for auditor's recommendations not being implemented

The audit of 2018 highlighted the lack of staff to complete reconciliations. Although different accounts are highlighted as needing reconciliation, staff ability is apparently an issue in any non-implementation of recommendations. The SAI PMF (2020) argues there is a 'lack of meaningful action from auditees to close outstanding recommendations.'

Overall comments

Externally-provided audit completed in an increasingly timely manner and now completed within 3 months of year end. The SAI PMF highlights numerous concerns around the SAI's independence, its strategic planning and documentation of processes. The SAI PMF also found insufficient evidence that practice always follows the documented processes. It further notes the logistical difficulties in reaching across several islands and language and technology barriers.

Nauru



Issues

Qualified opinion on these cash accounts due to:

Insufficient evidence in regard to fixed assets and liabilities	2016 – 2018 Fixed assets and loans that are mandated to be reported are not included in the financial statements
Significant differences in the financial statements and evidence procured	Payables and Receivables are not recorded but there is evidence they exist
Unapproved expenses	2016 – 2018, expenses authorised by people not authorised to. Internal control procedures are not followed
Other: Disclaimer of opinion in 2016 due to insufficient evidence or inability to confirm multiple account balances, missing financial statements and differences in comparative information	

Recommendations made by auditor

The financial audit highlights issues that require correction and better compliance as above. Audit recommendations have significantly decreased from 17 in 2016 to only 9 in 2018 (2017 had 10). Recommendations relate to the need for: timeliness of financial statements (not just an issue in relation to IPSAS cash but also a breach of their mandate), proper record keeping and recording, insufficient evidence from departments causing a scope of limitation in those areas, and internal controls especially in the areas of expenses have not been followed. These recommendations highlight the need for timely and good quality financial information which will assist decision makers in making effective decisions.

Whether auditor's recommendations adopted

Each recommendation had been agreed upon by Management and was noted, but no explicit response of adoption was found. An implied adoption of recommendations could be inferred by the decrease in the number of recommendations in the period of interest. However, the nature of the concerns stated in the audit reports are repetitive during the periods of interest.

Reasons for auditor's recommendations not being implemented

While no specific reason is given for recommendations not being implemented, the lack of well-trained staff, resources, technical capability and high personnel turnover among the departments and audited institutions are issues that are alluded to in the SAI PMF report. The end result is a flow on effect which hinders the ability of the Office of the Auditor General to carry out its mandate effectively and efficiently.

Overall comments

While audited accounts are on average 3 years late, it is an improvement as 2016 was the first year in over 15 years a whole of government audit was conducted. There is a need for systemic improvement in record keeping and recording, following internal processes and procedures and also adhering to the standards both financial and legislative.

SAI independence both organisational and financial, is also an issue that will need to be addressed as the lack of independence will continue to be a constraint on effectiveness of the SAI. The SAI does not conduct performance audits but only financial and compliance as per its mandate. However, the process of these audits from strategic planning to execution needs to be improved.

Northern Mariana Islands



Issues

Adverse and Disclaimer opinions on these accrual accounts due to:

Completeness Issues, Incorrect application of GAAP, Significant misclassification of accounts	2017 – 2019 Governmental Activities and Aggregate Remaining Fund Information
Insufficient evidence to verify almost all of the accounts in the Aggregate Discretely Presented Component Units	This caused a disclaimer in one of the sections in 2017
Ongoing deficiencies in internal control	2017 – 2019 Internal control procedures are not followed in financial reporting and compliance
Other: Only section in the 3 years that had an unmodified opinion was Each Major Governmental Fund. Incorrect application of GAAP together with misclassification of accounts are also ongoing issues	

Recommendations made by auditor

Externally-provided audit by Deloitte is comprehensive in its report. It also mentions specific standards such as Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, that has been continually misapplied in 3 consecutive years. One could imply that when there is specific reference to a particular standard being misapplied as a specific recommendation to correct its application. Since the same standard appears in all 3 years in regard to adverse opinions then it also implies that management is not making headway in this recommendation.

Audit reports highlight the need for timeliness of financial statements, proper record keeping and recording, sufficient evidence from departments, and improvement in internal controls.

Whether auditor's recommendations adopted

These appear to be but lack of any management letter means that I cannot say so for sure.

Reasons for auditor's recommendations not being implemented

See above comment.

Overall comments

By having the audit externally provided, there are no significant delays in the production of audit reports. However, adverse and disclaimer opinions do show a need for systematic improvement in record keeping and recording, following internal processes and procedures and also adhering to the standards both financial and legislative.

The performance of The Office of the Public Auditor (OPA) itself is reasonable given the challenges and constraints it has faced over the years with regards, to not receiving its budget portion from autonomous agencies, inability to set competitive salary scale due to budget limitation, limited number of staffs and the limited pools of qualified professionals in the Northern Mariana Islands from which to recruit qualified auditors, with financial accounting backgrounds.

High staff turnover had also contributed to the OPA not being able to complete its planned audits and additional responsibilities being requested from the legislature.

Palau



Issues

Unqualified with emphasis of matter opinions on these accrual accounts due to:

<p>Financial statements are present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of Palau and; the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America</p>	<p>2017-2019 Similar opinions and concerns</p>
<p>Emphasis of matter is due to Uncertainty in the Republic of Palau Civil Service Pension Trust Fund's actuarial valuation has determined that the Fund has a net pension liability of \$249,453,959 which would cause the Fund's fiduciary net position to become negative in 2019. The financial statements do not include any adjustments that might result from the outcome of this uncertainty</p>	<p>This is for 2017, the net pension liability for 2018 and 2019 is \$259,395,005 and \$250,868,784 respectively. Net position of the 2018 fund to be negative in 2022 and the 2019 fund to be negative in 2023</p>
<p>The Republic has determined that the COVID-19 pandemic may negatively impact its result of operations and net position. The Republic is unable to reasonably estimate its ultimate financial impact</p>	<p>Federal Grants Receivable uncertainties. The Republic is currently negotiating with federal grantor agencies to determine the ultimate collectability of certain receivables from federal agencies</p>
<p>Other: Audit was externally-provided to Deloitte who audited most of the financial statements. The rest of the financial statements were audited by others then passed on to Deloitte. They have also conducted an audit of the compliance and the internal controls of the Republic</p>	

Recommendations made by auditor

Externally-provided audit by Deloitte is comprehensive in its report. Unqualified opinions for the three years mean the financials are true and fair however, the same item is presented in the emphasis of matter for all three years.

