



Inside this edition:

Audit from SAI Tonga the key to Ministerial fraud scandal	1
Annual Congress set to inspire and challenge	2
SAI Chuuk working through pandemic problems with resilience.....	4
SAI Marshall Islands wins award for performance audit	5
SAI Fiji participates in anti-bribery campaign	6
SAI Pohnpei celebrates award and promotes ethics	7
SAI NSW adapts to maintain safety during pandemic.....	8
ANAO quick to respond to new audit risks	10
New Secretariat staff.....	11

Audit from SAI Tonga the key to Ministerial fraud scandal

Irregularities reported by the Tonga Office of the Auditor-General (TOAG) from a routine audit of a technical and vocational institute have resulted in the Supreme Court of Tonga finding a couple guilty of defrauding more than T\$500,000 of government grants.

The case involved a serving Cabinet Minister, a former Cabinet Minister with a previous bribery conviction, forgery, false pretences, systemic fraud, witness tampering, a private school and even a beauty pageant.

In making his verdict, Justice Nicholas Cooper described the couple’s conduct as, “an example of the worst sort of dishonesty”.

Tongan Minister for Infrastructure and Tourism, ‘Akosita Lavulavu, and her husband, former Cabinet Minister ‘Etuete Lavulavu, were the director and president respectively of a private school when they used forged documents to apply for funds from the Ministry of Education and Training (MET).

Fifty per cent of the grant money had to be spent on teachers’ salaries with the remainder used to improve teaching and learning resources and for renovations to classrooms and workshops. Instead, the couple moved the money to their private bank accounts.

The audit team noticed the names of some students supposedly enrolled at the institute were the same as those at another school they had already audited.

Auditor-General, Sefita Tangi, approved an extension to the scope of the audit and the audit team carried out a more detailed investigation of the matter. The team found some of the students the couple claimed were enrolled at their private school did not exist and they had strange ways of getting the details of others.



Auditor-General Sefita Tangi

For example, some of the fake students' details were taken from responses to a Tonga Post survey conducted when Mr Lavulavu was its director. The details of others were copied from enrolments for the Miss Heilala beauty pageant.

The TOAG found that of the school's 942 applications for the grant, only 19 were eligible. It concluded a total of T\$553,800 (USD250,000) was wrongfully sought from the MET.

Police further investigated and charged the couple in 2018 but their trial in the Supreme Court finally concluded this month.

The sentencing date is set for 2 July 2021 after which there is an appeal period. So the final outcome may come from the Court of Appeal.

PASAI's Strategic Priority #2 is advocacy to strengthen good governance, transparency and accountability. We commend not only the excellent work of the TOAG, but also the other institutions involved for acting on the audit report findings.

Mr Tangi was pleased with the court's case being completed, "The effective use of public money depends on auditees being accountable for any non-compliance discovered by our audit work.

"This outcome sends a message that we bring transparency to public financial management to achieve good governance," he said.

The United Nations' Sustainable Development Goal #16 is to promote justice and build accountable institutions. The impact from the TOAG's detailed audit work on this matter is a fine example of this goal in action.

Annual Congress set to inspire and challenge

More than 85 people from around the world will participate in the 23rd PASAI Congress between 22 and 24 June 2021. The theme for the three-day Congress is 'Impact through leadership'.

SAI New Zealand will host Congress in Wellington this month with most participants attending virtually. The audience includes SAIs from the Pacific region, a range of INTOSAI body representatives and PASAI's development partners.

The Congress is PASAI's supreme authority and consists of all PASAI members but operates above the systems of oversight and management. It endorses PASAI's strategic direction, appoints the Governing Board, designates the Secretary-General and decides the location of the Secretariat.

The Congress provides guidance to the Governing Board on reaching PASAI's objectives. This year Congress will provide PASAI the opportunity to hold business sessions with member SAIs to discuss a range of important matters.



23rd
PASAI
CONGRESS

Impact through leadership
22-24 June 2021

PASAI
Office of Auditor-General
Te Kaitiaki Take Kōwhiri

SAI Heads will also have an opportunity to present on the leadership opportunities and challenges they have experienced because of the pandemic.

The hosts have arranged an enviable list of keynote speakers:

- The Rt Hon Helen Clark will speak on her leadership experience as Administrator of the United Nations Development Programme.
- The Rt Hon Trevor Mallard, Speaker of the New Zealand House of Representatives, will talk about the role of a strong and independent SAI in supporting parliament.
- The Hon Aupito William Sio, New Zealand Minister for Pacific Peoples and Associate Minister for Foreign Affairs, will address Pacific economic recovery post-Covid and the importance of transparency, accountability and good governance in the Pacific.
- Ed Olowo-Okere, Director Governance Global Practice at the World Bank in Washington, will communicate the importance of SAIs in leading change and improving accountability.



