

PASAI SAI PMF

Supreme Audit Institution (SAI) Performance Measurement Framework (PMF)

Regional Report



2022



Pacific auditors working together



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Abbreviations/Acronyms

APIPA	Association of Pacific Islands Public Auditors
CPE	Continuing Professional Education
CSO	Civil Society Organisations
DFAT	Department of Foreign Affairs (Australia)
FSG	Financial Statements of Government
GAGAS	Generally Accepted Government Auditing Standards
IDI	INTOSAI Development Initiative
INTOSAI	International Organization of Supreme Audit Institutions
ISSAIs	International Standards for Supreme Audit Institutions
MFAT	Ministry of Foreign Affairs (New Zealand)
OPA	Office of the Public Auditor
PASAI	Pacific Association of Supreme Audit Institutions
PITI	Pacific Islands Training Initiative
PMF	Performance Measurement Framework
SAI	Supreme Audit Institution

Acknowledgement

The report was prepared by Mr Horacio Saboia Vieira, a consultant from Brazil and former employee of The Federal Court of Accounts – Brazil (Tribunal de Contas da Uniao – TCU). Mr Vieira was supported by Mr Carlos Alexandre Santos Camardella, Federal Auditor of External Control, TCU; Ms Telma Regina Lima de Fontes, retired English Teacher from Casa Thomas Jefferson; and Ms Cristianne Silva Tavares, Federal Technician of External Control, TCU.

PASAI acknowledged the continuous support of its main development partners, the Australian Department of Foreign Affairs and Trade (DFAT) and the New Zealand Ministry of Foreign Affairs and Trade (MFAT) in funding the compilation of this report.

Section I – Work Context

Chapter 1 – Introduction

The purpose of this report is to compile the findings of the SAI PMF assessment of the twenty participating SAIs of the PASAI region. It is a report that not only documents the results and outcomes of the SAI PMF project from 2016 to 2022, but also includes a deeper and integrated analysis of the SAIs performance in the region, covering the six domains of the SAI PMF tool and cross-cutting issues. It will provide a complete picture of the status of SAIs performance in the region, including an analysis of areas which require attention to enable improvement, both at SAIs level and regional level.

The report includes summary profiles of each SAI based on the SAI PMF assessment results. It describes each SAI's performance, capacity and capabilities as graded under the SAI PMF tool. The purpose of this report is to enable the SAIs' performance assessment results to be considered in the development of appropriate interventions to address the performance gaps of every SAI at regional level. These results provide baseline data for the SAIs to monitor their progress over time and benchmark their performance against the other SAIs in the region.

The report includes a set of analysis of the SAIs performance at regional level and in clustered groups. Those clusters are based upon key variables, such as geographical proximity and national income level.

The report also develops connections between the diagnostics at all levels (individual SAIs, clusters and regional) and the four pillars of PASAI strategic plan, in order to provide valuable inputs to the process of strategic planning and decision-making of PASAI. Furthermore, the report offers recommendations on key areas of focus for future support and capability development at SAI and regional levels.

WHAT IS SAI PMF ABOUT?

The Supreme Audit Institutions Performance Measurement Framework (SAI PMF) was developed by the INTOSAI Working Group on the Value and Benefits of SAIs (WGVBS) following a decision at the INTOSAI Congress in South Africa in 2010. This version, which was approved at the INTOSAI Congress in Abu Dhabi in 2016, reflects experiences from the Pilot Version (July 2013), which was subject to extensive consultation and testing through more than 20 pilot assessments, and several official rounds of consultation with numerous stakeholders in the period of 2013-15.

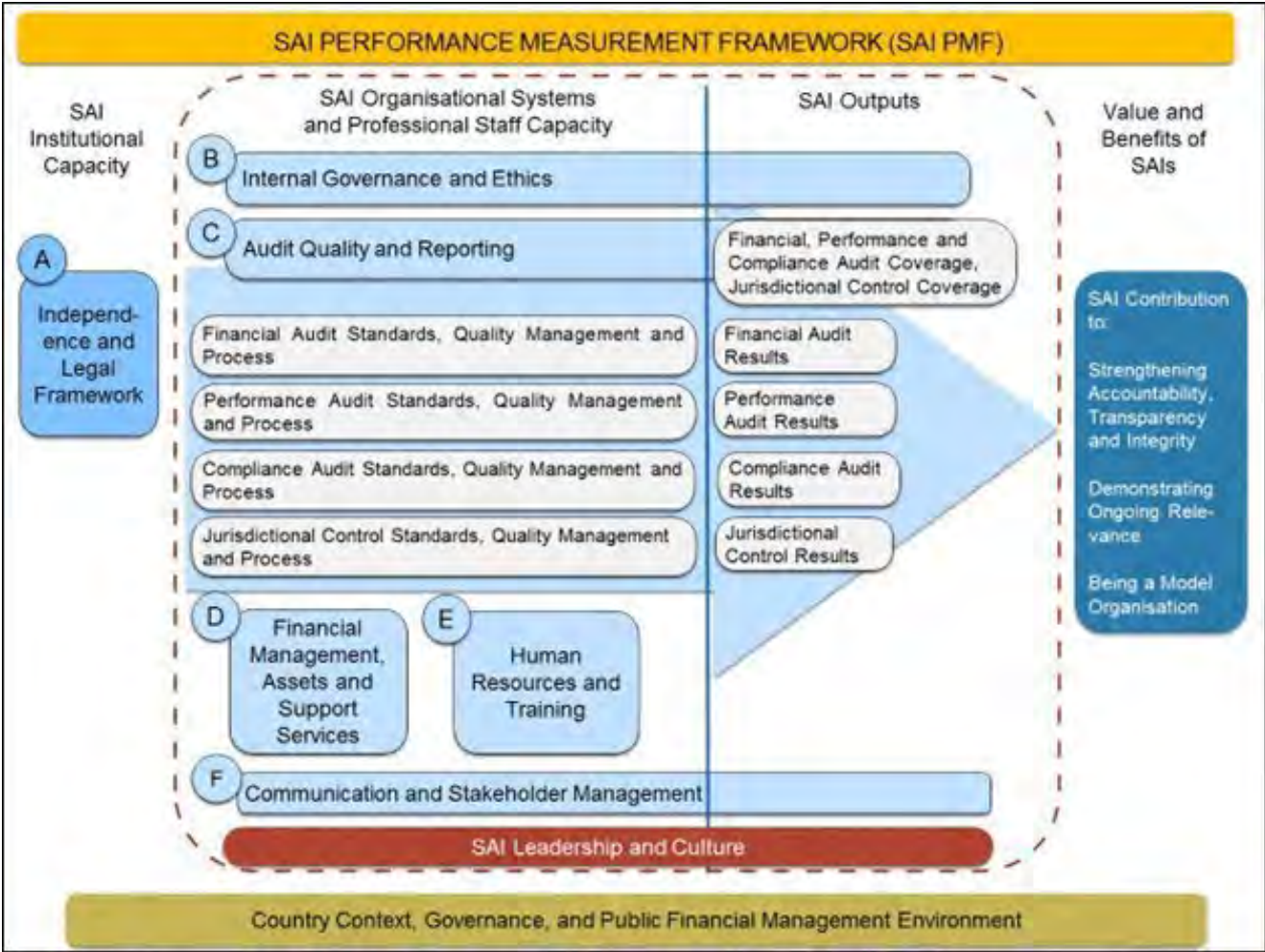


The SAI PMF provides Supreme Audit Institutions (SAIs) with a framework for voluntary assessments of their performance against the INTOSAI Framework of Professionals Pronouncements (IFPP), previously known as the International Standards for Supreme Audit Institutions (ISSAIs), and other established international good practices for external public auditing. SAI PMF is a multi- purpose, universal framework, and can be applied in all types of SAIs, regardless of governance structure, mandate, national context and development level. The framework can be used to contribute to improved SAI capacity development and strategic planning through promoting the use of performance measurement and management, as well as identifying opportunities to strengthen and monitor SAI performance, and to strengthen accountability. It is relevant for those SAIs that have adopted, aspire to adopt, or wish to benchmark themselves against the IFPPs and other international good practices. It is a voluntary tool and not intended to be obligatory in all or parts of the INTOSAI community.

In line with the objectives of INTOSAI-P 12 *The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens*, the SAI PMF also provides SAIs with an objective basis for demonstrating their ongoing relevance to citizens and other stakeholders. It aspires to assess SAI contribution towards strengthened accountability, transparency and integrity.

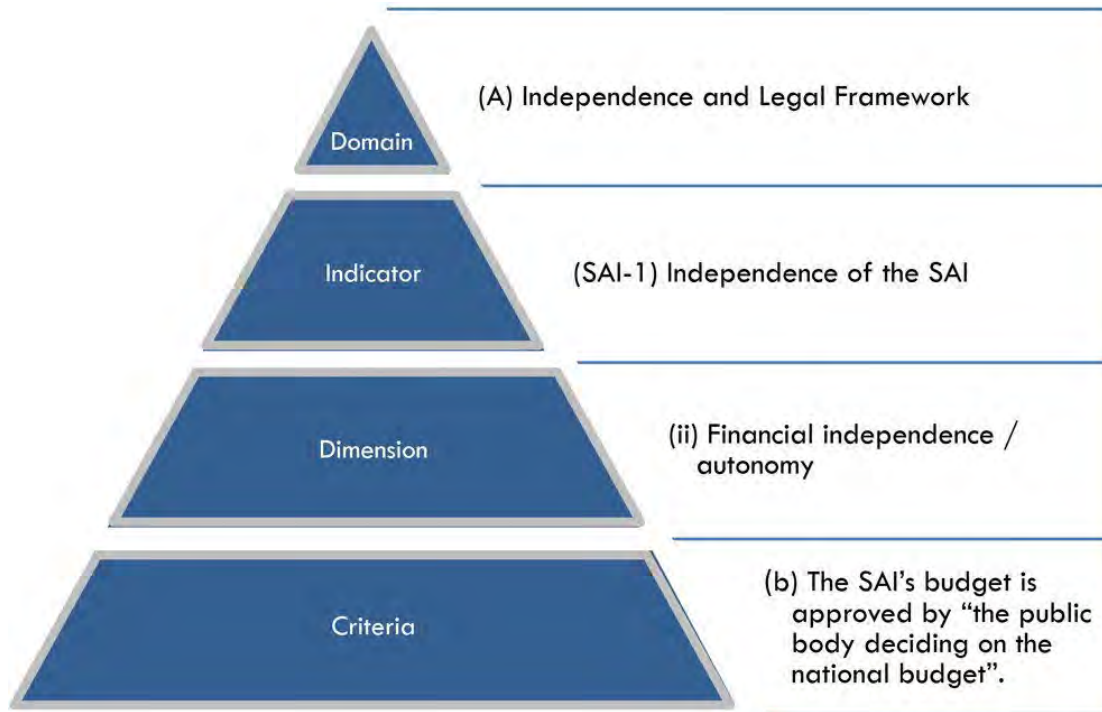
It gives SAIs an opportunity to become model organisations, leading by example in promoting transparency and accountability through credible public reporting on their own performance.

DIAGRAM 1 - STRUCTURE OF THE SAI PERFORMANCE MEASUREMENT FRAMEWORK



The SAI PMF consists of 6 domains. Each of these contains a number of indicators, 25 in total, including three indicators for SAIs with jurisdictional functions. The indicators each consist of between two and four dimensions, which again may contain several criteria. An illustration of how the indicator system is built up is presented in diagram 2 below.

DIAGRAM 2 - SAI PMF TERMINOLOGY



Indicators and dimensions are scored using a numerical scale from 0 to 4, where 0 is the lowest level, and 4 is the highest. Scores broadly correspond to the level of development in the area measured by the indicator in keeping with the practices of INTOSAI capability models.

Score 0: The feature is not established or barely functions

There is no activity or function, or the particular feature only exists in name.

Score 1: The founding level

The feature exists but is very basic. For example, an SAI is conducting performance audits, but these are so irregular that a systematic approach, and accumulated experience and knowledge have not been obtained, and this is reflected in the quality of the work.

Score 2: The development level

The feature exists and the SAI has begun developing and implementing relevant strategies and policies, but these are not complete and are not regularly implemented. For example, the SAI may have a strategic and development action plan, a human resource strategy and a communications strategy. However, if these are weak and/or only partially implemented, this will be reflected in the score.

Score 3: The established level

The feature is functioning broadly as expected under the ISSAIs (levels 1-3). Under Domain C, this would mean that compliance, financial and performance audit are all undertaken broadly following the principles in level 3 in the ISSAI framework. A large proportion of the financial statements received are subject to financial audit. Audit reports give a holistic view on the use of all public resources and on the performance of audited bodies. The majority of audit reports are published in a format that is appropriate for the intended audience.

Score 4: The managed level

The feature is functioning following the principles in the ISSAIs (levels 1-3) and the SAI implements the activities in a way that enables it to evaluate and continually improve its performance. For Domain C, compliance, financial and performance audits are all undertaken following the principles at level 3 in the ISSAI framework and are seen as adding value by audit clients. In addition, the SAI has undertaken an independent review of its audit practices, for example using the ISSAI Compliance Assessment Tool (iCAT), confirming that the SAI's audit practices comply with level-4 ISSAIs.

[Annex I](#) shows a table with all SAI PMF indicators and their dimensions.

How the SAIs were assessed

PASAI led a regional project to have the performance of all its members assessed through SAI PMF. Those assessments were conducted from 2016 to 2022, thus resulting in the 20 reports that form the core of information used and analysed in this report. Different assessment approaches were used, such as third party (consultants) assessments, peer review or hybrid. A detailed description of how each SAI was assessed is given in the correspondent SAI PMF report.

Chapter 2 – Methodology

This section contains a brief description of the steps and methods used to develop the content of the report, especially how the analysis has been made.

The following steps have been followed to produce the content of this report:

1. Careful reading of all 20 reports;
2. Analysis of the aggregated SAI PMF results in the Pacific Region;
3. Analysis of the SAI PMF results aggregated by the three sub regions: Micronesia, Melanesia and Polynesia;
4. Analysis of the SAI PMF results aggregated by the countries' income level (GDP per capita);
5. Identification of opportunities of cooperation for potentially synergic SAIs;
6. Identification of regional opportunities for improvement that would be better addressed by a regional programme;
7. Analysis of each SAI, resulting in a set of diagnostics of opportunities for improvement in each of the six domains; a cross-cutting analysis to identify issues that involve more than one domain and the depiction of the SAI profile in a snapshot;
8. Quantitative analysis: how each SAI is performing in the six domains when compared with other SAIs grouped by income level and sub regions;
9. Identification of possible areas for improvement that will contribute to the achievement of the four main pillars of the PASAI Long Term Strategy 2014-2024.

Section II – Analysis and Diagnostics

Chapter 3 – Analysis at regional and sub-regional levels and at income clusters

3.1 Analysis at regional level

The next table shows the average of indicators and their dimensions for the whole PASAI region. The red colour shows numbers below 1; the pink colour shows values above 1 and below 2; the yellow colour shows the values above 2 and below 3; the light green colour shows the values from 3 to below 4, and the strong green shows the value of 4.

TABLE 1 - AVERAGE OF THE INDICATORS FOR THE WHOLE PASAI REGION

Indicator	(i)	(ii)	(iii)	(iv)	PASAI Indicator score
SAI-1	2.0	1.5	2.4	2.1	1.8
SAI-2	3.2	3.6	3.2	-	3.3
SAI-3	1.4	0.9	1.0	1.3	1.0
SAI-4	0.6	0.8	1.6	1.1	1.0
SAI-5	2.2	1.1	0.5	-	1.1
SAI-6	2.0	2.8	-	-	2.2
SAI-7	0.8	1.1	-	-	1.0
SAI-8	2.1	1.3	0.4	-	1.2
SAI-9	1.9	1.3	1.7	-	1.6
SAI-10	1.0	1.2	1.4	-	1.1
SAI-11	1.6	1.8	1.7	-	1.8
SAI-12	2.7	1.8	1.9	-	2.1
SAI-13	1.7	1.7	2.3	-	1.9
SAI-14	1.9	1.8	1.1	-	1.5
SAI-15	0.6	1.2	1.9	-	1.2
SAI-16	1.3	1.2	1.5	-	1.3
SAI-17	1.8	1.4	1.4	-	1.5
SAI-18	-	-	-	-	-
SAI-19	-	-	-	-	-
SAI-20	-	-	-	-	-
SAI-21	2.4	1.7	2.0	-	2.0
SAI-22	2.3	0.1	2.4	2.1	1.4
SAI-23	0.8	0.9	1.0	0.9	0.9
SAI-24	1.2	1.7	2.0	1.6	1.5
SAI-25	1.0	1.5	-	-	1.0

PASAI reached high averages in the indicators included in Domain A, which are SAI-1 – Independence of the SAI and SAI-2 – Mandate of the SAI. SAI-2 reached a remarkably high average of 3.3, which demonstrates that most of the SAIs of the Pacific region have been given a broad mandate. The SAIs of the Pacific Region also enjoy a reasonably high level of legal independence provided by the constitutional and legal framework as demonstrated by the average of 1.8 for SAI-1.

There are significant gaps in the planning function, as demonstrated by the low scores in SAI-3, which covers the strategic and the operational plans, and in the organisational control environment, as shown by the two red scores in SAI-4.

Professional development and training assessed in SAI-23 has reached an average regional score below 1, thus revealing major opportunities for improvement in keeping up with the qualification of the staff of the whole Pacific region. This constraint is associated with the gaps in planning, for better strategic and operational plans would include all key Human Resource issues, and professional development is a paramount one.

There is also a connection between those gaps in professional development and the low score in the dimension (ii) of the SAI-1, which assesses the SAI's financial independence. The constraints to financial independence limit the SAIs' capacity to invest in professional development. Very often the constitutional and legal framework assessed in SAI-1 do not provide the SAI with full autonomy, neither in the financial management, nor in the Human Resource functions, which are evaluated in SAI-22 dimension (i) Therefore, many SAIs cannot freely plan and decide upon matters related to their staff.

The analysis of each SAI PMF report in chapter 4 shows that in many Pacific countries there are confidentiality issues for the SAIs that use government infrastructure and IT services. While it is reasonable that in small countries the SAI shares the government facilities and IT support, even in such circumstances there should be controls in place to guarantee a high level of security in relation to the confidentiality of the information and the data used or produced by the SAI in the discharge of its mandate.

3.2 Analysis at sub-regional level

The SAI's performance will be analysed in comparison to the average indicators score calculated for specific clusters. The SAIs will be grouped by geographical classification: Polynesia, Melanesia and Micronesia. In each geographical group, the average score for the indicators will be calculated, so that it will be possible to analyse each SAI performance in comparison with the group average.

The SAIs will also be clustered by income level, following the usual classification: High, Upper Middle, Lower Middle. No country in the PASAI region was classified below the Lower Middle level of income. This is included in the next chapter (3.3).

The countries of the Pacific region are grouped in three sub-regions, as described in the following table.

TABLE 2 - PACIFIC SUB-REGIONS

Melanesia	Micronesia	Polynesia
1. Fiji	1. Commonwealth of the Northern Mariana Islands	1. American Samoa
2. Papua New Guinea	2. FSM National	2. Cook Islands
3. Solomon Islands	3. FSM State Chuuk	3. Samoa
4. Vanuatu	4. FSM State Kosrae	4. Tonga
	5. FSM State Pohnpei	5. Tuvalu
	6. FSM State Yap	
	7. Guam	
	8. Kiribati	
	9. Marshall Islands	
	10. Nauru	
	11. Palau	

The next graph shows sub-regional averages of the indicators' scores, so as to allow comparisons among the sub-regions.

GRAPH 1 - AVERAGE INDICATOR SCORES BY SUBREGION

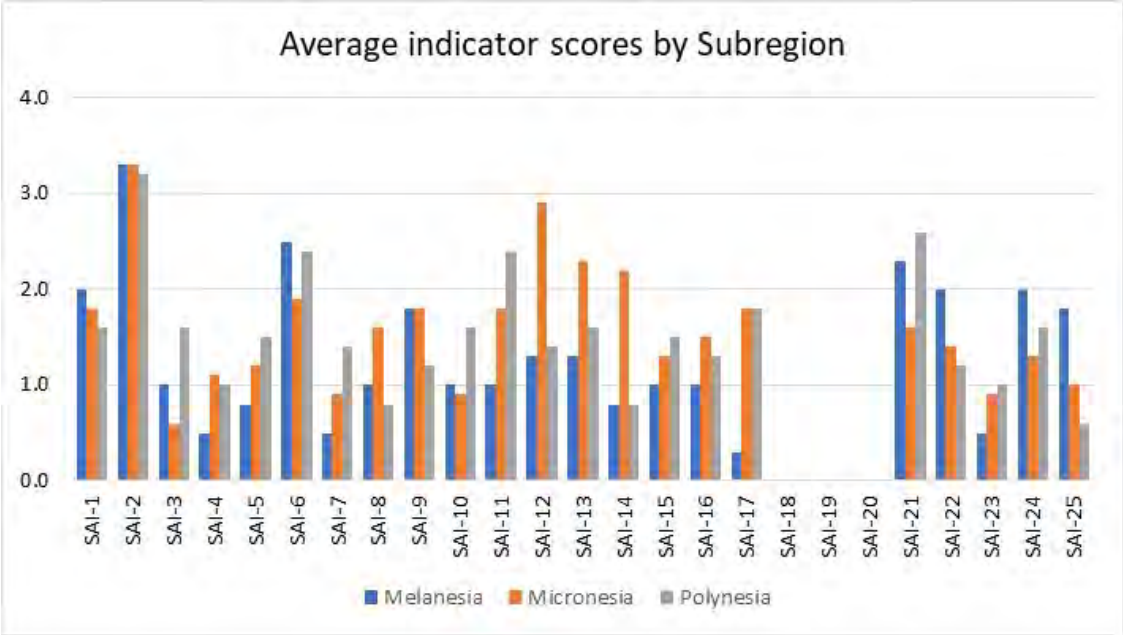


TABLE 3 - AVERAGE INDICATOR SCORES BY SUBREGION

Indicator	Melanesia	Micronesia	Polynesia	Higher score
SAI-1	2.0	1.8	1.6	Melanesia
SAI-2	3.3	3.3	3.2	Melanesia
SAI-3	1.0	0.6	1.6	Polynesia
SAI-4	0.5	1.1	1.0	Micronesia
SAI-5	0.8	1.2	1.5	Polynesia
SAI-6	2.5	1.9	2.4	Melanesia
SAI-7	0.5	0.9	1.4	Polynesia
SAI-8	1.0	1.6	0.8	Micronesia
SAI-9	1.8	1.8	1.2	Melanesia
SAI-10	1.0	0.9	1.6	Polynesia
SAI-11	1.0	1.8	2.4	Polynesia
SAI-12	1.3	2.9	1.4	Micronesia
SAI-13	1.3	2.3	1.6	Micronesia
SAI-14	0.8	2.2	0.8	Micronesia
SAI-15	1.0	1.3	1.5	Polynesia
SAI-16	1.0	1.5	1.3	Micronesia
SAI-17	0.3	1.8	1.8	Micronesia
SAI-18	-	-	-	-
SAI-19	-	-	-	-
SAI-20	-	-	-	-
SAI-21	2.3	1.6	2.6	Polynesia
SAI-22	2.0	1.4	1.2	Melanesia
SAI-23	0.5	0.9	1.0	Polynesia
SAI-24	2.0	1.3	1.6	Melanesia
SAI-25	1.8	1.0	0.6	Melanesia



The Micronesia sub-region clearly excels in the performance audit indicators, showing averages that are significantly higher than those of the other two sub- regions (indicators SAI-12-Performance Audit Standards, SAI-13-Performance Audit Process and SAI-14-Performance Audit Results). Melanesia takes the lead in communications and stakeholder management, holding the high scores for indicators SAI-24-Communication with the Legislature, Executive and Judiciary and SAI-25-Communications with the

Media, Citizens and Civil Society Organisations. Polynesia is the leader in Domain D that focuses on financial management and infrastructure support, with the high average score in SAI-21.

Polynesia achieved the highest scores in two of the three financial audit indicators, SAI-10 (Financial Audit Process) and SAI-11 (Financial audit results). The SAIs of that sub-region have scored lower averages in the indicators of performance audits (SAIs 12, 13 and 14). Therefore, those SAIs have prioritized financial audits over the performance audits.

It is very likely that the root cause for Micronesia outstanding results in performance indicators resides in the extensive use of outsourcing financial audits, because that choice makes a bigger part of the workforce available to develop performance audits. The risk in such strategy is that the Head of the SAI may not be in full control of the financial audits, depending upon two points: if the outsourced audit report is signed by the Head of the SAI (or not), and how effective are the quality control and quality assurance arrangements concerning outsourced audits. Moreover, the limited experience in financial audits could pose a constraint on the SAI's knowledge of the country government's financial systems.

Therefore, PASAI can look for key partners to improve the SAIs of the Pacific region choosing among the high performers.

The next table shows SAIs with high and low scores in the Micronesian sub-region:

**TABLE 4 - HIGH AND LOW SCORING SAIS BY SUBREGIONS -
MICRONESIA**

Micronesia				
Indicator	Average of Indicators' scores	Standard Deviation of the Average equal or superior to 1	SAI with maximum indicator scores in the sub-region	SAI with minimum indicator scores in the sub-region
SAI-4	1.09	1.04	Kosrae	Commonwealth of Northern Mariana Islands, Kiribati, Nauru, Palau
SAI-8	1.56	1.01	Guam, Pohnpei	Yap
SAI-9	1.78	1.30	FSM National, Kosrae, Pohnpei, Marshall Islands	Kiribati, Nauru
SAI-10	0.89	1.36	Yap	Chuuk, Kiribati, Kosrae, Nauru, Palau
SAI-11	1.75	1.75	FSM National, Pohnpei	Kosrae, Nauru, Yap
SAI-12	2.89	1.17	Commonwealth of Northern Mariana Islands, Kosrae	Kiribati
SAI-13	2.33	1.00	Chuuk, Commonwealth of Northern Mariana Islands, FSM National, Marshall Islands, Palau	Kiribati
SAI-14	2.22	1.48	Commonwealth of Northern Mariana Islands, FSM National	Kiribati, Palau
SAI-15	1.17	1.17	Chuuk	Kiribati, Nauru
SAI-16	1.50	1.05	Chuuk	Nauru
SAI-17	1.83	1.17	Commonwealth of Northern Mariana Islands	Kiribati, Nauru, Palau
SAI-23	0.91	1.14	Pohnpei	Commonwealth of Northern Mariana Islands, FSM National, Nauru, Palau

In a scoring scale from zero to 4, a standard deviation equal or superior to 1 reveals an indicator for which there are SAIs performing at significantly different levels. On the other hand, if the standard deviation were very low, it would mean that everyone in the group is performing approximately at the same level.

For example, in the financial audit indicators (SAI-9 and SAI-11), there are SAIs in the Micronesia that perform well above the sub regional average, such as the FSM National and Pohnpei. On the other hand, there are SAIs in the same sub region that perform much lower than the sub regional average, like Kiribati and Nauru.

Regarding performance audit indicators in Micronesia (SAI-12, SAI-13 and SAI-14), FSM National and Commonwealth of Northern Marianas reached above average scores, whereas Kiribati scores below the sub regional average.

PASAI could consider an initiative through which SAIs that show high performance in an area would be encouraged to work with low scoring SAIs of the same sub region, in order to stimulate improvement through partnership and peer work.

The next two tables show the same data for the Polynesia and the Melanesia.

TABLE 5 - HIGH AND LOW SCORING SAIS BY SUBREGIONS - POLYNESIA

Polynesia				
Indicator	Average of indicators' scores	Standard Deviation of the Averages equal or superior to 1	SAI with maximum indicator score in the sub region	SAI with minimum indicator score in the sub region
SAI-3	1.6	1.14	American Samoa	Samoa
SAI-6	2.4	1.34	Samoa	American Samoa, Tuvalu
SAI-7	1.4	1.14	Samoa	American Samoa
SAI-9	1.2	1.64	Cook Islands, Samoa	American Samoa, Tonga, Tuvalu
SAI-10	1.6	1.14	Cook Islands	American Samoa
SAI-11	2.4	1.52	Cook Islands	American Samoa
SAI-13	1.6	1.14	Tonga	American Samoa
SAI-15	1.5	1.29	Tonga	American Samoa
SAI-17	1.75	1.26	Tonga	American Samoa
SAI-23	1	1.22	Cook Islands	Tonga, Tuvalu

**TABLE 6 - HIGH AND LOW SCORING SAIS BY SUBREGIONS -
MELANESIA**

Melanesia				
Indicator	Average of indicators' scores	Standard Deviation of the Averages equal or superior to 1	SAI with maximum indicator score in the sub region	SAI with minimum indicator score in the sub region
SAI-9	1.75	1.5	Fiji	Papua New Guinea, Solomon Islands, Vanuatu
SAI-11	1	1.41	Fiji	Papua New Guinea, Vanuatu
SAI-12	1.25	1.26	Fiji	Vanuatu
SAI-13	1.25	1.26	Fiji	Vanuatu
SAI-14	0.75	1.5	Fiji	Papua New Guinea, Solomon Islands, Vanuatu

3.3 Analysis in clusters of income level

The SAIs of the Pacific region can be grouped by gross domestic product (GDP) per capita level, according to the table below.

TABLE 7 - SAIS BY GDP PER CAPITA LEVEL

High

Country	Region	GDP per capita (US\$)
Commonwealth of the Northern Mariana Islands	Micronesia	22.887 ¹
Cook Islands	Polynesia	19.477 ²
Guam	Micronesia	36.557 ¹

Upper Middle

Country	Region	GDP per capita (US\$)
American Samoa	Polynesia	11.522 ¹
Fiji	Melanesia	6.298 ²
Marshall Islands	Micronesia	4.053 ²
Nauru	Micronesia	10.515 ²
Palau	Micronesia	16.265 ²
Samoa	Polynesia	4.202 ²
Tonga	Polynesia	4.795 ²
Tuvalu	Polynesia	4.531 ²

Lower Middle

Country	Region	GDP per capita (US\$)
FSM National	Micronesia	2.408 ³
Chuuk	Micronesia	1.436 ³
Kosrae	Micronesia	2.344 ³
Pohnpei	Micronesia	3.393 ³
Yap	Micronesia	3.468 ³
Kiribati	Micronesia	1.717 ²
Papua New Guinea	Melanesia	2.673 ²
Solomon Islands	Melanesia	2.411 ¹
Vanuatu	Melanesia	3.215 ²

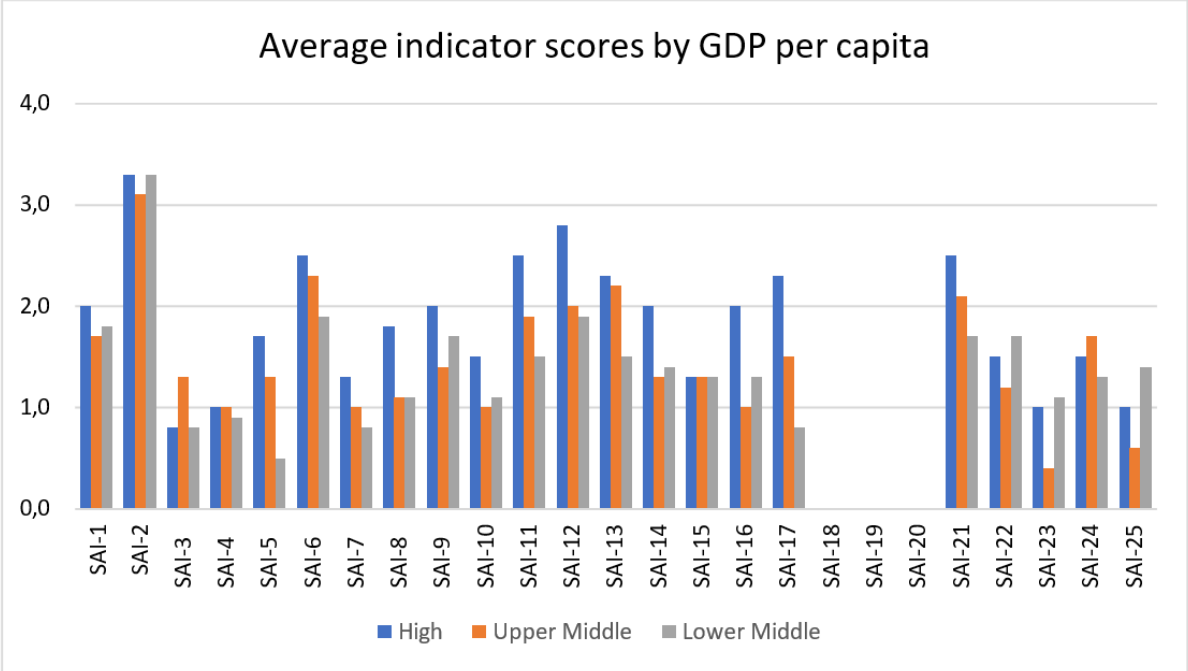
¹ <https://data.worldbank.org/indicator/NY.GDP.PCAP.CN?locations=MP>

² Key indicators for Asia and Pacific 2021-Asian Development Bank

³ <http://www.fsmstatistics.fm/economics/banking-statistics/nationa-accounts/>

For each of those groups of SAIs, the average indicators were calculated, as depicted in the graph below.

GRAPH 2 - AVERAGE INDICATOR SCORES BY GDP PER CAPITA



A simple visual scan shows that the high income countries clearly achieved higher indicators. The overall difference between the Upper Middle and the Lower Middle groups is not so clear. There are groups of indicators for which the Upper Middle average is higher, others are very close and for some indicators, the average of the Lower Middle group is superior to that of the Upper Middle. When it comes to the SAIs of the Upper Middle and Lower Middle income level, the difference in income does not make a clear difference in the SAIs' performance.

Chapter 4 – Analysis of each SAI

4.1 American Samoa Government Territorial Audit Office (TAO)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the American Samoa Government Territorial Audit Office was prepared based on the SAI PMF Endorsement Version, October of 2016. The assessment was finished in November 2021.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	0	1	2	1	1
SAI-2	Mandate of the SAI	1	2	2		2

Enablers

The American Samoa Code Annotated (hereinafter referred to as the Code) states that the Territorial Auditor is appointed by the Governor and confirmed by the Legislature. The Territorial Auditor shall serve a term of 4 years from the date of appointment. No Territorial Auditor shall serve for more than 8 years, whether consecutive or not. The Code describes conditions for the removal of the Territorial Auditor. The Territorial Auditor can be removed from Office by the Governor and with two-thirds majority of members of each House of the Legislature – the Senate and the House of Representatives. The circumstances under which the Territorial Auditor may be removed are explicitly prescribed in the legislation.

After the SAI's budget has been approved by the Legislature, the Executive does not control the SAI's access to these resources. The SAI has the right of direct appeal to the Legislature if the resources provided are insufficient to allow it to fulfil its mandate. The Code provides that the SAI can submit a supplemental budget request to the Governor for presentation to the

Legislature, if it is necessary to obtain funds more than its approved budget.

Constraints

The establishment of TAO is not laid down in the Constitution. There is no specific provision in the Constitution establishing the TAO, nor description of TAO's role, powers, and duties. SAI's independence is not laid down in the Constitution. However, the Code states that *"there is established as an independent agency a Territorial Audit Office (TAO) which shall be under the direction of the Territorial Auditor. The TAO includes the Territorial Auditor and his staff"*.

Therefore, the constitution and the legal framework do not define the TAO's role, powers, and duties, nor does it provide further guidance on the extent of the TAO's independence. The independence of the SAI provided under the Constitution and the Code does not guarantee a very high degree of initiative and autonomy. The appointment, term, cessation of functions of the Head of the SAI and the independence of his decision-making powers are not guaranteed in the Constitution.

There is no adequate legal protection by a supreme court against any interference with a SAI's independence provided in either the Constitution or the Code. There is also no provision in the Constitution or the Code that requires the SAI to report on any matters that may affect the ability to perform its work in accordance with the mandates and/or the legislative framework. The SAI has not made any efforts to promote, secure and maintain an appropriate and effective constitutional, statutory, or legal framework.

There is no specific provision in the Code that explicitly defines TAO's functions and duties. However, the Code provides a definition of audit that includes financial audits, compliance audits, economy and efficiency audits, and any combination thereof as the Territorial Auditor may deem appropriate. It also defines government agencies to mean *"any board, department, office, commission, committee, or agency created by the Constitution, statutes, or Executive orders of the Governor"*. Therefore, it can be concluded that those definitions somehow implicitly provide a legal description of the SAI's mandate.

The Code provides the right to access records and information required for audit purposes but does not provide the right to access the premises of entities to be audited. If access is restricted or denied, there is no established process to resolve such matters.

The Constitution of American Samoa does not include a provision requiring the TAO to report its findings annually and independently to Parliament.

However, the Code requires that *“the Territorial Auditor shall report on his activities and findings to the Legislature and the Governor at least once every calendar year, and this report shall be made public”*.

There are no specific provisions in the Code empowering the SAI, to report on particularly important and significant findings during the year, to freely decide the content of their audit reports and to freely decide on the timing of their reports except where specific requirements are prescribed in law. However, the Deputy Territorial Auditor confirmed that in practice, the TAO is free to decide the content and timing of their audit reports.

Analysis and Conclusions

The Constitution of the American Samoa does not make any reference to the Territorial Audit Office. Whatever legal support exists to the Office is derived from the American Samoa Code Annotated (the Code). The Code establishes the TAO and provides the legal framework, such as the processes for appointment and removal of the Territorial Auditor and the tenure. It also establishes the legal mandate in an indirect way, through definitions of what is an audit and which government parts can be audited by the TAO.

It can be concluded that the TAO does not enjoy sufficient protection by the constitution, therefore being exposed to the possibility of external influences in its work. The SAI should strive to get constitutional amendments that include:

- a) establishment of the TAO;
- b) assurance for its independence and autonomy;
- c) description of a broad mandate;
- d) full rights to access information;
- e) rights and obligation to freely report to parliament.

In addition, it should be highlighted that the TAO’s organisational chart places it under the Governor, who is the Head of the Executive, who holds the authority to approve the SAI’s organisational structure. Such an arrangement does not reflect the desired independence and autonomy as prescribed in the ISSAIs.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	0	0	0	1	0
SAI-4	Organisational control environment	0	0	2	0	0
SAI-5	Outsourced audits	N/A	N/A	N/A		N/A
SAI-6	Leadership and internal communication	1	2			1
SAI-7	Overall audit planning	0	0			0

Enablers

The TAO’s policies and procedures manual describes the policies and procedures for all activities conducted throughout the audit process, including project initiation and planning, conducting the audit, communicating audit results, quality assurance of audits conducted and continuous development.

As a government agency, TAO adopts government policies regarding human resources management and procurement. The SAI has established policies and procedures for conducting audits and ethical requirements to some extent, but not for monitoring and leadership responsibilities to ensure quality in all work or service performed by the Office. The Acting Territorial Auditor who is managing the SAI retains overall responsibility for the system of quality control.

Constraints

The TAO does not have an approved strategic plan, but only a draft of it. The

draft lacks key features, like a results framework, definitions of its mission, vision, activities, outputs, outcomes and impacts. The Office also does not have an operational plan to complement the strategic draft, nor does it have any documented process to ensure effective organisational planning. There is no overall audit plan as well.

The TAO does not have an approved structure that reflects how responsibility is clearly assigned for all work carried out by the SAI. The TAO has an old organisational structure and a new one developed in 2021, but both structures have not been approved by the Governor. The new structure does not reflect the different types of audit work carried out by the SAI, according to its mandate.

The SAI does not have a code of ethics nor a system to ensure compliance with ethical requirements and to provide guidance on how the code of ethics is applied and any disciplinary measures in the event there is a breach of these ethical requirements. The organisational structure is yet to be approved by the appropriate official, who is the governor.

A system of internal control has the primary role of mitigating organisational risks in all areas, including core business operations and administrative support. However, the TAO has not implemented any system for identifying, mitigating and monitoring major operational risks, nor has it established policies that hold managers responsible for risk management in their areas. Consequently, the Office's policies that are in place are insufficient to fully address the risks the SAI is exposed to.

The TAO's Policies and Procedures Manual Chapter 5.D Quality Assurance – Peer Review prescribes the purpose of peer review and procedures for peer review. However, these procedures do not include an ongoing consideration and evaluation of the SAI's system of quality control, including a review of a sample of completed work across the range of work carried out by the SAI. Therefore, quality assurance has not been established *de facto*.

Analysis and Conclusions

The lack of a clear mandate and the absence of constitutional empowerment to

the TA leaves to the discretion of the Governor key decisions, such as the approval of an organisational structure that adequately covers the three types of audits. Those issues are connected, for without the clear legal mandate, it is not possible to develop a proper organisational structure, because it should be aligned to the mandate's requirements.

The SAI's understanding of its mandate is that they are not required or responsible for the audit of the financial statements of government (FSG) and this has always been the practice. The audit of FSG is outsourced and the TAO is not responsible for the process to outsource this audit. The SAI has little interaction with the external auditor who conducts the audit of the FSG, and the external auditor does not reside in American Samoa. Because the TAO had no responsibility or saying in the audit of the FSG, they are not able to obtain the audit files from the external auditors.