Whether auditor's recommendations adopted

These appear to be, but lack of any management letter means that I cannot say so for sure.

Reasons for auditor's recommendations not being implemented

See above comment.

Overall comments

By outsourcing the audit, there are no significant delays in the production of audit reports. The compliance and internal control report do present a few issues regarding internal controls that need to be improved. The performance of The Office of the Public Auditor (OPA) itself is reasonable given the challenges and constraints it has faced over the years with regards to not receiving greater budget allocation, inability to set competitive salary scale due to budget limitation and limited number of staff. Performance reports from the OPA does suggest that they are doing the best they can with the resources available however, without a PMF report or a PEFA report for holistic comparison I cannot say for sure how effective and efficient the OPA is.

Papua New Guinea



Issues

For 2015-17 there was a disclaimer of opinion on the cash accounts due to a material limitation of scope and an inability to obtain sufficient and appropriate audit evidence to support the fair presentation of the Public Accounts. Some issues raised across these and the individual SOE accounts (audits analysed for 2017-2019) include:

GAAP not applied to consolidation	Yes, on individual accounts 2017-19
Liabilities incorrectly valued	Yes, e.g., procurement registers etc not maintained
Insufficient evidence of balances (cut-off)	Yes, e.g., inadequate wage records, lack of reconciliations
Insufficient evidence of asset balances	Yes, e.g., discrepancies between trust and other accounts
Poor taxation practices (past due/fraud)	Yes, VAT in 2016
Use of uncleared suspense accounts	Yes, e.g., this leads to inability to value assets and liabilities
Unauthorised activity/poor processes	Yes, e.g., 3 trust a/cs overdrawn
Poor internal controls	Yes, e.g., lack of reconciliations and monitoring
Severe breaches of legal requirements	Yes, e.g., expenditure exceeds appropriation
Going concern qualification?	Yes, on individual accounts 2017-19

Recommendations made by auditor

To correct this situation the auditor requires the Public Accounts to be maintained and kept in accordance with government legislation. This requires properly accounting for receipts and payments, investments, and the acquisition and disposal of assets. Records are not maintained well, there are poor or absent internal controls and breaches of legal requirements. Reconciliations are not performed regularly or in a timely manner and this hampers financial statement timeliness. There are deficiencies in the application of the budgetary control framework and some trust accounts were operating in breach of the trust instruments.

The same 14 recommendations were made in 2015, with 12 in 2016 and 2017.

They include the need to monitor expenditures; reconciliations; manage appropriations within policies; tidy/manage the GL; better systems to capture new trust accounts, to be advised about new guarantees, to value and record investments and borrowing/on-lending register and practices; verify balances in trust accounts; overhaul government's management of assets; and improve record keeping for leases. Consolidation cannot occur due to lack of reconciliation. Departmental audits need to be performed. The most concerning issue is that there is no framework for financial reporting.

Whether auditor's recommendations adopted

The Department of Finance agrees to take corrective measures on 12 of the 14 issues raised in the 2015 accounts, but there are no responses recorded in the documents for 2016 and 2017.

Reasons for auditor's recommendations not being implemented

No management responses are recorded. Agencies have not addressed significant control weaknesses, nor put in place registers for assets, trusts, investments or liabilities. The SAI expresses how unsatisfactory this is and how this increases financial risks.

Overall comments

The SAI PMF notes that the SAI 'faces significant internal and external challenges. It requires strong leadership from all levels of management to make it a contemporary institution that is respected as an efficient and effective pillar of governance in PNG'. The SAI PMF 2020 notes reductions in scores since 2016 indicating that many issues are becoming more problematic rather than less.

It is a geographically demanding environment and there are tight budgets across the public sector which adversely affect the SAI's ability to work. Across the public sector there is a lack of resources to upskill staff and implement robust financial and quality controls. The SAI PMF also notes that SAI staff who are trained abroad are not encouraged to share their learnings.

Timeliness is an issue as the Act requires Departments to complete financial accounts 'as soon as possible' but this is not definitive enough and the auditor has asked to have the Act changed. There is a long list of outstanding audits.

Pohnpei State - Federated States of Micronesia



Issues

Qualified opinion on these accrual accounts due to:

Liabilities incorrectly valued	Yes 2018-20 nonexchange financial guarantees are not recorded for 'discretely presented component unit debt'.
Insufficient evidence of balances (cut-off)	Yes 2019 & 2020 One missing document for payroll
Poor internal controls	Yes (no data for 2018). 2019 & 2020 highlighted missing documents - accounts payable/expenditure, and receivable collection
Other: Audits make an emphasis of matter due to receivables from the FSM National Government and Covid-19	

Recommendations made by auditor

The financial audit highlights the issues that require correction and better compliance as above. Each year three new recommendations have been added from three in 2018 to nine in 2020. These have been added to those carried over from prior years. Recommendations relate to the need for: controls over maintaining underlying accounting records (particularly reconciliations of data and inventory); need for compliance with personnel policies and regulations; better monitoring and submission of reports; competition in procurement and controls over grant performance. These recommendations highlight the need to find missing documents and documentation, as well as to operate cost-effectively so that loans can be repaid.

Whether auditor's recommendations adopted

The individual who is responsible to resolve each recommendation and the date by which it should be resolved, are stated. There is auditor-auditee disagreement regarding whether some state loans are a liability.

Reasons for auditor's recommendations not being implemented

Despite allocating responsibility, no recommendations appear to be resolved.

Overall comments

Externally-provided audit completed in an increasingly timely manner and now completed within 3 months of year end. The SAI PMF calls for greater SAI autonomy and budget in order to meet its mandate with well-qualified staff.