Helen Clark



Trevor Mallard



Aupito William Sio

The hosts are also delighted that Dr Siouxsie Wiles (Associate Professor at the University of Auckland and New Zealander of the Year) has agreed to attend as this year's inspirational speaker. She will speak about communicating complex topics to the public during New Zealand's COVID-19 response.

"Attendees will hopefully be able to draw parallels between the challenges Dr Wiles faces in science communication and the roles SAIs play in communicating complex topics with the goal of meaningful impact," remarked PASAI Secretary-General, John Ryan.

A panel discussion on meeting the challenges as a SAI leader will include SAI South Africa Auditor-General Tsakani Maluleke, former Auditor-General of New Zealand Kevin Brady CNZM, former Auditor-General of New Zealand Lyn Provost CNZM, former Public Auditor of Guam Doris Flores Brooks, and Prime Minister of Tonga and former Auditor General Hon Rev Dr Pohiva Tu'ionetoa.

SAI Palau was planning to host Congress 2020 in August last year but postponed due to COVID-19 travel restrictions. In early 2021 PASAI members supported the Governing Board's recommendation that SAI New Zealand host Congress 2021 virtually. SAI Palau will retain its position on the Governing Board as the incoming host because it still intends to host Congress in person in 2022, if conditions allow.

The hosting SAI Head usually becomes the Chair of PASAI upon the opening of Congress and holds that role until the next annual meeting. However, the Board has asked SAI Fiji to continue as Chair while SAI New Zealand remains Secretary-General ensuring balanced regional representation for the 2021–22 period.



Ed Olowo-Okere



Siouxsie Wiles



SAI Chuuk working through pandemic problems with resilience

The Covid-19 pandemic has created unforeseen challenges for SAIs everywhere, but for the Office of the Chuuk State Public Auditor (OCPA) it has created an extreme version of 'working remotely'.

Public Auditor, Manny San Jose, has been stranded in the Philippines since March 2020 due to border closures.

The OCPA was already one of the smallest SAIs in the Pacific region with a staff total of just five. However, two of those auditors resigned in September 2020 after being offered higher salaries elsewhere.

Some Pacific SAI Heads will no doubt empathise with Mr San Jose's inability to offer more competitive salaries to attract and retain staff.

Mr San Jose worked from home (in the Philippines) from March to the end of the fiscal year in October 2020. Incredibly, he states his own salary has been withheld since the start of last October and is now conditional on his physical return to Chuuk.

The United States Department of the Interior funds his income as part of the Compact of Free Association between the Federated States of Micronesia and the United States.

Despite technically being on leave without pay for the entire fiscal year to date, Mr San Jose has continued to review work completed by the remaining OCPA staff.

He is eager to return to Chuuk to resume his role in person but there remains no certainty about when FSM's borders will reopen to travellers.

While abroad, Mr San Jose developed his SAI's Independence Strategy. In it he addressed the problem of recruiting and retaining audit staff. He suggested making the salary of auditors competitive, trying to invite applicants from other FSM states and providing an additional budget for a housing allowance for non-residents of Chuuk.

Unfortunately, with a lack of qualified applicants to replace the staff who resigned last year, only one secretary and an auditor remain at the OCPA, without supervision. This has created an untenable situation destined to have negative consequences for the accountability of public funds.

Mr San Jose laments, "Important, half-done audits now have no completion date in sight due to a lack of staff".

Despite the long list of challenges, OCPA continues to demonstrate resilience and commitment to deliver on its mandate. Mr San Jose got the office budget for 2021 approved, progressed the Strategic Plan, developed and published the Independence Strategy for the OCPA and published his SAI-PMF report in March 2021.

One of his auditors led a team to complete a quick response inspection examining the adequacy of controls in a petty cash fund. This was published in August 2020.

“Sector audits should not only produce audit findings but they should provoke practical improvements that provide lasting value and benefits to citizens,” Mr San Jose said. For a potential audit of infrastructure, the government would quickly provide funds to concrete a rough, muddy road, for example.



Road East orairport Weno from Logistics Capacity Assessment (<https://dlca.logcluster.org/display/public/DLCA/2.3+Micronesia+Road+Network>)

For now though, it seems the OCPA is navigating its own rocky path with great resilience.

SAI Marshall Islands wins award for performance audit

The Office of the Auditor-General (OAG) in the Marshall Islands won an award on 4 May 2021 for its performance [Audit of the Passport Program](#).