The TAO shows a clear gap in planning capabilities, which can compromise the SAI's performance and capacity to add value to the lives of the citizens.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	0	0	0	0
SAI-9	Financial Audit Standards and Quality Management	0	0	0	0
SAI-10	Financial Audit Process	0	0	0	0
SAI-11	Financial Audit Results	0	0	0	0
SAI-12	Performance Audit Standards and Quality Management	3	0	0	1
SAI-13	Performance Audit Process	0	0	0	0
SAI-14	Performance Audit Results	0	0	0	0
SAI-15	Compliance Audit Standards and Quality Management	0	1	0	0
SAI-16	Compliance Audit Process	0	0	0	0
SAI-17	Compliance Audit Results	0	0	0	0

Enablers

The TAO has a manual with Policies and Procedures that provides guidance on audit work. The manual covers a number of important points. It requires the auditor prepare sufficient audit documentation so that a review by an experienced auditor is feasible; engage in communications with the auditee in an effective way and develop an overall audit plan, among other points.

However, the manual lacks key items, like the reduction of the audit risk to acceptable levels, the application of a definition of materiality in all audit phases, and the design of substantive procedures, among others. The same assessment is applicable to compliance audits.

Regarding performance audit standards, The TAO performed reasonably.

Constraints

The SAI has the mandate to conduct financial and compliance audits but has not done so. During the period under review, the TAO did not conduct a full financial or compliance audit. There was no established process for selection and coverage of performance audits. Consequently, there was no audit coverage of any kind.

Most criteria applicable to the financial audit standards and compliance audit standards were not met, and there is no system to ensure that the staff assigned to financial or compliance audits collectively possess the knowledge, the experience and the skills to conduct those audits. Moreover, the TAO has not conducted any financial audit in the last 10 years, nor any compliance audit in the period under review. Even though the TAO Policies and Procedures manual provides guidance on responsibilities for ensuring quality in the audit process, due to the absence of any financial or compliance audit, it was not possible to assess if those quality control prescriptions were really met.

Financial and compliance audit processes and results could not be assessed, due to the absence of any audits of those kinds to be included in a sample to be analysed.

There was no system that identifies the knowledge, skills and experience required to conduct a performance audit and ensures that the audit team collectively possess the required knowledge, skills, and experience.

Even though the TAO Policies and Procedures manual provides guidance on responsibilities for ensuring quality in the performance audit process, due to the absence of any performance audit in the period under review, it was not possible to assess if those quality control prescriptions were really met. For the same reason, it was not possible to assess the performance audit process or results.

Analysis and Conclusions

The absence of any audit done in the period under review clearly demonstrates that the TAO still is an incipient organisation, with no results yet

to demonstrate its value. Such an underperformance is greatly explained by the weak constitutional and legal framework, and the difficulty to provide in full all the staff that have been authorized.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	2	0	0	1

Enablers

The responsibility for major financial management activities and budgets rests with the Territorial Auditor, according to the mandate. The TAO recruited an administrative assistant in 2019 who oversees the administrative operations of the office. The SAI uses the One Solution system for processing payments which is centralised with the department of Treasury. The SAI does not have its own financial manuals because they are required to follow government procurement rules, financial regulations, and treasury policies.

Constraints

The TAO does not have a staff cost recording system in place as the SAI does not charge audit fees. The TAO does not prepare its own financial statements because its financial operations are included in the government’s financial statements which are prepared by the Treasury Department and are audited by an independent audit firm.

There is no long-term plan to address current and future infrastructure needs, and there are no archiving facilities in the office. For that, external drivers are used and stored in the TAO’s premises. There is no dedicated IT support staff.

Analysis and Conclusions

The small scale of the Office leaves no other option than to use the government's financial and administrative support. Even though the SAI PMF report did not mention it, there should be information and data security arrangements, so that confidentiality issues will be properly addressed when the SAI starts doing audits.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	N/A	0	1	0	0
SAI-23	Professional Development and Training	0	1	1	1	1

Enablers

In spite of its dependence on the Government for Human Resources matters, the TAO is responsible for the appraisal of its workforce, in alignment with the prescribed rules, and is also in charge of the staff's personal files. The office has the management responsibility for its workforce professional development, as well. Promotions are awarded at the discretion of the Territorial Auditor, based on employee performance and any vacancy in higher position in relation to the staff being promoted.

As for professional development, the TAO relies on its professional affiliation with the Association of Pacific Islands Public Auditors (APIPA) which offers annual CPE course for Accounting and Finance Courses that meet competency requirements for financial audit. Also, staff attend other free online courses offered by the Pacific and Virgin Islands Training Initiatives Graduate School, throughout the year, which helps staff ensure their knowledge and competencies are constantly updated.

Constraints

The TAO is a government agency, under the management of the Governor. Consequently, the Office is bound to follow the department of Human Resources policies and procedures, including performance appraisals. It does

not have a human resource strategy, nor a clear process for recruiting, which is conducted by the department of human resources, with some limited participation of the TAO.

According to the Code, Title 4 Chapter 12: Development and Training, the head of each government department, including TAO, is responsible for the development of annual employee development and training plans. Other than that legal provision, there are no formally established plans for personnel development and training.

Analysis and Conclusions

The TAO human resources and professional development management powers and practices are coherent with the organisational context, characterized by constrained independence and autonomy. The small scale of the SAI partially justifies those limitations, but a SAI, in order to tread a path of continuous improvement, needs full discretion in staff matters. The TAO depends on the recruitment and maintenance of qualified auditors to really get started in all audit streams that are part of its mandate.

Therefore, the TAO should strive to achieve increased capacity to freely address its personnel needs in all relevant aspects, including recruitment, performance appraisal, professional training, welfare policies and promotion.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	0	0	1	1	0
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	0	1			0

Enablers

The TAO has a portal on their website which enables whistle-blowers to report anything that is worthy of an audit. The SAI has a website which clearly portrays its mandate, mission and vision, statement of core values and code of conduct.

Constraints

The American Samoa Territorial Audit Office does not have a communications strategy or stakeholder engagement plan. Therefore, key stakeholders were not identified and key messages that the SAI wants to communicate to its stakeholders were not identified.

Although there is a legislative requirement for the SAI to report to legislature, there are no established policies and procedures on how this reporting process and other ways of communicating with the legislature should be implemented. There is no evidence of any awareness raising activities or forum to ensure the legislature has a good understanding of the SAI's role and mandate. Additionally, the SAI has not developed a professional relationship with relevant legislative oversight committees to help them better understand the audit reports and conclusions and take appropriate action.

The TAO has not established policies and procedures for communicating with the legislature. The actual communication practices with the Legislature are connected with the audit reports and the process of submitting them to the congress. However, there were no audit reports of any kind in the period under review, so it was not possible to evaluate communication based upon real cases.

The trigger that starts a SAI's communication with the Executive is the conduction of audits. Again, because no audits were carried out in the period under review, it was not possible to check if the guidelines concerning the relationship with the auditees contained in the TAO policies and procedures were followed.

During the period under review the TAO has not held any press conferences

or issue press releases on major reports including any performance audit reports. TAO has an official website. Information about the SAI is disseminated through the office website. There are no established procedures regarding communications with the media.

There is not much information updated on the website to stimulate interest and motivate readers on the SAI's work and how it benefits them. There is also no social media page for the TAO, since all media coverage on behalf of government is handled by the governor's office. There is no feedback mechanism in place to seek feedback from civil society organisations or members of the public on the accessibility of its reports and there are no mechanisms to accommodate these feedbacks and use them to improve the SAI's future services. Again, there were no reports that could trigger feedback from any stakeholders.

Analysis and Conclusions

The TAO is in want of a communication strategy and lacks channels and tools to engage in fruitful communication with the media or with the society. Apart from the absence of a proper documented strategy, there were no reports whose good results could raise the public interest, and consequently there were no relevant outputs to motivate the communication processes.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The constitutional and legal framework does not assure a sufficient level of independence and autonomy for the TAO, even though there are some provisions that allow the SAI to operate.

The TAO does not enjoy sufficient protection by the constitution, therefore being exposed to the possibility of external influences in its work. The SAI should strive to get constitutional amendments that include:

- a) establishment of the TAO;
- b) assurance for its independence and autonomy;
- c) description of a broad mandate;

- d) full rights to access information;
- e) rights and obligation to freely report to parliament.

In addition, it should be highlighted that the TAO's organisational chart places itself under the Governor, who is the Head of the Executive, who holds the authority to approve the SAI's organisational structure. Such an arrangement does not reflect the desired independence and autonomy as prescribed in the ISSAIs.

In the period under review, the TAO did not carry out any audits. Therefore, in such circumstances, the SAI has not demonstrated capacity to impact positively the government performance in delivering services to the citizens.

The poor coverage of all three audit disciplines probably is related to the limited availability of manpower and lack of qualified staff to conduct any of the three types of audits. During the period under review, the TAO had only five staff. Four of them have been working at the SAI for less than two years. Another relevant constraint to the TAO's performance is the absence of a properly appointed head, the Territorial Auditor, for seven years.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

The TAO is in its initial stages of implementation and development; because of that, the SAI has not delivered the audit reports that are expected. The communication with the legislature, the executive, the media and the citizens has not fully started, even though there are some provisions for that in the legislation and in the TAO's manual.

The TAO positively contributes to the affairs of the American Samoa Government through frequently conducting unannounced cash counts. Some of the agencies that were subject to unannounced cash counts were main government departments that collect on average USD1.3million revenue annually. Unannounced cash counts completed during the period under review and previous years provided recommendations to improve internal control systems and establish controls to safeguard the collection of cash by

government agencies.

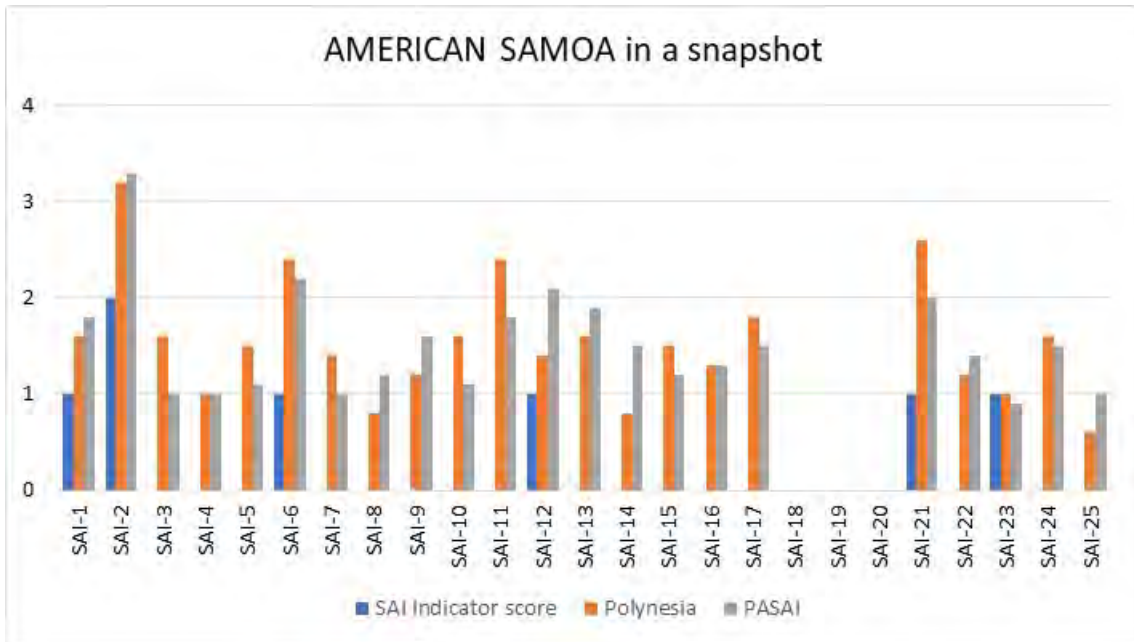
3. Being a model organisation through leading by example

To lead by example, the TAO needs to improve in quite a few key issues. For that, at least the following key points should be addressed:

- a) full implementation of all audit streams;
- b) adoption of audit standards that are fully compatible with the ISSAIs;
- c) adoption of a code of ethics of its own, and implementation of a process to identify and address any ethical breach;
- d) development of capacity plan in all levels and deliver against planned objectives.

Despite not being directly under the SAI's control, it is of paramount importance to get improvements in the constitutional arrangements, in order to give the SAI the independence, autonomy and clear mandate that are needed for a strong accountability chain in the country.

GRAPH 3 - THE AMERICAN SAMOA TERRITORIAL AUDIT OFFICE IN A SNAPSHOT



GRAPH 4 - THE AMERICAN SAMOA IN GDP PER CAPITA CLUSTER

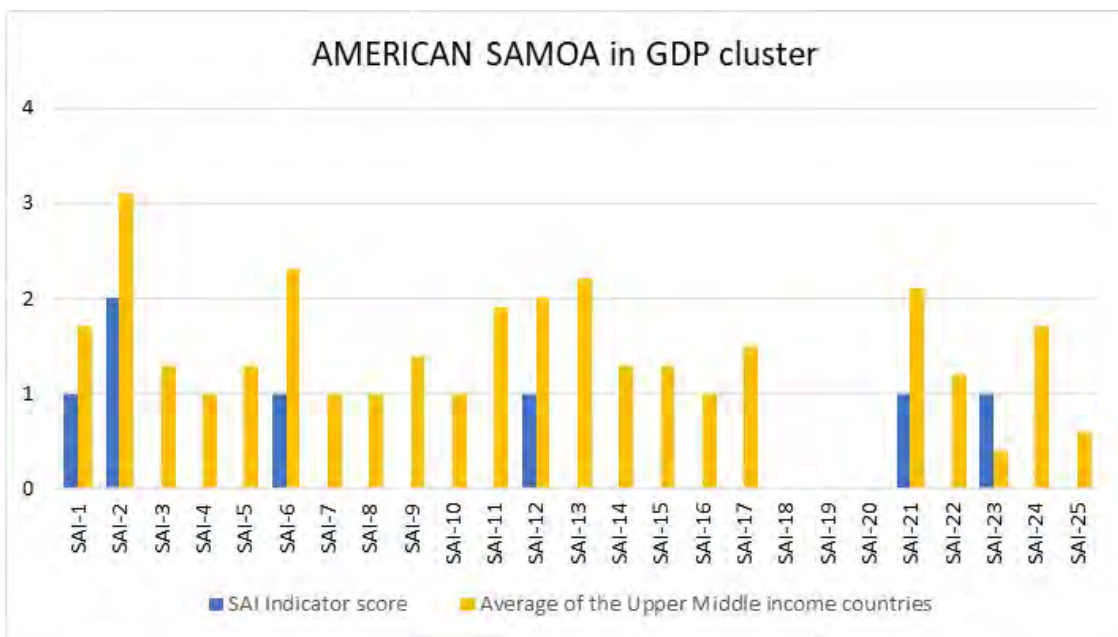


TABLE 8 - THE AMERICAN SAMOA TERRITORIAL AUDIT OFFICE INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	0	1	2	1	1
SAI-2	1	2	2	-	2
SAI-3	0	0	0	1	0
SAI-4	0	0	2	0	0
SAI-5	N/A	N/A	N/A	-	N/A
SAI-6	1	2	-	-	1
SAI-7	0	0	-	-	0
SAI-8	0	0	0	-	0
SAI-9	0	0	0	-	0
SAI-10	0	0	0	-	0
SAI-11	0	0	0	-	0
SAI-12	3	0	0	-	1
SAI-13	0	0	0	-	0
SAI-14	0	0	0	-	0
SAI-15	0	1	0	-	0
SAI-16	0	0	0	-	0
SAI-17	0	0	0	-	0
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	2	0	0	-	1
SAI-22	N/A	0	1	0	0
SAI-23	0	1	1	1	1
SAI-24	0	0	1	1	0
SAI-25	0	1	-	-	0



4.2 Commonwealth of the Northern Mariana Islands Office of the Public Auditor

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Northern Mariana Islands Office of the Public Auditor was prepared based on the SAI PMF Endorsement Version, October of 2016. The assessment was finished in October 2021. The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	1	1	3	2	2
SAI-2	Mandate of the SAI	3	3	4		3

Enablers

The constitution of the Commonwealth of the Northern Mariana Islands (CNMI) establishes the appointment of a Public Auditor (PA), with the authority to audit receipt, possession and disbursement of all public funds, report to the legislature and perform other duties conferred by the law. The constitution also prescribes the conditions under which the PA may be removed, including a required majority of two-thirds of the members of the legislature.

The Office of the Public Auditor (OPA) Enabling Act provides for the establishment of the office as an independent government agency. It fixes the PA tenure, and issues provisions regarding the appointment, removal and cessation of service of the PA.

Although the constitution does not specify that the OPA is financially independent from the executive, in practice the OPA submits its budget to the executive for information purpose only, before submitting to the Legislature for approval. The OPA budget is calculated as 1% of the net general revenue after deducting any revenue line items vetoed (excluded) by the governor plus 1% of net general revenue of autonomous agencies. Irrespective of the 1% calculation, the OPA budget must not go below USD\$1,000,000 as guaranteed by the OPA Enabling Act.

After approved by the Parliament, the SAI has full access to its budget, under a separate heading.

The OPA Enabling Act and the Commonwealth Auditing Act ensure that the OPA has the functional and organisational independence required to accomplish its tasks. The public auditor has the power to hire and remove the staff of OPA and it has the authority to determine its own rules and procedures for managing its operation.

The Public Auditor received a broad mandate that covers all government entities and operations. The auditing act states that the public auditor's office shall conduct or supervise all audits required for or sought by a commonwealth agency. The related act defined audit to include financial audit, performance audit, program audit, or a combination.

The OPA is free to decide its report's contents and is empowered by both constitutions and the two acts to report publicly on its audit findings and recommendations. In addition, the Commonwealth Auditing Act provides the public auditor with unrestricted access to any information needed to fulfil his or her audit duties.

Constraints

The constitution does not provide for the independence of the public auditor and his office, nor the public auditor term or any legal protection to the public auditor by a supreme court on any interference with his or her independence. The public auditor or its employees are not immune to prosecution, and they can be sued in the normal discharge of their audit responsibilities.

The OPA budget is submitted to the department of finance, and goes through the normal budgeting process. The SAI cannot directly appeal to the Parliament, if it considers the received resources insufficient to the discharge of the mandate. The Office has never received the 1% of the total net revenue that is entitled for.

Analysis and Conclusions

The constitutional framework established the Public Auditor of the CNMI, and gave it power to audit all government operations. The constitution also prescribed the conditions for the removal of the PA, including the requirement of a two- thirds majority vote from the parliament. The Office of the Public Auditor (OPA) Enabling Act and the Commonwealth Auditing Act provide other important legal arrangements, such as the organisational independence of the SAI, the PA tenure and the provisions to the appointment, removal and cessation of the service of the PA.

On the other hand, there are still opportunities for improvement. The Constitution does not provide for the independence of the Public Auditor, nor any legal protection by a supreme court. So far, the OPA cannot apply directly to the parliament in case of insufficient funds.

Altogether, the Public Auditor of the CNMI has strong legal support to carry out its work.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	0	0	1	1	0
SAI-4	Organisational control environment	0	1	0	0	0
SAI-5	Outsourced audits	2	0	0		1
SAI-6	Leadership and internal communication	2	4			3
SAI-7	Overall audit planning	0	1			1

Enablers

The Public Auditor and the OPA management involved and owned the planning process for the period that is registered in the annual budget and in a document named "Audit Schedule". The Public Auditor, Senior management and all staff participated in a planning meeting around July/August before the financial year commenced in October. All staff are allowed to say and provide suggestions on the activities to perform in the next period.

Although the OPA does not have its code of ethics, its personnel regulations require its staff members to comply with the Government Ethics Code, which has some specific requirements for the OPA.

The office's organisational structure is divided in three areas: administrative, audit, and investigative. There are job descriptions for all workforce, and everyone is aware of his/her duties and there are clear reporting lines.

The OPA outsourced all its financial audits to a private firm. The contract was signed by the Secretary of the Department of Finances, by the PA and the partner from the hired firm. The contract requires the adoption of the GAGAS audit standards, and all draft reports produced by the contracted auditors have to be submitted to the PA for comments before finalisation.

Staff meetings at management and operational levels are held on a frequent basis. The SAI's leadership informs and consults employees regularly on key issues related to the organisation, and key decisions are communicated to all the staff. The SAI uses appropriate tools to communicate effectively.

Constraints

The OPA does not have a strategic plan, nor an operational plan. Consequently, there are no long-term objectives whose implementation could be monitored. The Audit Schedule covers only audit topics, it does not include any other activities.

The SAI's system of internal control is not fully established. It has documented policies and procedures covering only its audit functions. The OPA has no Risk Management Policy/Register in place. There are no quality control policies, and no clear definition about who is responsible for quality.

The quality assurance system is not fully implemented. Even though the Audit Guide prescribes some guidance, it is limited to audit operations, and there were no QA plans that specified the frequency of the QA reviews.

Analysis and Conclusions

The OPA produces only one plan for its activities, which is the “Audit Schedule”. It covers one year and does not include any other activities but the audits for the next period. The staff members have a clear understanding of their duties and of the existing reporting lines and the audits carried out attend to high standards, as it is shown in the next domain.

However, it is indispensable that a SAI develops plans for the long-term and deliver results that can be monitored so as to track progress and make sure that the strategic goals will be achieved. The OPA should be able to track emerging risks and changes in its environment (internal and external) in order to adjust its course of action to remain relevant to the citizens in all scenarios.

The SAI retains ultimate responsibility for the financial audit reports that are sent to the parliament. Therefore, there should be stronger quality control and quality assurance practices to safeguard the PA’s responsibility for those reports.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	4	2	0	2
SAI-9	Financial Audit Standards and Quality Management	N/A	N/A	N/A	N/A
SAI-10	Financial Audit Process	N/A	N/A	N/A	N/A
SAI-11	Financial Audit Results	N/A	N/A	N/A	N/A
SAI-12	Performance Audit Standards and Quality Management	4	3	4	4
SAI-13	Performance Audit Process	3	3	3	3
SAI-14	Performance Audit Results	4	4	4	4
SAI-15	Compliance Audit Standards and Quality Management	0	1	3	1
SAI-16	Compliance Audit Process	2	1	2	2
SAI-17	Compliance Audit Results	4	4	3	4

Enablers

In respect of financial audits, the OPA audit universe only encompasses one financial audit, which is the whole of government financial statements (WoG). Other government agencies such as autonomous agencies, boards and commissions managed their financial affairs outside the department of finance, prepare their own financial statements and appoint their own auditor. However, for the purpose of completeness of the WoG financial statements, these audited financial statements must be consolidated to the WoG. Accordingly, they must submit their audited statements to the department of finance for consolidation purpose.

In the last five years, a few of these agencies had not submit their audited accounts to department of finance on time, therefore Deloitte had issued an adverse opinion on the WoG. These agencies have been reported in the OPA citizen-centric report.

The OPA is required to submit a financial audit report of the whole of government (WoG) financial statements annually. This audit is outsourced to Deloitte, although OPA retains responsibility for the audit.

The OPA concentrates its audit work in performance audits, and has achieved remarkable results in those audits. The standards are contained in the OPA Audit Guide, and they are in alignment with the ISSAIs. All indicators that refer to performance audit reached high scores in all their dimensions, thus demonstrating the high quality of those audits.

It is worthy of highlight at least one of the good practices included in the Audit Guide, namely the two-phase planning approach. The auditors take on two phases in the Planning Stage: Preliminary Planning or Survey Stage and Field work Planning. The auditors begin Survey Stage with tentative objectives in understudying the entity or auditee during the critical stage of Survey to determine whether to go about a full audit or not. When there is enough knowledge about the auditee, the auditors will move on to Fieldwork Planning where there will then be established compliance issues in operations and management of the auditee. As a result, the auditors will then develop the actual audit objectives.

The OPA is an outstanding example in Performance Audit when compared to the whole PASAI region, as it can be seen in the table below. Therefore, it can be a strategic player at that broader geographical area.

	The OPA of CNMI	PASAI Average
SAI-12 Performance audit Standards and QM	4	2.06
SAI-13 Performance audit process	3	1.82
SAI-14 Performance audit results	4	1.59

The SAI of the CNMI can play a key role in supporting the development of performance audit in the Pacific Region.

Constraints

Compliance audit is not a standalone audit type in the OPA, it is included in the performance audits. The compliance audit indicators' assessment was done together with the performance audit indicators on the same sample of audit files. Because of that, when the performance audits were checked against the criteria for compliance audit standards, there were meaningful gaps. The same effect occurred in the assessment of the team management.

Analysis and Conclusions

The Office of the Public Auditor of the CNMI fully outsources its financial audits, and concentrates all its audit works in performance audits. The PA does not do compliance audits as a separate audit stream; it is embedded in the performance audits.

Performance audit has reached a maturity level in the OPA, as it was demonstrated by the high scores in all dimensions of the related indicators. The challenge for the OPA is to maintain that performance in the long term, and, for such endeavour, the development of strategic planning is paramount.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	2	1	2	2

Enablers

The OPA has an administrative unit that is under the direct command of the Public Auditor. The two officers of that unit have participated in various trainings, and together they possess enough experience to carry out all tasks assigned to them. The final accountability for all administrative services rests upon the Public Auditor, and only him/her can approve expenditures.

IT service and management is outsourced to a private company. The company looks after the IT needs, including the repairs and maintenance of its IT infrastructures, such as laptops and servers. There have not been any significant IT issues in the last three years. In that period, the OPA has not done any review of its IT infrastructure. The OPA backs up all its electronic records in its internal server when it comes to archiving, while original hard copies are archived in the OPA library. The Audit Unit is responsible for archiving their audit files while the investigation unit is responsible for theirs.

Constraints

According to OPA, they do not prepare annual financial statements as this is included in the whole of government financial statements. There is no system for staff costing. In the three years before the SAI PMF assessment, the OPA never used more than 87% of the approved budget.

The OPA does not have a long-term strategy for its physical infrastructure needs, nor a shorter-term plan for its IT needs.

Analysis and Conclusions

The solution adopted by the OPA of the CNMI for the IT support was to hire a private company. So far, there have been no issues or needs that were not properly and timely addressed; therefore, this has been an efficient arrangement. Backups and audit files are archived either in the internal server or in the audit unit, thus providing some protection against unauthorized accesses by government agents.

However, there was no information concerning the security and confidentiality protocols that should be obeyed by the hired IT company. This potential vulnerability – public information stored and kept by a private firm – should be explicitly covered in the contract.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	2	0	4	4	2
SAI-23	Professional Development and Training	1	0	0	0	0

Enablers

The OPA assigned most of the human resources function to an administrative officer with sufficient experience and skills to carry on the tasks. All personnel works are initiated at the OPA and forwarded to the CNMI government personnel office for approval.

The recruitment process is subject to the OPA Personnel Regulations, which describes the procedures and provides guidance on non-discriminatory practices. The process is public, including full disclosure of the skills and experiences needed. The SAI conducts regular individual performance appraisals against the job description or the performance agreement, and promotions follow established procedures.

Constraints

There are no formally approved human resources strategy and policies, nor any competency framework.

The OPA has not developed or implemented any plan for professional development, although the office annually joins continued professional education (CPE). Moreover, there is no established procedure in selecting staff or selecting what courses to register for in the forthcoming training and workshops, as long as the staff members acquire the necessary CPE hours. Additionally, there is no established system for professional development or documented professions that the OPA wishes to develop, although the auditors are encouraged to work towards achieving certifications.

Analysis and Conclusions

The OPA developed an efficient solution for the Human Resources Function, by assigning it to a competent officer. Because of that arrangement, the PA holds a high degree of independency in such matters, from the recruitment process to the welfare policies and promotion.

Still the OPA lacks a formally approved human resources strategy, that would be very important to make sure that well qualified professionals will keep being recruited and maintained by the SAI. At present, the high quality of the audit works done are a token of the qualification of the auditors, but there are no guarantees that this will last in the long-term.

The same reasoning is present when it comes to the absence of plans for professional development and training. The non-existence of such plans represents a risk of not having skilled enough professionals in the future.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	0	1	2	0	1
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	0	0			0

Enablers

The Legislature is OPA's most important stakeholders. It approves the annual budget and scrutinises audit reports to ensure government agencies implement the OPA's recommendations. Communication between the OPA and the Legislature is through the OPA's citizen-centric report and its audit reports. The citizen-centric report is a four-page report on the operation of the OPA for the year. All audit reports completed by OPA are submitted to the Legislature and published on the website soon after it is submitted. Apart from these two reports, the Legislature also seeks OPA views on selected bills before parliament approval.

The OPA follows up the status of its audit recommendations on an annual basis. This is reported in the Audit Recommendation Tracking System (ARTs) reports to the Legislature and is published.

Communication between the OPA and the executive is strictly connected with the audits, at the commencement and conclusion of the audits. The purpose is to inform the auditees about the audit procedures and what is expected from them.

Constraints

The OPA has a draft communication strategy. When finalized, the draft strategy approved and implemented by the public auditor will lay the foundation for the OPA to communicate with its stakeholders more effectively.

The OPA is yet to have policies and processes in place governing its relationship

with the legislature. The communication strategy once approved would lay out the process for effective interaction with the legislature. Within the CNMI Legislature, there is a legislated committee, the “Audit Coordination Advisory Group”. The group's role is to review all audit reports of the public auditor. This group has not been operating as intended, and the OPA can do more to ensure the group members understand its audit reports and identify common themes and findings to pursue.

Apart from the normal routine communication with executive agencies during the audit process, there are no other communication and interaction in which the OPA could advocate for a better understanding of its role and responsibilities by government agencies. More interaction with the auditees would help the SAI to improve its understanding of the challenges and constraints faced by government agencies and would facilitate getting feedback on audit reports' quality and relevance.

So far, there are no policies and procedures for communicating with the Judiciary and prosecuting agencies.

The Public Auditor only communicates with the media when there is a media request regarding an audit report. Apart from those requests, no other initiatives to engage with the media were taken. Communications with the citizens and civil society organisations are limited to the publication of the Citizen-Centric Report on the website and a hotline, through which the public can present a complaint.

Analysis and Conclusions

The OPA communications with the legislature are focused on the submission of the reports as commanded by law. No proactive actions to foster the SAI's connection with the legislature were identified; in that regard, there is a clear opportunity for improvement concerning the legislative committee named “Audit Coordination Advisory Group”, created to review the audit reports and to ensure that audit recommendations are implemented by the executive. Such committee can become an active partner of the OPA, and play a decisive role in enforcing the recommendations.

Communications with the media and with the citizens have been extremely limited. The OPA needs to take the initiative to help the public in general to better understand its mandate, the audit results and the value they add to their lives.

All those constraints can be circumvented by the approval and implementation of a communication strategy.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The constitutional and legal framework assure good level of independence and autonomy for the OPA, even though there are still gaps that should be addressed. The Constitution does not provide for the independence of the Public Auditor, nor any legal protection by a supreme court. So far, the OPA cannot apply directly to the parliament in case of insufficient funds.

The SAI has received a sufficiently broad mandate, adequate access to information and right and obligation to report, as can be seen in the good scores in all dimensions of indicator SAI-2 – Mandate of the SAI.

All financial audits have been outsourced to a private firm. This approach has so far worked properly, for all financial audits were done in time, and the reports timely submitted to the parliament and published.

The OPA has focused its work in performance audits. The SAI has its own audit guide, based upon the Generally Accepted Government Accounting Standards (GAGAS), and has conducted high quality audits according to those standards. The audits are submitted to the legislature and timely published. In addition, there are procedures in place to follow-up the audit recommendations, and these results are conveyed to the legislature in the Audit Recommendation Tracking System report.

The high quality of the performance audits enables the OPA to be a key partner in helping other SAIs to achieve progress in that area.

However, it is indispensable that a SAI develop the capacity to plan for the long-term and to deliver results that can be monitored, so as to make it possible to track progress and make sure that the strategic goals are achieved. The OPA should be able to track emerging risks and changes in its environment (internal and external) in order to adjust its course of action to remain relevant to the citizens in all scenarios.

The SAI retains ultimate responsibility for the financial audit reports that are sent to the parliament. Therefore, there should be stronger quality control and quality assurance practices to safeguard the PA's role in that field.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

For a leading SAI, it is not sufficient to add value to the society; it is mandatory to communicate the value added. The OPA has limited its communication with the parliament to the reports that are mandatory by law; there have been no proactive engagements with the congress.

The committee named "Audit Coordination Advisory Group", created to review the audit reports and to ensure that audit recommendations are implemented by the executive, can become an active partner of the OPA, and play a decisive role in enforcing the recommendations.

Communications with the media and with the citizens have been extremely limited. The OPA needs to take the initiative to help the public in general to better understand its mandate, the audit results and the value they add to their lives.

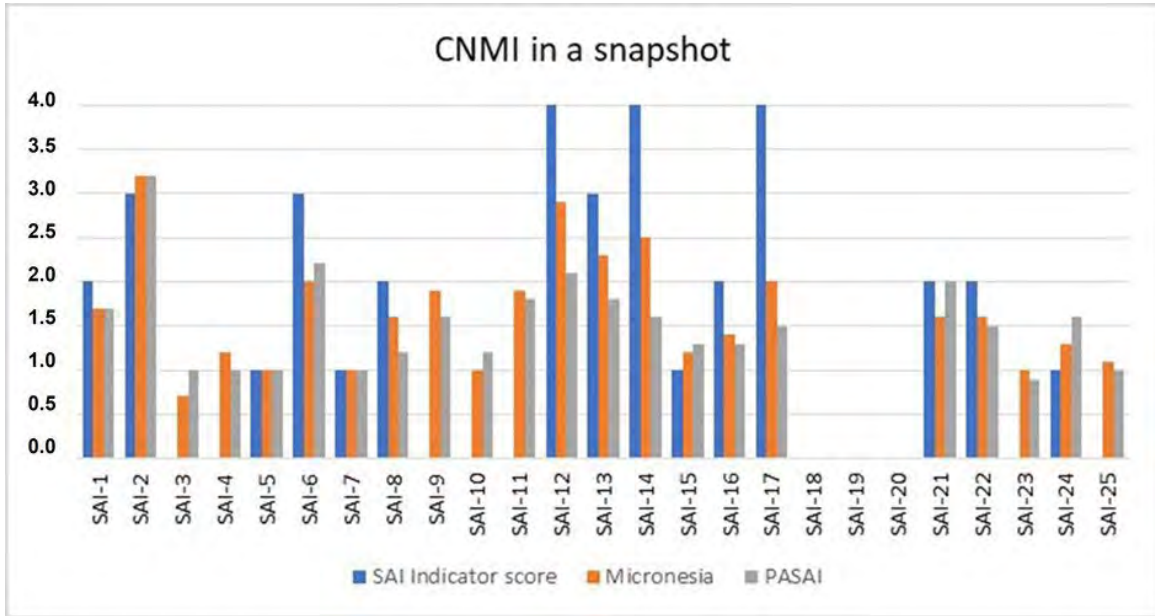
All those constraints can be circumvented by the approval and implementation of a communication strategy.

3. Being a model organisation through leading by example

The performance audit results are good, but the OPA lacks adequate planning to ensure that such results are sustainable. To lead by example, a SAI should demonstrate capacity to plan and deliver against what was planned, but so far, the OPA has developed just one document for planning, the “Audit Schedule”, that covers only the next period.

Another gap in the SAI’s planning activities is the non-existence of any plan for professional development. Without such plan, the SAI has no guarantee to maintain the high quality results in the long-term.

GRAPH 5 - THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS OFFICE OF THE PUBLIC AUDITOR IN A SNAPSHOT



GRAPH 6 - THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS OFFICE OF THE PUBLIC AUDITOR IN GDP PER CAPITA CLUSTER

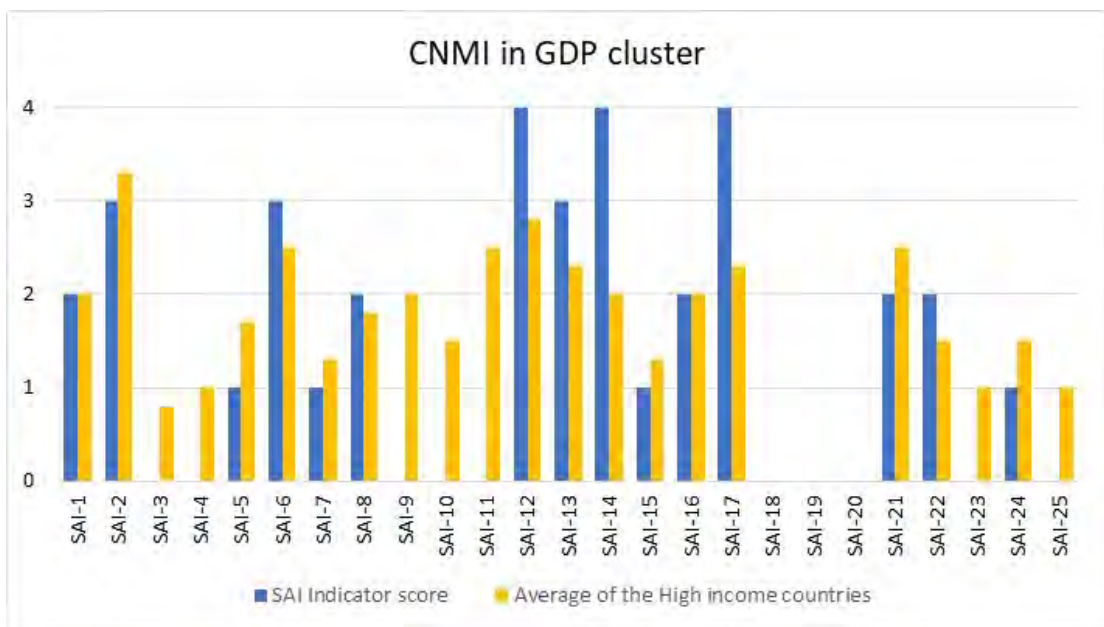


TABLE 9 - COMMONWEALTH OF NORTHERN MARIANA ISLANDS INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	1	1	3	2	2
SAI-2	3	3	4	-	3
SAI-3	0	0	1	1	0
SAI-4	0	1	0	0	0
SAI-5	2	0	0	-	1
SAI-6	2	4	-	-	3
SAI-7	0	1	-	-	1
SAI-8	4	2	0	-	2
SAI-9	N/A	N/A	N/A	N/A	N/A
SAI-10	N/A	N/A	N/A	N/A	N/A
SAI-11	N/A	N/A	N/A	N/A	N/A
SAI-12	4	3	4	-	4
SAI-13	3	3	3	-	3
SAI-14	4	4	4	-	4
SAI-15	0	1	3	-	1
SAI-16	2	1	2	-	2
SAI-17	4	4	3	-	4
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	N/A	N/A
SAI-20	N/A	N/A	N/A	N/A	N/A
SAI-21	2	1	2	-	2
SAI-22	2	0	4	4	2
SAI-23	1	0	0	0	0
SAI-24	0	1	2	0	1
SAI-25	0	0	-	-	0



4.3 Cook Islands Audit Office (CIAO)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Cook Islands Audit Office (CIAO) was prepared based on the SAI PMF Version 3.1, dated January 22, 2016. The assessment began in January 2016, with fieldwork in the Cook Islands taking place January 25-29, 2016.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	1	1	2	1	1
SAI-2	Mandate of the SAI	4	4	4		4

Enablers

Section 71 (1) of the Constitution establishes the Cook Islands Audit Office (CIAO). This is amended by the PERCA Act, which establishes an Office of Public Expenditure Review Committee and Audit (PERCA), of which the Audit Office is the part with responsibility for audit. The Committee reviews policies procedures, and reports affecting public accountability. It reviews the annual financial statements including the audit opinion thereon. The Audit Office performs audit of all public sector entities.

The overall score of SAI-2 is 4, suggesting that the CIAO has been given an adequate mandate. All criteria in the three dimensions (sufficiently broad mandate, access to information and right and obligation to report) were met. The CIAO has full rights to access all information needed, and has been given proper rights and obligations to report.

Constraints

SAI-1 reached an overall score of 1, thus revealing significant gaps between the current status of CIAO and the principles for independence identified in

the Lima and Mexico Declarations. CIAO has not yet been given sufficient constitutional and legal assurance of its independence and autonomy, and this can be described as a major opportunity for improvement. Even though the assessment has not identified any real case situation of interference from the Executive in the Office's work, the lack of adequate constitutional and legal protection remains a major issue to be addressed.

The legal framework is largely silent on the CIAO's independence in the selection of audit topics and freedom from interference, and is silent on the right of others to dictate or request specific audit topics, and to interfere in the work of the CIAO, with one exception. The exception is the Public Expenditure Review Committee (PERC). The PERCA Act gives the Office of the PERCA (i.e. CIAO) the duty to assist the PERC to conduct audits, investigations and enquiries into matters referred to it by the Act. Section 14 (2) (d) further gives the PERC the function to "consider and agree on the adequacy and nature of the [audit] programme intended to be undertaken by the [Audit] Director". In practice the PERC has a significant role in the selection of CIAO's special reviews. Under current practice, CIAO seeks PERC approval before commencing its special reviews.

The legal framework does not provide for the Audit Director's immunity to prosecution for acts related to the normal discharge of his/her duties.

Analysis and Conclusions

The CIAO received a strong and comprehensive mandate, but its independence, organisational autonomy and legal immunity in the discharges of its duties are not yet sufficiently assured in the legal framework. It should be noted, however, that the CIAO has had de facto freedom from unduly interferences from the Executive.