Samoa



Issues

Unqualified opinions with an emphasis of matter paragraph on these cash accounts due to:

Changes to the presentation of the financial statements outlining additional requirements to IPSAS Cash Accounting affecting the consolidation and supporting schedules	2017 – 2019 There is a need for updated classification of accounts, however, this is a minor issue
Increasing future disclosures in the Fixed Asset schedule compared to the current position	Depreciation is not provided, nor it is reported on. Disclosure of depreciation is needed for future assessments
Increasing future disclosures in the Receivables compared to the current position	Significant number of receivables are more than 6 months outstanding. Future disclosure and adjustment are needed to show the appropriate recoverable amount
Project Aid Funds that are currently not in the Government's accounting system	Two projects, Civil Society Support Program (CSSP) and Technical Cooperation Facility (TCF) are disclosed as noted in Schedule 11.1, until the Ministry of Finance will include these projects as part of the system and consolidate them as Central Government reporting
Other: Under compliance audits, work still needs to be done in the ministries regarding prior period adjustments due to error, incorrect classification and mis-posting	

Recommendations made by auditor

Although there is a lack of Management letters for the years of interest, the Audit Office's report on its operations highlight areas in need of improvement. Issues include: 1) delays in preparation of financial statements by public sector entities responsible under statutes for the preparation and submission of these financial statements, 2) incompleteness and incorrectness of draft financial statements submitted for auditing, and 3) some projects are only required to be audited when expenditure exceeds a certain threshold. Other issues from prior audits that are ongoing are usually around improving reconciliations, following internal control processes or establishing internal controls, completeness and accuracy of transactions and establishing policies around fixed asset spending/ disposal and credit card usage.

Whether auditor's recommendations adopted

Indications from the Unqualified audit opinions suggests that these recommendations are adopted or are not material, but a lack of Management letters raises doubts over adoption.

Reasons for auditor's recommendations not being implemented

See above comment.

Overall comments

Samoa Auditor Office (SAO) is a relatively well-functioning entity with a strong mandate and enjoys organisational but not financial independence. Despite the lack of financial independence, the SAO believes it is not a hindrance to its work. The PMF report does highlight a few issues such as the audit standards adopted by the SAO, which are not uniform across all audit disciplines. The ISSAI has been adopted for performance and compliance audit while financial audit adopted the ISAs instead. Timeliness of submissions to parliament is also an issue if it truly wants to increase the effectiveness of the decision making. Strategic planning of audits and staff professional development also needs improvement to maintain the effectiveness of the SAO. PEFA reports an overall improvement in almost 13 indicators with minor declines in 6 and no change in the rest. The only notable decline was in the timeliness of examination of audit reports by the legislature which was also noted by the PMF report.

Solomon Islands



Issues

Disclaimer of opinion on these cash accounts due to:

Missing supporting documents for procurement, expenditure and imprests	Financial statements not prepared in accordance with Cash Basis IPSAS
Bank reconciliations not performed or not completed.	Lack of interface reconciliations in key revenue systems and in payroll systems
Inadequate supporting documentation for some assets and liabilities	Incorrect classification of debt and lack of financial statements for Special Funds
Other: all the above issues are identical for 2015-2017. Some of the State-Owned Enterprises were audited by the Big Four offices around the region.	

Recommendations made by auditor

The key issue is that the Government has inadequate control of its resources. Issues that led to a disclaimer of opinion are prevalent through all years. Management letters are combined for 2016 and 2017. There are current efforts by management to address recommendations from years prior but as the report is retrospective, those efforts are not reflected. Over 100 recommendations to ministries over the 2 years. Management has acknowledged these but follow up is needed. Misclassification of debt while ongoing in 2016 has been cleared in 2017 so the issue is only related to 2016.

Whether auditor's recommendations adopted

A very small number have been adopted but the outstanding recommendations are mounting.

Reasons for auditor's recommendations not being implemented

Majority of the reasons focus on staff or the lack thereof. Lack of well-trained staff is an issue not just with the ministries but also with the Audit office. There are also some communication issues arising from a lack of a clear line of communication for information from the department and ministries to the audit office.

Overall comments

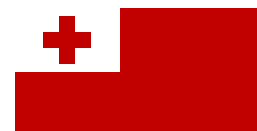
Financial audit work is impeded by two related factors, the late preparation and submission of financial statements by component entities and the poor quality of client working papers and records. Both factors have resulted in the SAI's delay in the conduct and completion of financial audits. This can be seen where the 2015 report was signed in 2019 and the 2016 and 2017 reports were audited and signed together in 2020.

The SAI does not have financial independence nor the autonomy to manage and recruit its own staff. Inability to be financially independent means that the SAI is at the mercy of the budget allocation from Ministers and ministries it audits. This has led to high turnover and inability to keep experienced staff due to the financial dependence.

The official residence of the Auditor-General is not habitable and not available for occupancy by this Constitutional post holder.

Continuing reliance on the Public Service Rental Scheme for the Auditor-General diminishes the value of his remuneration and suggests that the government does not value the post of Auditor-General. This matter links into the issue of real and perceived independence of the Auditor-General, in that he is beholden to agencies for provision of his terms and conditions of service from agencies which he is required to audit.

Tonga, Kingdom of



Issues

Qualified opinions on these cash accounts due to:

Limitations of modified cash basis in determining the full valuation of assets and liabilities under a full accrual system	2018 – 2020 Transitioning from IPSAS Cash to an Accrual basis
Unreconciled items	2020 Unreconciled cash and cash equivalents variance amounting to \$3,192,514 Unreconciled undrawn borrowing facilities
Asset valuation issues	2020 Fair Value of Property, Plant and Equipment to bring all assets into the financials as part of the transition to accrual basis
Other: Under compliance audits, work still needs to be done in the ministries regarding proper documentation and appropriate approvals for expenses	

Recommendations made by auditor

The financial audits highlight the need for improvement in proper documentation, but it is internal controls that need significant improvement. There are a lot of carryover recommendations from prior years that are yet to be resolved and a few have been partially resolved. With only a handful of recommendations resolved every year, the carryover together with the yearly recommendations will continue to mount.

Whether auditor's recommendations adopted

Management has agreed to the recommendations and responses given where there are differences. However, from the management letters I can see that adoption is still slow.

Reasons for auditor's recommendations not being implemented

The main issues stem from the transition from cash to accruals. Operating at a hybrid model poses a lot of challenges that ministries and departments find very difficult to adopt. With lack of capable staff and resources to undertake the transition, resolving recommendations will always be slow. There is also a lack of scrutiny and follow up from the legislature on issues that have modification.