Each year audit organisations from around the USA and Canada submit audit reports to the Association of Local Government Auditors (ALGA) for judging. ALGA presented SAI Marshall Islands with a 2020 Distinguished Knighton Award in the Small Shop Category after judges from peer organisations determined its audit was among the best of 2020.

The purpose of the competition is to improve government services by encouraging and increasing levels of excellence among government auditors.

ALGA judged the report on its potential for significant impact, the persuasiveness of its conclusions, its focus on improving government efficiency and effectiveness, and its clarity and conciseness.

In a media statement, the Kentucky-based national audit association stated:

The report focused on internal controls to safeguard the RMI passports and determine if passports had been issued in accordance with laws and regulations. The audit found the Passport Division was ineffective in its management of the passport program. Both internal control and compliance issues were noted in the audit. The judges found the subject matter to be very relevant and had the potential to be highly impactful. The report addressed potential fraud and forgery issues around national & international security. The audit was thorough, well documented, and supported by evidence. Recommendations included having legislation enacted.



Left to right: Damiee Riklon (Audit Manager, Performance Audit), David John (Staff Auditor), Maludrik Maludrik (Audit Supervisor), Ruby Allen (Staff Auditor), Atmita Jonathan (Assistant Auditor-General) and Junior Patrick (Auditor-General). Missing from photo was Lynna R Luke (Staff Auditor).

PASAI extends its congratulations to the OAG for this recognition of its work.

SAI Fiji participates in anti-bribery campaign

The Office of the Auditor-General (OAG) joined the 'I don't accept bribes' campaign by the Fiji Independent Commission Against Corruption (FICAC) on 23 April 2021.

FICAC Deputy Commissioner, Rashmi Aslam, badged Ajay Nand, Auditor-General, and his Executive Management team at a ceremony in Suva. The FICAC staff also conducted a special awareness session for officers at the OAG.

Mr Nand reminded the OAG staff that accepting bribes is not only morally wrong, it is also against the values of public service and is a crime.

The OAG plans to consult relevant stakeholders on how they can effectively contribute to the fight against money laundering through compliance audits.



The Deputy Commissioner of FICAC, Rashmi Aslam, with the Auditor-General, Ajay Nand, and OAG staff at the ceremony

SAI Pohnpei celebrates award and promotes ethics

Investigative Advisor at the Pohnpei Office of the Public Auditor (POPA), Sophia Pretrick, was one of 12 honorees of the first International Anticorruption Champions Award presented by the US Department of State in February 2021.

According to the Secretary of State, Antony J Blinken's [media release](#), the award recognised, "individuals who have worked tirelessly, often in the face of adversity, to defend transparency, combat corruption, and ensure accountability in their own countries".

Anticorruption Champion

SOPHIA PRETRICK

Ms. Pretrick raised the profile of anticorruption activities in the Federated States of Micronesia through her unique blend of government intervention and grassroots advocacy. She developed & launched multiple fraud awareness programs, including teaming up with NGO Youth-4-Change to reach thousands of youth on playing a role in fighting corruption.

INVESTIGATIVE ADVISOR, COMPLIANCE INVESTIGATION DIVISION, OFFICE OF THE Pohnpei STATE PUBLIC AUDITOR

 

Facebook tile by [US Embassy Kolonia](#)

US Acting Chief of Missions, Somer Bessire-Brier, attended a dinner hosted by Public Auditor, Iso Ihnlen K Joseph, in part to celebrate Ms Pretrick's recent recognition.

In a speech at the reception, Ms Pretrick shared the Award with her POPA family. She encouraged all to be brave in fighting corruption saying, "Do not be afraid to perform your audit or investigation as long as you know you are right ... nobody is above the law".



Government officers at the training in May 2021

POPA conducted 'Ethics and Internal Control' training for 75 Pohnpei government officers with the Office of the Attorney General and the Department of Treasury and Administration.

Assistant Attorney General, Varanisesse Bulabalavu, talked about the Code of Ethics for Pohnpei State Government Officers and Employees.

Ms Pretrick described the 'Fraud Diamond', Chief Investigator, Pernes Samuel, talked about 'Ethics vs Crime' while Audit Manager, Alice Etse, discussed the 'Components of Internal Control'.

Mr Joseph moderated the training and POPA staff discussed actual cases/audit findings that resulted from unethical behavior issues and the lack of internal control.

SAI NSW adapts to maintain safety during pandemic

In mid-March 2020, Australians were used to overseas reports of a 'novel coronavirus' but few realised how quickly matters would begin to escalate at home.