It should be noted that the CIAO does not have full control in planning compliance audits (special reviews). PERC is responsible for approving all special reviews that will be done by CIAO, and has discretion to carry on those examinations by itself. Legislation is somehow imprecise in this topic, and makes it difficult for CIAO to define its role in this regard.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	3	2	2	2	2
SAI-4	Organisational control environment	2	2	2	2	2
SAI-5	Outsourced audits	N/A	N/A	N/A		N/A
SAI-6	Leadership and internal communication	3	4			3
SAI-7	Overall audit planning and follow-up	2	3	2		2

Enablers

SAI-3 covers the content of both strategic and annual/operational plans, the organisational planning process and the monitoring of the SAIs performance. The overall score of this indicator is 2, which denotes that CIAO has reached some degree of quality in those dimensions, but improvements should be pursued, for there are a number of opportunities for that.

With regard to the content of the Strategic Plan (Dimension i), the assessment checked the Cook Islands Strategic Plan 2015-2020, and other sources of evidence. The plan was based on a needs assessment, and incorporated a results framework, that described their vision, mission statement, values, strategic priorities and outputs. Other stakeholders' expectations and risks were considered and factored in the plan. However, the plan did not contain indicators, neither was complemented by an implementation matrix or similar document. Considering the small size of CIAO, and the final score 3 of this dimension, the content of the CIAO strategic plan can be considered good enough for its needs.

The annual audit planning process is clear. The procedure is documented in policy documents, and planning documentation suggests that it is being adhered to. The audit plan refers to the mandate, and the audit program suggests that planning is done based on this. However, planning is not risk based, but mainly based on analysis of materiality. The responsibility of planning, as

well as implementing and monitoring the plan, lies with the Audit Managers, in agreement with the Head of SAI. Documentation demonstrates that the progress of the work is being constantly monitored through the implementation of audits throughout the year. Budgets and costs of human resources are reflected in separate documents, but the programme identifies the human resources involved in each control.

A SAI should have an internal control system in place that provides reasonable assurance that the SAI manages its operations economically, efficiently, effectively and in accordance with laws and regulations. Further, SAIs should have a quality control system that ensures quality in all its work. SAI-4 covers the internal control environment, the system of internal control, quality control and quality assurance functions in the SAI. The overall indicator score was 2, thus revealing the existence of basic processes in those areas, but that further improvements are still needed.

All job positions within CIAO have clear descriptions, ensuring that everyone in the organisation knows their responsibilities, tasks and reporting lines.

The management team, consisting of the Audit Director and the Audit Managers, holds monthly meetings. Decisions from these meeting are then shared with the staff in a staff meeting held the following week. The values of the Audit Office are communicated in the Strategic Plan. These values as well of the mandate of the SAI are disseminated in the Annual Report of the Audit Office. They also come clearly across in other Manuals that are used by the staff. Altogether, leadership and internal communications were well assessed.

Constraints

There were no clearly defined activities, timetables and responsibilities in the preparation of the plan. The operational costs were not included, and there were no measurable indicators at the outcome and output levels. It should be considered, though, that CIAO operates within the Cook Islands government infrastructure, and the small size of the office poses a question about how much their planning should be formalized.

There is no delegation of authority of the Head of the SAI, except in his/her absences; no considerations of risks to quality have been made; and quality has not been factored in the prioritisation of works to be done.

Analysis and Conclusions

Most indicators and their dimensions scored at least 2 in this domain, a result that shows that CIAO has developed good capacity to plan and deliver against what is planned, especially when the small size of the SAI is taken in consideration. The Strategic Plan was based upon consistent frameworks, and included all key elements, such as vision, mission, values and strategic priorities.

Leadership and internal communications also achieved good assessments, thus making the CIAO a potential good partner to help other SAIs to improve in these areas.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	2	0	0	1
SAI-9	Financial Audit Standards and Quality Management	3	3	3	3
SAI-10	Financial Audit Process	3	3	3	3
SAI-11	Financial Audit Results	4	N/A	4	4
SAI-12	Performance Audit Standards and Quality Management	2	0	2	1
SAI-13	Performance Audit Process	0	2	1	1
SAI-14	Performance Audit Results	4	0	0	1
SAI-15	Compliance Audit Standards and Quality Management	2	1	2	2
SAI-16	Compliance Audit Process	2	2	3	2
SAI-17	Compliance Audit Results	3	0	3	2

Enablers

The CIAO is transitioning to ISSAI implementation. Its financial audit opinions currently make reference to International Standards on Auditing (New Zealand). The Audit Commissioner's work has historically been conducted with reference to these standards.

The SAI uses a competency matrix for each financial audit to demonstrate that the engagement team collectively has the appropriate skills and experience to conduct the audit. It has also provided its staff with guidance, training and access to experts (the Audit Commissioner) in most required areas.

The CIAO's quality control in the financial audit processes is embedded into the TeamMate software, and reinforced by the use of organisation working papers. TeamMate records who wrote each audit working paper, who reviewed it, who did a second review (if any), and progress on every section of the audit.

All financial audit working papers, audit plan and audit reports are subject to review. The requirement for review is automated into TeamMate and evidenced. All audit files that were examined demonstrate that reviews identify issues which are solved and contribute to staff learning. Monitoring of audit progress is facilitated through TeamMate.

The financial audit sample tested in the SAI PMF assessment performed well, reaching score 3 for all dimensions (SAI-10, planning, implementing and reporting).

Constraints

The Audit Office was using the PASAI Manual for Performance Auditing that was based on the former version of ISSAI 300. The PASAI Manual covered all elements of performance audit. It covered important aspects of planning, professional conduct, documentation, evidence, quality control, as well as reporting and communication appropriately. However, it lacks a sufficiently thorough treatment and establishment of some of the principles of performance auditing, in particular Economy, Efficiency and Effectiveness and their relationship to the objectives, criteria and audit approach, as required by the current version of ISSAI 300.

The PASAI Manual talks a lot about competency, but does not specify which skills are needed to conduct performance audit. There were no evidences of systems or practices directed at ensuring the competencies and skills needed to compose a performance audit team.

Analysis and Conclusions

Overall, the CIAO performs well, especially in its core mandate of financial audit, based upon reliable government financial statements. CI is a well-organised country, and its public administration also functions properly. Nonetheless, the CIAO should pursue improvements in compliance and performance audit, and communicate better with citizens about its role and results, given that the Parliament Accounts Committee has not been working properly.

The CIAO has been performing well in financial audits, albeit the lingering backlog. Measures have been adopted to tackle this issue. All indicators and their dimensions referring to financial audit scored 3, and this is evidence that they have been performing properly in this audit field. Performance audit in the CIAO is in its initial stages, therefore there is significant room for improvement in this topic. CIAO performs a little better in compliance audits. Still improvements are needed, especially clearer definitions in legislation about the roles of the PERC and the CIAO.

Financial Audit at the CIAO is good, which is exceptional in the Polynesia, for the CIAO has scored much higher than the regional aggregated averages, as can be seen below:

	The Cook Islands Audit Office	Polynesia Average	PASAI Average
SAI-9 Financial audit Standards and QM	3.00	1.20	1.65
SAI-10 Financial audit process	3.00	1.60	1.18
SAI-14 Financial audit results	4.00	2.40	1.81

Therefore, the CIAO can already play a key role in supporting the development of financial audit in the Polynesia. The SAI of Cook Islands is an outstanding example in financial audit also when compared to the whole PASAI region, as it can be seen in the above table. Therefore, it can be a strategic player at that broader geographical area, to help other SAIs to improve their financial audits.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	3	2	3	3

Enablers

The Cook Islands Audit Office follows the laws and regulations of the Government of Cook Islands, namely the Ministry of Finance and Economic Management (MFEM) Act 1995-1996 and the Cook Islands Government Financial Policies and Procedures Manual (CIGFPP). MFEM Act sets the rules and procedures regarding the budget cycle, and the CIGFPP provides practical guidance on all financial practical matters. The financial management system in place contains financial information, but has no register of performance information.

The job description documents clearly assign responsibilities for internal IT support, file management and archiving and management of all major categories of assets and infrastructure. Considering the small scale of the Office, this arrangement seems to have been working properly.

Constraints

CIAO do not have total control of infrastructure and IT needs. They use government infrastructure. When they ask for improvements, the response is usually positive. A good example is the TeamMate upgrade, implemented in 2014. There is no formal process of planning future needs of infrastructure, as requests are made as needed.

Analysis and Conclusions

The CIAO has adequate financial management, and is provided with sufficient infrastructure and support services, including qualified IT services, all of which are delivered by the government. So far, they have been adequately supplied by the government arrangements.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	3	0	3	3	2
SAI-23	Professional Development and Training	2	3	3	3	3

Enablers

The INTOSAI Lima declaration recognises that an effective SAI is dependent on its capacity to recruit, retain and effectively deploy highly skilled staff. The very nature of a SAI's core activities makes human resources capabilities crucial to achieve high level performance. CIAO reached overall score of 2 in SAI-22 Human Resources Management. However, it must be highlighted that three of the four dimensions scored 3, and the final score was brought down to 2 because dimension (ii) scored zero, due to the non-existence of a formal human resources strategy. Nonetheless, for an organisation that has in total fewer than 20 employees (like CIAO), it probably does not need a formal document describing its human resources strategy.

For the specific development of auditors in the three audit fields, CIAO practice relies heavily upon the managers of each area. The Job Description of the Financial Audit Manager includes in his/her activities shared knowledge, information and experiences, to provide training to the staff, assume responsibility for ongoing learning and development in others and provide guidance and direction to more junior or inexperienced staff. Similar requirements are included in the Job Description of the Performance and Special Reviews Audit Manager.

Constraints

It has been a challenge for CIAO to recruit staff and retain them, because of the limited availability of qualified professionals in the country, so the office has hired anyone who fully qualifies for the jobs. Cook Islands is hampered by depopulation when it comes to availability of qualified staff, because a significant proportion of the labour force has migrated to New Zealand, thus significantly reducing the number of qualified professionals available to be hired. Salary levels for government staff, is equally a factor making it challenging to attract the appropriate staff.

Analyses and Conclusions

Despite being such a small office, the CIAO has shown overall good capacity in the management of human resources and professional training. Certainly this is linked to the leadership provided by the Director General and the Managers, as reflected in the indicator SAI-6.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	2	3	3	4	3
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	2	2			2

Enablers

The CIAO holds regular communication with the Legislature, including: annual and quarterly reports; specific reports to the Budget Committee and presentations, and workshops for the PAC committee and to MPs whenever a new legislature comes into place. The procedures regarding communication with the Legislature are defined in the PERCA Act and in the Office Policy, and all reports to the congress receive a control number, so that CIAO keeps track of its correspondence.

In the beginning of each audit, CIAO staff are required to sign a formal declaration asserting that they have no conflict of interest or involvement of any kind with the audited entity. Therefore, CIAO keeps away from any involvement with the management of the audited. Proper information about each audit work is given through the Audit Arrangement Letter, where the terms of engagement, its nature and limitations, and the respective responsibilities of the auditor and the audited body are set. Therefore, communications with the Executive are adequately addressed.

The CIAO monitors all coverage of its reports and activities in the Media, and keeps records of them. Office Policy 2.4 establishes that only the Director General can speak on behalf of the office, and it defines procedures on how to deal with Media requests.

Constraints

There was no formal communications strategy. However, it would be up to the CIAO to decide if such a formal document would be necessary

considering its institutional context.

The CIAO has not actively sought contact with the Media, through media conferences, press releases, or other similar instruments. Considering the importance of the Media in the social control of the government, there is here an opportunity for improvement, towards a more active use of media.

The CIAO does not publish or make available any summary of its reports, nor stimulates the access to information on public audit and the SAI by citizens. It does not take part in public debates on relevant matters such as good governance, public financial management and tackling corruption.

Analysis and Conclusions

The CIAO can make better use of media to communicate the results and impact of its work to citizens. It has good communication practices with the three government powers, but can engage more actively in connecting directly with the citizens as well.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The CIAO has been performing well in financial audits, albeit the lingering backlog. Measures have been adopted to tackle this issue. All indicators and their dimensions referring to financial audit scored 3, evidence that they have been performing properly in this audit line. Performance audit in the CIAO is in its initial stages, therefore there is significant room for improvement in this field. CIAO performs a little better in compliance audits. Still improvements are needed, especially clearer definitions in legislation about the roles of the PERC and the CIAO.

Having in mind that the CIAO faces external constraints, in terms of the salary level they can offer, which is limited to government regulations, and the recurrent country loss of qualified professionals to New Zealand and Australia, as a consequence of the ongoing depopulation phenomenon, the

assessment considers that the CIAO overall performance is good. The Consolidated Financial Statements and most of the individual financial statements are audited by the CIAO every year. This encompassing work has allowed the CIAO to identify the following cross-cutting issues:

- budget overspending and poor management of public funds; poor internal controls over the incurrence of expenditures;
- timeliness and accuracy of financial statements made available for audit; poor record keeping and retention of financial documents;
- failure to comply with the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM);
- departures from the tender process outlined in the CIGFPPM; poor asset management.

All those findings have a clear potential to strengthen the accountability, transparency and integrity of government and public sector.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

It is not sufficient for a SAI to achieve good results; it is as well important to communicate them to all relevant stakeholders.

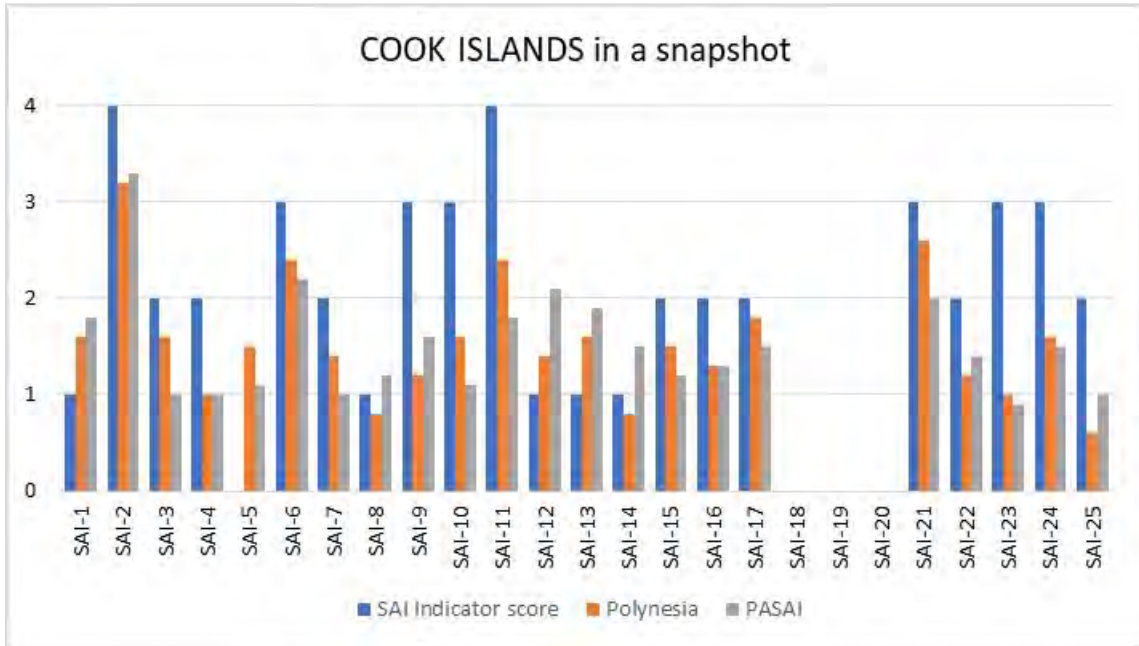
The CIAO can make better use of media to communicate the results and impact of its work to citizens. It has good communication practices with the three government powers, but can engage more actively in connecting directly with the citizens as well. Improvements in communication to managers and to society certainly would foster the SAI capacity to add value to the lives of citizens.

3. Being a model organisation through leading by example

The CIAO has developed good capacity to plan and deliver against what is planned, as evidenced by the scoring of indicators and their dimensions in domain B, especially when the small size of the SAI is taken in consideration.

The Strategic Plan was based upon consistent frameworks, and included all key elements, such as vision, mission, values and strategic priorities. Leadership and internal communications also achieved good assessments, therefore establishing proper *“tone at the top”*. This makes the CIAO a potential good partner to help other SAIs to improve in these areas.

GRAPH 7 - COOK ISLANDS AUDIT OFFICE IN A SNAPSHOT



GRAPH 8 - COOK ISLANDS AUDIT OFFICE IN GDP PER CAPITA CLUSTER

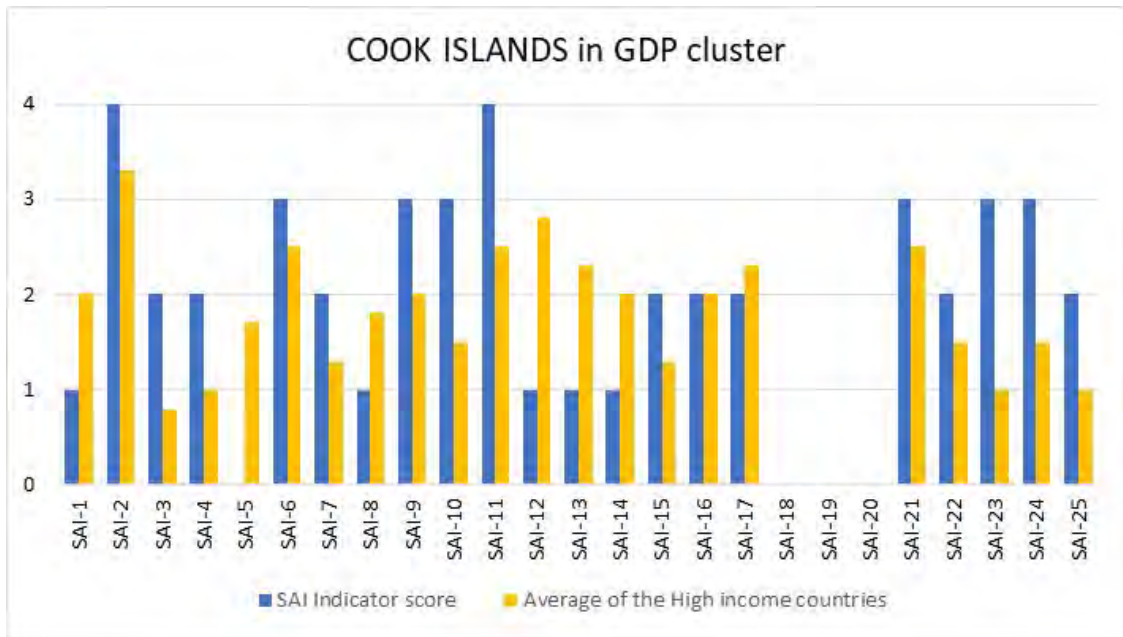


TABLE 10 - COOK ISLANDS INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	1	1	2	1	1
SAI-2	4	4	4	-	4
SAI-3	3	2	2	2	2
SAI-4	2	2	2	2	2
SAI-5	N/A	N/A	N/A	-	N/A
SAI-6	3	4	-	-	3
SAI-7	2	3	2	-	2
SAI-8	2	0	0	-	1
SAI-9	3	3	3	-	3
SAI-10	3	3	3	-	3
SAI-11	4	N/A	4	-	4
SAI-12	2	0	2	-	1
SAI-13	0	2	1	-	1
SAI-14	4	0	0	-	1
SAI-15	2	1	2	-	2
SAI-16	2	2	3	-	2
SAI-17	3	0	3	-	2
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	3	2	3	-	3
SAI-22	3	0	3	3	2
SAI-23	2	3	3	3	3
SAI-24	2	3	3	4	3
SAI-25	2	2	-	-	2



4.4 Federated States of Micronesia (FSM) Office of the National Public Auditor (ONPA)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) **assessment** of the FSM Office of the National Public Auditor (ONPA) was prepared on the basis of the SAI PMF Endorsement Version, approved in 2016. The SAI PMF assessment report was concluded in 2019.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	1	1	1	1	1
SAI-2	Mandate of the SAI	3	4	3		3

Enablers

The FSM Constitution establishes the appointment of the National Public Auditor, who is the Head of the SAI or the ONPA and ensures the Head of SAI's independence. The appointment, term, and removal of the Head of the SAI is prescribed in Section 3 of the Constitution.

After the ONPA budget is appropriated by the FSM Congress, the Public Auditor is designated as the allottee of the funds, i.e., its budget. The ONPA is then entitled to use the funds allotted to it as they see fit, and the Executive has no control over the SAI's access to these resources. In the event that the appropriated budget is insufficient, ONPA has the right to request for supplemental funding from the FSM Congress.

The Public Auditor Act provides for the office to audit all National funds and all government entities, and the National Public Auditor is free to decide on the audit's topics, scope, and methodology. All public financial operations, regardless of whether and how they are reflected in the national budget, shall be subject to audit by the SAI. The SAI's mandate specifically ensures it is responsible for the audit of all central government

activities. In addition, the National Public Auditor Act ensures the SAI is free from direction and interference in the selection of audit issues, planning, conducting, reporting and follow-up of its audits.

The access to information and the right and obligation to report have been adequately covered in the legislation.

Constraints

The Constitution does not establish the ONPA as an institution nor does it acknowledge its independence; also, it does not provide for adequate legal protection by a supreme court against any interference with ONPA's independence. Furthermore, SAI's legal framework does not give the power or the right to ONPA to report on any matters that may affect its ability to perform its work in accordance with its mandate and/or the legislative framework.

The ONPA's legal framework does not provide for its financial independence from the executive branch. ONPA submits its annual budget proposal to the Executive via the President and the Executive can make the recommendation to reduce the SAI's budget before the budget is submitted to Congress.

The legal framework has no specific provision for the ONPA to have the functional and organisational independence required in order to accomplish its mandated tasks. The ONPA's staff are recruited through the Personnel Office which is under the President's Office. Therefore, the Public Auditor is not fully in control over all human resource matters, including appointments of staff and establishment of their terms and conditions.

The FSM Constitution and National Public Auditor Act does not specify the conditions for appointment, reappointment, and removal of the Public Auditor. For instance, it does not specify criteria for eligibility to be a National Public Auditor and the circumstances that may lead to the removal of the Public Auditor. The Public Auditor's term is for four years, which is not sufficiently long to allow him/her to carry out his/her mandate without fear of retaliation, although he/she may be reappointed for an additional term or terms with the advice and consent of the FSM Congress.

The legal framework is silent on the immunity of the National Public Auditor from any prosecution for any act resulting from the normal discharge of his/her duties. Furthermore, there is no provision requiring the staff of the ONPA not be influenced by the audited organisations and that it not be dependent on such organisations in their professional careers.

Analysis and Conclusions

The constitutional and legal framework still do not include a number of important principles enshrined in the Mexico and Lima Declarations (former ISSAIs 1 and 2), such as:

- The establishment of the ONPA as an independent institution at the highest legal level;
- Legal protection by a supreme court against any interference with ONPA’s independence;
- financial independence from the executive branch.

On the other hand, the ONPA has been given a broad and strong mandate to audit all National funds, all national public financial operations and all government entities. Moreover, the National Public Auditor is free to decide on the audit’s topics, scope, and methodology.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	2	2	1	1	1
SAI-4	Organisational control environment	0	0	2	2	1
SAI-5	Outsourced audits	1	1	1		1
SAI-6	Leadership and internal communication	1	2			1
SAI-7	Overall audit planning	0	0			0

Enablers

The SAI's strategic plan explains its mission, vision, goals, and objectives. It also considered the institutional framework in which the SAI operates by mapping it against the national strategy.

The Annual Plan clearly defined activities, timetable, and responsibilities. The Head of SAI and SAI management are involved in the overall planning process. The organisational plan is communicated to all staff via email system. The SAI's annual operational plan was developed concurrently with the strategic plan and is therefore directly linked to the strategic plan.

The SAI's Administrative Manual prescribed the principles of professional conduct that all staff must adhere to. Job descriptions for each position are available on the SAI's website for the respective positions. The job description described the responsibilities and each staff, when recruited, signed a job offer which clarifies not only their duties and responsibilities but also their line of reporting.

The Audit Manual 2012 prescribes internal control policies and procedures, but no one is assigned to monitor compliance. It also establishes quality assurance process and procedures. QA reviews are conducted in house by staff independent of the audit team.

As for Outsourced Audits, The Request for Proposal (RFP) requires audit firms to submit affirmations that they are:

1. properly licensed to practice public accounting;
2. independent per GAGAS; and
3. do not have a record of substandard work.

Based on a survey of staff where about 69% (11 of 16 staff) of staff responded, at least 64% of them agreed that the SAI leadership has demonstrated initiatives for building an ethical culture in the SAI. SAI leadership has also identified and communicated the SAI's values and promoted these values in its public activities, core documents and communication mechanisms.

Constraints

The Strategic Plan does not include a results framework to measure the achievement of strategic goals. Responsibilities for preparing and monitoring the plan are not defined and documented. It does not identify/explain the risks to achieving the goals or strategic objectives. There is no evidence of any formal consultations with stakeholders.

The process and the responsibilities for developing and approving the SAI's overall audit plan are not documented. In the absence of a documented process, there is no clear guidance on who is responsible for various tasks in developing the overall audit plan and when such tasks should be completed. As a result, the SAI fails to develop an effective audit plan which identifies the audits to be conducted during the year that will achieve its strategic objectives. Other factors which affect the effectiveness and implementation of the plan such as budget, resources, monitoring, stakeholder expectations and emerging risks have not been considered and are easily overlooked because of the absence of a formal documented process that guides the development of the audit plan.

The section of the Administrative Manual relating to "Code of Professional Conduct", requires improvement in terms of providing more guidance for each principle - as illustrated in ISSAI 30: Code of Ethics. For instance, in ISSAI 30, one of the key application guidance is how SAI leadership can practically promote "an ethical culture." The Manual should specify monitoring responsibility to ensure compliance with the Code. There is no specific requirement / provision in CID's Manual of Procedures (MOP) or Administrative Manual requiring any parties that the SAI contracts commit to the SAI's ethical requirements. There is no mechanism to control or monitor any breach of ethical values and address such breaches.

The SAI does not have an internal audit division nor a process to provide assurance that such internal control policies and procedures have been consistently complied with by all staff at all times.

In relation to Outsourced Audits, although the ONPA Audit Manual and RFP provides guidance and procedures for the RFP process, they do not contain certain provisions, such as:

- To reasonably assure that contractors are meeting relevant ethical requirements;
- To subject contractors to confidentiality agreements;
- To reinforce contractor staff rotation;
- To communicate quality control policies and procedures to contractors.

ONPA does not have written procedures for quality control reviews of draft reports of outsourced audits.

Analysis and Conclusions

The ONPA has a strategic well-designed plan and an annual plan that connects to it. However, there is no overall audit plan, which makes it difficult for the SAI to efficiently allocate its resources.

Even though the SAI does not have an internal audit division, the small size of the SAI should be taken into consideration. Perhaps in very small SAIs (labour force smaller than 20 people) it is not feasible to have a dedicated unit for that. Quality control procedures and adequate review of those controls very likely would be enough.

The SAI of FSM does make use of contracted audits; therefore, the process in place for that should be perfected to address the issues mentioned in the above section of constraints.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	4	1	N/A	N/A
SAI-9	Financial Audit Standards and Quality Management	4	4	1	3
SAI-10	Financial Audit Process	1	1	1	1
SAI-11	Financial Audit Results	3	4	4	4
SAI-12	Performance Audit Standards and Quality Management	4	4	2	3
SAI-13	Performance Audit Process	3	2	4	3
SAI-14	Performance Audit Results	4	4	3	4
SAI-15	Compliance Audit Standards and Quality Management	N/A	N/A	N/A	N/A
SAI-16	Compliance Audit Process	N/A	N/A	N/A	N/A
SAI-17	Compliance Audit Results	N/A	N/A	N/A	N/A

Enablers

All financial statements received were audited, thus providing full coverage for financial audits. The ONPA's financial Audit Manual incorporates the Yellow Book and AICPA fieldwork standards and meets ISSAI standards. The auditor's responsibility to apply the concept of materiality in planning and performing an audit of financial statements are included. In addition, the SAI has implemented a system for ensuring that the financial audit team collectively possesses the competence and skills to carry out the audits.

Financial audit results were good in relation to timely submission of the financial audit results, timely publication of those results, and proper follow-up of recommendations.

In spite of the lack of documented evidence in selecting performance audit topics, in the previous five years, the SAI had issued reports covering a wide

range of sectors and topics, such as education, health, public finance and public administration, revenue collection and environment, among others. In reviewing ONPA’s list of performance audits issued in 2016 and earlier, ONPA performance audits focus on economy, efficiency, and effectiveness and recommend areas for improvement.

The ONPA is an outstanding example in Performance Audit when compared to the whole PASAI region, as it can be seen in the table below. Therefore, it can be a strategic player at that broader geographical area, as well.

	The ONPA	PASAI Average
SAI-12 Performance audit Standards and QM	3.00	2.06
SAI-13 Performance audit process	3.00	1.82
SAI-14 Performance audit results	4.00	1.59

The SAI of FSM can already play a key role in supporting the development of performance audit in the Pacific Region. With a few improvements, they could play the same role in financial audit.

Constraints

There is a lack of evidence to confirm how the performance audit topics were selected and prioritized. Thus, the selection of performance audit topics is not done in a systematic manner and supported by documented risk-based assessment and rationale. However, this deficiency has not compromised the quality of the performance audits conducted.

The ONPA’s quality control measures in financial audits did not assure that the auditor’s report complied with professional standards. A review of the audit file for one report revealed that the opinion was in error. The review of working papers and the draft report by the supervisor and the peer reviewer did

not ensure that a correct opinion was issued.

The sample of financial audits that was examined revealed some important opportunities for improvement: Materiality determination was not conducted, overall internal control evaluation was not documented, and risk assessment was insufficient to design appropriate audit procedures.

Analysis and Conclusions

All financial statements received were audited, thus providing full coverage for financial audits. The ONPA's financial Audit Manual incorporates the Yellow Book and AICPA fieldwork standards, and meets ISSAI standards. Financial audit results were good in relation to timely submission of the financial audit results, timely publication of those results, and proper follow-up of recommendations.

In spite of the lack of documented evidence in selecting performance audit topics, in the previous five years, the SAI had issued reports covering a wide range of sectors and topics such as education, health, public finance and public administration, revenue collection and environment, among others. In reviewing ONPA's list of performance audits issued in 2016 and earlier, ONPA performance audits focus on economy, efficiency, and effectiveness and recommend areas for improvement.

The ONPA scored 3 or 4 in the set of performance audit indicators (SAIs 12, 13 and 14), and this is solid evidence that it has sufficient capability to carry out those audits. Altogether, it can be said that the SAI of FSM performs well in its core business, represented by the financial and the performance audits through which the ONPA holds high potential to add value to the effectiveness of the government and to the quality of the lives of the citizens.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	3	4	3	3

Enablers

The ONPA has certain processes in place to ensure that its finances are properly managed. The job description for the Administrative Officer who manages the finances includes qualifications such as possessing a college degree and relevant experience.

The ONPA is currently on FSM government-owned property in Palikir, Pohnpei. With high staff turnover, there is adequate space to comfortably accommodate staff. The SAI does not anticipate any significant increase in future staffing level. Therefore, there are currently no plans to update or upgrade ONPA’s office infrastructure.

The SAI has reviewed the adequacy of its IT infrastructure during its 2014-2016 strategic plan. As a result of the review, in 2015, the ONPA purchased a new server to accommodate all its electronic files.

Constraints

The high scores of all indicator dimensions means that almost all criteria were met, thus showing that there are no relevant constrains for the ONPA in this domain.

Analysis and Conclusions

The ONPA has adequate financial management being provided with sufficient infrastructure and support services, including qualified IT services, some of which are delivered by the government. So far, they have been adequately supplied by the current arrangements.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	N/A	0	N/A	2	N/A
SAI-23	Professional Development and Training	0	0	0	0	0

Enablers

The SAI follows appraisal, evaluation, remuneration and promotion requirements and procedures stipulated in the Public Service System Regulations. Recruitment is regulated by the Public Service System and administered by the Personnel Office. The interview panel is comprised of three people including the Head of SAI and one other senior management staff from the SAI.

Constraints

The SAI does not have a human resources strategy, and this is attributed to the inherent feature of having the human resource function vested in another government office.

The SAI does not have any professional development and training plans, which is a major gap. The SAI also does not have a human resources function; all human resources matters are administered by the Personnel Office, a separate office within the Office of the President of FSM.

Analysis and Conclusions

The SAI needs to approach the area of professional development in a strategic manner, and also to develop policies and practices for implementation of its strategic choices to ensure its staff has the appropriate competency and skills to perform their roles and contribute to achieving the SAI objectives.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	0	1	1	1	1
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	1	3			2

Enablers

ONPA distributes all its audit reports and Annual Report to the FSM President, Congress, heads of departments and agencies. The Annual Report is a required report and provides a recap of the National Public Auditor's progress and performance in safeguarding FSM's assets. In addition, the Annual Report provided a summary of the audits and investigations completed during 2016 disclosed weaknesses and opportunities for improvements and promoted transparency and accountability in the government.

Constraints

While the ONPA has a draft Communication Strategy, it has not been finalized and implemented. The key elements of the strategy are incorporated in the draft but the monitoring and measuring aspects cannot be addressed until the Communication Strategy is finalized.

The ONPA does not analyse the individual audit reports to identify themes, common findings, trends, root causes, and audit recommendations. If all those analyses were done and communicated to the legislature, they would empower the congress to be more active in holding the government accountable.

There is no formal process to actively engage FSM citizens or relevant civil society organisations to access information on public sector audits or the SAI and its works. There is no active mailing list or website subscriptions.

Analysis and Conclusions

The ONPA has some good communications practices with the Legislature in place, but there is room for improvement. The finalisation and implementation of the Communication Strategy could contribute to that, specifically making it possible to monitor and measure progress and good results.

Additionally, the SAI could engage more actively in arising the citizens' interest in the SAI and its audits.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The ONPA audit standards and processes are well documented in the Audit Manual and provides adequate guidance for audit staff to effectively conduct audits. It incorporates requirements from U.S. national standards such as the Yellow Book.

All financial statements received were audited, thus providing full coverage for financial audits. Despite some issues identified in the sample, financial audit results were good in relation to timely submission of the financial audit results, timely publication of those results and proper follow-up of recommendations.

In the previous five years, the SAI had issued performance reports covering a significant range of sectors and topics such as education, health, public finance and public administration, revenue collection and environment, among others. Those reports focus on economy, efficiency, and effectiveness, and include recommendations for improvement.

The ONPA scored 3 or 4 in the set of performance audit indicators (SAIs 12, 13 and 14), and this is solid evidence that it has sufficient capability to carry out those audits. Altogether, it can be said that the SAI of FSM performs well in its core business, represented by the financial and the performance audits. Through those audit lines, the ONPA holds high potential to add value to the

effectiveness of the government and to the quality of the lives of the citizens.

But there is a lack of meaningful action by auditees on audit recommendations, which significantly affects the ONPA's ability to cause change in government for improvement. This results in repeat findings, although auditees agree to the audit findings and recommendations.

The ONPA human resources required capacity to perform audits is also affected by its lack of autonomy. It is difficult for the ONPA to consistently produce high quality audits without a solid personnel system that embraces professional development and training, encourages internal communications, reduces turnover, and incentivizes staff. Currently, there are no individual development plans, strategies and policies for staff's wellbeing, and mechanisms to monitor staff development resulting from any training that has been received.

The limited pool of potential applicants for auditor positions is also exacerbated by the FSM's socioeconomic and fiscal situations, such as decreasing population due to outmigration, limited economic growth prospects, and reductions in the grants. In addition, approximately 94% of those in Chuuk and Pohnpei are living below the food poverty level, which correlates to the FSM's low education level.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

The ONPA is challenged in conveying the overall value to citizens. The ONPA Annual Report is a tool to inform the FSM Congress and President and certain FSM citizens about ONPA's reports which are available on the ONPA website and in the office lobby. The local newspaper, Kaselelie Press, provides coverage of the ONPA reports. However, there are many dialects spoken, educational limitations to understand and read reports, and technological limitation to access reports online.

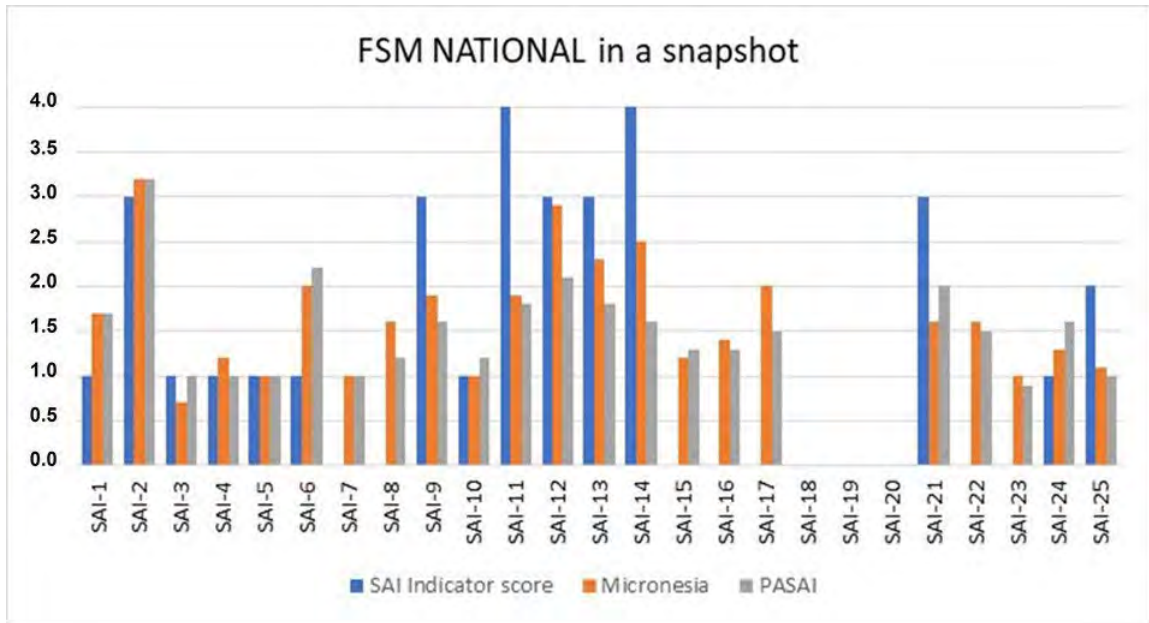
It is not sufficient for a SAI to achieve good results; it is as well important to communicate them to all relevant stakeholders.

3. Being a model organisation through leading by example

The ONPA has a well-designed strategic plan and an annual plan that connects to it. However, there is no overall audit plan, which makes it difficult for the SAI to efficiently allocate its resources. However, The SAI's Code of Ethics is a brief chapter in its Administrative Manual, it is not published, and it is silent on the applicability to external contracted parties who conduct audits on the SAIs behalf. There is no integrity policy and no compliance monitoring of the Code.

Such gaps should be addressed, so that the SAI can be seen as a model organisation that leads by example. The design and implementation of professional development plans would also contribute to making the ONPA an example of good management practices.

GRAPH 9 - FEDERATED STATES OF MICRONESIA OFFICE OF THE NATIONAL PUBLIC AUDITOR IN A SNAPSHOT



GRAPH 10 - FEDERATED STATES OF MICRONESIA OFFICE OF THE NATIONAL PUBLIC AUDITOR IN GDP PER CAPITA CLUSTER

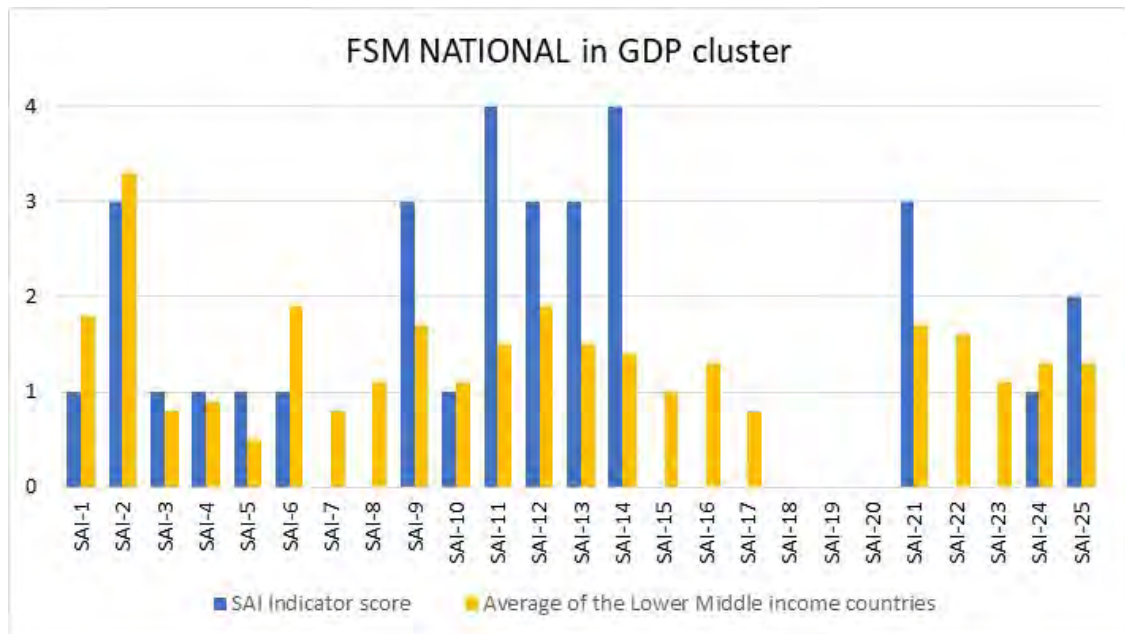


TABLE 11 - FSM NATIONAL

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	1	1	1	1	1
SAI-2	3	4	3	-	3
SAI-3	2	2	1	1	1
SAI-4	0	0	2	2	1
SAI-5	1	1	1	-	1
SAI-6	1	2	-	-	1
SAI-7	0	0	-	-	0
SAI-8	4	1	N/A	N/A	N/A
SAI-9	4	4	1	-	3
SAI-10	1	1	1	-	1
SAI-11	3	4	4	-	4
SAI-12	4	4	2	-	3
SAI-13	3	2	4	-	3
SAI-14	4	4	3	-	4
SAI-15	N/A	N/A	N/A	-	N/A
SAI-16	N/A	N/A	N/A	-	N/A
SAI-17	N/A	N/A	N/A	-	N/A
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	3	4	3	-	3
SAI-22	N/A	0	N/A	2	N/A
SAI-23	0	0	0	0	0
SAI-24	0	1	1	1	1
SAI-25	1	3	-	-	2



4.5 FSM State of Chuuk Office of Public Auditor (OCPA)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Office of the Chuuk State Public Auditor (OCPA) was prepared based on the SAI PMF Endorsement Version, approved in 2016. The SAI PMF assessment report was concluded in March 2021.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	3	2	3	2	2
SAI-2	Mandate of the SAI	3	4	3		3

Enablers

The SAI and its independence are not established in the Constitution. However, the Constitution provided for the independent position of the Public Auditor (or State Auditor), who is the Head of the SAI. The SAI's independence is established in the Truk State Law No. 6-21.