Overall comments

Tonga has been performing very well in relation to its core mandate of financial audits however there are still some issues. There is underperformance in the performance and compliance audit areas. This underperformance can partially be attributed to TOAG's audit practice and, in part, to the SAI's lack of strategic direction, especially the implementation of an effective Human Resource strategy to drive professional staff development. Timeliness of financials is still an issue and while the audits have been conducted and presented to Parliament in a timely manner, it does put considerable strain on the resources of the TOAG due to reallocation of staff from other service lines in order to meet deadlines. However, this causes delays and incompleteness of planned audits.

Tuvalu



Issues

Qualified opinions in 2018 and 2020, adverse opinion in 2019.

Basis of accounting	Transition from elementary accrual to cash basis
GAAP framework	No written GAAP framework for Tuvalu
Unreconciled items	Unreconciled cash balances in 2019 and 2020, over \$500,000
Restriction on audit work	Cabinet minutes are not available to the auditor

There were four issues raised in 2018 and 2020, and eight in 2019. They include the transition from an elementary accrual basis to a cash basis; the absence of a written GAAP framework for Tuvalu; unreconciled cash balances with a shortfall of \$500,000 in 2019 and \$530,000 in 2020; and Cabinet minutes not being available to the auditor. The major issues in my opinion are the unreconciled cash balances and the Cabinet minutes.

PMF issues: -the SAI does not have financial independence nor the autonomy to manage and recruit its own staff; - limited systems and processes in terms of planning, preparing and monitoring progress against their strategic and annual plan.

In 2017 "SAI Tuvalu was not able to conduct 42% of audits they were mandated to carry out because there were no financial accounts available and submitted for audit. This included audits of public enterprises that were not outsourced and audits of island councils."

Some major weaknesses of SAI Tuvalu are the number of staff available to carry out its mandated audits. With a capacity of 14 auditors, five were on study leave during the period under review.

Recommendations made by auditor

The detailed report to Parliament includes numerous recommendations including the major issues listed under "audit issues", the other points for which the accounts were qualified and other issues. The report includes management comments, headed "management comment". It is generally not clear who the comments were made by, and in some cases the report shows that no management response was received.

Whether auditor's recommendations adopted

Each year's report includes discussion of the previous recommendations that have now been resolved and those that have not. There are very long lists of issues, both resolved and unresolved.

Reasons for auditor's recommendations not being implemented

Shortages of qualified audit staff and of accounting staff in the auditee organisations.

Trends

A different Auditor-General signed the audit reports in each of the three years, so there may be some difference in how items are treated. There are very long lists of issues raised each year, issues unresolved from previous years, and prior issues that have been resolved.

Overall comments

Lack of resources. Lack of support for sufficient resources and access to material. Lack of management responses.

Vanuatu



Issues

Adverse opinions on these IPSAS accrual accounts due to:

Material understatement of Taxation Revenue and overstatement of licence and registration fees	2015-2017 Lack of reconciliation between systems have led to the variances
Majority of payment vouchers selected for the audit did not have any supporting documentation	2015-2017 this is an ongoing issue
Unauthorised over expenditures by different Ministries. The overspend was in hiring staff to positions not on the approved staffing establishment	Same in 2015, 2016 with 2017 adding unauthorised spending on vehicles and legal costs
Provision for Doubtful Debt is significantly overstated. The provision raised could not be supported by evidence-based assumptions	The provision increases every year without adequate credit control and no systematic way of collecting outstanding debt. Most of the debt owed to the government is over 1 year
The bank account balance is significantly understated due to a lack of reconciliation	Lack of reconciliations are an ongoing issue
Other: Significant number of accounts with significant variances due to lack of supporting documents. Existence issues of unverified assets, liabilities being significantly understated and financial activity in contravention of Government financial regulations. Timeliness of accounts is also a major issue as financial statements are not submitted within legislated timeframes. All three years (2015-2017) were all signed as audited on the same day (28 th October 2021), 4 to 6 years late.	

Recommendations made by auditor

Audit reports are significantly delayed, and management letters are not available and might be irrelevant due to the delay but audit opinions have an extensive list of issues. The issues that are raised by the adverse opinions are almost identical for all years of interest. The nature and magnitude of the issues implies a need for a systematic improvement in the financial reporting from the government. The audit reports also comment on other legal and regulatory requirements that seem to be repeated year on year. Recommendations are generally categorised into the need for timely recording of transactions, timely and regularly preparation of financial statements to be used in decision making, adequate archiving and documentation procedures, frequent reconciliations of accounts with the supporting documentation at all ministries and departments, frequent bank reconciliations and foreign exchange reconciliations, and continual improvements in the valuation work of PPE.

Whether auditor's recommendations adopted

Almost all recommendations in 2015-2017 have been agreed upon with Management, however the resolution of those recommendations are still to be determined in follow up audits. Three recommendations were disputed by Management which led to two recommendations being resolved and closed while one was not being implemented due to practical reasons. There are also 20 recommendations from the 2014 audit that are still outstanding although almost have been agreed with Management. Indications from the repeated issues in all years of interest suggests that recommendations are not being adopted however, Management has indicated that there is a need for systematic improvement across the board.

Reasons for auditor's recommendations not being implemented

The lack of capable staff among the line ministries has been an ongoing issue in getting timely, high quality and evidence supported information which is needed by the SAI to conduct its work. Some recommendations that will be solved by capable staff will take time as improving staffing will take years. One of the recommendations was for Management to work closely with other ministries to provide accurate information for the audit and frequent reconciliations. Management has noted that there is a for the SAI to work together with the line ministries and Management to make this happen.

Overall comments

The significant delays in the audit reports hinder the ability of the SAI to provide efficient audit services that will benefit the public. However, there needs to be systematic improvement in the whole of government financial reporting process as their delays and deficiencies have a knock-on effect on the audit process. SAI Vanuatu's performance is restricted by the available resources and staff capacity and capabilities. A common issue that is weak across all audits is the quality control or evidence of timely review of documentation and work completed. While the SAI is utilising "TeamMate" (public audit software) the lack of high-quality policy, manuals and framework is needed to make it effective. According to the PMF report, the SAI does not have adequate independence or financial independence to operate effectively. According to ISSAIs, SAIs should have adequate mechanisms for follow up. However, there is no documented process or system to ensure a follow up audit is conducted on audits that have been completed and the recommendations that have been conveyed.