Passengers were allowed to walk off a cruise ship in Sydney on 19 March, with some of them later discovered to be positive with the virus.

Just five days later, all staff at the Audit Office of New South Wales were working from home.

Despite a rapid change in circumstances, productivity remained largely consistent during the crisis. Staff quickly adapted to conducting audits and working with auditees remotely.

The transition was relatively painless because the Audit Office already had a positive and agile work culture and strong technology infrastructure.

From 1 July 2020 the Audit Office has not made any staff work in the office. In fact, staff must reserve a desk before coming into the office so that no more than 91 people come in. This is the maximum number the office can accommodate to keep desks 1.5 metres apart.

Some staff choose to work in the office three to four days per week and others only one or two days per month. Otherwise they continue to work from home or at client sites.

The Audit Office has only reached the 91-person maximum once and that was because of a recent staff farewell event.

Many staff report having a better balance of work and homelife than before the pandemic, finding more time for exercise and leisure, and having to travel less to visit auditees across New South Wales.

These changes to the way Audit Office staff work guide how it can improve organisational performance and deliver greater value to stakeholders.

The Audit Office has been consulting its staff to determine a framework for 'flexible working' in the future.

After 12 months of the current arrangements there will be new principles to guide staff on remote working. These principles will accommodate the evolving nature of the pandemic.



Photo by [Chris Montgomery](#) on [Unsplash](#)

Responding to recent emergencies through audits

The New South Wales government has had to respond not just to the COVID-19 pandemic, but also to 2019–20 bushfire and flood emergencies.

The Audit Office has been attentive to the financial and governance risks created by the scale and complexity of government responses to these events. They include risks relating to rapid service delivery, changes in governance, conflicts of interest, communication and transparency to the public and record keeping.

It is taking a phased approach to address the following elements of the emergencies and government responses:



The Audit Office's phased approach

It has focused on the 'response' phase this financial year. There are more details about this phase of the Audit Office's financial and performance audits in its [Annual work programme 2021–21](#).

ANAO quick to respond to new audit risks

On 16 March 2020 the Australian National Audit Office (ANAO) activated both its Business Continuity Management Plan and Pandemic Action Plan in response to the COVID-19 pandemic.

The Australian Government's rapid implementation of response measures to the pandemic presented potential new key risk areas for entities' operations and their processes for preparing financial statements. This change in risks directly impacts the ANAO's financial statement audit, performance audit and other assurance activities.

Auditor-General, Grant Hehir, wrote to the Public Service Commissioner, indicating ANAO operations were critical to supporting accountability and transparency. As a result, ANAO staff were not redeployed to government pandemic response measures.

ANAO staff easily transitioned to working remotely because of earlier investments in technology.

Entities also enabled audit work to continue by giving the ANAO remote access to financial systems.

It continued to present Auditor-General reports for tabling in the Parliament through out-of-session arrangements in the Senate.

The [ANAO COVID-19 multi-year audit strategy](#) for performance audits is focused on the effective, efficient, economical and ethical delivery of the Australian Government's response to the COVID-19 pandemic. This includes the economic stimulus and social support packages as well as the management of related risks, such as system and technology changes, fraud, information management, privacy, compliance and regulatory effectiveness.

The ANAO recently published [insights from performance audits assessing the Australian Government's COVID-19 response](#).



During 2020 the ANAO completed monthly assurance reviews of Advances to the Finance Minister (which exceeded AU\$40 billion) to provide the Parliament with timely assurance and transparency of the Australian Government's pandemic response.

New Secretariat staff

The Secretariat welcomed two new, full-time staff to its Auckland headquarters this quarter.

Luke Eaton, Communications Advisor/Editor, now takes responsibility for PASAI's website, social media channels, media releases and other communication activities like blogs and of course this newsletter.

He also works at building the communications capabilities of regional SAIs.

Luke most recently performed training and managerial roles at the New Zealand Electoral Commission after a varied career involving many media appearances in the Western Australian state public sector agency, Consumer Protection.

Danial Sadeqi is PASAI's new eLearning Specialist. He runs our Learning platform and works with subject matter experts to design eLearning content for our programmes.

Danial brings 14 years of teaching, curriculum development and online material design to the Secretariat. His experience at Massey University designing curricula in blended and online formats for both on-campus and international delivery make him well suited to his new role.



Participants in PASAI's recent workshops have already enjoyed some of the improvements Danial has made to the Learning platform. He has many more exciting plans for future training delivery, so look forward to streamlined registration, more interactivity and engaging educational materials.

Danial Sadeqi and Luke Eaton



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