The legal framework explicitly provides for the SAI's financial independence, so the SAI's budget is approved by the Legislature. The SAI is entitled to freely use its approved budget and the Executive does not control the SAI's access to it. Through supplementary budget, the SAI has the right of direct appeal to the Legislature if the resources provided are insufficient.

The legal framework specifies the conditions for appointments, reappointments, and removal of the Head of SAI. The Head of SAI is given a sufficiently long and fixed term to enable him to deliver his mandate without fear of retaliation.

The SAI's mandate specifically ensures it is responsible for the audit of all central government activities, including all financial transactions of all

branches, departments, offices, agencies and instrumentalities of the government.

The Truk State Law provides OCPA with unrestricted right of access to records, documents, and information. In the event that access to information required for the audit is restricted or denied, the OCPA has the right to subpoena through the Legislature the production of information. SAI staff have right of access to the premises of audited entities.

The SAI has the right to publish its annual audit reports. The legal framework does not explicitly state that the SAI is free to decide on the content of its audit reports; however, in practice the SAI has exercised its discretion to determine the content of its audit reports. There is no legislative provision on the timing of audit reports. In the past three years, there was no interference in the SAI's decision on the content of its audit reports and the SAI's efforts to publish its audit reports.

Constraints

There is no provision regarding legal protection against any interference with the SAI's independence. The SAI has strived to promote, secure, and maintain an appropriate legal framework. In practice the SAI does not submit its budget directly to the Legislature; the SAI's budget is submitted to the Executive (via Budget Review Committee (BRC)).

During the past three years, the SAI's budget has been reduced and the Public Auditor has never been informed of the reasoning for the reduction in the budget.

There is no specific provision in the legal framework to ensure the audit staff of the SAI are not influenced by the audited entities. The Head of SAI is not immune to any prosecution resulting from the normal discharge of his/her duties.

There is no explicit legal provision to empower the SAI to audit the economy, efficiency and effectiveness of government or public entities operations. Nonetheless, the OCPA has been doing performance audits without any *de facto* restrictions.

Analysis and Conclusions

The constitutional and legal framework assures good level of independence and autonomy for the OCPA, even though there are still gaps that should be addressed, such as legal protection against any interference with its independence, legal immunity against prosecution resulting from the normal discharge of the duties, and explicit provision for the SAI to audit according to the concepts of economy, efficiency and effectiveness.

There has been a *de facto* constraint against the SAI's financial autonomy because in the past three years, the SAI's budget has been submitted to the Executive and it has been reduced without any explanations. These external interventions eventually impose a limit to the SAI's activities and are a potential hindrance to the full accomplishment of the legal mandate.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	0	0	0	2	0
SAI-4	Organisational control environment	0	1	3	4	2
SAI-5	Outsourced audits	N/A	N/A	N/A		N/A
SAI-6	Leadership and internal communication	3	2			2
SAI-7	Overall audit planning	1	0			0

Enablers

The OCPA's planned activities are described in its annual budget proposal and therefore the budget proposal functions as the default operational plan. The activities and timelines are not clearly defined, and responsibilities are

not identified as these are normally not included in a budget proposal.

The OCPA has a code of ethics which defines the rules and practices that are aligned with ISSAI 30. The Code applies to all staff including any external experts engaged in carrying out work on behalf of the SAI. However, the SAI does not have an ethics control system to monitor and manage any breach of the Code. The SAI's approved organisational structure clearly shows assigned responsibilities covering all areas of the organisation.

The OCPA internal control system is still at the development stage with some policies relating to the Office's administration yet to be developed and documented. The SAI adopts the Government's Public Service System Regulations (PSSR) regarding managing staff and other human resource matters. Also, the SAI has in place clear internal controls relating to its audit functions which are described and documented in its "Quality Control Policies and Procedures" and "Description of Quality Control system". Key aspects of the SAI's operations covered includes leadership responsibilities for quality, independence, legal and relevant ethical requirements, initiation, continuance and acceptance of audits, performance of audit and other works, and monitoring of quality. These SAI documents and the government's PSSR collectively function as the SAI's system of internal control.

OCPA's 'Quality Control System 2018' manual established policies and procedures to promote quality in all services performed. The Public Auditor has full responsibility for the maintenance and implementation of the system of quality control. Given the few staff members the SAI has and their limited capabilities, the PA has not delegated the authority to manage the SAI's system of quality control to anyone else.

Having an established quality assurance system is critical to the SAI's operations. The OCPA's quality assurance system is encapsulated in its 'Quality Control System 2018' manual with a dedicated section on general standards on quality control and assurance. The 2018 manual requires that the SAI obtain an external peer review at least once every 3 years to provide a reasonable basis for determining whether the SAI's system of quality control was suitably designed for the period under review and whether the SAI is complying with its quality control system to provide the SAI with reasonable

assurance of complying with applicable auditing standards.

As a member of the Association of Pacific Islands Public Auditors (APIPA), OCPA is required to be peer reviewed every three years by other APIPA members. Given the small size of the OCPA, it has leveraged on the APIPA peer review process as a mechanism to provide ongoing monitoring and review of its quality control system.

With only four staff members (including the Head of the SAI), staff meetings are held from time to time or when necessary. Key decisions made are communicated to staff, though these decisions are not documented. SAI leadership has implemented strategies to incentivize better performance. The Public Auditor has demonstrated initiatives for building ethical culture by leading by example.

SAI leadership informs and consults employees regularly on key issues related to the organisation. The SAI uses appropriate tools to communicate effectively. However, it does not have an electronic communication system such as its own email system.

Constraints

The OCPA has neither a strategic nor an operational plan. It has no documented and clearly defined planning process. However, with only four staff members including the Head of the SAI, communication of organisational plans is not an issue. The SAI reports on its operations and performance against its planned activities. According to the annual report 2018, OCPA completed one of the five audits planned for the year. The SAI does not use performance indicators to measure achievement of internal performance objectives; it does not measure the impact of its audit nor does it assess the value of audit work for its Parliament, citizens, and other stakeholders.

The OCPA has not assessed its vulnerability and resilience to integrity violations, and there is no system to identify and analyse ethical risks, to mitigate them, to support ethical behaviour, and to address any breach of ethical values (criterion “g”, SAI-4, i, not met).

The SAI does not have a documented process to develop its overall audit plan. Responsibilities for planning, implementing, and monitoring are not clearly defined but by default, but vested in the Head of the SAI.

Analysis and Conclusions

All the constrains described in this domain should be considered in the context of the OCPA, which is a very small entity – only four workers – including the head of the SAI. In such circumstances, three or four planning layers (strategic, operational, overall audits, and specific audits) would probably become somehow redundant. Therefore, it should be left to the SAI's discretion the decision upon how many planning layers are really needed for the good governance of the entity. However, it is important to remember that strategic planning is indispensable for all SAIs.

It should be highlighted that, regardless its limited number of staff, the OCPA has quality control and quality assurance processes.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	0	2	0	1
SAI-9	Financial Audit Standards and Quality Management	2	0	2	1
SAI-10	Financial Audit Process	0	0	0	0
SAI-11	Financial Audit Results	N/A	N/A	N/A	N/A
SAI-12	Performance Audit Standards and Quality Management	4	4	2	3
SAI-13	Performance Audit Process	3	3	3	3
SAI-14	Performance Audit Results	4	4	0	2
SAI-15	Compliance Audit Standards and Quality Management	4	3	4	4
SAI-16	Compliance Audit Process	3	3	3	3
SAI-17	Compliance Audit Results	4	4	0	2

Enablers

The Chuuk Office of the Public Auditor complies with the generally accepted government auditing standards (GAGAS) contained in the Government Auditing Standards (GAS) issued by the Comptroller General of the United States of America in the conduct of its audit work. OCPA has developed and adopted an Audit Manual that prescribes guidance, requirements, policies, and procedures to ensure compliance with GAGAS. As a result, the SAI's performance audit and compliance audit standards reached score 4 (SAI-13, I, and SAI-15, i).

OCPA's audit manual provides sufficient guidance to ensure the audit team collectively has the skills, knowledge, and experience to perform the audit. For a few areas, there are no clear and specific guidance on the level of assurance and on the three different dimensions of audit risk.

The SAI has established policies, process, and procedures to ensure that the audit team collectively has the necessary professional competence to perform the audit. The audit manual provides guidance to support the auditors in performing the audit, including how to develop audit objectives, design audit procedures, establish suitable criteria and gather and document audit evidence.

OCPA's audit manual provides guidance on processes and procedures for quality control in performance and compliance audits. However, there is limited guidance on a process to handle any contentious matters and resolve differences of opinions within the SAI.

SAI-13 scored 3 in all dimensions, a result that is strong evidence that the SAI's practice in performance audit has reached a good level, for assessment of that indicator is based on a real case. Likewise, in relation to SAI 16, that indicator is also assessed based upon a real case.

Constraints

The OCPA has the mandate to conduct financial audits of all government entities and public funds, However, the SAI did not conduct any financial audits during the period under review due to the lack of manpower and lack of qualified staff to conduct such audits. A total of three financial statements were received to be audited; these are the Government financial statements (21 Government Ministries) and two state-owned enterprises (SOEs). All three audits were conducted and completed by external auditors on behalf of the OCPA.

The process for contracting external auditors is administered and managed by the FSM National Office of the Public Auditor (ONPA). Therefore, the process and the appointment of the external auditor(s) are not the direct responsibility of the OCPA. One SOE which is required to be audited did not submit its financial statements but OCPA did not report on the non-submission of these financial statements.

The selection of compliance audit topics and entities to be audited is not based on a systematic and documented assessment of risk and materiality.

Although risks, materiality and areas of significance are considered, these are not documented or described in the budget documents. In the absence of a systematic process to selected entities to be audited, there is no assurance that all entities within the SAI's mandate are audited during a reasonable period.

The OCPA has not conducted a financial audit during the period under review and in previous years. However, because it is required by its mandate to conduct financial audits, all dimensions for indicator SAI-10 are given the score zero. All financial audits were conducted by external auditors. Because of that, the indicator referring to financial audit results was considered as not applicable (SAI-11).

Analysis and Conclusions

The performance and compliance audits tested in the SAI PMF assessment revealed that the OCPA has already developed sufficient capability in those two types of audits. The standards are compatible with the ISSAIs and there are quality control and quality assurance processes in place.

However, there is a lingering major gap, which is the non-capability to perform financial audits. The legal framework requires the OCPA to audit the financial statements of the public sector under its mandate, but due to the lack of staff, those audits were contracted with external auditors. If that outsourcing were done by the SAI itself, such arrangement would not be considered as a non-compliance with its legal mandate, because outsourced audits are conducted under the authority of the Public Auditor, who takes the final responsibility for their results. But in this case, those external audits were contracted by the Office of the National Public Auditor (ONPA) of the Federate States of Micronesia (FSM).

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	2	2	0	1

Enablers

The SAI’s financial information are part of the whole of government centralised system administered and managed by the Department of Administrative Services. The SAI follows the government’s budgeting process and procedures. The SAI does not prepare its own financial statements and is not required by law to be issued with a separate audit opinion.

Constraints

The OCPA does not have a long-term plan for its physical infrastructure needs and IT needs based on current and anticipated future staffing levels. However, every year the SAI’s budget proposal includes what it needs in terms of personnel, assets, and training. The OCPA could not afford the office space rental and is therefore located in the Administration Building where the Executive, finance and administration offices are housed. The Public Auditor has reviewed his/her office’s IT infrastructure and has concerns about security with the central IT system.

IT service for the SAI is part of the government’s centralised IT system managed by the Department of Administrative Services. The SAI does not have an IT support person because its system is part of the government’s centralised IT system managed by the DAS.

Analysis and Conclusions

In a country as small as the Chuuk State of the Federated States of Micronesia (FSM), it is reasonable that the Office of the Public Auditor uses the

Government facilities and IT services. However, there should be security arrangements regarding the confidentiality of the OCPA’s audit works in order to ensure integrity and independence in the discharge of the legal mandate.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	2	0	2	2	1
SAI-23	Professional Development and Training	0	1	1	1	1

Enablers

The OCPA uses sponsored trainings and professional developments offered through its membership and association locally, regionally, and internationally. The Public Auditor provides, seeks, and schedules professional development for his/her staff. Through the audit assignments, he guides and does on the job- training and regularly evaluates his/her staff performances to identify and match staff to available training and development. The Public Auditor provides and consults with Public Services Commission (PSC) on matters regarding his/her staff including their progress in educational and professional developments. These consultations and professional developments are documented and filed in the staff personnel folders, including their annual evaluations, which are carried out annually based on the Public Service Commission’s guidelines.

The OCPA employees’ remuneration, promotion and welfare are based on policies and practices prescribed in the PSSR for Chuuk Government. These policies require that employees’ performance appraisals be conducted at least once a year. Accordingly, performance assessments are carried out annually for all staff. The most recent performance appraisal evaluated the employee’s performance and was assessed against his/her job description. This conduct resulted in the staff’s receiving a salary increment, a decision made in accordance with established policies.

The SAI has not developed a plan for professional development and training of all staff. However, the Public Auditor is actively delivering on-the-job training for his/her staff. Given the small size of the OCPA, The Public Auditor is responsible for identifying trainings and selecting staff to attend trainings, including monitoring, and evaluating the results of professional development and training.

Constraints

The OCPA does not have a well-established human resource function. All personnel matters are handled centrally by the Public Services Commission for the whole government of Chuuk State, including OCPA as stated in its establishing law. The Commission has the skill sets to manage and administer human resource matters. The Commission has personnel policies and competency framework developed for the whole government of Chuuk, but none specifically for OCPA.

Analysis and Conclusions

Similarly to the previous domain, it is reasonable that the OCPA uses the government arrangements for human resources management and professional training. The personal involvement of the Public Auditor on matters regarding his staff, including their progress in educational and professional developments, certainly makes a major difference and demonstrates effective leadership. Even though the indicators of this domain reached a low score, the current practices appear to suffice for now.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	0	2	2	2	1
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	1	1			1

Enablers

The OCPA communicates to Legislature annually through its annual reports providing information on its findings and recommendations, accomplishments, and performance activities for the previous year. The annual reporting to the Legislature is a requirement by law for all government entities. OCPA's establishing law specifies the procedures regarding this communication. The Legislature may on occasion request expert advice from OCPA in the form of expert opinions on audit reports and financial regulations. Also, during public hearings Legislature may also request the Public Auditor (PA) and his/her staff to further discuss audit reports and findings.

When requested, OCPA provides the Legislature timely access to information related to its work. Through these engagements, OCPA raises awareness on its roles and mandates, strengthens professional relationship with the Legislature and provides an opportunity for Legislature to better understand the audit reports so that the Parliamentarians can take appropriate action.

GAGAS and OCPA's Audit Manual require that "... In all matters relating to the audit work, the audit organisation, and the individual auditor, whether government or public, must be free from personal, external, and organisational impairments to independence, and must avoid the appearance of such impairments of independence". To support and show compliance, OCPA requires all its auditors evaluate and sign a representation declaring (Independence Statement) and asserting that they have no conflict of interest or involvement of any kind with the auditee and its personnel.

In the engagement letter, OCPA discusses what to expect during the audit, including the objectives and methodologies of the audit, respective responsibilities of the auditor and auditee, among other general information. After the audit is completed, OCPA communicates its audit findings and recommendations directly to the auditee through the audit report. The audit report contains a response from the auditee regarding the audit findings.

Communications with the Judiciary and or prosecuting and investigating

agencies, including anticorruption agencies, is important so that audit findings may be investigated further and taken up by the legal institutions for prosecution where relevant. OCPA Audit Manual provides guidance on how to communicate with the Attorney General's Office regarding audit findings indicating wrongdoings with government resources.

The SAI's mandated responsibilities are described in its annual reports which are made available to the public. The SAI has published audit reports on social media using its Facebook page and through websites of development partners such as PASAI.

Constraints

The OCPA does not have a long-term strategic plan or communication strategy that establishes and discusses the approaches, strategies and processes in engaging stakeholders or what messages to communicate. In its annual report, the Public Auditor did not identify the relevant stakeholders it wants to communicate with.

The OCPA has not periodically invited feedback from the Executive management to discuss common findings, trends, and root causes OCPA has identified through analysis of its audit reports. Also, it has not sought feedback about the quality and relevance of audit reports and the audit process.

OCPA does not hold press conferences but submits annual reports to Legislature as normal mailing. The SAI's audit reports are published on other websites, such as PASAI's. It does not have a system to monitor the media's coverage of the SAI and its work. Also, there are no procedures in place for handling requests from the media. However, in practice, the Public Auditor deals with the media and handle any request on any matters. It also does not actively seek feedback from civil society and the public on its work and the accessibility of its reports.

Analysis and Conclusions

The Public Auditor communications with the Legislative flows through reports annually sent and participation in public hearings upon request.

These practices derive directly from legal provisions; they do not involve a proactive approach by the Public Auditor. There is a need for a long-term communication strategy that would identify all key stakeholders and the messages that should be communicated to them.

It would be valuable for the OCPA to engage in more communications with the auditees in order to discuss audit findings, trends and root causes. Such an approach would help the OCPA to improve the quality of its work and to maximise the positive impacts of the audit recommendations.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The constitutional and legal framework assures good level of independence and autonomy for the OCPA, even though there are still gaps that should be addressed, such as: legal protection against any interference with its independence, legal immunity against prosecution resulting from the normal discharge of the duties, and explicit provision for the SAI to audit according to the concepts of economy, efficiency and effectiveness.

The SAI's mandate specifically ensures it is responsible for the audit of all central government activities, including all financial transactions of all branches, departments, offices, agencies and instrumentalities of the government.

There has been a de facto constraint against the SAI's financial autonomy because in the past three years, the SAI's budget has been submitted to the Executive and it has been reduced without any explanations. These external interventions could eventually impose a limit to the SAI's activities, and are a potential hindrance to the full accomplishment of the legal mandate.

The OCPA has been conducting a number of audits that is proportional to its staff availability. So far, those audits are either performance or compliance

audits, because the SAI has not yet developed capacity to carry out financial audits. The quality of the audits done has shown to be good. This conclusion is supported by the good scores in the audit indicators. The standards are compatible with the ISSAIs and there are quality control and quality assurance processes in place.

Consequently, the audits done by the OCPA have good potential to induce improvements in the government management, through the implementation of the recommendations issued in the reports.

The legal framework requires the OCPA to audit the financial statements of the public sector under its mandate, but due to the lack of staff, those audits were contracted with external auditors. This is the major gap in the SAI performance, and it is relevant to highlight that the external auditors hired to supply this void were contracted by the national level SAI, the FSM ONPA. Therefore, up to now the OCPA has not fulfilled not even partially one of the most relevant parts of its mandate.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

The Public Auditor communications with the Legislative flows through reports annually sent and participation in public hearings upon request. These practices derive directly from legal provisions; they do not involve a proactive approach by the Public Auditor. There is a need for a long-term communication strategy that would identify all key stakeholders and the messages that should be communicated to them.

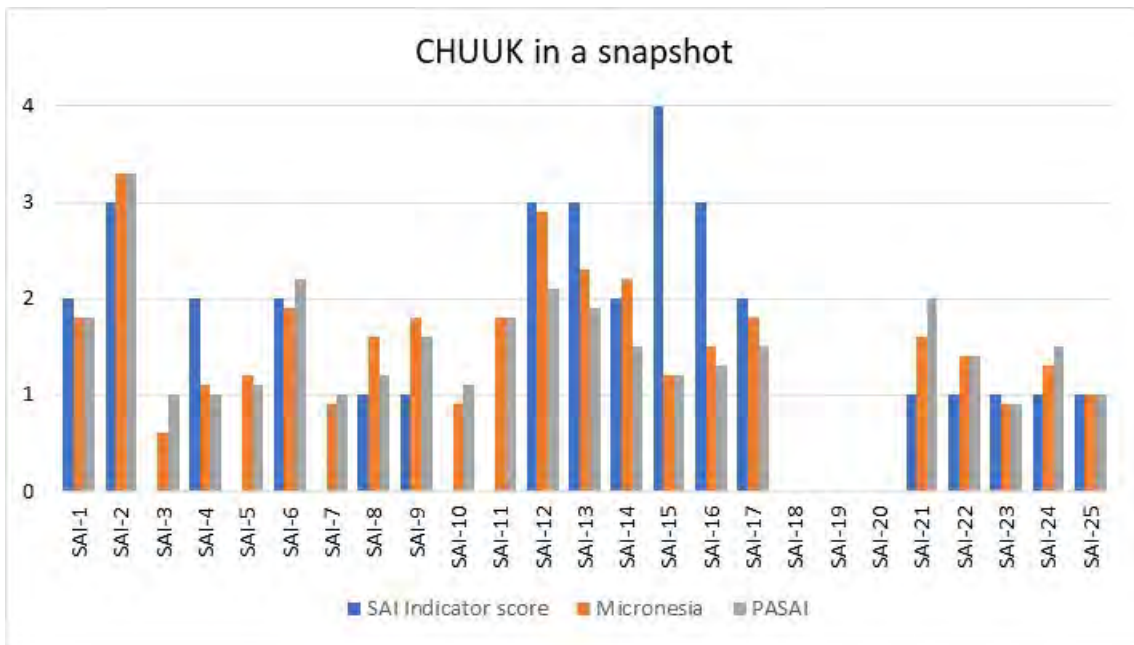
It would be valuable for the OCPA to engage in more communications with the auditees in order to discuss audit findings, trends and root causes. Such an approach would help the OCPA to improve the quality of its work and to maximise the positive impacts of the audit recommendations.

3. Being a model organisation through leading by example

The OCPA has neither a strategic nor an operational plan. It has no documented and clearly defined planning process. Despite being a small SAI, strategic planning is indispensable to define the objectives and goals to be achieved in the long-term. Otherwise, there will be no assurance that the OCPA will make progress in becoming more and more efficient and effective in the discharge of its duties.

Leadership by example is a foundational concept for highly efficient organisations. Due to its small scale, it is reasonable that the OCPA uses the government arrangements for human resources management and professional training. However, it should be highlighted that the personal involvement demonstrated by the Public Auditor on matters regarding his/her staff, including their progress in educational and professional developments, certainly makes a major difference, and characterizes effective leadership.

GRAPH 11 - FSM STATE OF CHUUK OFFICE OF PUBLIC AUDITOR IN A SNAPSHOT



GRAPH 12 - FSM STATE OF CHUUK OFFICE OF PUBLIC AUDITOR IN GDP PER CAPITA CLUSTER

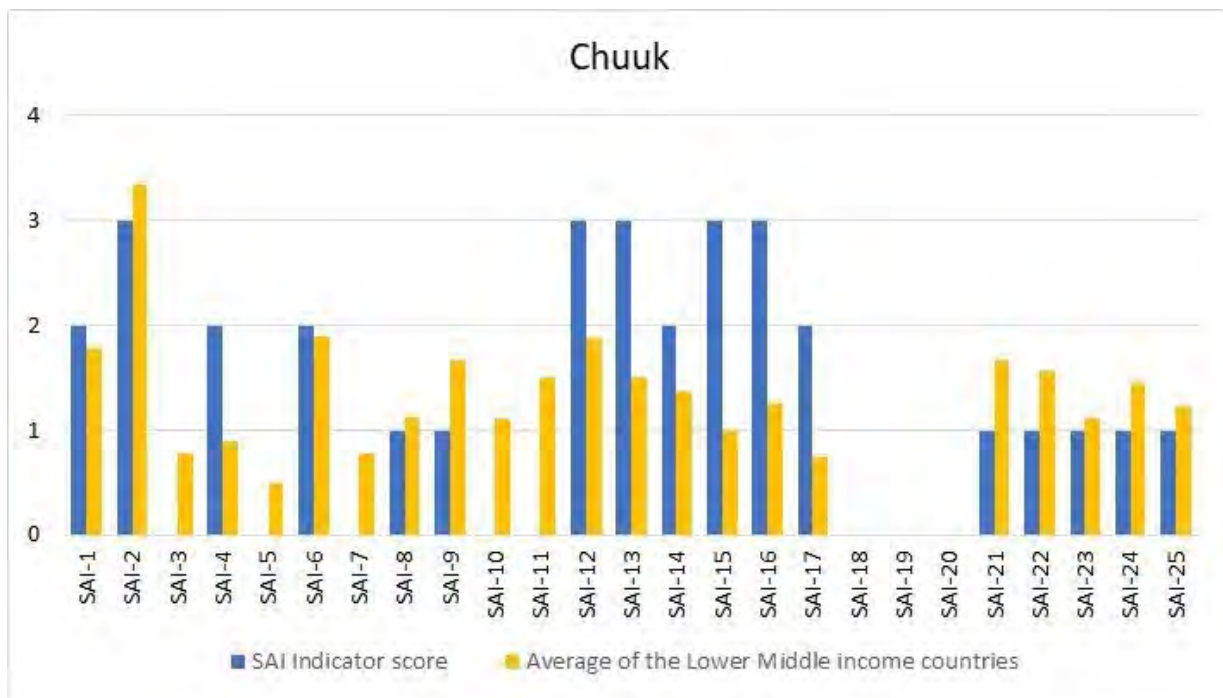


TABLE 12 - CHUUK INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	3	2	3	2	2
SAI-2	3	4	3	-	3
SAI-3	0	0	0	2	0
SAI-4	0	1	3	4	2
SAI-5	N/A	N/A	N/A	-	N/A
SAI-6	3	2	-	-	2
SAI-7	1	0	-	-	0
SAI-8	0	2	0	-	1
SAI-9	2	0	2	-	1
SAI-10	0	0	0	-	0
SAI-11	N/A	N/A	0	-	N/A
SAI-12	4	4	2	-	3
SAI-13	3	3	3	-	3
SAI-14	4	4	0	-	2
SAI-15	4	3	4	-	4
SAI-16	3	3	3	-	3
SAI-17	4	4	0	-	2
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	2	2	0	-	1
SAI-22	2	0	2	2	1
SAI-23	0	1	1	1	1
SAI-24	0	2	2	2	1
SAI-25	1	1	-	-	1



4.6 FSM State of Kosrae Office of the Public Auditor (KOPA)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Kosrae Office of the Public Auditor (KOPA) was prepared on the basis of the SAI PMF Lite Approach Guidelines. The SAI PMF assessment report was concluded in June 2018.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	0	0	0	3	1
SAI-2	Mandate of the SAI	4	4	4		4

Enablers

The legal framework concedes to KOPA ample authority to carry out the duties and responsibilities connected to its mandate. It has the exclusive audit jurisdiction over all public funds of the Kosrae State Government, regardless of the source. The mandate includes authority to carry out financial, performance and compliance audits.

Even though the constitution and other legislation do not explicitly define the independence and autonomy of the KOPA, the assessment Team noted that the KOPA management determines, develops and implements KOPA's audit work plan without any stakeholders' intervention or outside influence. Therefore, there is some degree of de facto independence and autonomy.

The legal framework empowers the State Public Auditor or his/her representative with full and complete access, during regular business hours, to all accounts, books and other financial records of the government, including non-profit organisations receiving public funds from the Kosrae State Government, regardless of the source.

ISSAI 10.2 requires the applicable legislation to specify the conditions for appointments, reappointment and removal of the Head of the SAI that ensure independence. The State Public Auditor is appointed by the Governor with the advice and consent of the Legislature to serve for a term of four years and until a replacement is appointed and confirmed. An individual may be reappointed for an additional term or terms through the same appointment process. The law also states that the Public Auditor may be removed from office for cause by two-thirds vote of the Legislature.

Constraints

The Kosrae Office of the Public Auditor (KOPA) is not established by the Kosrae State Constitution. KOPA was created pursuant to the provisions of Title 10, Chapter 4, Section 10-405 of the Kosrae State Code (KSC). The legal framework implies but does not clearly define the independence of the Kosrae State Public Auditor or his staff members.

The legal framework does not explicitly provide KOPA the financial independence and autonomy. Section 10.410 (4) of the KOPA Audit Law No. 7- 50, requires the State Public Auditor to prepare and submit a proposed budget to the Governor to be included in the whole government's annual budget for presentation to the Legislature at times required by the Kosrae State Code (KSC). The budgetary process provides KOPA's budget is reviewed and approved by the Kosrae State Legislature as part of the whole Kosrae Government's budgetary process.

The legal framework implies but does not clearly define KOPA's functional independence, autonomy or relationship to the executive, legislative, and judiciary branches or other agencies of the Kosrae Government. KOPA is however, operating as an administrative independent entity within the Kosrae State Government.

Analysis and Conclusions

The Kosrae legal framework does not establish the SAI's existence, independence and autonomy in clear and explicit articles or sections. Consequently, the KOPA is exposed to risks that could hinder its

functioning. On the other hand, the legal provisions have secured a strong mandate that covers all government sectors and activities, and includes the authority to carry out the three types of audits.

The KOPA should strive to obtain from Parliament the legal changes that are needed to ensure its independence and organisational autonomy, in accordance with ISSAIs 1 and 10.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	0	0	2	1	1
SAI-4	Organisational control environment	0	1	3	4	3
SAI-5	Outsourced audits	N/A	N/A	N/A		N/A
SAI-6	Leadership and internal communication	1	2			1
SAI-7	Overall audit planning	2	3			2

Enablers

The KOPA’s one page long and short terms audit work plan was developed and implemented inhouse by the KOPA’s management and staffs. KOPA management and staffs were all involved in the formulation of the existing operational plan. Performance monitoring and assessment of the plan progress is carried out as part of the KOPA’s annual performance and activity report to the Governor and the Legislature by the State Public Auditor. Programs targeted for audit during the plan period are based on their importance, risk, value, benefit and opportunity as they relate to the overall performance of the Kosrae State Government. Plan implementation, monitoring and reporting are reflected in KOPA performance and activity report.

The internal control working guidelines and procedures are clearly documented in Section VIII of the KOPA Audit Manual. The guidelines describe the general and specific standards, and discuss when to test, how to plan for carrying out and reporting on reviews. The assessment Team could not find documentary evidence that the guidelines have been reviewed and updated since inception. However, KOPA has gone through External Peer

Reviews for the past 11 years with satisfactory rating.

The KOPA Audit Manual provides procedure for the State Public Auditor to assign the Quality Control and Quality Assurance review of its work. The audit quality review is normally assigned to a person who is not directly involved in the audit. The process involves the Audit Manager's review and comment on draft report, meeting with audit team for verification, if any. The final review to ensure quality control and quality assurance is carried out by the State Public Auditor.

The organisational leadership and management team is composed of the State Public Auditor, Audit Manager and the Senior Auditor. The team meets periodically to discuss important administrative matters, review and update audit work plan, assign audit program, monitor audit progress, review draft audit report and publish and distribute audit reports. Decisions made are communicated to the others during staff meetings. Unfortunately, minutes of management and staff meetings were not always documented.

The KOPA is a small office consisting of six (6) full-time employees, including the State Public Auditor. Staff meetings are held when needed to address and discuss important matters such as audit work plan, audit assignment, budget development, staff professional and training issues and other topics. Often the State Public Auditor issues information through internal memorandums on matters of importance affecting the office.

Constraints

The KOPA did not have a strategic plan or an annual operational plan. It had an Audit Work Plan covering the period from 2013 to 2017 that included a list of government programs and activities targeted to be audited in each of the five years covered by the plan.

The annual audit work plan was part of the long-term strategic audit work plan. There was no evidence of an annual business plan in place during the assessment. The KOPA's operational planning process did not include any consideration of output or outcome measurement baseline indicators, neither input from the stakeholders nor risk assessment and mitigating measures

required to achieving the plan objectives.

The KOPA does not have a Code of Ethics of its own. However, the SAI is required to conduct audit in compliance with the Generally Accepted Government Auditing Standards (GAGAS). Though GAGAS does not establish specific ethical standards, it sets forth the fundamental principles that guide the work of auditors.

Analysis and Conclusions

All the constrains described in this domain should be considered in the context of the KOPA, which is a very small entity – only six staff, including the head of the SAI. In such circumstances, three or four planning layers (strategic, operational, overall audits, and specific audits) probably become somehow redundant. Therefore, it should be left to the SAI's discretion the decision upon how many planning layers are really needed for the good governance of the entity. However, it is important to remember that strategic planning is indispensable for all SAIs.

It should be highlighted that, regardless its limited number of staff, the KOPA has quality control and quality assurance processes.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	0	2	0	1
SAI-9	Financial Audit Standards and Quality Management	3	1	4	3
SAI-10	Financial Audit Process	0	0	0	0
SAI-11	Financial Audit Results	0	0	0	0
SAI-12	Performance Audit Standards and Quality Management	4	3	4	4
SAI-13	Performance Audit Process	2	2	3	2
SAI-14	Performance Audit Results	2	2	3	2
SAI-15	Compliance Audit Standards and Quality Management	N/A	N/A	N/A	N/A
SAI-16	Compliance Audit Process	N/A	N/A	N/A	N/A
SAI-17	Compliance Audit Results	N/A	N/A	N/A	N/A

Enablers

Performance audit has been the core of KOPA's auditing functions for the past several years, including the period assessed. KOPA's Audit Work Plan documented that the choice of the programs/activities selected for performance audits was based on their importance, risks, opportunity and benefits to the overall performance of Kosrae Government. Though not documented, the audits' objectives reflect the principles of Economy, Efficiency and Effectiveness in KOPA's audits, which covered topics such as climate change, safe and clean drinking water, public debt, among others.

Consequently, the performance audit indicators reached good scores.

Constraints

The KOPA did not or has not performed any financial statement audits of the Kosrae State Government and/or its component units. KOPA audit law gives the State Auditor the power to conduct financial statements audit in conformity with GAAS. In addition, the KOPA Audit Work Plan for FY-2013 – 2017, scheduled two financial audits for that period; however, no financial audit

was conducted.

Taking in consideration that the Office has the obligation to carry out financial audits, but has not been doing it, the indicators related to financial audit process and financial audit results were given the score zero.

The KOPA did not conduct any compliance audit during the period assessed. Because of that, the compliance audit indicators were considered as not applicable.

Analysis and Conclusions

The standards applicable to financial audit were well assessed. Its Audit Manual contains standards and policies on financial statement audits. The KOPA's audit manual was written and subsequently updated based on the Government Auditing Standards, revision 2011, issued by the Comptroller General of the United States of America. The KOPA Manual provides standards on the planning, fieldwork and reporting phases of financial audits. The Manual sets standards relating financial audit projects from initiation, conducting, documenting, monitoring and managing as well as reporting and communicating the results to appropriate parties. The Manual also includes general standards relating to independence, professional judgment, competence and quality control and assurance. In addition, the Manual prescribes policies and procedures to ensure adherence to the standards.

The quality control procedures included in the Manual were assessed as satisfactory, having reached score 3 (SAI-9, iii). However, it should be noted that the Office has not conducted any financial audit, so it is not possible to assess if the good standards and practices described in the Manual were or would be attended for in real case situations.

Performance audit is the dominating line of work in KOPA. The SAI PMF assessment showed that the Office has achieved satisfactory level in the standards, the team management and the quality control. The planning phase complies with many criteria, but there is room for improvement: there was no documentation regarding any assessment of materiality, nor any record of how the audit approach was selected.

Reports of performance audits were comprehensive and provided enough information to address the audit objectives and audit questions. The findings were convincing, so that the auditees agreed to implement the recommendations. Overall, the reports were clear and easy to understand.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	2	1	0	1

Enablers

The KOPA is housed in a new office building centrally located within the Kosrae State Capital of Tofol. The facility is adequate to accommodate the current office space requirement of KOPA. The Office has a full-time Administrative Officer who provides support to the State Public Auditor in the day-to-day administration of KOPA, including the management and upkeep of the office facilities, budgetary preparation, major assets inventory and maintenance records, procurement, and staff personnel files.

Constraints

The State Public Auditor or his designee manages the KOPA finances in accordance with the Kosrae State Government Financial Management Act (FMA) and the Financial Management Regulations (FMR). Fund certification, fund disbursement, fund accounting, and financial reporting are performed and maintained at the Kosrae Government Department of Finance and Administration (DoF&A). The State Public Auditor or his/her designee prepares and approves all expenditure transactions and transmits them to the Director of Finance and Administration for fund certification and processing. The Director of DoF&A is empowered by law to withhold certification of expenditures documents if, in his/her opinion, the proposed expenditure “represents misappropriation of public funds or in excess of appropriations.”

In short, the KOPA audit law does not provide the State Public Auditor the financial independence and autonomy to expend independently the KOPA approved budget.

The Office does not have an IT infra-structure plan. File management and archiving have not been established due to lack of appropriate skills set and resources to do the job.

Analysis and Conclusions

The KOPA is housed in facilities that are adequate to its needs. Regarding financial management, it depends upon the Kosrae Government Department of Finance and Administration (DoF&A) for approval and final processing. Such arrangement is not unusual, for it probably would not be cost-effective to maintain an administrative capability in parallel with the central government. Even though the SAI PMF assessment did not comment on any risks to the confidentiality of the data and of the information used and produced by the KOPA, such risks emerge from the use of resources that are shared with the government and should be explicitly addressed.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	1	1	4	1	2
SAI-23	Professional Development and Training	1	0	2	N/A	1

Enablers

The KOPA audit law provides the State Public Auditor discretion to appoint support staff required subject to an approved budget. The Administrative Officer provides the day-to-day support in the administration of the KOPA human resource management. The function of staff recruitment,

appointment, remuneration, promotion, suspension, termination and the general staff welfare are all subject to the Personnel Management Services System law and related regulations applicable to the Kosrae Government executive branch.

The Office uses sponsored trainings and professional developments offered through its membership in the local, regional and international associations for its staff. The Public Auditor and the Administrative Officer seeks and schedules professional development for the audit staff. KOPA maintains files on its staff and regularly evaluates them to identify and match staff to available training and development and update the personnel files with the progress of the staff educational and professional development.

Based on the needs of KOPA and vacancy of the office, recruitment of personnel is carried out in conformity with the Kosrae Government Executive Branch PSSL and related regulations. Position/job description and qualification required are developed jointly with the Office of Personnel within the executive branch. Personnel Office posts vacancy announcement widely over local radio station and other social media channels, receives and reviews applications, and certifies the list of eligible candidates.

Constraints

KOPA has not developed a plan (short or long term) for professional development and training of its staff. However, whenever there is an opportunity for professional development and training, the Public Auditor selects appropriate staff to attend. Selecting staff to attend training and professional qualifications is just based on the Public Auditor's knowledge and not on any plan or annual appraisal. Annual appraisal was discontinued with the freeze on salary increase and reduction of hours. There is also no system in place for professional development of non-audit staff. The Public Auditor instead occasionally sends the non-audit staff (usually the Administrative Officer or the Investigator) to attend trainings with the auditors.

Analysis and Conclusions

The KOPA is bound to government laws and regulations regarding human resources management. This is a quite common arrangement, for in many countries, the SAIs' staff are considered part of the public service workforce, thus subjected to the same legal framework. However, it should be highlighted that the KOPA plays an active role in the recruitment process, and holds legal power to appoint its needed staff, provided that it remains within approved budget.

The Office has been using opportunities for professional development and training as they appear; it does not have any formally developed plans for professional development. This is an important issue that needs to be addressed, for a highly qualified workforce is one of the key resources needed by any SAI to the discharge of their legal mandate.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	1	3	3	4	3
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	2	2			2

Enablers

KOPA holds regular communication with the Legislature, including: individual audit reports to the Speaker of Legislature, Governor and the Attorney General, Broadcast Authority and the Clerk of the Kosrae State court, which is a mandatory requirement. In addition, it also provides its annual reports to the same parties mentioned above. KOPA's last annual report was prepared and issued for the fiscal year 2016. This is another mechanism whereby KOPA's audit findings are reported to Legislature. The Legislature may on occasion request expert advice from KOPA in the form of expert opinions on an audit report during public hearings and may

also request the Public Auditor (PA) and his staff presence in a discussion of an audit report and findings.

KOPA's Audit Manual section 11, 1-2 establishes that "... *In all matters relating to the audit work, the audit organisation and the individual auditor, whether government or public, must be free from personal, external and organisational impairments to independence, and must avoid the appearance of such impairments of independence*". In the beginning of each audit, KOPA staffs are required to sign a formal declaration (Independence declaration) asserting that they have no conflict of interest or involvement of any kind with the audited entity.