Yap State - Federated States of Micronesia



Issues

Qualified opinion on these accrual accounts due to:

GAAP not applied to consolidation	Yes 2019 (An adverse opinion due to no consolidation of Yap Fishing Authority. Some others are immaterial)
Poor internal controls	Yes
Other: Audits make an emphasis of matter due to receivables collectability and Covid-19	

Recommendations made by auditor

The financial audit highlights issues that require correction and better compliance as above. (There was no management letter for 2020.) Recommendations include the need for procedures to ensure timely cash collections (delays of 9-11 days) and monthly reconciliations of subsidiary records to the General Ledger. In 2019, immaterial recommendations included the need to recognise construction work-in-progress, review of journal vouchers, bill receivables from the FSM National government, improve internal controls over staff overtime, and to remove the reporting of interdepartmental transactions from the general fund.

Whether auditor's recommendations adopted

Recommendations appear to be adopted but lack of a 2020 management letter raises doubt over this.

Reasons for auditor's recommendations not being implemented

See above comment.

Overall comments

Externally-provided audit completed in an increasingly timely manner and now completed within 3 months of year end. While the SAI PMF is complimentary about the SAI, it notes there is a need for reform to enhance overall operational performance. The SAI needs better manuals and documentation of the processes undertaken. Staff need better development. Increasing SAI capacity would enable it to complete its audits on a timelier basis.

Appendix C: Summary of results for each SAI

Table C-1: Overview of auditor findings of issues and other characteristics

SAI	Financial reporting		Main regional audit issues					SAI issues		Audit Qualification
	Accrual vs Cash	GAAP	Asset/liability values	Taxation	Internal control	Timeliness	Follow up recommendations	Independence	Staffing	
American Samoa	Accrual	US	L*	*	*	x	*	Ac*, HR*, Le*	S* T*	*Ad1,Q2
Chuuk-FSM	Accrual	US	L*	*	*	x	*	Ac* HR*	S* T*	*Q3
Cook Is.	Accrual	IPSAS	A* L*	*	x	F* R*	x	x	-	*Q3
Fiji, Republic of	Cash	IPSAS	A*	*	*	F* R*	*	Ac*	S*	*Q3
Guam	Accrual	US	L*	*	x	F*	x	x	S* T*	x
Kiribati	Cash	None	x (cash)	x	*	F* R*	-	HR*	S* T*	*D1,Q2
Kosrae-FSM	Accrual	US	x	x	x	x	x	Ac* Le*	T*	x
Marshall Is.	Accrual	US	A*	x	*	x	*	x	S* T*	x
Micronesia, FS National	Accrual	US	x	x	*	x	N/A	HR* Le*	T*	x
Nauru	Accrual	US	A* L*	x	*	F* R*	*	Le*	T*	*D1,Q2
Northern Mariana Is.	Accrual	US	A* L*	x	*	X	*	x	S*T*	*Ad3
Palau	Accrual	US	A* L*	*	*	X	*	-	S* T*	x
Papua New Guinea	Cash	None	A* L*	*	*	F* R*	*	x	S* T*	*D3
Pohnpei-FSM	Accrual	US	L*	x	*	x	x	HR*	T*	*Q3

SAI	Financial reporting		Main regional audit issues					SAI issues		Audit Qualification
	Accrual vs Cash	GAAP	Asset/liability values	Taxation	Internal control	Timeliness	Follow up recommendations	Independence	Staffing	
Samoa	Cash	IPSAS	A*	x	*	F* R*	N/A	x	x	x
Solomon Is.	Cash	IPSAS	A* L*	x	*	F* R*	*	Ac*	S* T*	*D3
Tonga, Kingdom of	Cash/ Accrual	IPSAS	A*	x	*	F*	*	x	S* T*	*Q3
Tuvalu	Cash	None	A*	x	*	F* R*	*	HR* Le*	S* T*	*Ad1,Q2
Vanuatu	Accrual	IPSAS	A* L*	*	*	F* R*	*	HR* Le*	S*	*Ad3
Yap-FSM	Accrual	US	x	x	*	x	*	HR*	S* T*	*Ad3

Key: '*' issue; 'x' no issue; '-' data not available;

(Asset/Liability values) 'A*' Asset values questioned, 'L*' Liability values questioned;

(Timeliness) 'R*' untimely audit report, 'F*' untimely financial report;

(Independence) 'Ac' No separate SAI accounts/lack of real budget autonomy, HR* HR function within government, 'Le*' No legislative autonomy;

(Staffing) 'S*'staff capacity gaps, 'T*' training/capability gaps;

(Audit Qualification) '*Adn' Adverse opinion x number of years, '*Dn' Disclaimer of opinion x number of years; '*Qn' Qualification x number of years.

Table C-2 Recommendations frequently made by SAIs

Recommendations	Consolidation	Reconcile subsidiary ledgers	Complying with GAAP	Unearned revenue	Tax	Grant drawdowns	Provide all reports	Missing documents	Procurement	Verify assets	Underlying accounting records	Personnel policies/regulations
American Samoa	2018	2018, 2019, 2020	2018, 2019	2018, 2019	2018, 2019, 2020	2018	2018, 2019, 2020					
Cook Islands (1)	2016, 2017, 2018				2016, 2017, 2018							
Chuuk		2018, 2019, 2020		2018, 2019	2018	2019		2018, 2020	2019	2018		
Fiji		2018, 2019	No GAAP				2018, 2019	2018, 2019		2018, 2019	2018, 2019	2018, 2019
Guam		2019, 2020		2018, 2019, 2020	2019, 2020	2020	2020	2020	2020	2018	2019, 2020	2019, 2020
Kiribati		2018, 2019, 2020	2020	2018, 2019, 2020				2018, 2019, 2020			2018, 2019, 2020	2018, 2019, 2020
Kosrae - FSM		2020		2018				2018				2018
Marshall Islands		2017, 2018, 2019		2017, 2018, 2019				2017, 2018, 2019	2017	2017, 2018, 2019	2017	2017, 2018, 2019
Micronesia - FSM National		2018, 2019, 2020		2018, 2019	2018, 2019	2020						
Nauru		2016, 2017, 2018	No GAAP				2016, 2017, 2018	2016, 2017, 2018	2016, 2017	2017, 2018	2016, 2017, 2018	2016, 2017, 2018
Northern Mariana			2017, 2018, 2019				2017, 2018, 2019	2017, 2018, 2019				2017, 2018, 2019
Palau		2017		2017	2017	2017		2017				
Papua New Guinea		2015, 2016, 2017	No GAAP	2015, 2016, 2017			2015, 2016, 2017	2015, 2016, 2017		2015, 2016, 2017	2015, 2016, 2017	
Pohnpei - FSM	2019			2018, 2019		2019, 2020	2020	2018, 2020	2019, 2020	2018, 2019, 2020	2019, 2020	2019, 2020