Proper information about each audit work is given through the initial assessment letter, the agenda for the audit entrance conference and minutes of the meeting. KOPA communicates its audit findings and recommendations directly to auditees through the Management Report and the audit report. These audit reports are also communicated to the Governor and the Legislature through individual reports and in its annual report.

While there is no formal process to obtain feedback from the auditees on the relevance and quality of the audits, KOPA provides the auditee an opportunity to comment on the audit findings and to report any concerns or issues they may have during the exit conference and through the auditee's management response. The management written response and the Kosrae Office of the Public Auditor's written feedback, if any, are published as part of the audit report.

The KOPA publicises its mandate by quoting its roles and responsibilities in its annual report 2015. It publishes all of its reports in English and written in a way that is easy for citizens to understand the main audit findings. Because of the poor IT environment and slow internet on the island, the use of website and online media is impractical and not appropriate to their context.

Constraints

The Office does not have a formal communications strategy. Because of that, it has not been able to identify key stakeholders and the messages or themes that should be conveyed to them.

The KOPA has not actively sought contact with the Media, through media conferences, press releases or other similar instruments because there are no media or newspaper outlets on the island and the restriction of local TV coverage to televise only religious programmes. However, we confirmed that they have provided a media release on one of its audit reports to a newspaper agent (Kaselehlie Press) located on the island of Pohnpei. Furthermore, the SAI does not have a website because of poor internet and IT technology on the island. Therefore, such medium is not practical to citizens because they do not have access to internet. The SAI provides a copy of all audit reports to the Broadcasting Authority (radio) and uses this medium to communicate its audit results.

Analysis and Conclusions

The KOPA has demonstrated to have good communications practices with the Legislative, the Executive and the Judiciary. The development of a formal communications strategy document should be left to the discretion of the Public Auditor, considering the limited possibilities available in the island context: no media or newspaper; very limited access to internet by the citizens and restrictions on TV coverage.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The Kosrae legal framework does not establish the SAI's existence, independence and autonomy in clear and explicit articles or sections. Consequently, the KOPA is exposed to risks that could hinder its functioning. On the other hand, the legal provisions have secured a strong mandate, that covers all government sectors and activities, and includes the authority to carry out the three types of audits.

The KOPA should strive to obtain from Parliament the legal changes that are needed to ensure its independence and organisational autonomy, in accordance with ISSAIs 1 and 10.

It should be noted that the Office has not conducted any financial audit, so it is not possible to assess that line of work. This represents the major gap in the SAI's work, for it has received full legal mandate to conduct those audits, but has yet to actually respond to that legal demand. In addition, it should be emphasised that the legal framework provides KOPA exclusive audit jurisdiction over all public funds of the Kosrae State Government.

Performance audit is the dominating line of work in KOPA. The SAI PMF assessment showed that the Office has achieved satisfactory level in the standards, the team management and the quality control. The planning phase complies with many criteria, but there is room for improvement: there was no documentation regarding any assessment of materiality, nor any record of how the audit approach was selected.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

The KOPA has demonstrated to have good communications practices with the Legislative, the Executive and the Judiciary. The development of a formal communications strategy document should be left to the discretion of the Public Auditor, considering the limited possibilities available in the island context: no media or newspaper and very limited access to internet by the citizens and restrictions on TV coverage.

3. Being a model organisation through leading by example

The ISSAI 12 prescribes the value and benefits of a SAI which requires the SAI to lead by example and be a model organisation. An SAI needs to have robust governance structures to ensure the SAI is transparent and accountable and fulfil its mandate in an ethical manner.

Furthermore, ISSAI 20 principle 4 states that SAIs must apply high standards of integrity and ethics for staff of all levels.

The KOPA did not have a strategic plan or an annual operational plan. It had an Audit Work Plan covering the period from 2013 to 2017 that included a list

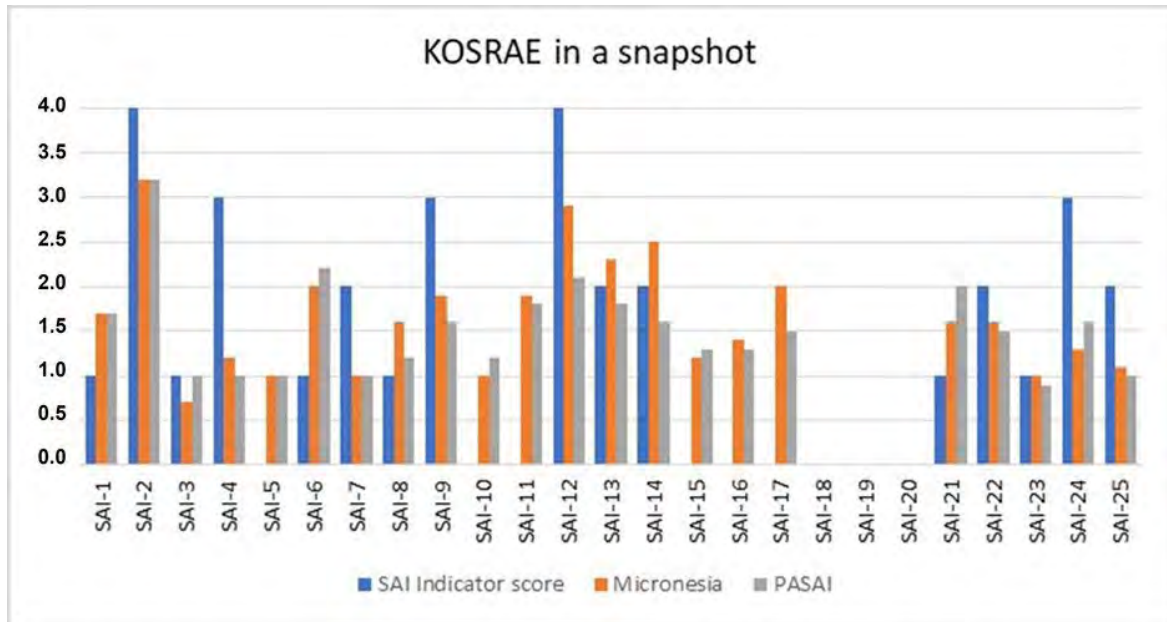
of government programs and activities targeted to be audited in each of the five years covered by the plan.

The annual audit work plan was part of the long-term strategic audit work plan. There was no evidence of an annual business plan in place during the assessment. The KOPA's operational planning process did not include any consideration of output or outcome measurement baseline indicators, neither input from the stakeholders nor risk assessment and mitigating measures required to achieving the plan objectives.

The KOPA does not have a Code of Ethics of its own. However, the SAI is required to conduct audit in compliance with the Generally Accepted Government Auditing Standards (GAGAS). Though GAGAS does not establish specific ethical standards, it sets forth the fundamental principles that guide the work of auditors.

All the constrains described in this section should be considered in the context of the KOPA, which is a very small entity – only six staff, including the head of the SAI.

GRAPH 13 - FSM STATE OF KOSRAE OFFICE OF THE PUBLIC AUDITOR IN A SNAPSHOT



GRAPH 14 - FSM STATE OF KOSRAE OFFICE OF THE PUBLIC AUDITOR IN GDP PER CAPITA CLUSTER

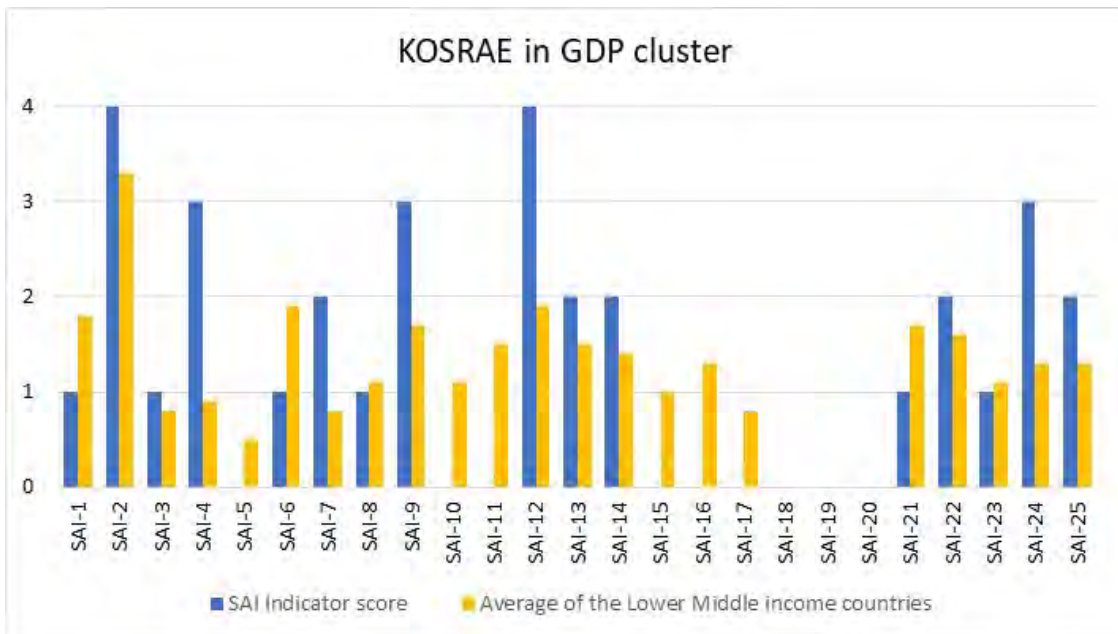


TABLE 13 - KOSRAE INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	0	0	0	3	1
SAI-2	4	4	4	-	4
SAI-3	0	0	2	1	1
SAI-4	0	1	3	4	3
SAI-5	N/A	N/A	N/A	-	N/A
SAI-6	1	2	-	-	1
SAI-7	2	3	-	-	2
SAI-8	0	2	0	N/A	1
SAI-9	3	1	4	-	3
SAI-10	0	0	0	-	0
SAI-11	0	0	0	-	0
SAI-12	4	3	4	-	4
SAI-13	2	2	3	-	2
SAI-14	2	2	3	-	2
SAI-15	N/A	N/A	N/A	-	N/A
SAI-16	N/A	N/A	N/A	-	N/A
SAI-17	N/A	N/A	N/A	-	N/A
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	2	1	0	-	1
SAI-22	1	1	4	1	2
SAI-23	1	0	2	N/A	1
SAI-24	1	3	3	4	3
SAI-25	2	2	-	-	2



4.7 FSM State Pohnpei Office of the Public Auditor (POPA)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Pohnpei State Office of the Public Auditor (OPA) was prepared based on the SAI PMF Version 3.1, dated January 22, 2016. The assessment fieldwork was conducted on 17-21 April 2017. This report was completed in November 2018.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	1	1	2	3	2
SAI-2	Mandate of the SAI	3	4	4		4

Enablers

Pohnpei Office of the Public Auditor (POPA) is established in the Pohnpei State Constitution. Article 11 Section 8, subsection 1 of the Constitution states, "*There shall be an Auditor appointed by the Governor with the approval of the Legislature with affirmative vote of the majority of the member without regard to vacancies, to serve for a term of four years and until his successor is appointed and confirmed*".

The OPA Act empowers the Public Auditor to summon persons to appear before him/her to produce all accounts, books, records, files, papers, and documents and may cause search and extract any book, paper, or record in the custody of any public officer as necessary for the examination.

Furthermore, the SAI's enabling legislation requires the Head of SAI to report the discovery of any unauthorized, illegal, irregular, improper or unsafe handling or expenditure of Pohnpei funds, or other improper practice of financial administration to the office being audited, the Speaker of the Legislature,

the Governor, the Attorney General, the Chief Executive of the local government, and the presiding officer of the local council of the political subdivision concerned.

The Constitution requires the SAI prepare and submit the budget to the Legislature through the Governor; it states: *“The Auditor shall annually prepare the budget which will be submitted to the Legislature through the Governor. The Governor may submit his comments, but he may not revise or reduce it.”* Accordingly, the SAI’s budget is approved by *“the public body deciding on the national budget”* (ISSAI 1:7), and the SAI is free to propose its budget to the public body deciding on the budget without interference from the executive (ISSAI 10:8). The SAI is also entitled to use the funds allotted under its own separate budget heading (ISSAI 1:7).

The Pohnpei State Constitution stipulates the authority of the Public Auditor to conduct audits of all financial transactions and accounts of all departments, offices, agencies, and instrumentalities of the Government of Pohnpei and of the local governments, and to audit such accounts at least once every two years. Furthermore, Article 11 of the Constitution provides for the power of the Public Auditor to certify for accuracy, all financial statements issued by Government accounting officers and to require the establishment of accounting systems to ensure strict financial accountability.

Additionally, the Constitution provides for the authority of the Public Auditor to conduct post audits of all transactions, books, and accounts of all departments, offices, and agencies of the state and its political subdivisions and all projects, programs, activities or organisations within the state receiving public funds. The Head of SAI has the constitutional authority to select audit issues, plan, conduct, follow-up, and report as he deems appropriate and as required by law.

Constraints

The Pohnpei State Constitution does not make specific reference to the independence of the SAI. The SAI’s enabling legislation does not establish nor provide clarity to the independence of the POPA. Article 11, Section 8 (1)

of the Constitution guarantees the appointment, term, cessation of functions of the Head of SAI but is silent on the independence of his decision-making powers.

Furthermore, the Constitution does not provide adequate legal protection by a supreme court against any interference with the Pohnpei SAI's independence. The Office of the Public Auditor Act does not protect the independence of Pohnpei SAI.

Human resources independence is not specified in the SAI's enabling legislation and constitutional framework. The Head of SAI is not totally free to independently decide on all HR matters.

The Executive, through the Department of Treasury and Administration controls the SAI's access to the funds/resources, after the SAI's budget has been approved by the Legislature. Therefore, the financial independence for the SAI is not fully entrenched in the legislative and constitutional framework.

The law does not specify conducting performance audits nor makes references to the aspects of economy, efficiency and effectiveness. POPA conducts performance audits at the discretion of the Public Auditor and the authority vested in the Public Auditor to conduct audits.

Analysis and Conclusions

The constitutional and legal framework assure good level of independence and autonomy for the POPA, even though there are still gaps that should be addressed, such as: legal protection against any interference with its independence, legal immunity against prosecution resulting from the normal discharge of the duties, and explicit provision for the SAI to audit according to the concepts of economy, efficiency and effectiveness.

The SAI has received a sufficiently broad mandate, adequate access to information and right and obligation to report, as can be seen in the good scores in all dimensions of indicator SAI-2.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	2	1	1	1	1
SAI-4	Organisational control environment	0	1	3	0	1
SAI-5	Outsourced audits	2	N/A	N/A		N/A
SAI-6	Leadership and internal communication	2	3			2
SAI-7	Overall audit planning	1	2	2		2

Enablers

The Strategic Management Operation Plan (SMOP) outlines the overall strategy and direction the SAI will undertake in order to achieve its vision of Pohnpei's becoming the model for good governance in the Federated States of Micronesia (FSM). It also identifies the important elements of the OPA auditing functions and sets key strategic goals and objectives over a five-year period in order to fulfil its audit mandates and achieve its vision. The plan incorporates a logical framework that has a hierarchy of purpose (e.g., mission-vision-goals-objectives) and addresses the overall vision for the FSM Nation's development aspirations during the Amended Compact years and beyond.

The strategic plan for 2013-2017 was approved by the Head of SAI, which means that ownership was taken for the SAI's organisational planning process. The strategic plan is communicated effectively to all staff and available to the public on the website so that they can understand the Office's strategic goals and plans for the next couple of years.

The OPA prepares quarterly performance reports and annual reports and submits them to the legislature. These quarterly reports provide an update on the SAI's progress on activities conducted and completed. These quarterly reports are used by the OPA to monitor and measure achievement of activities set out in both the strategic and annual plans.

The SAI's quality control system for all its audit work is in place as evidenced in their Audit Policies and Procedures Manual, including delegation of authority, and considerations of risks to quality, all of which is in line with ISSAI 40.

SAI Pohnpei's leadership team comprised of the Public Auditor and the Audit Manager. Although the leadership team does not meet frequently, they do hold meetings periodically. The decision on whether to document a meeting or not depends on the Public Auditor. If and when he/she feels that it is necessary for documentation, it is recorded in the form of staff meeting minutes.

For other information that needs to be circulated or for staff awareness, reminders and follow ups, internal communication in the form of memorandums are issued by the Public Auditor himself. SAI Pohnpei's leadership identifies and shares its values in their strategic plan and annual report. Other activities where SAI leadership is promoting their value is a Fraud Awareness Program, where the SAI makes a presentation to the public and at other times to particular groups of people, explaining the role of the SAI and its values, addressing the functions that the Office has towards minimizing fraud.

For motivational purposes and better performance, the SAI leadership has in place its strategies (within its available powers) that works towards accomplishing its goals. In order to incentivize better performance from staff, SAI leadership sends and encourages staff to participate in trainings both locally and internationally, for individual professional development to improve their performance and contribute to achieving the SAI's strategic goals. Staff promotions are also practiced within the SAI when the leadership sees appropriate and necessary, where it also serves as a motivation to staff to keep up with the excellent work performance, demonstrating strong culture of internal control, ethics, and quality.

Constraints

There is no evidence that all staff of the SAI were given the opportunity to provide input into the development of these organisational plans.

Furthermore, what is lacking in the process is the opportunity to consult appropriate external stakeholders for their input in developing the SAI's organisational plans.

The review also could not confirm any documentation of a regular process for monitoring the SAI's progress towards achieving its annual/operational plan and strategic plan. The responsibilities, actions and a timetable for developing the organisational plans are not clearly defined.

The process for developing the SAI's overall audit plan is not documented. Because the overall planning process was not documented, there was no evidence that the process being practiced follows a risk-based approach, where a risk assessment is conducted as part of the basis for selecting audit entities to be audited during the year and the audit approach. Furthermore, the responsibilities for planning, implementing and monitoring the audit plan for the SAI are not clearly defined.

Even though Pohnpei SAI adheres to the ethical principles set forth in the Pohnpei Ethics Act and the Generally Accepted Government Auditing Standards (GAGAS) in the performance of their duties, there is no system to identify and mitigate ethical risks, address breaches in ethical values, including protection of those reporting suspected wrongdoing, nor is there evidence that the principles are reviewed regularly to ensure alignment with principles of ISSAI 30.

Although the OPA's Policies and Procedures Manual describes the quality assurance process, there was no evidence of consistent Quality Assurance review for audits issued.

Analysis and Conclusions

A SAI ensures good governance by being responsible for planning and conducting the scope of their work and using proper methodologies and standards to ensure that they promote accountability and transparency over public activities, meet their legal mandate and fulfil their responsibilities in a complete and objective manner.

The Strategic Management Operation Plan (SMOP) is the OPA’s strategic plan, and it contains all the key elements, such as a logical framework that has a hierarchy of purpose (e.g., mission-vision-goals-objectives). The Head of the SAI clearly has the ownership of the planning process, and the strategic plan is communicated effectively to all staff and available to the public on the website.

On the other hand, there was no evidence that the overall audit plan followed a risk-based methodology, and the responsibilities for planning, implementing and monitoring the audit plan for the SAI are not clearly defined.

There is no system to identify and mitigate ethical risks, address breaches in ethical values, including protection of those reporting suspected wrongdoing, which is a relevant gap that should be addressed, in order to comply with the objective to lead by example.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	4	2	N/A	3
SAI-9	Financial Audit Standards and Quality Management	3	3	3	3
SAI-10	Financial Audit Process	2	3	2	2
SAI-11	Financial Audit Results	4	4	3	4
SAI-12	Performance Audit Standards and Quality Management	3	4	2	3
SAI-13	Performance Audit Process	3	1	2	2
SAI-14	Performance Audit Results	4	4	2	3
SAI-15	Compliance Audit Standards and Quality Management	N/A	N/A	N/A	N/A
SAI-16	Compliance Audit Process	N/A	N/A	N/A	N/A
SAI-17	Compliance Audit Results	N/A	N/A	N/A	N/A

There is no system to identify and mitigate ethical risks, address breaches in

ethical values, including protection of those reporting suspected wrongdoing, which is a relevant gap that should be addressed, in order to comply with the objective to lead by example.

Enablers

The main source of funding for all the FSM states including Pohnpei is from the Compact Funding Agreement between the FSM and USA. This Agreement requires that the audit of funding under the agreement be handled by the FSM Office of the National Public Auditor (FSM ONPA). The FSM ONPA is responsible for outsourcing and administering the state's financial statements audit as required under the Compact Agreement.

For the purpose of this assessment, audit coverage of financial audit was determined based on the number of financial statements received by POPA which were required to be audited under its mandate that were audited. The SAI received five financial statements to be audited during the period under review but have completed only two financial audits. The audits of the other three financial statements were included in the Single Audit conducted by an external auditor outsourced by the FSM ONPA. In conclusion, the financial audit coverage was assessed in 100%.

Pohnpei SAI follows the Generally Accepted Government Auditing Standards (GAGAS), also known as the Yellow Book issued by the Comptroller General of the Government Accountability Office (GAO) of the United States of America (USA) when conducting financial audits. The Yellow Book in its major parts is very similar to International Standards for Supreme Audit Institution (ISSAI). Pohnpei SAI developed and adopted its Policies and Procedures Manual on June 3, 2005 which is based on GAGAS.

Section 7.6: Planning the Audit of the manual describes the guidelines to ensure all financial audit engagements undertaken by the POPA has an acceptably low audit risk to ensure reasonable assurance when expressing a positive audit opinion. POPA also assesses inherent risks, control risks, fraud risks, risks due to direct and material non-compliance with laws and regulations as well as risks of material misstatements both at the financial statement level as well as the assertion levels.

GAGAS General Standards sections 3.69-3.78, which covers competence,

technical knowledge, and continuing professional education, requires that all staff assigned to perform an audit collectively possess adequate professional competence needed to address the audit objectives and perform the work required. Chapter 7 Part 1 of POPA's Policies and Procedures Manual cover training and development. All but one criterion regarding team management were considered as met.

The OPA Audit Policies and Procedures Manual (APPM) is the main guidance for staff when they are undertaking financial and performance audits as well as fraud investigations. Chapter 7 of the APPM emphasises the importance of training and development for all staff. The training and development goals of the SAI require the need for all staff to understand the purpose of the State Government, its services and objectives, to understand the responsibilities and functions of the Public Auditor in the framework of Government operations, to be well versed in accounting and auditing principles, concepts and procedures applicable to the SAI's functions, to participate in professional development that will lead to professional certification, and to be well informed on the latest auditing information and advancement.

The APPM requires the SAI have auditors who are specialized in electronic data processing (EDP) or computing systems auditing. Allocation of responsibilities and clear reporting lines are described in the overall audit plan for any performance audit. Similarly, for performance audits, the manual also assists auditors to identify criteria. Criteria represent the laws, regulations, contracts, grant agreements, standards, specific requirements, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. The manual goes on to assist the auditors with recommendations reported and such should cover the causative factors discussed in the finding and be specific to the actions needed to reduce the conditions.

Both financial and performance audit results reached score 4. The SAI has a financial audit manual in place which prescribes quality control procedures in financial. Regarding performance audits, the OPA has established quality control procedures for processing draft reports to ensure that the reports meet all professional standards and in accordance with OPA policies.

Constraints

The SAI's Policies and Procedures Manual for financial audits does not specify guidelines on how materiality is considered throughout the audit process except at the planning phase. Furthermore, the manual lacks guidance in relation to the timely preparation of audit documentation, the form, content and extent of audit documentation as well as how the final audit file should be organised.

Although the APPM prescribes the SAI's training and development goals, there is no clear guidance to ensure that those allocated to conduct performance audits have sound knowledge of research design and investigation or evaluation techniques. APPM does not require those staff who conduct performance audit to have other skills in addition to technical knowledge such as analytical, writing and communication skills; these skills are critical to performance audit.

Analysis and Conclusions

Overall, OPA performs very well in meeting its core mandate, which is to conduct audits of all the financial transactions and accounts kept by or for the primary and local governments of Pohnpei, focusing mostly on Financial Audits and Performance Audits. Timely submission and publication of the reports of such audits are available to the Legislative and Executive branches of the government, as well as its citizens through media. The Policies and Procedures Manual which includes an entire section dedicated to Audit Activities provides a strong guide for the auditors in terms of the planning, implementation and reporting phases of each audit. The manual also provides the standards and requirements for quality control and quality assurance.

To provide assurance that the OPA operates at a high professional level, it adheres to the Government Auditing Standards promulgated by the Comptroller General of the United States. These standards, referred to as Generally Accepted Government Auditing Standards or GAGAS, pertain to auditors' professional qualifications, the quality and performance of their audit work, and meaningful reporting. Though the SAI does conduct follow-ups with the audited entities, materiality is not established as a deciding factor to require additional investigations or audits. The SAI also does not have policies or procedures relating to materiality for follow-ups.

Financial Audit at the OPA is good, which is exceptional in the Micronesia, as it can be seen below:

	The OPA of Pohnpei	Micronesia Average	PASAI Average
SAI-9 Financial Audit Standards and Quality Management	3	1.88	1.65
SAI-10 Financial Audit Process	2	1	1.18
SAI-11 Financial Audit Results	3	1.86	1.81

Therefore, the OPA can already play a key role in supporting the development of financial audit in the Micronesia. The SAI Pohnpei is a good example in Financial Audit also when compared to the whole PASAI area, as it can be seen in the above table. Therefore, it can be a strategic player at that broader geographical area as well.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	2	1	1	1

Enablers

The SAI’s Policies and Procedures Manual clearly explains the financial management activities which the SAI is responsible for, including the Administrative Officer’s and the Public Auditor’s responsibilities. It also provides guidance for delegation of authority to commit and approve expenditure on behalf of the SAI in the absence of the Public Auditor. Pohnpei SAI also utilizes the Pohnpei Financial Management Regulations (PFMR), which is used by all Pohnpei State government departments and agencies, as the

guidelines for managing finances including contracts, payroll, travel, procurement, and property accountability.

Constraints

Pohnpei SAI does not have full autonomy over its finances and, therefore, does not have full control over its financial management activities. The SAI's budget is prepared by the Administrative Officer, in consultation with and approval by the Public Auditor. The budget is submitted to the finance department and goes through the same process as other State departments and agencies. The finance department submits the consolidated annual budget of all State departments and agencies, including the SAI's budget, to the Legislature through the Governor's Office. Upon approval of the consolidated government budget, the SAI's budget is maintained under custody of the State Finance Department.

Pohnpei SAI does not have a Management Information System in place. The SAI does not prepare its own annual financial statement. Instead, its financial activities are included in the financial statements of the whole Pohnpei State Government which is audited by external auditors as an annual Single Audit. Although the SAI's financial activities are reported as part of the overall public accounts, they are not disclosed as a separate note from the financial activities of the whole Pohnpei State Government.

Though Pohnpei SAI has in place a long-term strategic plan, the plan does not specifically address a plan for its physical infrastructure or IT needs, based on current and anticipated future staffing level. The SAI does not have a network or a centralised server that stores its information and documents; each employee stores data on their own computers. Any proposal for improvement in this area has not been addressed.

The SAI does not have access to any archiving facilities within its office or the primary government. The only storage facilities they have access to is a warehouse maintained by the primary government with limited security. Nonetheless, it should be noted that the SAI reported inadequacies relating to its assets and infrastructure through its quarterly and annual reports to the Legislature and the Governor.

Analysis and Conclusions

The lack of legal provision regarding the SAI's independence, described in Domain A, is also reflected in this Domain E. Even though the OPA has its own Manual for administrative practices, it as well follows the Pohnpei Financial Management Regulations (PFMR), which is used by all Pohnpei State government departments and agencies. Moreover, the SAI's budget must go through the finance department of the government, before being sent to Parliament for final approval. Even after the legislative decision, the SAI's budget is maintained under custody of the State Finance Department.

Another major constraint is the IT arrangements, which so far do not provide enough security to the SAI's everyday operations.

Altogether, such constraints could eventually have a negative impact in the SAI's capacity to deliver its legal duties.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	N/A	0	N/A	N/A	N/A
SAI-23	Professional Development and Training	4	4	4	4	4

Enablers

The Pohnpei SAI has established and implemented a Strategic Management and Operational Plan (SMOP) and a Policies and Procedures Manual to ensure its staff have the competency and skills to perform their roles and enable the SAI to achieve its objectives. These plans are linked to the human resources strategy adopted and implemented by the Pohnpei State Government and POPA's SMOP, which reflect the required skills and competency development needs for the different staff levels and be monitored and evaluated.

POPA has established and implemented a general professional development

and training plan for all its professions and monitor and evaluate the results to ensure effective operations of the SAI. The SAI scored 4 in all dimensions of the indicator SAI-23 – Professional Development and Training, an outstanding result that makes the SAI a reference in the sub-region regarding this issue.

Constraints

The responsibility for the SAI’s human resource management function is shared with the Chief of the Division of Personnel, Labor and Manpower Development (DPLMD). Because human resources are subject to the Public Service System (PSS) Act administered by the Chief of the Division of Personnel, Labor and Manpower Development (DPLMD), the SAI decides on human resources matters, including appointments of staff and establishment of their terms and conditions in accordance with the PSS Act and recommendations from the Chief of DPLMD.

Because of that, the criteria to evaluate the human resource’s function were considered as Not Applicable.

The Division of Personnel, Labour and Manpower Development, which is a section of the Executive power, has the primary responsibility for:

- a) Developing and maintaining a human resources strategy and policies;
- b) Developing and maintaining a competency framework;
- c) Providing guidance and consultation on human resource matters;
- d) Maintaining a performance evaluation appraisal system;
- e) Scheduling suitable professional development opportunities;
- f) Maintaining personnel files (e.g., signed code of ethics and continuing professional development reports).

SAI Pohnpei has not developed its own human resources strategy. Although the SAI is subject to the PSS Act and human resource policies administered by the DPLMD, it is important that the SAI develop a strategy or plan to determine who to recruit, how many to recruit, when to recruit, and what competencies and skills are required for the SAI to execute its functions and deliver its mandate.

Analysis and Conclusions

The human resource management function for the Pohnpei State Government

which includes the SAI, is administered by the Chief of the Division of Personnel, Labor and Manpower Development as required by the PSS Act. POPA decides on human resources matters, including appointments of staff and establishment of their terms and conditions but subject to the PSS Act and recommendations from the Chief.

The SAI has not developed its own human resources strategy. It has adopted the Pohnpei State Government’s comprehensive human resource policies.

Regardless those constrains, the OPA has been able to successfully develop and implement plans for professional training. These good results are corroborated by the high quality of the audits, as demonstrated by the high scores of the indicators in Domain C.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	0	2	2	2	1
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	1	2			1

Enablers

The POPA reports annually to the Legislature on its activities conducted throughout the year. The audit reports give detailed descriptions of their findings and recommendations. The State Public Auditor is required to submit a report to the Legislature in January of each year of the audits and examinations conducted by him/her for the immediately preceding fiscal year, and at such other times as may be requested by the Legislature or the Governor. The Public Auditor actively takes measures to strengthen relationships with and raise awareness of the Legislature on the SAI’s roles and mandate.

For the year under review, the POPA, in collaboration with the PASAI, hosted a five-day workshop in Pohnpei for the Speaker and members of the

Pohnpei legislature, Governor and his cabinet, Chief of local governments and other stakeholders. The workshop was part of PASAI's strategic priorities to advocate on behalf of its members and to promote transparency, accountability and good governance in the Pacific region. A series of fraud and corruption workshops were also conducted by the POPA for certain target groups including the Legislature.

The OPA has in place a good policy in communicating with the auditees, which is followed when conducting the audits. Policy advises that all reports be forwarded to the clients and be required to submit and provide comments. POPA communicates with the audited entities throughout the engagement on any issues discovered during the audits. During the audit, planning and exit meetings were also conducted where senior officials from the Executive were invited to discuss and agree on the scope of the audit, criteria used in the audit together with the audit findings before closing off an audit.

Constraints

The POPA does not have a communication strategy as required, thus resulting in a score zero in SAI-24, i. It does not seek feedback from the audited entities about the quality and relevance of audit reports and the audit process so that improvements can be made.

SAI Pohnpei does not hold press conferences for the release of the audit reports when sent to legislature. Additionally, it does not issue press releases with major reports nor approaches appropriate media to disseminate audit reports, but rather has them posted on the website. Even though the OPA does not have a system to monitor media coverage of topics addressed by the audits conducted, policies are in place for handling requests and questions from the media.

Analysis and Conclusions

A SAI needs to have in place well developed processes to engage and maintain good communications with all key stakeholders. The legislature plays a decisive role in the government accountability chain, for it is up to the congress to hold the executive responsible for how they use all public resources.

The OPA has shown adequate practices regarding its communication with the Legislative and the Executive. It periodically informs the first about the results of the SAI's work, and has in place policies that avoid conflicts of interest when auditing the executive and gives the auditees opportunity to express their points of view during the audit work.

Nonetheless, there are opportunity for improvements, such as the possibility to use press conferences and press releases. The development and adoption of a communication strategy will strengthen the SAI's capacity to work together with the legislature and provide practical ways to better communicate with the media and the citizens.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The constitutional and legal framework assure good level of independence and autonomy for the POPA, even though there are still gaps that should be addressed, such as legal protection against any interference with its independence, legal immunity against prosecution resulting from the normal discharge of the duties, and explicit provision for the SAI to audit according to the concepts of economy, efficiency and effectiveness.

The SAI has received a sufficiently broad mandate, adequate access to information and right and obligation to report, as can be seen in the good scores in all dimensions of indicator SAI-2.

Overall, the OPA performs very well in meeting its core mandate which is to conduct audits of all the financial transactions and accounts kept by or for the primary and local governments of Pohnpei, focusing mostly on Financial Audits and Performance Audits. Timely submission and publication of the reports of such audits are available to the Legislative and Executive branches of the government, as well as its citizens through media. The Policies and Procedures

Manual which includes an entire section dedicated to Audit Activities provides a strong guide for the auditors in terms of the planning, implementation and reporting phases of each audit. The manual also provides the standards and requirements for quality control and quality assurance.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

It is crucial that the Auditor General engage in effective communication with the Parliament. The legislature plays a decisive role in the government accountability chain, for it is up to the congress to hold the executive responsible for how they use all public resources.

The OPA has shown adequate practices regarding its communication with the Legislative and the Executive. It periodically informs the first about the results of the SAI's work, has in place policies that avoid conflicts of interest when auditing the executive, and gives the auditees opportunity to express their points of view during the audit work.

Nonetheless, there are opportunities for improvements, such as the possibility to use press conferences and press releases. The development and adoption of a communication strategy will strengthen the SAI's capacity to work together with the legislature and provide practical ways to better communicate with the media and the citizens.

3. Being a model organisation through leading by example

Leading by example includes good governance, which essentially is the capacity to develop long-term strategies and objectives and to deliver on them through operational plans that are timely implemented.

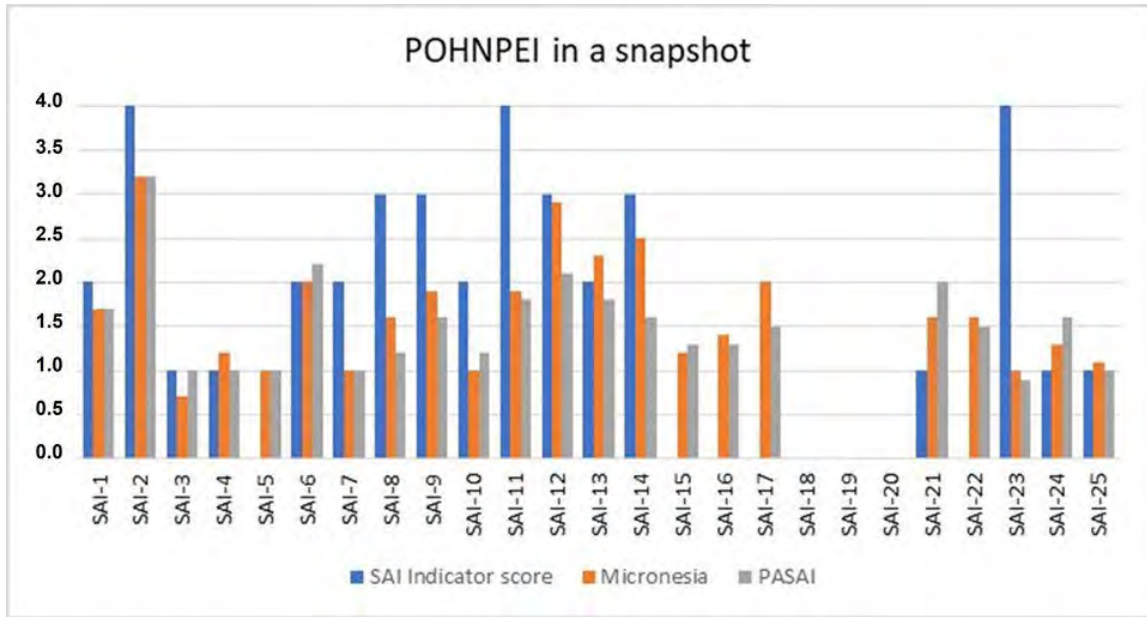
The Strategic Management Operation Plan (SMOP) is the OPA's strategic plan, and it contains all the key elements, such as a logical framework that has a hierarchy of purpose (e.g., mission-vision-goals-objectives). The Head of the SAI clearly has the ownership of the planning process, and the strategic

plan is communicated effectively to all staff and available to the public on the website.

On the other hand, there was no evidence that the overall audit plan followed a risk-based methodology, and the responsibilities for planning, implementing and monitoring the audit plan for the SAI are not clearly defined.

There is no system to identify and mitigate ethical risks, address breaches in ethical values, including protection of those reporting suspected wrongdoing, which is a relevant gap that should be addressed in order to comply with the objective of leading by example.

GRAPH 15 - FSM STATE POHNPEI OFFICE OF THE PUBLIC AUDITOR IN A SNAPSHOT



GRAPH 16 - FSM STATE POHNPEI OFFICE OF THE PUBLIC AUDITOR IN GDP PER CAPITA CLUSTER

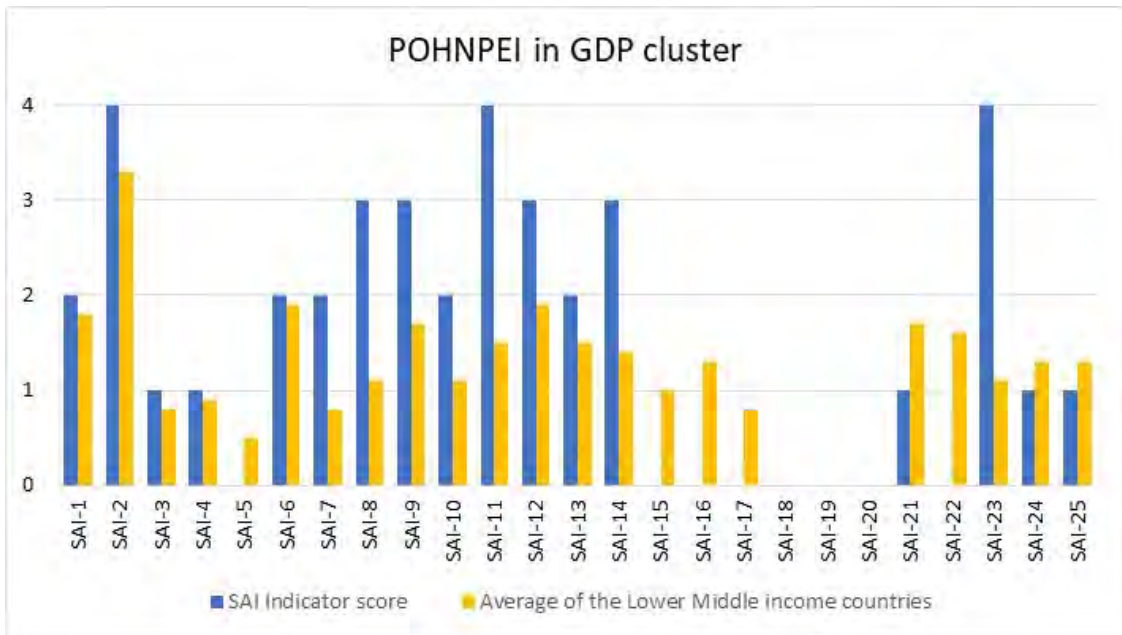


TABLE 14 - POHNPEI INDICATORS

Indicator	SAI Indicator				
	Score 0	Score 1	Score 2	Score 3	Score 4
SAI-1	1	1	2	3	2
SAI-2	3	4	4	-	4
SAI-3	2	1	1	1	1
SAI-4	0	1	3	0	1
SAI-5	2	N/A	N/A	-	N/A
SAI-6	2	3	-	-	2
SAI-7	1	2	2	-	2
SAI-8	4	2	N/A	-	3
SAI-9	3	3	3	-	3
SAI-10	2	3	2	-	2
SAI-11	4	4	3	-	4
SAI-12	3	4	2	-	3
SAI-13	3	1	2	-	2
SAI-14	4	4	2	-	3
SAI-15	N/A	N/A	N/A	-	N/A
SAI-16	N/A	N/A	N/A	-	N/A
SAI-17	N/A	N/A	N/A	-	N/A
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	2	1	1	-	1
SAI-22	N/A	0	N/A	N/A	N/A
SAI-23	4	4	4	4	4
SAI-24	0	2	2	2	1
SAI-25	1	2	-	-	1



4.8 YAP Office of the Public Auditor (YOPA)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the YAP Office of the Public Auditor (YOPA) was prepared based on the SAI PMF Endorsement Version, 2016. This report was completed in October 2017.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	3	3	3	3	3
SAI-2	Mandate of the SAI	3	4	4		4

Enablers

Yap State Constitution (Article IX section 8) establishes the Yap Public Auditor Office and requires regular and independent audits of State agencies and revenues. These provisions are reflected in the Yap State Law title 13 section 7, known as the Public Auditor Act. That state law sets out the power and duties of the public auditor. The independence of the SAI is framed in the Constitution, thus guaranteeing a high degree of initiative and autonomy. The Head of the SAI can report on any matters that may affect their ability to perform their work in accordance with their mandate and the SAI strives to promote, secure and maintain an appropriate statutory framework.

The legal framework implicitly provides for the SAI's financial independence from the executive by enabling the SAI to develop a budget bid for inclusion in the national budget. The SAI has the right to appeal to the legislature if its budget is insufficient to enable it to perform its duties. Also, during the last three years, there have been no cases of undue interference from the executive regarding the SAI's budget proposal or access to its financial resources.

The YOPA has independence as to the actual operation of the agency to formulate and implement policies, plans and programs, and to determine its own rules and procedures to manage its business. The legal framework provides for accountability and transparency through the annual reporting requirements to the legislature. The SAI also has the capacity to use external expertise when necessary.

Although not specified in its enabling legislation, Yap SAI conducts investigations into incidents of fraud, waste and abuse. This investigation function is based on a Memorandum of Understanding with the Office of the Attorney General. The investigation function was not within the scope of the SAI PMF assessment.

The YOPA legal framework as provided in the Code and State Law is sufficiently broad, enabling the agency to execute its duties and responsibilities. All public financial operations within Yap State are subject to audit by the YOPA, which is specifically responsible for the audit of all Yap government funded activities. During the last three years, the SAI has not been given nor has it undertaken any tasks which influence the independence of its mandate. The SAI is empowered to audit the legality and regularity of government accounts, the quality of financial management and reporting, and the economy, efficiency and effectiveness of government operations.

All criteria regarding the access to information (SAI-2, ii) and the right and obligation to report (SAI-2, iii) were fully met.

Constraints

While the Constitution broadly sets out the functions of the SAI, it does not specifically provide for the appointment, term and cessation of functions by the Head of the SAI. This is provided for by the Public Auditor Act. As well, there is no provision in the Constitution that assures adequate legal protection by a supreme court against any interference in the SAI's independence.

Despite having the ability to develop its own budget proposal, the SAI must still seek approval from the executive to access its resources and because of

this, the SAI cannot use its funds as it sees fit.

The YOPA and the Department of Personnel (executive branch) are jointly responsible for the management of human resources. Likewise, the fiscal control of the YOPA is maintained by the Department of Finance. Despite there being clarity around budget bids to fulfil its mandate, the relationship between the SAI and the legislature and executive is not fully defined in the legal framework.

While current laws provide clear guidelines for the appointment and removal of the Head of SAI and the term of the office, they do not clearly specify immunity of YOPA management and employees from prosecution for work conducted in the discharge of their mandate.

The legal framework that defines the SAI's mandate is not sufficiently clear to confirm that the YOPA is free from direction or interference in the selection of audit topics, planning, conducting, reporting, and follow up of audits.

Analysis and Conclusions

In general terms, the constitution and the legal framework have secured the YOPA a high degree of independence and autonomy in conducting its businesses, as it can be evidenced by the high scores of the indicators that compose this domain. The independence of the SAI is framed in the constitution, and the mandate covers all government activities and includes the three audit streams – financial, performance and compliance. Likewise, access to information has been secured, and the SAI can report on any relevant matters.

However, there are still a few gaps that require further improvements, such as:

- a) no constitutional provisions for the appointment, term and cessation of functions by the Head of the SAI;
- b) no constitutional provision that assures adequate legal protection by a supreme court against any interference in the SAI's independence;
- c) no constitutional or legal provision that explicitly secure the

immunity of YOPA management and employees from prosecution for work conducted in the discharge of their mandate;

d) Human Resources management is shared with the executive Department of Personnel.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	0	2	1	2	1
SAI-4	Organisational control environment	0	1	0	3	1
SAI-5	Outsourced audits	N/A	N/A	N/A		N/A
SAI-6	Leadership and internal communication	3	3			3
SAI-7	Overall audit planning	1	3			2

Enablers

The YOPA's operational plan was prepared with active participation of all the staff. The annual operating plan was linked to the approved annual budget identifying activities and outputs. The annual planned activities of YOPA were linked to the broader objective of enhancing efficiency and safeguarding against loss in government planned activities. This was achieved by the delivery of recommendations for adoption and referral of criminal cases for prosecution.

The YOPA audit work program priorities were provided in its approved budget proposal with defined objectives and activities supported by projected operating costs and a related timeframe. However, the said document did not contain an assessment of risks and constraints to the delivery of the plan/program.

The YOPA uses the Government Auditing Standards that recognise the ethical principles detailed in GAGAS (commonly referred to as the yellow book). Public confidence is maintained and strengthened by auditors performing their professional responsibility with integrity, objectivity, proper use of

government information, resources and position to a high degree of professional behaviour. YOPA's internal policy documents include a code of ethics requiring a high degree of integrity. It sets out ethical rules, policies and practices.

The YOPA operates under GAGAS, which requires the organisation implement an effective system of internal control. It mostly pertains to the conduct of an audit as to independence, mandate and professional/skill, competence and technical knowledge to provide assurance to the highest level of integrity and accountability. The YOPA has administrative policies for control of supplies and the use of the SAI's assets. This is set out in an internal memorandum. Likewise, procedures for information on suspected violation are in place.

A review of audit working papers identified that a quality assurance system was clearly implemented with a checklist of procedures which were reviewed, verified, signed and dated.

The YOPA is an office with 9 full-time employees consisting of auditors, investigators and administrative staff. YOPA leadership has open communication within the organisation. This was evidenced through meeting minutes. In addition, the Public Auditor has established written policies concerning usage of government resources, ethics and a delegation system. The SAI has appropriate tools to promote effective internal communication through internal memoranda, policies and minutes of meeting. Audit team leaders meet regularly with staff to provide updates and promote free and open discussion of status of pending audit and challenges faced by the teams.

Constraints

The YOPA had a draft of a Strategic Plan which defined its vision, mission, values, goals, outputs and expected outcomes. However, taking in consideration that it was still a draft, the SAI PMF assessment team considered that all criteria related to the content of the strategic plan were not met (SAI-3, i).

Whereas the 2016 Budget Proposal contains annual planned activities linked to objectives and to the Yap's Strategic Development Plan (SDP), the document

does not provide a detailed audit plan in terms of identifying specific audit clients. It is mostly focused on the completion of existing audit projects. Furthermore, it neither includes measurable indicators at the outcome and output level nor does it provide a baseline of current performance and milestones for major indicators.

The YOPA does not have an overall audit planning process for inclusion in the development of the annual plan. There has been no clear procedure and methodology applied for the development of the plan.

- No clearly defined system for identifying, mitigating and monitoring major operational risks. The YOPA has not established an annual process to provide assurance they have carried out their risk management responsibilities;
- YOPA's annual report did not include a signed statement of internal control;
- There was no provision for a regular review and evaluation of internal control in the policies;
- There is no clearly assigned responsibility for internal auditing nor a provision to ensure that its internal auditors are independent from management;
- There is no job rotation policy to manage possible conflicts of interest.

Analysis and Conclusions

The YOPA planning processes include a draft of the Strategic Plan and an annual plan that is linked to its budget. The YOPA audit work program priorities were provided in its approved budget proposal, with defined objectives and activities supported by projected operating costs and a related timeframe. However, the office does not have an overall audit planning process for inclusion in the development of the annual plan.

Despite being a small SAI, it is important to approve a strategic plan and to establish a process for the overall audit planning in order to strengthen the SAI's capacity to make long-term decisions that will be duly achieved through properly planned audits.

The SAI is committed to the ethical principles embedded in the GAGAS and has a policy document that contains its code of ethics. Nonetheless, there is no established system to identify and analyse ethical risks and to address breaches of ethical values. Such a system is of paramount relevance to demonstrate transparency and to lead by example.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	0	N/A	N/A	0
SAI-9	Financial Audit Standards and Quality Management	0	4	2	2
SAI-10	Financial Audit Process	4	4	4	4
SAI-11	Financial Audit Results	0	0	0	0
SAI-12	Performance Audit Standards and Quality Management	N/A	N/A	N/A	N/A
SAI-13	Performance Audit Process	N/A	N/A	N/A	N/A
SAI-14	Performance Audit Results	N/A	N/A	N/A	N/A
SAI-15	Compliance Audit Standards and Quality Management	N/A	N/A	N/A	N/A
SAI-16	Compliance Audit Process	N/A	N/A	N/A	N/A
SAI-17	Compliance Audit Results	N/A	N/A	N/A	N/A

Enablers

Yap Office of the Public Auditor issued PN#16-07 on April 04, 2016 as Updated Training & CPE Policy in accordance to GAGAS requirements for adequate professional competence for auditors conducting fieldwork and supervision to provide assurance that an audit team has the required competency to perform the audit. In addition, the YOPA has recruited a professionally qualified CPA as Audit Manager with work experience of more than 15 years in accounting and auditing to support and train its staff on accounting and auditing standards in the context of its financial audit engagements.

As a result of the good practices related to the team management, the three dimensions of the indicator SAI-10 scored 4, thus demonstrating that the SAI's financial audits reflect good standards and achieve high quality.

Constraints

Audit offices in the North Pacific use the Generally Accepted Government Auditing Standard (GAGAS) for the reason that those offices are funded by the United States. These standards should be adopted as part of the mandate and implemented through an approved audit manual. A review of YOPA's mandate and the Yap State Code found that there is no requirement to adopt any audit standards. Also, the latest draft of the YOPA manual has not yet been approved by the Legislature. GAGAS incorporates the fieldwork and reporting standards of the AICPA and also prescribes five additional standards to be followed by auditors.

The YOPA uses audit planning memoranda to document the auditor's understanding of the audited entities, an engagement risk questionnaire, and audit programs on internal control. Despite these positive features of current practice, the assessment team found that YOPA did not meet any of the criteria of the dimension regarding financial audit standards (SAI-9, i). YOPA's low score in that dimension largely relates to the absence of a Financial Audit Policy and Standard specified in its mandate and adopted through an approved audit manual.

Only 1 out of 6 financial audit projects was completed in the period under review. Consequently, the financial audit coverage reached score zero. For the same reason, the dimensions regarding timely submission and timely publication of financial audit reports scored zero (SAI-11, i and ii). It should also be noted that the YOPA does not have a follow-up system.

The YOPA has not conducted performance or compliance audits in the period under review. Because of that, all indicators related to those two types of audits were considered as Not Applicable (N/A).

Analysis and Conclusions

The YOPA has demonstrated capability to carry out high quality financial audits, despite not having approved standards for that type of audit. Even though its mandate incorporates both performance and compliance audits, the SAI has not done any work in those two audit lines so far. Therefore, it can be concluded that the SAI still has not fully attended to the complete extension of its mandate. Consequently, the YOPA should strive to approve financial audit standards.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	3	3	4	3

Enablers

The YOPA has clearly assigned responsibilities for major financial management activities. It also has a system of delegation of authority to approve expenditure on behalf of the SAI, when this is deemed necessary. There are financial manuals and regulations in place, which are available to all staff members. Personnel involved in budget and accounting have the appropriate skills set, and there is a functioning staff cost recording system.

The SAI IT support has been properly assessed and the effective usage of assets & infrastructure is guided by internal policies and regulations.

The YOPA staff attended International Computer Driving License (ICDL) certification to increase capacity in computer literacy as well as to gain a better understanding of assets management. An administrative assistant is in place to provide administrative support and property control. In addition, a review of minutes of YOPA staff meeting indicates that the administrative assistant reports on the status of administrative issues, including assets and infrastructures. Control and accountability of assets were supported by Office

policies and responsibility for monitoring compliance with these policies was assigned to specific staff. An evaluation of staff shows that the staff member assigned for administrative support has the appropriate skills to do the job.

Constraints

The SAI has not yet secured access to appropriate archiving facilities enabling all relevant records to be stored securely and accessed when needed.

Analysis and Conclusions

The high scores of all indicator dimensions means that almost all criteria were met, thus showing that there are no relevant constraints for the YOPA in this domain, except the need for appropriate archiving facilities to make sure that all relevant records are stored securely.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	2	N/A	N/A	3	2
SAI-23	Professional Development and Training	1	2	N/A	N/A	1

Enablers

YOPA’s human resource function is the joint responsibility of the Public Auditor’s Office and the Department of Administration (Personnel) of Yap State. The YOPA develops the requirements and credentials for each position, while the Personnel department is in charge of recruitment and hiring and providing the YOPA with a shortlist of candidates for selection. Termination and suspension of an employee is the sole responsibility of the Public Auditor in accordance with the Yap Government Public Service System Law. The YOPA

maintains a performance evaluation appraisal system for its staff, schedules suitable professional development opportunities, and maintains personnel files.

The YOPA has regular individual performance appraisals at least once a year, which assess the employee's performance against the job description. YOPA follows the YAP State PSS law for remuneration (including bonuses), promotion (taking into account an assessment of performance and the potential to perform at the higher level), and staff welfare. While the SAI does not have a functioning staff welfare policy, it does provide staff with the opportunity to express their views at regular staff meetings which has led the YOPA management to act on issues arising from views expressed on the work environment.

The SAI conducts in-house training on audit standards and procedures and is able to develop staff to become experienced auditors. YOPA also supports staff to participate in off island training (APIPA and PASAI) to increase the capacity of staff as well as to earn required Continuing Professional Education (CPE) units. The SAI is a member of professional academic bodies (including the Association of Certified Fraud Examiners – ACFE). This affiliation has enabled YOPA to invest in one staff member becoming a Certified Fraud Examiner.

Constraints

The YOPA is dependent on the Yap State Department of Administration for its human resources strategy, and because of that, most of the components of this strategy are outside the control of Yap SAI. The Department of Administration (DOA) of Yap State recruits and hires all state government personnel. Although YOPA liaises with DOA on the recruitment process, the State Law is the instrument that governs most of these criteria. Therefore, the YOPA has no control over human resources strategy and recruitment.

YOPA does not have documented plans and processes for professional development and training. There is no specific plan in place for professional development for financial audit staff.

Analysis and Conclusions

The YOPA depends upon the Department of Administration in many aspects of the human resources management, including recruiting and hiring. Such an arrangement is reasonable in the context of small countries because it avoids redundancies that would not be cost-effective. In the case of Yap, it should be highlighted that the termination and suspension of an employee is the sole responsibility of the Public Auditor, in accordance with the Yap Government Public Service System Law. In other words, the YOPA keeps relevant management authority over its personnel.

The approval and implementation of a formal plan for professional development would enable the SAI to acquire capacity to carry out performance and compliance audits so as to fully cover its legal mandate.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	1	2	3	4	2
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	1	2			1

Enablers

The YOPA reports annually to the Legislature. As set out in its most recent annual report, the SAI analyses its individual audit reports to identify themes, common findings, trends, root causes and audit recommendations, and brings these to the attention of the Legislature. The Public Auditor also attends the session in the Legislature where the Annual Report is considered in order to provide clarification of any issues. As required by legislation, the Annual Report is the main mechanism used to raise the awareness of the Legislature of the SAI's role and mandate. At the request of the Legislature, YOPA provides its professional knowledge in the form of expert opinions, including comments on draft laws and other financial regulations.

In every audit assignment, the YOPA staff are required to provide evidence of their independence from the audited entity. YOPA uses a routine qualifications and independence statement attached to its audit and investigation assignments. This enables YOPA to maintain its independence from the audited entity and to take measures to ensure that this independence is not compromised by any staff member being involved in the management of the audited entity.

The YOPA provides generic information to auditees on what to expect during an audit. This is contained in the letter of engagement with the auditee. In addition to the engagement letter, a schedule of required documents is provided. The SAI gathers feedback from the audited entities on the quality and relevance of the audit report as well as the audit process via a feedback survey. To further build its communication efforts with the Executive, the YOPA could periodically invite senior members of the Executive to meetings to discuss issues of concern to both the SAI and the Executive.

The investigation function is core to YOPA's work and accounts for around 30 per cent of the work of the Office. Over the course of the SAI PMF assessment, the YOPA demonstrated that it meets all of the 'good practice' criteria relating to communicating with the Judiciary, prosecuting and investigating agencies (SAI- 24, iv).

The SAI has adopted some good communication practices with citizens:

- a) publicizing its mandate on its website www.audityap.org;
- b) including summaries of its audit reports in its annual report to Legislature;
- c) using a Facebook page to include a report summary when individual reports are released and to indicate where stakeholders can obtain a copy of the full report;
- d) using radio announcements to disseminate information to the public on the SAI's activities, including its Fraud Awareness activities.

The YOPA also has a hotline for citizens to contact the SAI.

Constraints

The YOPA has a draft, incomplete communications strategy. It sets out some of the key elements of a structured communications approach, but lacks specification in other key areas, such as identifying the relevant stakeholders and the messages it wants to deliver. In addition, there has been no development of appropriate tools and approaches for communication efforts.

YOPA does not hold press conferences to release its annual report and other major reports. There is no system to monitor the media's coverage of the SAI and topics addressed by the SAI's audits. The SAI still needs to develop procedures for handling requests from the media and designate one or more individual(s) staff members as authorized to be tasked with speaking with the media on behalf of the SAI.

Analysis and Conclusions

In spite of not having a communications strategy, the YOPA has demonstrated ability to maintain good communication practices with the three branches of the government, namely the legislative, the executive and the judiciary. The SAI reports annually to the Legislature, and include key themes, common findings, trends, root causes and audit recommendations issued to the auditees in those reports. It informs the auditees on what to expect when they undergo an audit, and gathers feedback from the audited entities on the quality and relevance of the audit report.

There are opportunities for improvement in regard to the communication with the media. The SAI does not hold press conferences, there is no system to monitor the media's coverage of the SAI and no procedures to handle the requests from the media.

1. Strengthening the accountability, transparency and integrity of government and public sector entities

In general terms, the constitution and the legal framework have secured the YOPA a high degree of independence and autonomy in conducting its businesses. The independence of the SAI is framed in the constitution, and the mandate covers all government activities and includes the three audit streams – financial, performance and compliance. Likewise, access to information has been secured, and the SAI can report on any relevant matters.

However, there are still a few gaps that require further improvements:

- a) no constitutional provisions for the appointment, term and cessation of functions by the Head of the SAI;
- b) no constitutional provision that assures adequate legal protection by a supreme court against any interference in the SAI's independence;
- c) no constitutional or legal provision that explicitly secure the immunity of YOPA management and employees from prosecution for work conducted in the discharge of their mandate;
- d) Human Resources management being shared with the executive Department of Personnel.

The YOPA has demonstrated capability to carry out high quality financial audits, despite not having approved standards for that type of audit. Even though its mandate incorporates both performance and compliance audits, the SAI still has not done any work in those two audit lines.

Therefore, it can be concluded that the SAI has not fully attended to the complete extension of its mandate so far. Consequently, the YOPA should strive to approve financial audit standards.

Although not specified in its enabling legislation, Yap SAI conducts investigations into incidents of fraud, waste and abuse. This investigation function is based on a Memorandum of Understanding with the Office of the Attorney General. The investigation function was not within the scope of the SAI PMF assessment. The investigation function is core to YOPA's work and accounts for around 30 per cent of the work of the Office.

The SAI's work in investigations especially in connection with white collar crime again highlights the valuable contribution YOPA is making to the accountability, transparency and integrity of the Yap state government and its services to the citizens of Yap state.

So far, the SAI's contribution to strengthen government accountability and performance depends on the impact the financial audit can cause and on the results of the investigations on fraud, waste and abuse.

However, it should be mentioned that only 1 out of 6 of financial audit projects was completed in the period under review. Consequently, the financial audit coverage was very low. It should also be noted that the YOPA does not have a follow-up system.

Considering that the YOPA has a broad mandate, the Office is capable of carrying out high quality financial audits, the audit coverage has been limited and the SAI has not yet started performance and compliance audits, we can conclude that the YOPA has a huge potential to significantly increase its contribution to the better governance of the country.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

The YOPA has good communication practices with the three government branches – the legislative, the executive and the judiciary. The Office reports to the Legislature on a regular basis and upon request, and it not only sends the audit reports, but also analyses them to identify themes, common findings, trends, root causes and audit recommendations. By doing so, it brings these matters to the attention of the Legislature. The YOPA provides generic information to auditees on what to expect during an audit and gathers feedback from the audited entities on the quality and relevance of the audit reports. Due to its investigation functions, the YOPA has demonstrated that it meets all of the 'good practice' criteria relating to communicating with the Judiciary, prosecuting and investigating agencies (SAI-24, iv).

The YOPA makes significant efforts to communicate with the citizens:

- a) publicizing its mandate on its website www.audityap.org;
- b) including summaries of its audit reports in its annual report to Legislature;
- c) using a Facebook page to include a report summary when individual reports are released and to indicate where stakeholders can obtain a copy of the full report;
- d) using radio announcements to disseminate information to the public on the SAI's activities, including its Fraud Awareness activities.
- e) maintaining a hotline for citizens to contact the SAI.

However, the YOPA has a draft, namely an incomplete communications strategy. It sets out some of the key elements of a structured communications approach, but lacks specification in other important areas, such as identifying the relevant stakeholders and the messages it wants to deliver.

3. Being a model organisation through leading by example

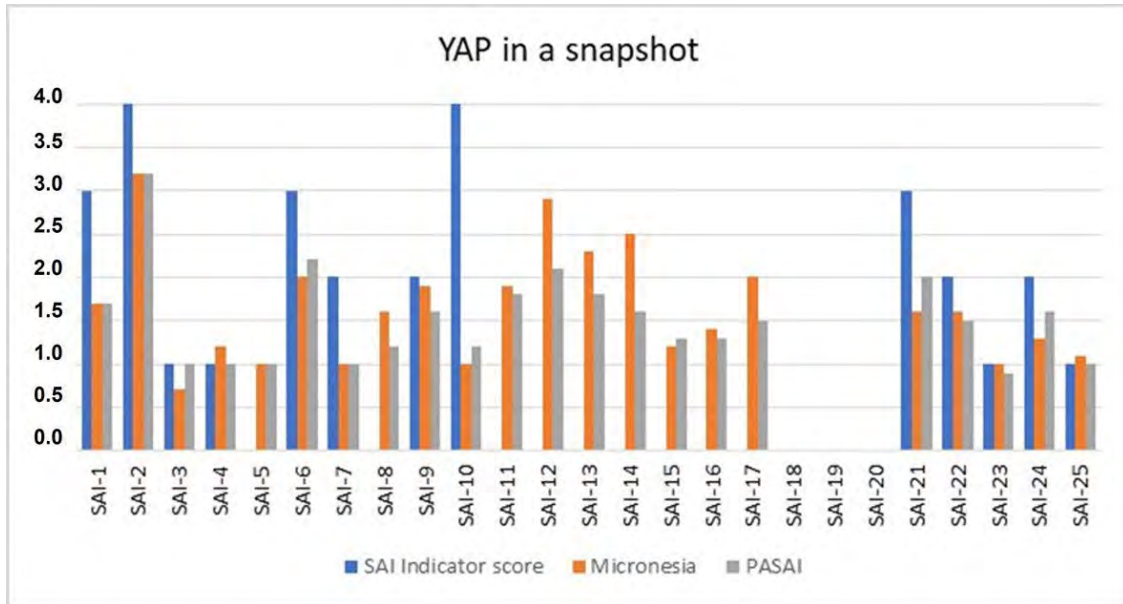
The SAI demonstrates commitment to ethics, as evidenced by its adoption of the GAGAS and its internal policy documents, which include a code of ethics requiring a high degree of integrity, and sets out ethical rules, policies and practices. Nonetheless, there is no established system to identify and analyse ethical risks and to address breaches of ethical values. Such a system is of paramount relevance to demonstrate transparency and to lead by example.

The YOPA's organisational planning process is in need of improvement, for a number of its core documents are still in draft form. This includes its five-year Strategic Plan, an approved audit manual to drive its audit work, including the specification of core competencies that should be addressed by an Office-wide Professional Staff Development and Training Plan.

The lack of a comprehensive approach to organisational planning means that YOPA is not in a position to plan what it wants to achieve and what

competencies it needs to get there. While it is good to see the active engagement of the YOPA staff in Continuing Education and other capacity development programs and its participation in the periodic peer review required by APIPA, a lot of effort is fragmented and as a result is not sustainable over the long term without the benefit of a planning framework.

GRAPH 17 - YAP OFFICE OF THE PUBLIC AUDITOR IN A SNAPSHOT



GRAPH 18 - YAP OFFICE OF THE PUBLIC AUDITOR IN GDP PER CAPITA CLUSTER

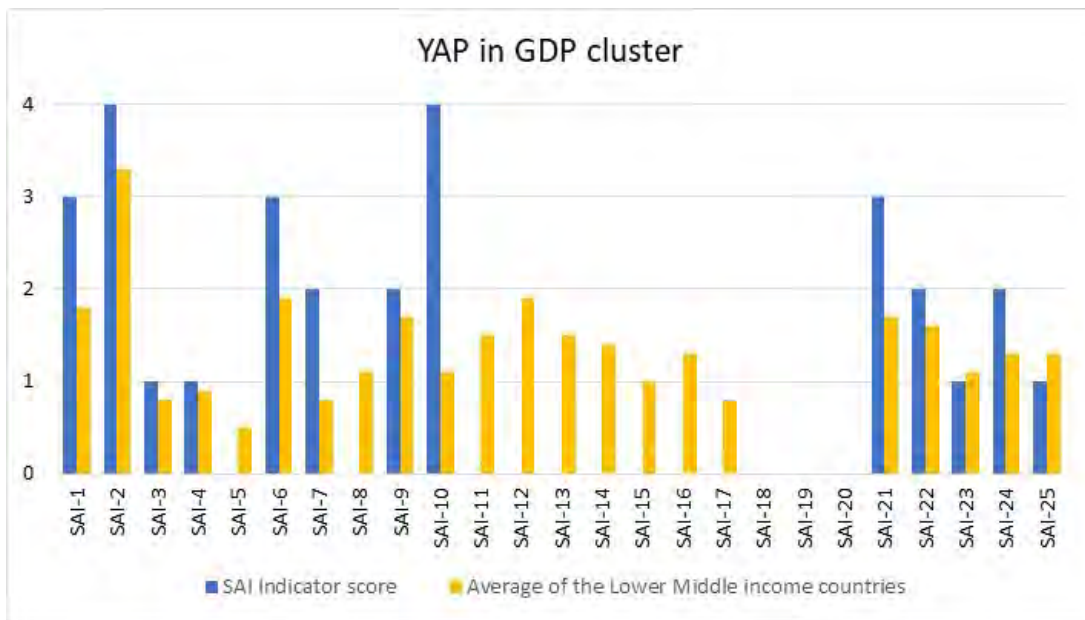


TABLE 15 - YAP INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	3	3	3	3	3
SAI-2	3	4	4	-	4
SAI-3	0	2	1	2	1
SAI-4	0	1	0	3	1
SAI-5	N/A	N/A	N/A	-	N/A
SAI-6	3	3	-	-	3
SAI-7	1	3	-	-	2
SAI-8	0	N/A	N/A	-	0
SAI-9	0	4	2	-	2
SAI-10	4	4	4	-	4
SAI-11	0	0	0	-	0
SAI-12	N/A	N/A	N/A	-	N/A
SAI-13	N/A	N/A	N/A	-	N/A
SAI-14	N/A	N/A	N/A	-	N/A
SAI-15	N/A	N/A	N/A	-	N/A
SAI-16	N/A	N/A	N/A	-	N/A
SAI-17	N/A	N/A	N/A	-	N/A
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	3	3	4	-	3
SAI-22	2	N/A	N/A	3	2
SAI-23	1	2	N/A	N/A	1
SAI-24	1	2	3	4	2
SAI-25	1	2	-	-	1



4.9 Office of the Auditor General of the Republic of Fiji

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Office of the Auditor General of the Republic of Fiji was prepared on the basis of the SAI PMF Endorsement Version 2016. The assessment was completed in April 2020.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	4	2	4	1	3
SAI-2	Mandate of the SAI	4	3	4		4

Enablers

The OAG of Fiji is supported by an appropriate and effective constitutional framework, as reflected by the score 4 in SAI-1 (i), and also enjoys a good level of organisational independence, as reflected by the score 4 in SAI-(iii). Its mandate complies with virtually all criteria embedded in the three dimensions of SAI-2, that reached overall score 4.

Constraints

Financial independence and autonomy scored 2, which means that there is room for improvement (SAI-1 Dimension ii). Recent amendments to the Financial Management Act 2017 provided for greater financial autonomy through the introduction of an on-line budget process, but this arrangement is not yet fully operational.

The potential major constraint for SAI-Fiji in Domain A is the lack of legal protection (immunity) for the Head of the SAI and its staff in the normal discharge of their legal duties. Such absence of legal protection could eventually impact the SAI's independence and limit its capacity to add value

to the citizens.

Analysis and Conclusions

The legal framework that supports and defines the work of SAI Fiji has been evolved to strengthen the SAI’s autonomy, independence and access to information rights. The OAG of Fiji should strive to keep such momentum, and monitor existing and emerging risks that could affect those features negatively. Legal immunity for the Head of the SAI and its staff in the discharge of their duties is a paramount goal to be pursued.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	3	2	2	1	2
SAI-4	Organisational control environment	0	1	3	3	2
SAI-5	Outsourced audits	3	2	1		2
SAI-6	Leadership and internal communication	4	3			3
SAI-7	Overall audit planning	1	1			1

Enablers

Fiji OAG’s strategic plan is based on an analysis of its development needs and its operational environment, including the specification of manageable indicators. Leadership and internal communications have been well assessed.

Constraints

The annual plan is not linked to the budget and does not include baseline data and milestones for key indicators. The SAI does not have an overall audit plan but rather each of the five audit groups prepare their own annual work plan based on the proposed activities described and identified in the Business Plan. The content and format of audit groups’ annual work plan vary from one audit group to the other and do not follow a standard format prescribing

what the annual work plan should include. Not all annual work plans include an assessment of risks and constraints to the delivery of the work plan.

Even though the SAI has developed several policies to address ethical and integrity issues, and all the labour force has been required to sign a declaration that they have understood the Code of Ethics, there is no guidance nor support to facilitate the staff's understanding of the Code. Whereas the SAI has an approved organisational structure available on the website, the structure does not include descriptions of responsibilities, duties and work carried out by the SAI.

Analysis and Conclusions

The effective leadership provided by the current Head of the SAI and the Executive Management Committee is a major strength to be used to leverage the improvements still needed in the overall audit plan and in the management of ethics in the SAI. A key point would be the use of risk assessment in all audit plans. Such endeavour would improve the SAI's efficiency by focusing its activities in government risk areas, thus maximising the value added to citizens.

A better score in the SAI 4 Dimension (i) - Internal Control Environment – Ethics, Integrity and Organisational Structure would stress the SAI's commitment to lead by example.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	1	3	0	1
SAI-9	Financial Audit Standards and Quality Management	4	4	3	4
SAI-10	Financial Audit Process	1	1	2	1
SAI-11	Financial Audit Results	1	4	4	3
SAI-12	Performance Audit Standards and Quality Management	3	3	4	3
SAI-13	Performance Audit Process	2	3	3	3
SAI-14	Performance Audit Results	4	3	2	3
SAI-15	Compliance Audit Standards and Quality Management	0	3	4	2
SAI-16	Compliance Audit Process	3	1	2	2
SAI-17	Compliance Audit Results	0	0	3	1

Enablers

SAI Fiji adopts very good financial audit standards. Previously Fiji OAG adopted the International Standards for Auditing (ISAs) for financial audits, but during the financial year under review, it is in the process of transition to the ISSAIs. The OAG Manual 2018 for financial audits has been formulated according to the ISSAIs. The publication of the financial audit reports is timely, and the follow-up of implementation of observation and recommendations is consistent.

Performance audit is well developed in SAI Fiji, as it is shown by the final scores of the three performance audit indicators (all of them scored 3) and by the score 3 in dimension (ii) of SAI 8 – Coverage, Selection and Objective of Performance Audit.

The SAI does not have a compliance audit manual. Because of that, it was given score zero to the corresponding dimension (SAI-15, i) but there is

an understanding by the audit team that guidance for that type of audit is provided in ISSAI 4000. In practice, the use of the ISSAI 4000 as a de facto manual resulted in some good scores in SAI-16, especially the planning phase of the compliance audits.

Constraints

The planning of the financial audits is impaired by the fact that the risk assessment does not identify the risks that could potentially materialize and ultimately affect the financial statements (SAI-10, i). Such a gap caused downstream negative impacts, thus limiting the score of the implementation of financial audits to 1 (SAI-10, ii) and the score of the evaluation of the audit evidence, conclusion and reports of financial audit to 2 (SAI-10, iii).

The SAI does not have a compliance audit manual. Although there is an understanding by the audit team that guidance is provided in ISSAI 4000, the requirements of this standard are not explained in a formal document (such as a manual) to be used by the auditors.

Analysis and Conclusions

The backlog on financial statements to be audited represents a major challenge for the OAG of Fiji. Another challenge is the incomplete use of risk assessment in the planning phase - the risk assessment does not identify the risks that could potentially materialize and ultimately affect the evaluation of their impact on the financial statements. Most of the SAI's audit staff is dedicated to this type of audit.

One of the major causes for financial audit backlog is the limited capacity of the government entities to produce timely and reliable financial statements to be submitted to audit by OAG of Fiji.

One key aspect that impacts the SAI performance in financial audit is that the risk assessment is not appropriately applied and does not identify the risks that could potentially materialise. This shortfall ultimately affected the whole audit process as it is carried through the audit implementation process, where audit sampling does not clearly reflect the result of the risk assessment done at

the planning stage. The sample of transactions selected for testing was largely dependent on the professional judgment of the auditor involved and the criteria for selection were not documented comprehensively.

If all gaps in the risk assessment identified in the financial audit work process are properly addressed, the indicator SAI 10 will significantly improve its score, and impact positively the SAI’s performance and credibility. This is under the control of the SAI, whereas the formation of the backlog results from a set of causes that are not all under the SAI’s control.

Performance Audit at the OAG of Fiji is good, which is exceptional in the Melanesia subregion, for SAI Fiji has scored much higher than the sub-regional aggregated averages, as can be seen below:

	The OAG of Fiji	Melanesia Average	PASAI Average
SAI-12 Performance audit Standards and QM	3	1.25	2.06
SAI-13 Performance audit process	3	1.25	1.82
SAI-14 Performance audit results	3	0.75	1.59

Therefore, SAI Fiji can already play a key role in supporting the development of performance audit in the Melanesia. With a few improvements, they could play the same role in financial audit (see next table).

	The OAG of Fiji	Melanesia Average	PASAI Average
SAI-9 Financial Audit Standards and Quality Management	4	1.8	1.6
SAI-10 Financial Audit Process	1	1.0	1.1
SAI-11 Financial Audit Results	3	1.0	1.8

SAI Fiji is an outstanding example in Performance Audit also when compared to the whole PASAI area, as it can be seen in the above table. Therefore, it can be a strategic player at that broader geographical area, as well.

The gap in financial audit is clearly connected to the low score in SAI 23, where SAI Fiji scored 1 in dimension (ii), which covers financial audit professional development and training. This is also connected to the fact that many functions related to HR are not centralised in SAI Fiji, hampering the SAI’s performance.

SAI Fiji low score in SAI 23 (iii), which covers performance audit professional development and training, combined with the good score in all indicators related to performance audit (SAIs 12, 13 and 14), compose a very interesting picture: even though there is a total lack of a training plan for performance auditors, SAI Fiji has some staff members that can carry out high quality performance audits. Therefore, they are the key resource to be considered when developing and implementing that much needed performance audit training plan.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	3	2	3	3

Enablers

Fiji OAG has good internal practices regarding financial management. It is supported in this by the OAG Finance Manual 2013. The Manual is available to all staff and provides guidance on the OAG’s financial affairs, including revenue management, asset management, procurement and expenditure, besides other financial matters. OAG’S financial statements are subject to external audit and upon signing the audited financial statements, it is

included in the annual report which is tabled in Parliament and is made available to the public.

The OAG had an IT support strategic plan (2018-2021) which set out the long-term plan of the Office for its IT infrastructure. With respect to its IT needs, OAG was planning to have its IT services handled by the IT division in-house instead of through the centralised unit within Fiji’s Ministry of Economy. IT infrastructure had been recently reviewed by an external firm (Vodafone Fiji Limited) to identify the capacity and infrastructure required for having the IT services in-house. Archiving and file management facilities and practices support the core work of the OAG. Management responsibilities rested with the IT division, as they backed up electronic file and information on a fortnightly basis.

Constraints

There are no significant constraints in this Domain in SAI Fiji. During the time when this assessment was being made, an IT infrastructure review was being conducted by an external firm, so that after that review is completed, the score of the dimension (ii) will likely be at least 3.

Analysis and Conclusions

All support structure needed to conduct its core business has been adequately provided to SAI Fiji, including financial management, facilities and IT services.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	2	0	4	3	2
SAI-23	Professional Development and Training	1	1	0	0	0

Enablers

Fiji OAG has a well-developed Recruitment and Selection Policy based on the merit principle. The SAI's recruitment is regulated by this Policy. Staff promotion follows procedures and processes stipulated in the SAI's Recruitment and Selection Policy, which means that vacant positions are open to competitive selection. Although there is no one policy called "staff welfare", a number of existing policies collectively take care of staff welfare resulting in higher scoring in SAI-22, dimensions (iii) and (iv).

The OAG provides a range of training and development programs for its staff which is complemented by the training run by PASAI and IDI. The OAG has implemented a training plan that is based on the training needs of its staff. These training needs were identified from each individual staff's annual performance appraisal.

The OAG does not have a documented training policy but it implements training plans on an annual basis. The plan is based on training needs that are identified from the staff's annual performance assessment (APA). Every staff must take part in the APA process, during which time competencies that need improvement are identified and fed into the overall training plan.

Constraints

Fiji OAG has a dedicated HR Unit; however, responsibility for the HR management function is spread across a number of positions within the Corporate Service Division under the supervision of the DAG. This could lead to a lack of clarity around its human resource direction and a blurring of HR responsibilities within the SAI. A number of responsibilities that ideally a Senior Administrative Officer-HR would perform have not been assigned to this position; for example, the development and maintenance of a HR strategy. The SAI does not have a human resource strategy (SAI-22, Dimension ii).

Fiji OAG does not have any training plans that are specific for either financial, performance or compliance auditors.

Analysis and Conclusions

SAI Fiji has been successful in recruiting well qualified professionals, which has reflected in a number of good scores in audit indicators and dimensions. Nonetheless, there are still significant gaps when it comes to establishing a HR strategy and planning professional development for the three audit streams – compliance, financial and performance audits. If such issues are not timely addressed, in the long-term there can be a significant negative impact in the SAI’s capacity to keep evolving and to add value through its work in the long term.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	4	4	4	N/A	4
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	2	3			2

Enablers

SAI Fiji has a well-developed communications strategy and associated action plan. It holds regular communication with its Parliament, which includes a series of structured meetings with its Public Accounts Committee. Senior SAI managers also provide briefings to various Parliamentary standing committees on matters where its professional expertise is required.

OAG has a system in place to mitigate any potential interference by the Executive, whereby each staff member annually signs a code of ethics declaration stating that they are not involved in any manner with the management of their auditees. OAG has generic information that it provides to auditees on what to expect during an audit, and OAG Directors meet with members of the Executive concerning common findings across audit reports of audited entities. OAG also uses a regular customer feedback questionnaire including questions on the quality and relevance of audit reports and audit processes to identify areas for improving its communication.

Constraints

SAI Fiji has not adopted the practices of holding press conferences and issuing releases with major reports. Such practices could booster its capacity to demonstrate the value its work adds to society.

Analysis and Conclusions

SAI Fiji has been very successful in its communication with the legislature and the executive, in such a way that all criteria of the applicable dimensions of SAI- 24 were met. The legal framework neither allows nor includes communications with the judiciary power, so the corresponding dimension was regarded as not applicable (Dimension iv, SAI 24).

SAI Fiji has a well-developed system for communicating with the media to disseminate the results of its audit reports to civil society. This approach also includes provision to monitor the media's coverage of the SAI and the topics addressed by the SAI audits. OAG's communication with citizens and civil society is a work in progress with some fundamentals in place, such as having a website with a dedicated link to encourage contributions and suggestions from the public. It also has a very active online media presence. This is despite the fact that it does not hold press conferences or issue press releases when its audit reports are published. OAG could build on the fundamentals on the accessibility and usability of its reports by seeking feedback from civil society organisations or the public in general.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

SAI Fiji has the capability to deliver high quality performance audits, and, with few improvements, financial audits would also achieve significant results. The SAI has adequate follow-up systems and procedures, which are important to ensure that the recommendations issued are properly addressed by the government. The backlog of financial statements that have not been sent to the SAI in a timely manner remains as one key constraint to be

circumvented to boost the SAI's capacity to induce accountability, transparency and integrity across all government levels and public sector entities.

The legal framework that defines the SAI's powers and obligations have been evolving properly, thus strengthening the independence and the mandate. Nonetheless, there are still a few needed improvements, as indicated by the absence of legal immunity for the head of the SAI and its staff in their work done to discharge their legal duties.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

SAI Fiji has developed an overall satisfactory capacity to communicate with the Parliament, the Executive and civil society in general. Still, there could be improvements, such as:

- a) to carry out press conferences and press releases to launch the annual report and other major reports;
- b) to establish contacts with relevant civil society organisations to encourage them to get acquainted with the audit reports and the key findings they describe;
- c) to seek feedback from civil societies and from the public in general on the accessibility and relevance of the reports.