Recommendations	Consolidation	Reconcile subsidiary ledgers	Complying with GAAP	Unearned revenue	Tax	Grant drawdowns	Provide all reports	Missing documents	Procurement	Verify assets	Underlying accounting records	Personnel policies/ regulations
Samoa	2017, 2018, 2019	2017, 2018, 2019	No GAAP							2017, 2018, 2019	2017, 2018, 2019	2017, 2018, 2019
Solomon Islands		2015, 2016, 2017	No GAAP				2015, 2016, 2017	2015, 2016, 2017	2015, 2016, 2017	2015, 2016, 2017	2015, 2016, 2017	2015, 2016, 2017
Tonga		2018, 2019, 2020	No GAAP	2019, 2020						2018, 2019, 2020	2018, 2019	2018, 2019, 2020
Tuvalu		2019, 2020	2018, 2019, 2020									
Vanuatu		2015, 2016, 2017	No GAAP	2015, 2016, 2017				2015, 2016, 2017		2015, 2016, 2017	2015, 2016, 2017	
Yap - FSM	2019	2018, 2019		2018, 2019		2018, 2019	2018, 2019	2018, 2019	2018, 2019			2019

Appendix D: SAI Scores from most recent of either PEFA and SAI PMF

Table D-1 PEFA Scores for recent reports on four SAIs

PEFA PERFORMANCE INDICATOR SCORING	Cook Islands 2020	Fiji 2020	Samoa 2019	Tonga 2020
Pillar One: Budget reliability				
PI-1 Aggregate expenditure outturn	B	D	B	D
PI-2 Expenditure composition outturn	B+	D+	D+	D+
PI-3 Revenue outturn	C+	D	D+	D
Pillar Two: Transparency of public finances				
PI-4 Budget classification	B	C	C	C
PI-5 Budget documentation	A	B	D	B
PI-6 Central government operations outside financial reports	A	D+	D+	B
PI-7 Transfers to subnational governments	A	D+	N/A	N/A
PI-8 Performance information for service delivery	C+	D+	C	B+
PI-9 Public access to fiscal information	B	B	D	D
Pillar Three: Management of Assets and Liabilities				
PI-10 Fiscal risk reporting	C	C+	C+	B
PI-11 Public investment management	C	C	B	C+
PI-12 Public asset management	D+	B	C+	C+
PI-13 Debt management	A	B	A	D+
Pillar Four: Policy-based fiscal strategy and budgeting				
PI-14 Macroeconomic and fiscal forecasting	B+	C+	D+	D+
PEFA PERFORMANCE INDICATOR SCORING	Cook Islands 2020	Fiji 2020	Samoa 2019	Tonga 2020

PI-15 Fiscal strategy	A	C+	C+	C+
PI-16 Medium-term perspective in expenditure budgeting	A	D+	D	C+
PI-17 Budget preparation process	B	B	B	B
PI-18 Parliamentary scrutiny of budgets	D+	C+	C+	D+
Pillar Five: Predictability and control in budget execution				
PI-19 Revenue administration	C+	B+	C+	C+
PI-20 Accounting for revenue	B+	B+	C+	D+
PI-21 Predictability of in-year resource allocation	B	C+	B+	B+
PI-22 Expenditure arrears	D+	D	D+	D
PI-23 Payroll controls	D+	B+	C+	D+
PI-24 Procurement management	D	B	B	C
PI-25 Internal controls on non-salary expenditure	B	A	B	B
PI-26 Internal audit	C+	A	D	D+
Pillar Six: Accounting and reporting				
PI-27 Financial data integrity	D+	A	C+	B
PI-28 In-year budget reports	D+	B+	C+	D+
PI-29 Annual financial reports	D+	D+	C+	C+
Pillar Seven: External scrutiny and audit				
PI-30 External audit	D+	C+	D+	D+
PI-31 Parliamentary scrutiny of audit reports	D	B+	C+	D

Table D-2 SAI PMF Scores for recent reports on 17 SAIs

#	SAI PMF Overall Scores	Am. Samoa '21	Chuuk FSM '21	Guam '17	Kiribati '20	Kosrae FSM '18	Marshall Is. '21	Micronesia FS Nat '20	Nauru '19
1	Independence	1	2	2	2	1	2	1	0
2	Mandate	2	3	2	3	4	3	3	3
3	Strategic Planning	0	0	1	1	1	1	1	0
4	Organisational Control Environment	0	2	2	0	3	2	1	0
5	Outsourced Audits	N/A	N/A	2	N/A	0	0	1	N/A
6	Leadership & Internal Communication	1	2	3	1	1	3	1	1
7	Overall Audit Planning	0	0	2	0	2	1	1	0
8	Audit Coverage	0	1	3	1	1	2	N/A	N/A
9	Financial Audit Standards & Quality Management	0	0	N/A	0	3	3	3	0
10	Financial Audit Process	0	0	N/A	0	0	1	1	0
11	Financial Audit Results	0	N/A	N/A	3	0	2	4	0
12	Performance Audit Standards & Quality Management	1	3	3	0	4	3	3	N/A
13	Performance Audit Process	0	3	3	0	2	3	3	N/A