3. Being a model organisation through leading by example

Fiji OAG has a number of initiatives already in place that exhibit exemplary organisational behaviour. For example, it leads by example by having its financial statements audited annually by an external body. This then forms part of its annual report to Parliament and is published.

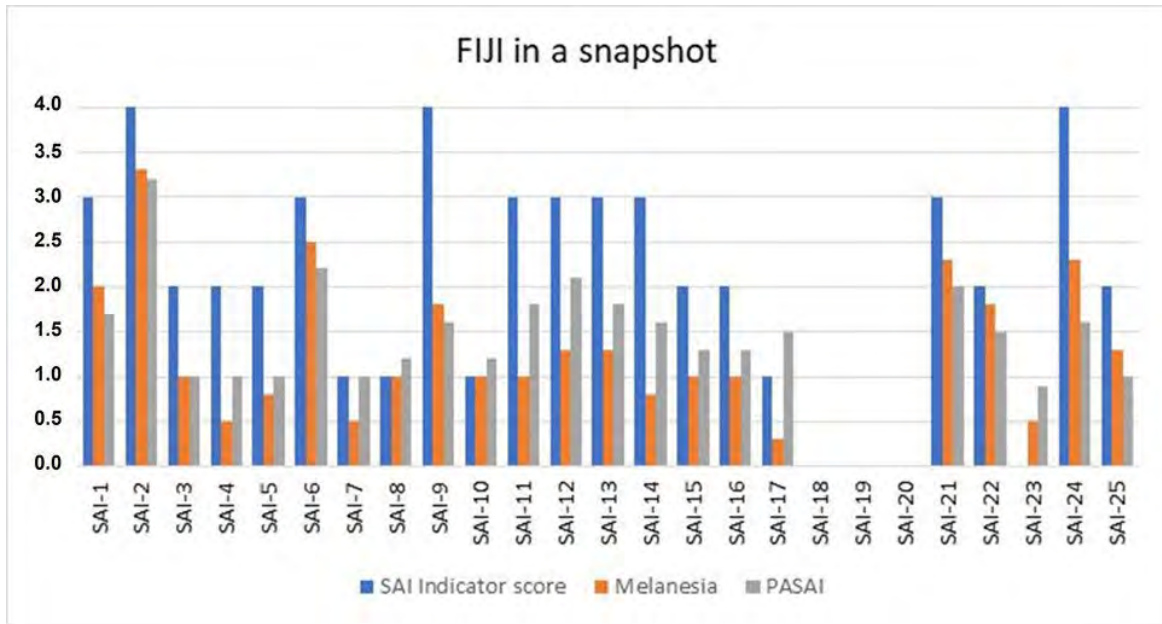
SAI Fiji has been successful in its recruiting practices, demonstrated by the good quality of audit work. However, it needs to develop and implement professional training for each of the three audit lines in order to achieve even

higher levels of performance in its core business.

Even though the SAI has developed several policies to address ethical and integrity issues, there is neither guidance nor support to facilitate the staff's understanding of the Code. Improvement in this point will reinforce the SAI's image as an entity that leads by example.

The SAI has developed an adequate structure to support its activities, including facilities, financial management and IT services.

GRAPH 19 - OFFICE OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI IN A SNAPSHOT



GRAPH 20 - OFFICE OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI IN GDP PER CAPITA CLUSTER

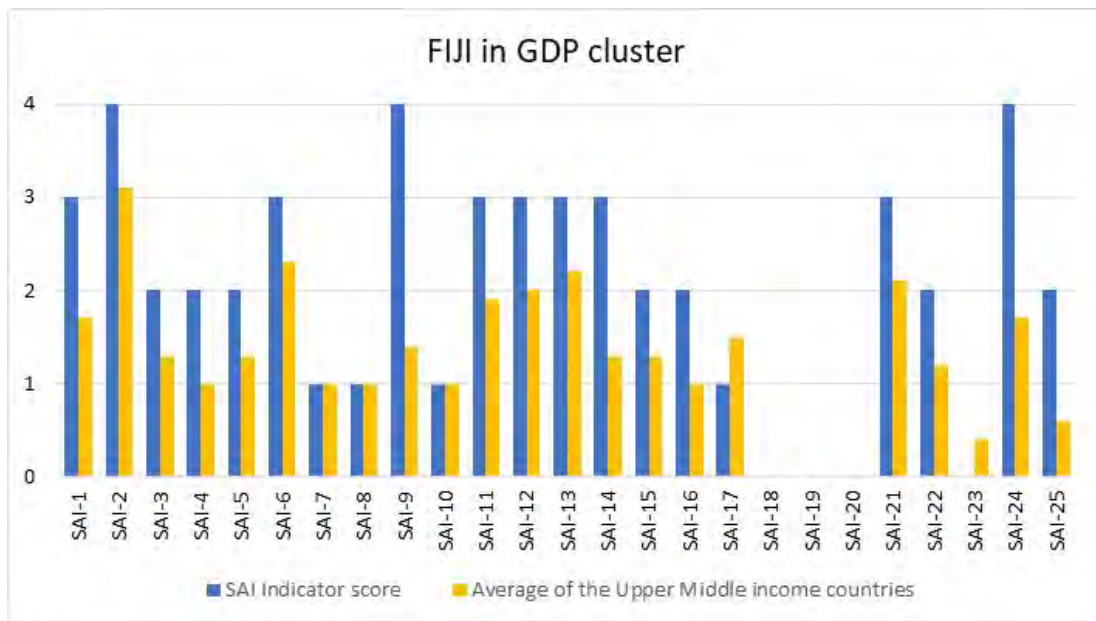


TABLE 16 - FIJI INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	Indicator score
SAI-1	4.0	2.0	4.0	1.0	3.0
SAI-2	4.0	3.0	4.0	-	4.0
SAI-3	3.0	2.0	2.0	1.0	2.0
SAI-4	0	1.0	3.0	3.0	2.0
SAI-5	3.0	2.0	1.0	-	2.0
SAI-6	4.0	3.0	-	-	3.0
SAI-7	1.0	1.0	-	-	1.0
SAI-8	1.0	3.0	0	-	1.0
SAI-9	4.0	4.0	3.0	-	4.0
SAI-10	1.0	1.0	2.0	-	1.0
SAI-11	1.0	4.0	4.0	-	3.0
SAI-12	3.0	3.0	4.0	-	3.0
SAI-13	2.0	3.0	3.0	-	3.0
SAI-14	4.0	3.0	2.0	-	3.0
SAI-15	0	3.0	4.0	-	2.0
SAI-16	3.0	1.0	2.0	-	2.0
SAI-17	0	0	3.0	-	1.0
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	3.0	2.0	3.0	-	3.0
SAI-22	2.0	0	4.0	3.0	2.0
SAI-23	1.0	1.0	0	0	0
SAI-24	4.0	4.0	4.0	N/A	4.0
SAI-25	2.0	3.0	-	-	2.0



4.10 Guam Office of Public Accountability (OPA)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Guam Office of Public Accountability was prepared based on the SAI PMF Endorsement Version, 2016. This report was completed in September 2017.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	1	3	3	3	2
SAI-2	Mandate of the SAI	3	2	2		2

Enablers

The Organic Act of Guam (Constitution) authorizes the establishment of the OPA in §1421g(c): The Government of Guam may by law establish...an Office of Public Auditor...Public Auditor may be removed as provided by the laws of Guam. The appointment, term, cessation of functions of the Head of SAI and the independence of the decision-making powers are guaranteed in the OPA's legislation, as described in Title 1 Guam Code Annotated (GCA) Chapter 19.

The Guam OPA is free to propose its budget and submits its budget directly to Legislature. The SAI has the right of appeal to the Legislature if the resources provided are insufficient for it to carry out its mandate.

OPA's legal framework provides for the OPA's financial independence from the executive. As an independent instrumentality of the Government of Guam, the OPA is free to propose and submit its budget to the Legislative Appropriations Chairperson, who will make the decision on approving OPA's budget, which gets incorporated into the entire Government of Guam Budget Bill. The legislature will then vote to pass budget bill and then transmit to the Governor for his/her action. The Governor can sign the budget bill into law or veto it. If there is no action by the Governor after 10 days upon receipt of the

budget bill from the legislature, then the bill will just lapse into law.

The OPA's organisational independence is established in Title 1 GCA §1900: There is an instrumentality of the government of Guam, independent of the executive, legislative and judicial branches, known as the Office of Public Accountability. Legislation outlines the process for the removal of Head of SAI.

The SAI of Guam has been given a broad mandate. The Public Auditor shall, annually, audit or cause to be conducted post-audits of all transactions and accounts of all departments, offices, corporations, authorities, and agencies in all of the branches of the government of Guam. The Public Auditor may conduct or cause to be conducted such other audits or reviews as he/she deems necessary. The three audit streams are included in the mandate, i.e., financial, performance and compliance.

Among the additional responsibilities resulting from other government legislations, the most significant one was transferring the responsibility to hear and decide procurement appeals from the Procurement Appeals Board to OPA. The number of appeals received by OPA varies from year to year.

Although it is not prescribed in the Constitution, the SAI's enabling legislation requires an annual report of its audits and recommendations to be submitted to the Governor and the Legislature within ninety days after the fiscal year. The SAI's annual reports are prepared by calendar year because its reports are issued as such. The Public Auditor is empowered to conduct audits or reviews as he or she deems necessary. There are no specific timing requirements to complete audits, except for financial audits which are required to be completed by June 30th after the fiscal year end.

Constraints

Without legal protection of OPA's independence specified in the Constitution, OPA is exposed to potential interference to its independence in the event any future legislation is passed removing such independence currently enjoyed by OPA. The legal framework does not specify immunity for the Head of SAI.

In January 2017, Public Law 33-226 was enacted, giving the head of the SAI the power to administer personnel matters. Despite the additional authority granted to the PA, the staff salaries continued to be set by the Department of Administration Director.

Although the existing legislation describes the duties of the SAI and what it should audit, there is no specific legal provision reiterating that the SAI should be free from direction and interference in the selection of audit issues, planning, conducting, reporting and following up of their audits.

Legislation is not specific or clear on the SAI's having unrestricted right of access to records, documents and information. However, Title 1 G.C.A Section 1919 requires all agencies surrender records that the SAI determines necessary for the conduct of surprise or unannounced audits.

Analysis and Conclusions

Most of the legal provisions that support the work of the Guam OPA are not enshrined in the Constitution; rather, they are established in sub constitutional legal framework. Such arrangement leaves the PA exposed to legal risks, for without constitutional protection to the OPA's independence, the SAI can suffer potential interference to its independence in the event any future legislation changes it.

Currently, the OPA enjoys a good degree of legal and de facto organisational independence and autonomy, and has a mandate as broad as required by the ISSAIs. Nonetheless, there are some issues that should be addressed:

- a) legislation has no provision reiterating that the SAI should be free from direction and interference;
- b) legislation is not specific or clear on the SAI's having unrestricted right of access to records, documents and information;
- c) legislation does not specify immunity for the Head of the SAI and its staff members in the discharge of their duties.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	1	0	2	3	1
SAI-4	Organisational control environment	0	2	3	3	2
SAI-5	Outsourced audits	3	2	2		2
SAI-6	Leadership and internal communication	3	3			3
SAI-7	Overall audit planning	3	1			2

Enablers

The current strategic plan described the SAI's mission, vision, goals and objectives and its core values. It also included actions to be taken to achieve the goals and objectives, as well as measures designed to strengthen the SAI's institutional environment. The plan was developed through consultation with staff, and a SWOT analysis was carried out to provide inputs to the plan.

The SAI's process for developing and approving the overall audit plan is documented in Chapter 1 Audit Manual 2008. In addition, the Manual also clearly defined responsibilities for planning, implementing and monitoring the audit plan. The process follows a risk-based methodology where the audit topics for performance auditing are prioritised using various criteria.

The Audit Manual 2008 prescribes quality control policies; procedures for audit related activities and Standard Operating Procedures (SOPs) are prepared for various non-audit related activities. Some SOPs are still in draft form and have not been approved by the head of SAI. The quality control and quality assurance dimensions of SAI-4 scored 3, which is evidence that the Guam SAI has good functioning procedures for those functions.

Guam OPA, in conjunction with the Department of Administration (DOA) or component units, outsourced all required financial audits of the Government of Guam and the 22 component units to independent Certified Public Accounting (CPA) firms. Audits contracted to external auditors are required to be reviewed by assigned OPA staffs before final reports are issued by

the external auditors. Audit working papers for these audits are not kept by the OPA; however, OPA can access them when the need arises.

The SAI leadership has held periodic decision-making meetings and considered strategies to incentivise better performance and implemented them. There are no records of minutes of meetings – both management and staff meetings. The SAI uses appropriate tools to promote effective internal communication. There are regular interactions between staff and management during staff meetings. Despite regular interactions, records of such interactions and any key decisions made are not formally recorded in the form of minutes.

Constraints

Although performance measures are described for each objective, there are no indicators nor timeframe to measure the achievement of each objective. The strategic plan does not include an implementation matrix which identifies and prioritises the activities to be undertaken in order to achieve the strategic objectives nor does it identify risks to achievement of the strategic plan. While the level of priority for each activity is identified, it is not clear how each activity is prioritised in relation to all other activities that should be implemented during the strategic period.

The SAI does not have an annual operational plan. It relies on a strategic plan, on an annual audit plan and on an annual budget request submitted to the Guam Legislature. From a review of the fiscal year 2016 budget request, it was not possible to link the budget request to the proposed activities. In the absence of an annual plan, it was difficult to identify the planned activities to be implemented.

OPA's annual audit work plan outlines audits that it plans to conduct during the calendar year. But this plan does not include other activities such as legislative mandate, trainings and international meetings that OPA plans to participate in during the year. The plan does not include an implementation matrix or a similar schedule describing when the audits are scheduled to start and to be completed. In addition, the audit plan included only performance audits and related resources to carry out these audits. It does not include other activities that the SAI are mandated to perform, such as procurement appeals

and financial audits which are outsourced. The SAI is not able to estimate how many and when procurement appeals will be submitted for hearing.

The SAI adopts another institution's code of ethics (Association of Government Accountants) without tailoring it to the specific context of the SAI. Responsibilities for all work carried out by the SAI are described in the Annual Report. The AGA Code refers to government financial management profession, which therefore renders most of the Code irrelevant to the context of the SAI's specific audit functions and related ethical requirements. For instance, the AGA Code does not prescribe applicable ethical requirements when the SAI contracts some of its work to external parties, which is something that Guam OPA does. Any revision of the Code is dependent on when AGA reviews its Code.

A review of a selected contract awarded during the period under assessment indicates that the outsourced selection process is being implemented. The only issue relating to the process is that Guam OPA does not have policies and procedures regarding rotation of key audit personnel. Management acknowledged the deficiency and indicated that they will make sure the matter is addressed in the next round of solicitations.

Analysis and Conclusions

A SAI should have effective organisational plans in place to provide strategic direction and guidance on its daily operations to ensure that the OPA has effectively considered its mandated responsibilities, key stakeholder expectations and emerging risks to delivering its planned activities. The development of OPA's strategic plan 2014-2017 was led by a consultant, but the plan did not have clearly defined performance measures and an implementation matrix to facilitate the implementation of the plan.

Therefore, the OPA needs to develop an annual operational plan that encompasses all its activities, such as legislative mandate, trainings, international meetings that OPA plans to participate in during the year, and an implementation matrix or a similar schedule.

The OPA outsources all its financial audits. Consequently, it is important to improve quality control and quality assurance procedures in relation to

those audits by addressing the following issues: policies and procedures regarding rotation of key audit personnel; the working papers remain property of the CPA firms that conduct the audits; and the outsourced audit reports are not yet signed by the Public Auditor.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	4	3	N/A	3
SAI-9	Financial Audit Standards and Quality Management	N/A	N/A	N/A	N/A
SAI-10	Financial Audit Process	N/A	N/A	N/A	N/A
SAI-11	Financial Audit Results	N/A	N/A	N/A	N/A
SAI-12	Performance Audit Standards and Quality Management	3	2	3	3
SAI-13	Performance Audit Process	2	3	2	2
SAI-14	Performance Audit Results	4	3	3	3
SAI-15	Compliance Audit Standards and Quality Management	N/A	N/A	N/A	N/A
SAI-16	Compliance Audit Process	N/A	N/A	N/A	N/A
SAI-17	Compliance Audit Results	N/A	N/A	N/A	N/A

Enablers

Financial audit coverage scored 4 (SAI-8, i), because all annual financial statements received and required to be audited were audited by contracted audit firms. All reports were timely submitted and published on the OPA’s website.

The SAI’s primary function is the conduct of performance audits of the agencies and departments of the Government of Guam. The performance audits conducted provide oversight, insight, and foresight into government activities and operations. The development and approval of the overall audit plan is documented in Chapter 1 of the 34 Audit Manual 2008. The process follows

a risk-based methodology where the audit topics for performance auditing are prioritized using various criteria. The audit planning process involved all staff of OPA. During that process, topics are proposed, discussed and prioritised.

The assessment team used OPA's Audit Manual 2008 as the basis of the assessment of the performance audit standards, because the Audit Manual 2017 was still in draft form and had not been approved for adoption. The Audit Manual prescribes policies and guidance on the various stages of the performance audit process, from planning, fieldwork, supervision, developing audit findings and recommendations right through to the reporting phase. It requires that the audit be planned to reduce audit risks to an appropriate level for the auditors to provide reasonable assurance that the evidence is sufficient and appropriate to support the audit findings and conclusions. Furthermore, the Audit Manual describes the general policy on maintaining effective and proper communication with the audited entities and relevant stakeholders throughout the audit process.

Constraints

The SAI's annual audit plan identifies the audits to be conducted with responsible audit staff, but it does not include when the audit should be carried out, when it is expected to be completed, nor the budget for each planned audit. Although the budgeted audit hours are calculated, these are not linked to the audit plan and the number of audits planned to be conducted during the year. Furthermore, from reviewing the audit plan and the related supporting worksheets, there is no evidence that the stakeholder's expectations and emerging risks were factored into the audit plan.

The audit manual describes knowledge and skills that all staff conducting performance audits need to have. However, knowledge and skills are not specific to include key skills such as research, design and evaluation techniques required in performance audit. There is no guidance on actions to be taken if any differences in opinions within OPA occur.

Analysis and Conclusions

All annual financial statements received and required to be audited were

audited by contracted audit firms. Compliance audits are conducted where applicable, as part of the financial audits, which are outsourced to selected CPA firms. Consequently, the Guam SAI has focused its work on performance audits and on the procurement appeals.

The OPA is a good example in Performance Audit when compared to the whole PASAI region, as it can be seen in the table below. Therefore, it can be a strategic player at that broader geographical area.

	The Guam OPA	Micronesia Average	PASAI Average
SAI-12 Performance audit Standards and QM	3	2.88	2.06
SAI-13 Performance audit process	2	2.25	1.82
SAI-14 Performance audit results	3	2.50	1.59

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	3	2	4	3

Enablers

The OPA manages its own financial resources, except payroll, which is processed by the Department of Administration (DOA). Accounting records are maintained using QuickBooks and are audited annually as part of Government of Guam general fund.

The Office contracts the IT Support Service to a local vendor. Responsibility for file management and archiving is assigned to the Administrative Officer, who has appropriate skill set and resources to fulfil assigned tasks

Constraints

The SAI of Guam has not developed a long-term plan for its physical infrastructure and IT needs based on current and anticipated future staffing levels. Additionally, OPA has not reviewed the size, staffing and its location in relation to the location of its audit clients within the past 5 years.

OPA has not developed a plan for the effective use of its assets and infrastructure. Requests are submitted through annual budget for assets and IT infrastructure needs.

Analysis and Conclusions

The OPA reached overall score 3 in the only indicator of this domain. In general terms, it can be said that the SAI is performing well in relation to its financial management, infrastructure and support services, including IT. However, the SAI should include a projection of its future needs of infrastructure, IT and other support services in its long-term plans in order to assure its proper functioning in a sustainable long-term perspective.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	N/A	0	4	3	2
SAI-23	Professional Development and Training	2	1	1	1	1

Enablers

The SAI is required by law to follow DOA's personnel rules and regulations regarding recruitments. Internal human resources are supplemented by CPA firms to which financial audits are outsourced. Nonetheless, this dimension reached score 4 (SAI-22, iii).

Remuneration and promotion decisions complied with DOA's personnel rules and regulations. Staff performance appraisals are conducted annually but not against a performance agreement that the SAI and staff have prepared from the previous year.

Constraints

During the period being assessed, the SAI human resource's function was governed by the Government of Guam Department of Administration (DOA) Personnel Rules & Regulations. This means that the recruitment of OPA staff were managed by DOA. A few human resource matters were handled by OPA, such as maintaining a performance evaluation appraisal system and scheduling suitable professional development opportunities. In January 2017, the approval of Public Law No. 33-226 granted OPA full autonomy over its human resource matters.

The OPA has not developed a human resources strategy. However, considerations for human resources are reflected in OPA's Strategic Plan 2014-2017, where Goal 1, Objective 2, aims to obtain authority over human resources, and Goal 3 aims to recruit and retain qualified staff. In the absence of a human resources strategy, as a government agency, OPA is required to follow policies and procedures on human resources matters including recruitment, retention, remuneration, performance appraisal, and professional development established by Guam's DOA.

Guam OPA does not have a training plan that identifies long-term strategic staffing needs and competency requirements for the different types of audits it is mandated to conduct (e.g., financial audit, compliance audit, performance audit, procurement appeals). However, policies and procedures regarding professional development and trainings are described in the 2008 Audit Manual.

OPA has not developed competency requirements for different staff grades in either financial or performance audit. A plan for professional development and training for performance or financial audit staff is not in place.

Analysis and Conclusions

Even though the OPA enjoys a good degree of legal and *de facto* organisational independence and autonomy, it still depends on the Government of Guam Department of Administration (DOA) Personnel Rules & Regulations for some human resources functions, like the recruitment and welfare policy. However, there are legal changes in process, which can give the SAI more autonomy in

personnel management.

Despite the good results in performance audit, the SAI still lacks a formally constructed and approved plan for professional development and training, which covers all of its product lines – financial audit, performance audit, compliance audit and procurement appeals. The SAI outsources its financial audit, but retains legal responsibility for those reports and has the duty of exercising supervision on the work of the hired firms. Therefore, it needs to develop and retain high level skills in financial audit as well.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	0	2	1	3	1
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	2	3			2

Enablers

The OPA reports its findings annually through its annual report and Citizens Centric Report (CCR), which is a legislative requirement for all government entities to submit to Parliament annually. The SAI issues management letters for all audits, explaining audit findings and recommendations, which are linked to the causes that support them. Management responses are included in the audit report submitted to legislature.

The OPA also conducted a special audit on "Status of Audit Recommendations" which follows up corrective actions taken by the entities to address audit recommendations issued in previous audits. The SAI holds regular communication with the Legislature, including annual reporting and meetings between the Public Auditor and newly elected and re-elected officials to raise awareness of the legislature on the SAI’s role and mandate. Also, prior to releasing an audit, a meeting is held with the oversight Chair to discuss the audit.

When requested, the Public Auditor has issued opinions and comments on

draft laws and other financial regulations in response to request from legislative authorities. These official responses are known as Testimonies and are available on OPA's website.

The OPA's Audit Manual 2008 prescribes the SAI's policies and procedures to ensure that all staff assigned to audit engagements are independent or seen to be independent from the management of the organisations they audit. Prior to commencement of any audit, all staff assigned to the audit must complete and sign an impairment statement to ensure that all members of the audit team have no knowledge of or are not aware of any issue that may undermine the integrity of the audit process and audit results. OPA actively engages with members of the Executive where appropriate throughout the audit process.

In relation to communication with the judiciary, the SAI scored 3 in that dimension (SAI 24, iv), which demonstrates adequate practices in that area.

The OPA has utilized its website effectively by publishing its mandate and summaries of audit reports so as to make it easy for citizens to understand the main audit findings. OPA's website is used extensively to communicate with citizens and any member of the public interested in the work of OPA. A "hotline" facility is available on the website giving the opportunity for citizens to provide input to and/or participate in the SAI's work, without compromising the SAI's independence.

Moreover, other online media such as email and facsimiles are used adequately by OPA where appropriate and consistent with Guam's culture. The OPA contributes to public sector improvement without compromising its independence through its audit reports and formal testimonies, all of which are also available on its website. In addition, OPA conducted a survey with members of the public to get feedback on its new website which was launched in 2015. As a result of feedback received through the survey, OPA worked on improving the search feature of the website and links to other OPA database to allow for easier access to all the reports.

Constraints

The OPA has not developed a communication strategy that identifies key stakeholders with whom the SAI needs to communicate in order to achieve its organisational objectives, the key messages the SAI wants to communicate and the appropriate tools and approaches for external communication. There is no designated person responsible for all communication matters in the SAI – it is everyone’s responsibility.

The SAI does not provide generic information to auditees on what to expect during an audit other than the normal information, such as an engagement letter, which they are expected to provide as part of the normal audit procedures. The OPA does not produce and disseminate guidance on the SAI’s objectives and principles, or good practice guides or tips to improve common issues identified through audits. Also, OPA has not established a practice to invite senior members of the Executive periodically to discuss issues of concern to both the SAI and the Executive, including common findings, trends and root causes the SAI has identified through analysis of its audit reports.

The SAI does not launch its audit report or other major audit reports through press conferences but through press releases that are circulated via online email and OPA’s website. OPA does not monitor the media’s coverage of the SAI and the topics addressed by the SAI’s audits.

Analysis and Conclusions

The SAI’s communication with the Legislature follows the legal arrangements and include reports that are sent on a periodic basis and management letters for all audit reports. It has issued opinions and comments on draft laws and other financial regulations in response to request from legislative authorities.

However, the OPA could improve its communication with the executive, i.e., the auditees, by providing more generic information on what to expect during an audit and by inviting senior members of the Executive periodically to discuss issues of concern to both the SAI and the Executive, including common findings, trends and root causes the SAI has identified through

analysis of its audit reports.

The OPA has not developed a communication strategy that identifies key stakeholders with whom the SAI needs to communicate in order to achieve its organisational objectives, the key messages the SAI wants to communicate and the appropriate tools and approaches for external communication. There is no designated person responsible for all communication matters in the SAI. However, the SAI has good communication channels with the society, through extensive use of its website, a hotline, e-mails and a survey focused on getting feedback on the usability of such media.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

With its broad mandate, the OPA is able to determine on its own the types of audits and reviews that they wish to conduct as they see necessary. However, a broad mandate coupled with limited resources – both financial and human - further highlights the importance of having effective organisational plans in place with clear priorities to ensure the limited resources it has are allocated appropriately and efficiently.

Currently, the OPA enjoys a good degree of legal and de facto organisational independence and autonomy and has a mandate as broad as required by the ISSAIs. Nonetheless, there are some issues that should be addressed:

- a) legislation has no provision reiterating that the SAI should be free from direction and interference;
- b) legislation is not specific or clear on the SAI's having unrestricted right of access to records, documents and information;
- c) legislation does not specify immunity for the Head of the SAI and its staff members in the discharge of their duties.

The OPA has a qualified workforce with all staff having a formal qualification. They are all members of the Guam Chapter of the Association of Government Accountants (AGA). The Public Auditor and five other staff are Certified Public Accountants. Despite having qualified staff, OPA outsourced all financial audits including the Government of Guam financial audit. The absence of effective organisational plans made it difficult to identify what OPA's priorities were and whether OPA has allocated its resources based on its priorities.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

Between calendar years 2012 and 2015, OPA issued 30 performance audit reports with 64 recommendations that focused on fund accountability, program efficiency and effectiveness, procurement, personnel and non-appropriated funds. Of the 64 recommendations, 40 were implemented and 20 remain open, because action plans have yet to be made by the responsible agency or have not been submitted to OPA as of December 2016.

The 30 reports collectively identified financial impacts of \$78.8 million, of which \$20.7million were unrealised revenues and \$6million were questioned costs. The remaining \$52.1million were other financial impacts that resulted from significant costs from special lifetime annuities, unverifiable hotel occupancy tax receivables, and loss of savings due to the purchase of fuel at a higher cost, among others.

The financial audits for the 22 component units and the whole of government were completed before the June 30th deadline and the audit reports were issued and posted on the OPA website. The government financial audit report for the FY2016 was issued on 8 June 2017, three weeks earlier than the 30 June deadline. Providing timely quality audits for citizens and government officials to make informed decision demonstrates OPA's efforts to strengthen good governance, transparency and accountability.

Furthermore, the transfer of responsibility for administering procurement appeals from the Appeals Board to OPA is testament to the Government's

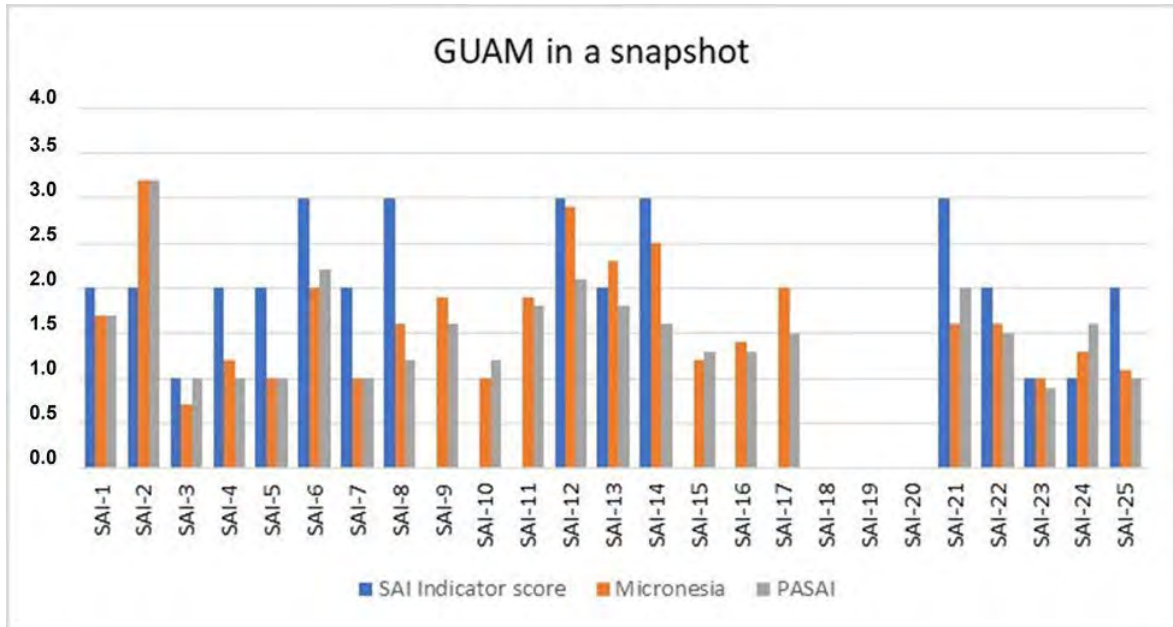
recognition of the importance of the oversight role of OPA in providing assurance to citizens that these appeals are dealt with in a credible and professional manner.

3. Being a model organisation through leading by example

OPA leads by example by preparing and issuing its “Citizen Centric Report”, which is a legislative requirement for all government entities. This report provided an overview of OPA’s performance in terms of the activities it conducted during the year and how it expended its approved budget. OPA also prepared an annual report which provided further details about what the office achieved during the calendar year.

The OPA has set a good model in communicating with citizens. The SAI has good communication channels with the society through extensive use of its website, a hotline, e-mails and a survey focused on getting feedback on the usability of such media.

GRAPH 21 - GUAM OFFICE OF PUBLIC ACCOUNTABILITY IN A SNAPSHOT



GRAPH 22 - GUAM OFFICE OF PUBLIC ACCOUNTABILITY IN GDP PER CAPITA CLUSTER

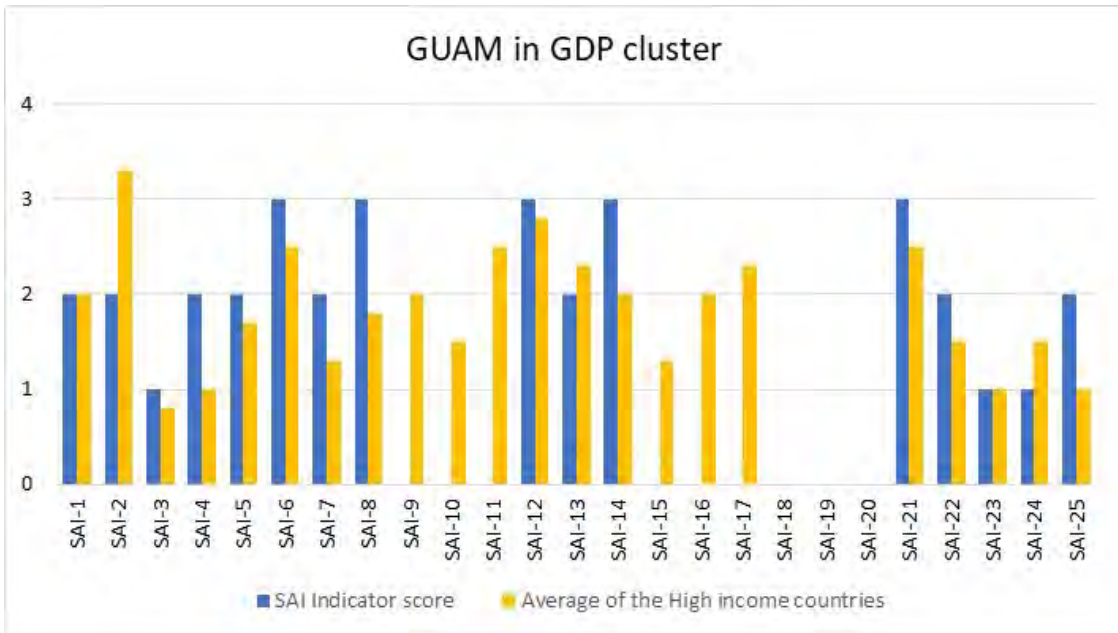


TABLE 17 - GUAM INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	1	3	3	3	2
SAI-2	3	2	2	-	2
SAI-3	1	0	2	3	1
SAI-4	0	2	3	3	2
SAI-5	3	2	2	-	2
SAI-6	3	3	-	-	3
SAI-7	3	1	-	-	2
SAI-8	4	3	N/A	-	3
SAI-9	N/A	N/A	N/A	-	N/A
SAI-10	N/A	N/A	N/A	-	N/A
SAI-11	N/A	N/A	N/A	-	N/A
SAI-12	3	2	3	-	3
SAI-13	2	3	2	-	2
SAI-14	4	3	3	-	3
SAI-15	N/A	N/A	N/A	-	N/A
SAI-16	N/A	N/A	N/A	-	N/A
SAI-17	N/A	N/A	N/A	-	N/A
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	3	2	4	-	3
SAI-22	N/A	0	4	3	2
SAI-23	2	1	1	1	1
SAI-24	0	2	1	3	1
SAI-25	2	3	-	-	2



4.11 Kiribati Audit Office (KAO)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Kiribati Audit Office was prepared based on the SAI PMF Endorsement Version, 2016. This report was completed in May 2020.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	3	1	3	1	2
SAI-2	Mandate of the SAI	4	3	3		3

Enablers

The Kiribati Audit Office (KAO) was established by the Constitution. The Head of the SAI is the Auditor General, previously known as the Director of Audit (DOA), whose powers and duties are prescribed in the Public Finance Revised Act 1981 and in the Audit Act 2017. The Constitution also laid down the SAI's independence by stating that in the exercise of his functions, the AG shall not be subject to the direction or control of any person or authority, a provision that has also been included in the Audit Act.

The constitution and the complementary Acts provide the conditions for appointment, tenure and removal of the AG, and ensure the SAI has functional and organisational independence required to fulfil its mandate. The Head of the SAI is immune to any prosecution for any act that results from the normal discharge of his/her duties.

The SAI's mandate specifically ensures it is responsible for the audit of all central government activities. The Constitution provides the authority for the Auditor General to audit the public accounts of Kiribati and of all departments, offices, courts and authorities of the Government and report on such audits annually. Legal provisions empowered the SAI to audit the

legality and regularity of government or public entities' accounts and the quality of financial management and reporting on economy, efficiency, and effectiveness of government or public entities' operations.

The constitution and the audit act provide the SAI with unrestricted right of access to records, documents and information required for audit purposes. The SAI is required by legislation to report its audit findings annually and independently to Parliament.

Constraints

The Audit Act 2017 requires that the AG prepare the SAI's budget and submit it to the Audit Board, who plays an oversight function over the SAI for the review of reasonableness and feasibility. Once the Board approves the budget, the AG can then submit the SAI's budget estimates to the Secretary responsible for Finance, following the same budget process that applies for all government ministries. The government budget, including the SAI's budget, is then submitted and approved by the Legislature. Given this legislative process, the SAI is not free to propose its budget directly to the Legislature without interference from the executive through the Ministry of Finance and Economic Development (MFED).

Although the SAI is free to determine its own rules and procedures for managing its business as it sees fit, the SAI does not have the freedom to recruit, promote and set remuneration of its own employees. The SAI is regarded as a public office under the Constitution, and appointment of employees to public offices are vested in the Public Service Commission (PSC).

There is no established process for the cases when information is denied, and there are no legal provisions about the timing of submission and of publication of the audit reports.

Analysis and Conclusions

The constitutional framework has provided for the KAO's existence and independence and empowered it with a broad mandate. The two acts that complement the constitutional provisions expanded the legal framework to

cover other important legal requirements, in alignment with the ISSAIs 1 and 10.

However, there are still legal gaps. There is no established process to address the case when information is denied, nor are there provisions concerning the submission and publication of the audit reports.

The SAI’s budget must go through the Executive and the KAO cannot appeal directly to the congress in the case of insufficient funding for the discharge of its mandate. The organisational autonomy and independence are limited, for the AG does not have full discretion in HR matters, such as recruitment, promotion and salary levels.

In general, it can be said that the KAO has been given a strong constitutional and legal framework to support its work, even though there are still a few needed improvements.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	1	1	0	1	1
SAI-4	Organisational control environment	0	0	0	0	0
SAI-5	Outsourced audits	N/A	N/A	N/A		N/A
SAI-6	Leadership and internal communication	0	2			1
SAI-7	Overall audit planning	0	1			0

Enablers

The KAO’s strategic plan was based upon a SWOT analysis, and was conducted by the executive and management team and the AG. The strategic plan included the SAI’s vision, mission and strategic goals and activities.

The operational plan clearly defined the activities, the responsible division

and performance targets for each year of the four years covered by the strategic plan. The operational plan covers all the SAI's main support services such as financial management, IT, infrastructure, and staff training.

The Audit Act required all the staff of the SAI to comply with the requirements of the Code of Ethics of the ISSAIs and the provisions of the National Conditions of Service, administered by the Public Service Commission. In addition, the SAI's audit manual included a section that contains the values that address the auditor's integrity, independence, objectivity, competence, professional behaviour, confidentiality, and transparency.

The SAI has an approved organisational structure reflecting the SAI's mandate and the reporting lines. Each team supervisor and the Principal Auditors are responsible for the system of internal control and the job descriptions clearly outline these responsibilities.

Constraints

In the strategic plan, there seems to be a missing link between the strategic goals and the activities because outputs and outcomes are not clearly defined. Other elements such as realistic timelines, targets and milestones are not described in the plan. Collectively these elements should be articulated in a complete and logical results framework to facilitate understanding of how and when the SAI aims to achieve its goals and to ensure that the SAI will in fact achieve its goals.

The strategic plan did not include an implementation matrix or similar schedule which clearly identifies the SAI's priorities and facilitate how the planned activities are to be delivered and when. Although risks are described in the strategic plan, it was not possible to see how these risks were considered in the plan due to the absence of an implementation schedule.

Each of the five audit divisions has its own plans developed by the head of the division. The divisional annual plans described each division's planned activities for the year, including the allocation of staff and timelines for each audit. These divisional annual plans are not collated in one SAI plan to reflect a holistic plan and linkages between the audit divisions' plans and the

SAI's operational plan, as well as linkages between the divisional plans and the support services.

Since there is no clear link between the strategic plan and the divisional plans, nor between the divisional plans and the operational plan, there is no clear link between the planning of the daily activities and the strategic objectives. The divisional plans are also not linked to the SAI's budget and there is no evidence that considerations have been made about the resources needed to complete the activities in the plan. The SAI has not assessed the risks that may affect the achievement of its operational plan.

The SAI does not have a single document representing its overall audit plan. In fact, each division has its own plan detailing the audits to be conducted and when the audits will be conducted. The format and content of each divisional plan are different from one another and do not follow a standard format to reflect a uniform SAI practice.

The system of internal control is not fully established, for there are no clearly documented policies and procedures for mitigating and monitoring the major operational risks. There are neither quality control nor quality assurance systems.

The SAI management holds monthly meetings. However, the minutes of these meetings were not properly kept and, therefore, access to any key decisions made by the SAI's leadership is not possible. SAI's values are identified on the website but not in any of the SAI's core documents such as the strategic plan and annual progress report. There is a lack of efforts to disseminate the SAI's values and promote these in any public activities, forums, and regular communications. SAI leadership has not taken the initiative to raise awareness of the code of ethics to all staff to ensure they understand its practical application. There is a lack of initiatives to set a tone enabling accountability and strengthening the culture of internal control.