#	SAI PMF Overall Scores	Am. Samoa '21	Chuuk FSM '21	Guam '17	Kiribati '20	Kosrae FSM '18	Marshall Is. '21	Micronesia FS Nat '20	Nauru '19
14	Performance Audit Results	0	2	3	0	2	2	4	N/A
15	Compliance Audit Standards & Quality Management	0	4	N/A	0	N/A	2	N/A	0
16	Compliance Audit Process	0	3	N/A	1	N/A	1	N/A	0
17	Compliance Audit Results	0	2	N/A	1	N/A	2	N/A	1
18	Jurisdictional Control Standards & Quality Management*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Jurisdictional Control Process*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
20	Results of Jurisdictional Controls*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
21	Financial Management, Assets & Support Services	1	1	3	0	1	2	3	0
22	Human Resource Management	0	1	2	1	1	1	N/A	N/A
23	Professional Development & Training	1	1	1	1	1	1	0	0
24	Communication with Legislature, Executive & Judiciary	0	1	0	0	3	1	1	2
25	Communication with the Media, Citizens & Civil Society Orgs	0	1	2	1	2	2	2	0

* for SAIs with Jurisdictional Functions

#	SAI PMF Overall Scores	Nth Mariana '21	PNG '20	Pohnpei FSM '19	Samoa '19	Solomon Is. '17	Tonga '18	Tuvalu '18	Vanuatu '18	Yap - FSM '18
1	Independence	2	2	2	2	2	2	2	1	3
2	Mandate	3	3	4	4	4	3	3	2	4
3	Strategic Planning	0	1	1	3	1	2	1	0	1
4	Organisational Control Environment	0	0	1	2	0	1	0	0	1
5	Outsourced Audits	1	1	N/A	2	0	N/A	1	0	N/A
6	Leadership & Internal Communication	3	2	2	4	3	3	1	2	3
7	Overall Audit Planning	1	1	2	3	0	1	1	0	2
8	Audit Coverage	2	1	3	1	2	2	0	0	0
9	Financial Audit Standards & Quality Management	N/A	1	3	3	1	0	0	1	2
10	Financial Audit Process	N/A	1	2	1	1	2	2	1	4
11	Financial Audit Results	N/A	2	4	2	1	3	3	0	0
12	Performance Audit Standards & Quality Management	4	1	3	2	1	1	2	0	N/A
13	Performance Audit Process	3	1	2	2	1	3	2	0	N/A

#	SAI PMF Overall Scores	Nth Mariana '21	PNG '20	Pohnpei FSM '19	Samoa '19	Solomon Is. '17	Tonga '18	Tuvalu '18	Vanuatu '18	Yap - FSM '18
14	Performance Audit Results	4	2	3	1	0	1	1	0	N/A
15	Compliance Audit Standards & Quality Management	1	1	N/A	1	3	3	N/A	0	N/A
16	Compliance Audit Process	2	1	N/A	1	2	2	N/A	0	N/A
17	Compliance Audit Results	4	2	N/A	2	3	3	N/A	0	N/A
18	Jurisdictional Control Standards & Quality Management*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Jurisdictional Control Process*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
20	Results of Jurisdictional Controls*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
21	Financial Management, Assets & Support Services	2	1	1	3	3	1	N/A	2	3
22	Human Resource Management	2	2	N/A	2	1	2	3	2	2
23	Professional Development & Training	0	1	4	1	0	1	1	1	1
24	Communication with Legislature, Executive & Judiciary	1	2	1	2	2	3	0	0	2
25	Communication with the Media, Citizens & Civil Society Orgs	0	2	1	1	0	2	1	1	1

* for SAIs with Jurisdictional Functions

Appendix E: External influences in detail

Table E-1: Panel A: Isomorphism (coercive and mimetic influences)

Country	ODA	Debt to income	GDP/head	Debt \$	Market cap	Political stability	Property rights and governance	Political rights	Civil liberties	Public corruption	GOVEFF
American Samoa	-	-	11,431	-						1.85	0.55
Chuuk - FSM	25.08	0.0	2,987			13	3.0	1	1	0.69	-0.15
Cook Islands	-	-	20,333							-0.22	..
Fiji, Republic of	2.95	25.3	5,965	852	(1)	49		6	4	0.38	0.26
Guam	0.00	0.0	35,345	-						1.24	0.27
Kiribati	21.20	0.0	1,602	-		40	3.5	1	1	0.34	-0.28
Kosrae - FSM	25.08	0.0	2,987			13	3.0	1	1	0.69	-0.15
Marshall Islands	26.93	0.0	3,495	-			3.5	1	1	-0.07	-1.55
Micronesia, FSM National	25.08	0.0	2,987	-		13	3.0	1	1	0.69	-0.15
Nauru	17.77	0.0	8,964	-				1	1	-0.55	-0.08
Northern Mariana Islands	0.00	0.0	28,005	-							
Palau	7.87	0.0	16,185	-		35		1	1	-0.55	-0.01
Papua New Guinea	2.46	20.5	2,589	17,718	12,592	141	2.0	4	3	-0.88	-0.68
Pohnpei - FSM	25.08	0.0	2,987	-		13	3.0	1	1	0.69	-0.15
Samoa	15.90	111.7	4,291	427		14	4.0	2	2	0.64	0.59
Solomon Islands	15.26	11.2	2,024	389		85	3.0	4	3	0.00	-1.05
Tonga, Kingdom of	18.38	101.5	4,168	189		50	4.0	5	3	-0.07	0.14

Tuvalu	45.63	0	3,530	-		11	3.5	1	1	0.03	-0.69
Vanuatu	15.73	0	2,903	402		55	3.5	2	2	-0.16	-0.49
Yap - FSM	25.08	0.0	2,987			13	3.0	1	1	0.69	-0.15
<i>Mean</i>	<i>17.53</i>	<i>15.01</i>	<i>7,654.23</i>	<i>1,248.5</i>	<i>12,592.00</i>	<i>38.93</i>	<i>3.23</i>	<i>2.06</i>	<i>1.69</i>	<i>0.29</i>	<i>-0.21</i>
<i>Westminster model mean</i>	<i>3.37</i>		<i>16,873</i>	<i>86,794</i>	<i>96,775</i>	<i>85.45</i>	<i>2.93</i>	<i>2.52</i>	<i>2.5</i>	<i>0.21</i>	<i>0.19</i>
<i>World mean</i>	<i>3.06</i>		<i>17,628</i>	<i>166,460</i>	<i>264,221</i>	<i>100.45</i>	<i>3.02</i>	<i>3.44</i>	<i>3.25</i>	<i>-0.02</i>	<i>-0.03</i>

Table E-1: Panel B: Isomorphism (normative influences)

Country	IFRS	ISSAI/ GAS	Primary education	Primary completion rate	Bachelor's degrees	Professional accounting institute
American Samoa		GAS				A
Chuuk - FSM		GAS				
Cook Islands		ISSAI				
Fiji, Republic of	R	ISSAI		109	5.2	I
Guam		GAS				S
Kiribati		ISSAI		93		A
Kosrae - FSM		GAS				
Marshall Islands		GAS	96	72	3.7	A
Micronesia, FSM National		GAS		88		
Nauru		ISSAI		117		
Northern Mariana Islands		GAS				N
Palau		GAS	99	100		S
Papua New Guinea	R	ISSAI		77		I
Pohnpei - FSM		GAS				A
Samoa		ISSAI	99	111	3.9	S
Solomon Islands		ISSAI		86		S
Tonga, Kingdom of		ISSAI	96	108		A
Tuvalu		ISSAI		89		
Vanuatu		ISSAI		94		A
Yap - FSM		GAS				
<i>Mean</i>			<i>97.52</i>	<i>95.33</i>		
<i>Westminster model mean</i>			<i>82.4</i>		<i>20.4</i>	
<i>World mean</i>			<i>80.01</i>		<i>19.18</i>	

(1)	Not reported (approx. \$1,462 million at 14/3/22)
ODA	Net official development assistance (ODA) as a percentage of gross national income (from World Bank statistics)
Debt to income	External debt as a percentage of exports of goods, services and primary income (from World Bank statistics)
GDP per head	Gross domestic product in US dollars divided by population (from World Bank statistics)
Debt \$	USD millions (from World Bank statistics)
Market cap	Market capitalisation in USD millions (from World Bank statistics)
Political stability	Index of political stability and absence of violence/terrorism from TheGlobalEconomy.com (1 = more stable)
Property rights	World Bank property rights and rule-based governance (6 = greater rule of law)
Political rights	Freedom House political rights measure (1 = most free)
Civil liberties	Freedom House civil liberties measure (1 = most free)
Public corruption	World Bank control of corruption (least -2.5, most +2.5)
GOVEFF	Governmental effectiveness from World Bank (least effective -2.5, most +2.5)
IFRS	R: International Financial Reporting Standards required https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/
ISSAI/GAGAS	Use of ISSAI auditing standards or US Generally Accepted (Governmental) Auditing Standards
Primary education	Primary education (World Bank)
Primary completion rate	Primary completion rate, From https://data.worldbank.org/indicator/SE.PRM.CMPT.ZS 21/3/22
Educational attainment	Educational attainment, Bachelor's or equivalent, % of population >25From https://data.worldbank.org/indicator/SE.TER.CUAT.BA.ZS
Professional accounting activity:	
	I IFAC member body or associate

	S Professional institute found by search ("is there a professional accounting institute in . . .?")
	A Practising public accountants found by search
	N listed on National Association of State Boards of Accountancy website https://nasba.org/licensure/nasbalicensing/cnmi/

Appendix F: Duties and Responsibilities from the Contract for Services dated January 2022

B. DUTIES AND RESPONSIBILITIES

Scope of Work

PASAI is interested in procuring the service of a consultant.

The appointed consultant will be required to develop a data of audit issues and to analyse that data for trends and issues and to report the reports through a written report and a reusable presentation.

The consultant will use the data collected to conduct a detailed analysis using data analytic tools and techniques at various levels. The outcomes of the analysis will be presented in a report and supported by a presentation summarising the detailed report.

The analysis will include categorising audit issues, identifying the common causes of issues and possible opportunities for regional solutions. The report will be shared with PASAI's stakeholders. The project will also require the development of a platform for SAIS to share information about audit issues and follow up on outstanding audit issues. The goal of such a platform is that by identifying and raising awareness of those issues will contribute to timely action parliaments, governments, donors, development partners, and other stakeholders to address them thus improving action on audit recommendations. It will also increase the visibility of the value of SAIS through audit recommendations contributing to improved country's PFM system. The data, once collected and developed with its in-built methodologies and approaches, will be maintained through ongoing inclusion of new information from SAIS. The consultant will perform the following services for PASAI:

1. Coordinate and collect from the twenty SAIS (American Samoa, Cook Islands, Federated States of Micronesia (FSM) — National Office, FSM — Chuuk State, FSM - Kosrae State, FSM — Pohnpei State, FSM — Yap State, Guam, Kiribati, Marshall Islands, Nauru, Northern Mariana Islands, Palau, Papua New Guinea, Republic of Fiji, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu) their audit reports covering financial and compliance audits, including audit opinions, management reports, and other related reports for the past 3 years.
2. Identify and compile the audit issues raised from audit reports and other reports and develop a database of audit issues.
3. Analyse and interpret the collected data. Categorise audit issues, identify the common causes of issues, identify factors and relationships using data analytics tools and techniques against recognised PFM frameworks (including SAI PMF and PEFA), international audit standards, and other relevant platforms. Identify possible opportunities for regional solutions to support resolution of audit issues and training and development needs in SAIS.
4. Identify and document SAIS views on the common causes for audit recommendations not being addressed so that issues reported by SAIS are resolved. And provide recommendations to encourage SAIS to forge robust stakeholder engagements ensuring audit issues are followed up and addressed in a timely manner.

5. Develop a reporting framework to present the data related analysis and interpretations. The framework should include (a) a methodology applied to analyse the data and information including the data analytic tools and techniques to be used; and (b) an approach to preparing, analysing, interpreting, and presenting the data information in an informative formal report. This reporting framework and approach will be used for future reporting by the Secretariat and should also provide a reporting model that could also be adopted by individual SAIS and used for their reporting to Parliament/Legislature.
6. Prepare and submit to PASAI a formal report from the established data, the resultant analysis, and addressing all the parts (1) to (5) above of the terms of reference.
7. Develop and submit to PASAI a PowerPoint (and/or other relevant modes) presentation on the report and present it to the PASAI Secretariat and other interested SAIS.



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