Analysis and Conclusions

The KAO has strategic and operational plans to guide its work. The strategic plan was based upon a SWOT analysis, and the operational plan covered all of

the SAI’s activities, including the administrative and support services.

However, each of the five audit divisions has their own annual plans, which are not clearly connected either with the strategic plan or with the operational plan. Therefore, the final connection between the strategic objectives and the daily activities is not yet fully established.

There is a code of ethics that is enforced by the Audit Act and this is complemented by the Audit Manual, which also has provisions regarding ethical and professional behaviour. However, the SAI still does not have a control system to identify and analyse ethical risks and to address any breach of ethical values.

The KAO is yet to implement quality control and quality assurance systems, which are of paramount importance to assure high quality audits.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	2	0	1	1
SAI-9	Financial Audit Standards and Quality Management	0	0	0	0
SAI-10	Financial Audit Process	0	0	0	0
SAI-11	Financial Audit Results	4	4	1	3
SAI-12	Performance Audit Standards and Quality Management	0	0	0	0
SAI-13	Performance Audit Process	0	0	0	0
SAI-14	Performance Audit Results	0	0	0	0
SAI-15	Compliance Audit Standards and Quality Management	0	0	0	0
SAI-16	Compliance Audit Process	0	1	1	1
SAI-17	Compliance Audit Results	2	1	0	1

Enablers

The KAO received a total of 31 financial statements to be audited and was able to audit 21 of them. These financial statements included the government's consolidated accounts, Local Government, State Owned Enterprises (SOEs) and Implementation Agencies for donor-funded projects. The KAO managed to achieve 68% coverage of financial audit as required by its mandate. However, it did not report on the 40% of entities that have not submitted their financial statements due for audit.

Most of the completed financial audit reports (19 out of 21) were submitted within 6 months from receipt of financial statements; all of them were published in the SAI's website.

Constraints

The KAO has a Manual of Audit Instructions developed in 2000, but the audit practices and procedures described in the manual are not aligned with the requirements of the ISSAIs for financial audits. KAO's manual and audit templates adopted do not require the auditors to assess the preconditions for a financial audit. There is no guidance on how auditors should reduce audit risk and apply the concept of materiality appropriately when planning and performing the audit. The Manual describes the types of documentations the audit should have but does not require the auditor to prepare these documents in a manner that will enable an experienced auditor to understand the nature, timing and extent of the audit procedures performed.

The KAO is required by the Kiribati Audit Act 2017 to apply the ISSAIs. However, the SAI does not have a performance audit manual or policies to demonstrate that they have formally adopted the relevant ISSAIs for performance audits. There are neither guidance nor policies and procedures to demonstrate that the KAO is aligned with the ISSAIs related to compliance audits.

The KAO does not have a documented planning process to identify potential performance audit topics that are significant, auditable and aligned with the SAI's mandate. In the absence of a planning process, there is no guidance on factors to consider when identifying audit topics, setting priorities for performance audits and determining objectives of any performance audit.

The SAI conducts audits of Ministries' Revenue and Expenditure Statement and special investigations as compliance audits. Entities to be audited are not selected by the SAI but are based on SAI's mandate. Accordingly, the divisional plan does not identify entities to be subject to compliance audits, but any request for special investigation is included in the division's annual work plan when a request is received.

The SAI has no system to ensure that the engagement team collectively have the experience and skills to carry out financial, performance or compliance audits.

Based on our review of the four audit files selected, the financial audit practice is not consistent across the four divisions that are responsible for conducting financial audits. As such, there are instances where one audit file will comply with some requirements of ISSAIs while the others do not. For the purpose of this assessment, where one audit file does not meet the required criterion, the criterion is scored as "not met". In conclusion, taken the four audits together, no criteria were met by all audits, neither in the planning, implementing or reporting phases.

Likewise, the practice of compliance audit is not consistent between auditors conducting the audit of Ministries' Revenue and Expenditure Statements and those carrying out a special investigation (the two audits that composed the sample). The implementation of the audit is really affected by the lack of guidance on audit procedures as well as the quality of audit planning procedures undertaken.

The KAO has not conducted any performance audit since 2016. Consequently, it was not possible to draw a sample to test those audits.

Analysis and Conclusions

The KAO has done financial and compliance audits, and those audit reports are the product delivered by the SAI in the discharge of its mandate. Financial audit is performed by four divisions within the SAI and, therefore, a sample of one audit file was selected from each of the four divisions to be reviewed and form the basis of assessing the financial audit practice as implemented by

KAO.

It is clear that the financial audit practice is not homogenous across the SAI. Very often one audit would comply with a set of criteria while others would not. This is a clear consequence of the lack of quality control and quality assurance systems. In organisations with effective quality control and quality assurance, the outputs tend to be of the same quality. In such cases, compliance and non-compliance with criteria will follow the same pattern across the sample.

The same reasoning is applicable to compliance audits. The compliance audit conducted at the Ministry of Revenue and Expenditure Statement was done by the Central Government division, while all other compliance audits were carried out by the Performance Audit and Projects division. The analysed sample was composed by one audit of each division, and they did not perform consistently regarding the same criteria. Again, the lack of adequate systems for quality control and quality assurance are the key cause for that.

To fully comply with its mandate, the KAO still needs to do performance audits on a regular basis.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	1	0	0	0

Enablers

The KAO has a proper system for delegation of authority to commit/ incur and approve expenditures for the SAI. Such delegation of authority and limits have been communicated by the SAI to the Ministry of Finance and

Economic Development (MFED). The SAI does not have its own financial manual or regulations but as a government agency, is required to comply with government financial regulations stipulated in the Public Finance Control and Audit, which governs the financial operations of all government Ministries and Departments.

Constraints

There are no written policies and processes on how KAO's budget is prepared. However, the budget is prepared by the accounts officer and the Auditor General, who have the appropriate skill set, experience, and resources to perform their financial responsibilities.

There is no legislative requirement for the SAI to prepare its own financial statements. Therefore, the SAI has never prepared its own financial statements which should be made public and subject to external independent audit or parliamentary review. The SAI's financial transactions are processed through the centralised government system maintained by the MFED. Hence, information on the SAI's budget and spending are incorporated in the whole of government financial statements which are audited by the SAI.

The SAI has not developed a long-term plan for its infrastructure needs and a shorter-term plan for its IT needs based on current and anticipated future staffing levels.

There has been no review of the IT Infrastructure needs like computers, software, and IT network within the past 3 years. Although there is an IT Strategic Plan in place, which focuses on the IT unit providing IT support to all staff, undertaking IT audits and addressing IT needs of the Office, this plan is still in its draft form.

Analysis and Conclusions

The KAO operates in the context of a small country with limited resources. In such circumstances, it is reasonable that the SAI adheres to and uses the government's regulations for the financial operations and for the budget process. However, that shared approach should never compromise the Office's

organisational autonomy.

The KAO needs to develop a long-term plan for its infrastructure needs and to implement the IT Strategic Plan in order to guarantee sufficient support for its core activities in the future.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	2	0	1	2	1
SAI-23	Professional Development and Training	0	1	1	1	1

Enablers

The Government’s Public Service Office (PSO) administers the human resource function for all government ministries and departments including the SAI. KAO’s Office Manager is responsible for coordinating, facilitating, and implementing any human resource matters approved by the PSO. If the SAI needs to recruit staff, a submission is made to the PSO for approval before the post is advertised. Any promotions are subject to the PSO’s approval. The Office Manager coordinates the recruitment process with the PSO. The Office Manager has the appropriate skills set and experience to facilitate the human resource matters as decided and approved by the PSO.

Constraints

The PSO does not develop and maintain a human resources strategy for the SAI, and there is no competency framework. The SAI does not have a Human Resources Strategy that provides guidance on the SAI’s recruitment, performance management, retention, and staff welfare. All these matters are managed by the Public Service Office whilst the SAI mostly facilitates the process through submission of relevant correspondences and documents, having consultations with Public Service Office.

The SAI has not developed and implemented a plan for professional

development and training. The SAI does not have an annual plan of professional development and training that aligns with its strategic and operational goals. There are no training policies established by the SAI for all staff nor procedures for selecting staff to participate in trainings.

The responsibility for professional development is not assigned to a specific person. All decisions regarding training for all audit streams (financial, performance and compliance) are made by the Head of the SAI. There are no individual professional development plans for the auditors.

Analysis and Conclusions

In practice, human resources management are initiated by the KAO’s office manager and submitted to the PSO, which has the authority to make the final decisions. Recruitment, appraisal, promotions, remuneration policies and other issues involving the staff welfare follow that pattern.

All this dependency on the PSO poses a clear constraint on the SAI’s organisational autonomy, and could eventually have an impact in the SAI’s performance because it is of strategic importance for any SAI to be able to recruit and maintain highly qualified workforce.

The maintenance of qualified staff is strongly dependent upon professional development plans, and the KAO also lacks those plans.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	0	1	1	0	0
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	1	1			1

Enablers

The KAO has provided the Legislature with timely access to its reports. Once an audit report is signed and approved by the Auditor General, the audit report is submitted to the legislature for their deliberations. The audit report is then uploaded on the SAIs website for public access.

The KAO has utilized its website effectively by publishing its mandate and summaries of audit reports, which are communicated in such a way as to make it easy for citizens to understand the main audit findings. The SAIs website is very informative.

Constraints

SAI Kiribati has not established a communications strategy or stakeholder engagement plan; therefore, key stakeholders were not identified and key messages that the SAI wants to communicate to its stakeholders were not identified. In the absence of a communication strategy, there is no mechanism in place to ensure that the way and the messages the SAI communicates with its external stakeholders are aligned with its strategic plan.

Although there is a legislative requirement for the SAI to report to legislature, there are no established policies and procedures on how this reporting process and other ways of communicating with the legislature are implemented. There is no evidence of any awareness raising activities or forum to ensure the legislature has good understanding of the SAI's role and mandate. Additionally, the SAI has not developed a professional relationship with relevant legislative oversight committees to help them better understand the audit reports and conclusions and take appropriate action.

It is not an established practice for the KAO to provide generic information to the audited entities on what to expect during an audit, including guidance on the SAI's objectives and the principles governing interactions between auditors and auditees. Communication between the SAI and the executive is limited to what is required when conducting an audit. The SAI has not held any meetings with the executive to discuss issues of concern to both the SAI

and the Executive which may include common findings, trends and root causes the SAI has identified during the audit. The SAI has not sought feedback from the audited entities about the quality and relevance of audit reports and the audit process.

There are no policies and procedures in place on how and what to communicate with the police and/or prosecuting agencies regarding these audit findings to ensure these agencies have the appropriate information and evidence to be able to investigate when necessary. There were no awareness raising activities conducted with the Judiciary and/or prosecuting and investigating agencies on the SAI's role, mandate, and work.

The SAI has not carried out any activities to stimulate citizens to access information on public sector audit. There is no evidence that the SAI has given opportunities for citizens to provide input to and/or participate in the SAI's work.

Analysis and Conclusions

The KAO maintains some communications procedures with the legislative, which is a legal requirement, and with the citizens through a website. Apart from those initiatives, the SAI has not adopted any other strategies to communicate its role in the public accountability chain more effectively. Communications with the Executive are restricted to the interactions that happen during audit works.

Therefore, there are opportunities for improvement in communications with the government branches, with the media and with the citizens. To address those gaps, the SAI should adopt a comprehensive communication strategy that would cover at least the following points:

- a) identification of key stakeholders and the relevant messages that should be conveyed to them;
- b) development of a program to raise awareness in the legislature of the SAI's role and audit reports, with special focus on the relevant committees;
- c) development of more extensive communication with the

- auditees in order to improve their engagement in the audits and in the adoption of recommendations;
- d) development of policies to establish effective communications with the judiciary and prosecuting agencies;
 - e) development of a program to stimulate the citizens' interest in the role of the SAI and in the findings of the audit reports.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The constitutional and legal framework assure good level of independence and autonomy for the KAO, even though there are still gaps that should be addressed. There is no established process to address the case when information is denied, nor are there provisions concerning the submission and publication of the audit reports. The SAI's budget must go through the Executive and the KAO cannot appeal directly to the congress in the case of insufficient funding for the discharge of its mandate. The organisational autonomy and independence are limited, for the AG does not have full discretion in HR matters, such as recruitment, promotion and salary levels.

The SAI has received a sufficiently broad mandate, adequate access to information and right and obligation to report, as can be seen in the good scores in all dimensions of indicator SAI-2.

The KAO has done financial and compliance audits, whose reports are sent to the legislature, who has the authority to hold the executive managers accountable. Not all financial statements received were timely audited, but most of the financial audits carried out by the SAI were timely submitted and published.

There are four divisions in the KAO in charge of financial audits which work in a relatively independent way. Each of them has its own annual plan, and the quality of the audits change from one to another. The lack of quality control

and quality assurance systems is clearly one major reason for that heterogeneity.

Also, there are two different units that carry out compliance audits, and similarly to the financial audits, the quality of the audit work is different between them. Again, the gaps in quality control and quality assurance practices respond for that.

The KAO has strategic and operational plans to guide its work. However, each of the five audit divisions have their own annual plans, which are not clearly connected either with the strategic plan or with the operational plan. Therefore, the final connection between the strategic objectives and the daily activities is not yet fully established.

The SAI's mandate include performance audits, but lately the KAO has not done any work of that kind.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

The lack of a communications strategy has limited the KAO's capacity to fully demonstrate its relevance to the legislature and other key stakeholders. A SAI should not only impact the government's efficiency in delivering services to the citizens positively, but also contribute to strengthen the accountability chain. That can be done by active and meaningful communication with all involved parts, including the citizens and civil society organisations.

Better communications with the executive will be important to encourage the auditees to implement the audit recommendations, thus maximizing the impact of the SAI's work. The **judiciary** and prosecuting agencies could also benefit from better connections with the SAI.

The KAO should develop and implement a communication strategy to address the constraints described in the previous section.

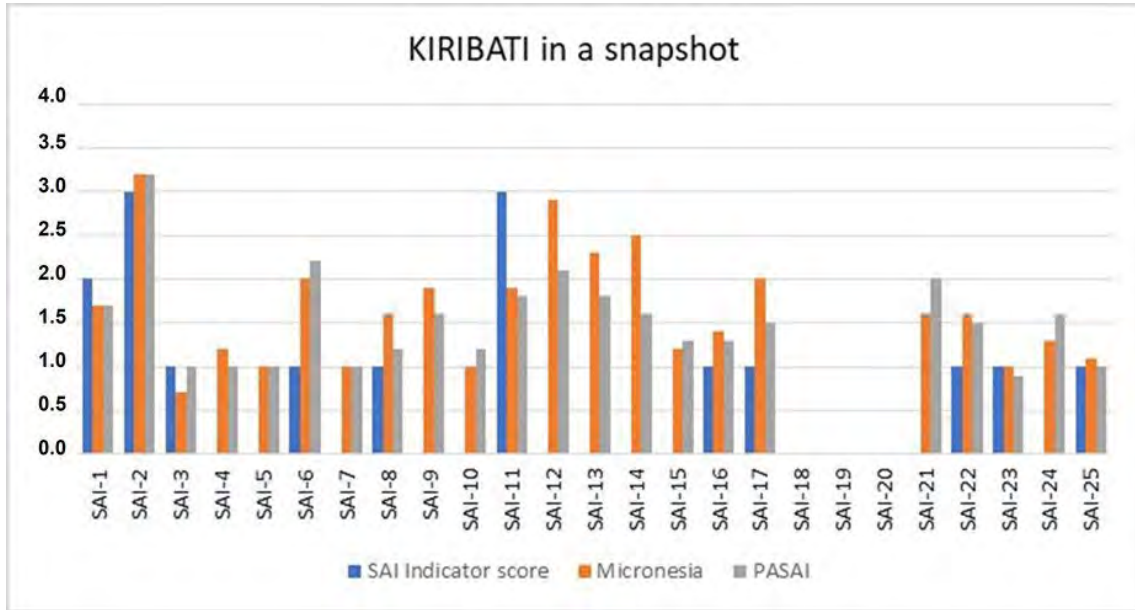
3. Being a model organisation through leading by example

The Kiribati SAI has a strategic plan that is based upon a SWOT analysis and has developed an operational plan to implement it. Still, the annual audit plan prepared by each of the five divisions is not yet fully connected with the previous plans.

There is a code of ethics that is enforced by the Audit Act, and this is complemented by the Audit Manual that also has provisions regarding ethical and professional behaviour. However, the SAI still does not have a control system to identify and analyse ethical risks and to address any breach of ethical values.

In order to better lead by example, the KAO should improve its capacity to effectively plan and deliver against what was planned, so that the SAI is able to demonstrate that it uses its resources efficiently and effectively. It should also implement a system to proactively identify ethical risks and breaches in ethical behaviour so as to demonstrate its commitment to ethics.

GRAPH 23 - KIRIBATI AUDIT OFFICE IN A SNAPSHOT



GRAPH 24 - KIRIBATI AUDIT OFFICE IN GDP PER CAPITA CLUSTER

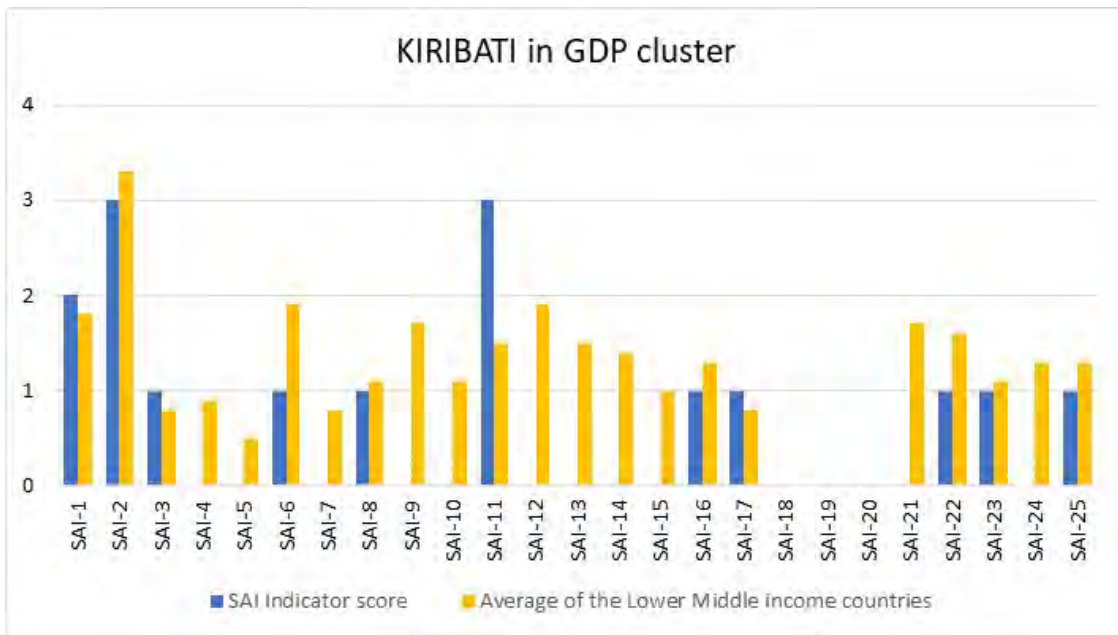


TABLE 18 - KIRIBATI INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	3	1	3	1	2
SAI-2	4	3	3	-	3
SAI-3	1	1	0	1	1
SAI-4	0	0	0	0	0
SAI-5	N/A	N/A	N/A	-	N/A
SAI-6	0	2	-	-	1
SAI-7	0	1	-	-	0
SAI-8	2	0	1	N/A	1
SAI-9	0	0	0	-	0
SAI-10	0	0	0	-	0
SAI-11	4	4	1	-	3
SAI-12	0	0	0	-	0
SAI-13	0	0	0	-	0
SAI-14	0	0	0	-	0
SAI-15	0	0	0	-	0
SAI-16	0	1	1	-	1
SAI-17	2	1	0	-	1
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	1	0	0	-	0
SAI-22	2	0	1	2	1
SAI-23	0	1	1	1	1
SAI-24	0	1	1	0	0
SAI-25	1	1	-	-	1



4.12 The Office of the Auditor-General (OAG) of the Republic of Marshall Islands (RMI)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Office of the Auditor General of the Republic of Marshall Islands was prepared based on the SAI PMF Endorsement Version, 2016. This report was completed in June 2021.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	3	1	3	3	2
SAI-2	Mandate of the SAI	4	4	2		3

Enablers

The role, power and duties of the SAI is laid out in the Auditor General’s Act of 1986. The independence of the OAG is laid out in Article VIII, section 15(3) which states, *“In the exercise of his functions, the Auditor General shall not receive any direction from Cabinet or from any other authority or person but shall act independently”*. The appointment, term and removal of the AG is provided in the Constitution. The AG can hold office until he/she is of 72 years of age. The AG shall not be removed or suspended from office except on the same grounds and manner as a judge of the Supreme Court. The Speaker nominates the AG to the Nitijela (Parliament), which in turn approves the nomination through a resolution. Afterwards, the President appoints the AG. The AG is free to report any matter that affects his/her ability to perform his/her work and duties in accordance with the OAG mandate.

The organisational independence is set out in the Constitution and in the Auditor General’s Act. Under the Constitution, the AG shall not receive any direction from Cabinet or from any other agencies, body or person, but shall act

independently in the conduct of his/her duty and function as he/she sees fit. In practice, the OAG is free from direction or interference from the Cabinet and from the Legislature. The OAG has the power to determine its own rules and procedures for managing business and in the discharge of its function.

The relationship between the OAG, the Legislature and the Executive is clearly set out in the Constitution and the Act. The Act requires the AG submit a semi-annual report to the members of the Nitijela at its January and August regular sessions. The Nitijela's committee for the public accounts is also tasked with oversight of the SAI's report under the Act. The committee reviews all audit reports submitted to the Nitijela and discusses with the AG how the SAI's recommendation can be implemented with the assistance of the committee.

The OAG has a broad mandate which requires it to audit all central government activities. According to the RMI Constitution, *"the Auditor-General shall audit the public funds and accounts of the Republic of the Marshall Islands including those of all Departments or offices of the legislative, executive and judicial branches of government and of any other public corporation or statutory authority constituted under the law of the Republic unless, in relation to any such public corporation or other statutory authority, provision is made by Act for audit by any other person"*. The AG is empowered to audit public entities' accounts, and report on the economy, efficiency and effectiveness of government and public entities' operation.

The RMI AG has full access to all public records, books, or other government property. SAI-2, Dimension ii – Access to information – reached score 4.

The Constitution and additional laws require the AG report at least once annually to the Nitijela at its regular session on the performance of his/her functions under this Article, and shall, in his/her report, draw attention to any irregularities in the accounts audited by him/her.

Constraints

While the Constitution provides for the necessary degree of the OAG's independence, there is no provision for the protection of the AG from being sued in the course of his work.

Both the Constitution and the Auditor General’s Act do not explicitly or implicitly provide for the financial independence of the OAG. Like every other government agency’s budget, the OAG’s budget is submitted to the Cabinet’s Executive Committee, who will report its recommendation to the Cabinet for approval before it is submitted to the Nitijela (Parliament).

After the budget is approved by the Nitijela, the Minister of Finance (MOF) has the authority to deny access by a government agency to its budget in exceptional circumstances. An exceptional circumstance arises when the government faces cashflow problems. In that context, the minister can exercise this authority. In the past, this authority had been exercised and impacted the OAG, particularly its planned audits of RMI’s overseas mission which were postponed due to MOF’s decision to freeze budget utilisation. Furthermore, the legal framework does not provide for the SAI to make direct appeal to Parliament if the resources available are insufficient for fulfilling its mandate.

The AG does not have the authority to appoint his/her staff nor to fix and manage the remuneration and salaries of his/her staff, as this is done by the PSC. The Constitution and legal framework did not clearly and unequivocally give the OAG the flexibility and independence to publish its reports whenever OAG deems necessary and beneficial to the public.

Analysis and Conclusions

In general terms, the constitution and the legal framework have secured the Auditor General of the Republic of Marshall Islands a high degree of independence and autonomy in conducting its businesses, as it can be evidenced by the high scores of the indicators that compose this domain. The independence of the SAI is framed in the constitution, and the mandate covers all government activities and includes the three audit streams – financial, performance and compliance. Likewise, access to information has been secured and the SAI can report on any relevant matters.

However, there are still a few gaps that require further improvements:

- a. no constitutional or legal provision that explicitly secure the immunity of the OPA and employees from prosecution for work conducted in the discharge of their mandate;
- b. no constitutional or legal provision that clearly and unequivocally give the OAG the flexibility and independence to publish its reports whenever OAG deems necessary and beneficial to the public;
- c. Human Resources management, which is shared with the executive.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	1	0	2	2	1
SAI-4	Organisational control environment	3	1	3	1	2
SAI-5	Outsourced audits	1	0	0		0
SAI-6	Leadership and internal communication	3	3			3
SAI-7	Overall audit planning	1	1			1

Enablers

The development of the Strategic Plan (SP) follows an internal process that includes SAI's staff and a consultant, who was hired to assist the development. The SP is structured in a logical hierarchy consisting of a vision statement, mission statement, values, strategic goals, and performance measures.

The OAG has a Code of Conduct, which is part of the OAG Manual 2014. The Manual provides guidelines on ethical principles and behaviours that the staff members are expected to adhere to in all circumstances. These includes ethical principles, such as Independence, Competence, Integrity, Professional Behaviour and Due Care and Confidentiality. Most of the OAG's audits are outsourced to one of the big four audit firms, Deloitte and Touche. Deloitte is required by the OAG under the contract agreement to

comply with the SAI's code of ethics. Every staff must complete the declaration form for each audit to ensure they have complied with the code. Any ethical issue identified is dealt with on an ad hoc basis.

Internal control policies and procedures followed by the OAG are documented in the Public Service Commission (PSC) Regulation and Financial Management Act 1990, and the Office also complies with the government policy on fixed assets.

The audit manual provides guidance for the OAG's quality control system. It is a combined function assigned to the division managers, the AAG and the AG.

The AG and the office's management are always constructing the culture that promotes quality in all its work. The AG sets high expectations and sets tone from the top to build accountability and to strengthen internal controls at the OAG. He instituted the use of time clock which works by using the thumb to clock in and out to track employee's attendance and punctuality. He/She also allows his/her office to receive a visit by a representative of the Public Service Commission, unannounced, as a reminder for his employees that punctuality and attendance are crucial for OAG's work performance.

Cultivating an ethical culture within the OAG is a priority for the AG. He/She attaches value to 'walk the talk', encourages the management team to lead by and to show good examples for the staff to follow, and requires his/her employees to abide by the government working hours. Transparency is also a top priority. As an office that reviews and reports on the performance of other government entities, the AG recognises the importance of keeping the OAG in good standing and to abide by a higher standard of performance so that his Office practices what he/she preaches to other entities within the Republic.

There is open and regular communication between OAG's management and staff. Discussion with AG also confirms this statement that the SAI leadership communicates regularly to the staff on key issues related to the OAG. The OAG has an email system for all staff and intranet within the office.

Constraints

There is no documentation to confirm that during the process of developing the strategic plan:

- there was consultation with stakeholders;
- emerging risks were assessed and fostered into the plan;
- the plan was based on a needs' assessment.

The strategic plan is not supported by an implementation matrix in which the projects to be completed to achieve the plan's goals and objectives are prioritized and identified. Rather than an operational plan, the OAG only has an Annual Audit Plan, which sets out the number of audits that will be conducted, the type of audits, the resource personnel to conduct the audit and the budget required. There is no information on the support services activities to be done during the year to contribute to the achievement strategic plan. Without an annual plan for support services, it will be difficult for the SAI to monitor the implementation of its strategic plan on an annual basis.

The OAG considers the annual audit plan to be its operational plan. The planning process is not documented, and responsibilities, procedures, and timelines for preparing the plan are not established and clearly defined. The OAG does not have a system for identifying the operational risks it faces and how they will be mitigated.

The OAG's practice and the process for developing and approving the overall audit plan are not documented. Additionally, there are no clear guidance on the preparation of divisions' work plans to ensure that they follow a risk-based approach when identifying audits to carry out during the year, especially those audits that are initiated by the SAI. For instance, key criteria are not defined and established to evaluate and identify audit subjects.

The OAG has policies and procedures for quality assurance in the audit manual, but they have not yet been implemented as specified in the manual, due to staff and resource constraints.

The Auditor-General may contract the services of independent certified public accountants, qualified management consultants, or other professional

persons as he deems necessary to assist him in carrying out his duties. However, there is no provision in the Request for Proposal (RFP) or in the Audit Contract requiring the contracted auditor to follow and observe the confidentiality requirements of OAG. The OAG does not have any systems for quality control or quality assurance of outsourced audits.

Analysis and Conclusions

The OAG of the RMI has a strategic plan and an overall audit plan; it does not have the intermediate layer of the annual or operational plan. Even though the OAG is a small size SAI, it is of paramount importance to be able to plan it in the long term and to gradually deliver results that eventually will fulfil the strategic objectives.

Effective risk management is key to assure that goals are achieved, for risks are the events or situations that can cause negative impacts on the desired results. Consequently, the lack of risk assessment at any level can be a relevant constraint to the achievement of the goals.

Therefore, further refinement of the OAG's planning process could be done by ensuring that:

- risks to delivering the objective of the plans are assessed, documented and, whenever feasible and mitigated;
- measurable indicators are developed at both the outcome and output levels; and
- baselines of current performance and milestones for achievements are developed and documented.

A good practice that deserves to be highlighted is that The AG and the office's management are always constructing the culture that promotes ethics and quality in all its work.

Considering that the OAG has been outsourcing audits, systems for quality control or quality assurance of outsourced audits should be developed and implemented.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	4	2	1	2
SAI-9	Financial Audit Standards and Quality Management	4	1	4	3
SAI-10	Financial Audit Process	1	1	2	1
SAI-11	Financial Audit Results	3	4	0	2
SAI-12	Performance Audit Standards and Quality Management	4	2	2	3
SAI-13	Performance Audit Process	2	3	3	3
SAI-14	Performance Audit Results	3	3	0	2
SAI-15	Compliance Audit Standards and Quality Management	1	1	4	2
SAI-16	Compliance Audit Process	1	1	2	1
SAI-17	Compliance Audit Results	2	4	1	2

Enablers

During the assessment period, the OAG conducted audits of four local government agencies in accordance with legislation. The total audit coverage for the year included 29 financial statements submitted for audit. Twenty-three were outsourced to Deloitte and Touche and six were conducted by OAG. This enabled the OAG to audit and complete all financial statements submitted. All government sectors submitted their financial statements annually and there was no case of non- submission. All financial audit reports were timely submitted and published.

During the five years prior to the assessment, the OAG issued reports covering revenue collection, education, infrastructure, health, public finance, and public administration. Due to staff turnover and staff capacity, implementation of the selected audit topics was not at the expected level. The audits that were planned but not completed were postponed to the subsequent years.

The OAG has adopted sound financial and performance audit standards. The OAG's Audit Manual 2014 sets out the procedures and guidelines for financial and performance audits. The AICPA guidelines issued by the American Institute of Certified Public Accountants is also used by the OAG to complement the manual. The assessment reviewed both the manual and the AICPA guideline, in particular the sections and guidance that are relevant to financial audit. All criteria were sufficiently covered in the manual and the guideline, except one criterion that was considered not applicable.

Quality control in financial audits is functioning properly. The QC system for financial audit is set out in the OAG Manual. There are three levels of quality reviews implemented at the engagement level: the auditor in charge, the audit manager and the Assistant Auditor General. Audit plans are reviewed and approved by the Auditor General, who also has the final review of the financial audit file before a report/opinion is issued. Any issues identified by the AAG are documented as review notes in a separate work paper and it is referred to the audit team to address. If the AAG does not have any queries, the file is submitted to the AG. The Auditor General makes the final decision on any differences of opinion that may exist between the audit manager and the audit team or the AAG.

Overall, the OAG has reached good scores in the performance audit indicators and dimensions (SAI-12, SAI-13 and SAI-14), thus revealing that the SAI has delivered effective capabilities in that audit stream.

Constraints

Despite having solid financial audit standards, the two financial audits tested in the sample reached low scoring (SAI-10, Financial audit process). The shortcomings were:

- a) no materiality was established to be applied to classes of transactions;
- b) no clear links between the assessed risks were identified in the planning phase and the corresponding work papers where the risk was tested and mitigated;
- c) no acknowledgement of misstatements, although they were

above the materiality threshold for corrected misstatements. The rationale for ignoring was not documented.

There is no documentation to confirm that the skills and competencies of the engagement team are assessed before a financial audit starts.

The OAG lacks a proper documented and systematic process of identifying performance audit topics to ensure that those audits focus on whether interventions, programs and government entities are performing in accordance with the principles of economy, efficiency, and effectiveness. The OAG has implemented an audit selection method for performance audit, but it could be improved to ensure it follows a risk-based approach.

Compliance audits are not conducted as standalone audits, but as part of the annual financial audits of the primary government and its entities. The audit plan for the year under review identifies entities within the SAI's mandate that will be subject to compliance audit. However, the selection of entities to be audited was not based on a systematic and documented assessment of risk and materiality. In the absence of a documented and systematic process for selecting entities, there is no assurance that all entities within the SAI's mandate are audited during a reasonable period.

The OAG conducts compliance audit engagement in two ways. First, it is conducted together with financial audit, where compliance of an entity with a particular legislation is assessed in the audit of the financial statements. Second, OAG conducts an inspection/evaluation engagement where the focus is assessing the compliance of a particular subject area with appropriate legislation. However, the manual and guide for both compliance and inspection/evaluation do not cover materiality in compliance audit; therefore, in practice, materiality is not an element that is considered in compliance audit or inspection.

Analysis and Conclusions

In general, the OAG of the Marshall Islands demonstrated good results in financial and performance audits. The standards are compatible with the ISSAIs, the financial audits covered all the financial statements received, and

the performance audit tested in the sample showed good results.

On the other hand, compliance audit has not yet received significant attention. For that audit stream, the adopted standards scored low (SAI-15, i), and the coverage was limited (SAI-8, iii).

Having in mind that the OAG outsourced most of its financial audits (twenty-three out of twenty-nine) and that such a practice has played a decisive role in achieving full financial audit coverage, the importance of perfecting quality control and quality assurance systems for those works gets reinforced.

Regardless of the good results, the following issues should be addressed to improve the SAI's performance:

- a) for financial audits, no materiality was established to be applied to classes of transactions;
- b) in the financial audits, there were no clear links between the assessed risks identified in the planning phase and the corresponding work papers where the risk was tested and mitigated;
- c) in financial audits, there were misstatements that were ignored, although they were above the materiality threshold for corrected misstatements, and the rationale for ignoring was not documented;
- d) there is no documentation to confirm that the skills and competencies of the engagement team are assessed before a financial audit starts.
- e) the OAG lacks a proper documented and systematic process of identifying performance audit topics to ensure that those audits focus on whether interventions, programs and government entities are performing in accordance with the principles of economy, efficiency, and effectiveness; and
- f) the audit selection method for performance audit did not follow a risk-based approach.

**DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND
SUPPORT SERVICES**

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	3	2	1	2

Enablers

Accounting and maintenance of OAG's financial activities are the responsibility of the Executive Secretary, who is also the Administrative Officer. The executive secretary/administrative officer is responsible for recording and reporting on their budget and expenditure. That person is also responsible for the accounting and maintenance of OAG's financial activities by assisting the AG with the administrative support for the office. Only the AG is authorized to approve expenditures against the OAG budget. However, when the AG is off island, he/she delegates to an acting AG to approve expenditures.

The Deputy Auditor-General prepares the OAG annual budget in consultation with the Auditor-General and the three division heads. The OAG submits its annual budget in the same manner as all other departments and agencies for approval.

In executing its budget, like other ministries, departments, and agencies, the OAG is required to follow the standard operating procedures (SOP) established by the Secretary of Finance. The OAG's financial transactions and operations are included in the Primary Government's annual financial statements which are audited annually by a CPA firm as part of the Government of the Marshall Islands General fund audit. The annual audit reports are posted on the OAG website.

Constraints

IT support has been verbally assigned to an OAG staff who has IT backgrounds, while OAG is in the process of recruiting an IT and Communication Manager. Similarly, each division is responsible for their

own archiving and file maintenance of their audit works and investigation works until an IT & Communication Manager is hired. However, these assigned responsibilities are not documented. There is also no documentation or evidence that the administrative support functions have been reviewed within the past five years.

The executive secretary/administrative officer accounts for all OAG assets. If the new legislative reform proposal gets approved, OAG will move out from under the Public Service Commission and become a stand-alone independent office and will account for its own assets.

Analysis and Conclusions

IT support has become of indisputable importance for the work of any entity, either public or private. So far, the OAG arrangements for IT support still rely on a verbal assignment, which is precarious by nature. The SAI has already started a process to hire an IT and Communication Manager, a much-needed addition to its workforce.

There is an officer in charge of the accounting and financial services for the SAI, and the OAG must adhere to the standard operating procedures (SOP) established by the Secretary of Finance, like all other government agencies. This arrangement reflects the limited financial independency characterized in the dimension (ii) of the indicator SAI-1, that scored 1.

In general, the OAG performed well in this domain, even though the need to hire an IT expert should be attended to.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	N/A	0	2	2	1
SAI-23	Professional Development and Training	0	1	1	1	1

Enablers

As a government agency, OAG is required to follow PSC rules and regulations pertaining to recruitment. Some internal human resources are supplemented by outside expertise as required. The OAG follows the PSC systems on staff recruitment and does not have its own in writing just yet. OAG works closely with PSC for staff recruitment.

As a government agency, OAG follows the policies and procedures for remuneration, promotion and staff welfare described in the PSC Rules and Regulations. Annual staff performance evaluation on their conduct, diligence, efficiency, and merit for promotion is carried out considering a range of competencies that include knowledge of work, technical skills and attitudes, leadership, decision making, problem solving, communication skills, teamwork, relations with auditee, and adaptability. The assessment refers to the staff's job description that defines the staff's expected performance indicators and serves as the basis for the staff's evaluation. Based on the satisfactory staff performance evaluation, OAG submits recommendations to PSC for approval and necessary actions. PSC Commissioner for Personnel approves and informs OAG accordingly, explaining the final personnel action taken.

Constraints

Pursuant to the RMI Constitution, the Human Resource (HR) function is the responsibility of the Public Service Commission (PSC). Therefore, the OAG and other government ministries, departments and agencies are required to follow the established PSC rules and regulations pertaining to human resources. Because of that, Dimension (i) of SAI-22 – Human Resources Function was considered Not Applicable (N/A). In addition, the OAG has not developed a human resources strategy, thus resulting in score zero for dimension (ii) – Human Resources Strategy of the same indicator.

The OAG has not developed nor implemented a plan for professional development and training of its staff. There are no separate plans for professional development and training for financial, performance or compliance audit. However, the budget and the audit manual indicate that the OAG provides annual trainings for staff.

Analysis and Conclusions

The OAG of Marshall Islands is bound by the Constitution to follow the guidance and supervision of the Public Service Commission for key Human Resources matters, such as HR strategy, recruitment, promotion and welfare. But the OAG takes active part in the recruitment and promotion processes so that the AG holds some degree of discretion in relevant HR matters.

The AAG and the Audit Manager for financial audit division are responsible for ensuring that the appropriate trainings are provided for staff within the division. Similarly, the Deputy AG and the audit manager for performance audit division are responsible for the training of the staff under their care.

Under the current arrangement, it is up to the managers to guide their staff in training and professional development. The absence of formal plans for that is a significant gap that should be addressed. A SAI needs highly skilled professionals to maintain its capability to deliver effectively and efficiently against its mandate. Good plans for professional development are needed for that.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	0	1	2	0	1
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	0	3			1

Enablers

The OAG reports are submitted to the Nitijela (Parliament) in January and August and, when appropriate, the SAI provides the Legislature with timely access to information related to its work. In practice, the AG will respond to any requests for information by the Legislature.

The OAG is not involved or seem involved in any manner in the management

of the organisations they audit, apart from communicating its reports to the Executive by sharing copies of its audit reports, once released to the Nitijela. Furthermore, the OAG provides generic information to auditees on what to expect during the audit, by working and discussing the audit progress, findings and other related matters throughout the audit process.

The OAG interacts with the judiciary, prosecution, and investigation agencies through its Compliance Investigation Division during investigation and prosecution of audit findings that indicate fraud and corruption within the government, in addition to sharing audit findings and communicating with judiciary, prosecution and investigation agencies during audit processes.

There were some good communication practices between the RMI AG Office and the public. For example, the RMI OAG made its mandate available to the public in order to help the public to understand the duties and responsibilities of the OAG. Furthermore, the media also commended the OAG on their audit works performed.

Below are some ways the OAG communicates with its citizens:

- The OAG mandate is available to the public through its website;
- The public accounts committee within the OAG prepares summaries of audit reports and publishes them on the website;
- Some media volunteers to make advertisement of the Office of the Auditor General (OAG) and commend on their audit works;
- OAG posts in the public forum of the Division of Investigation's Facebook account about the OAG's work;
- OAG has also contributed to making comments on certain bills affecting the OAG office and on ethics;
- The OAG also welcomes feedback from the public for improvements to the office, and the SAI also receives positive comments on its website from the public.

Constraints

The OAG's communication strategy was being developed in draft form when the SAI PMF assessment was conducted, awaiting the amending of the law pertaining to the Auditor General's Act. The OAG communicates with its stakeholders at irregular intervals and when necessary.

The OAG has yet to establish policies and procedures regarding its communication with the Legislature, including defining who in the OAG is responsible for this communication and raising awareness of the Legislature on the OAG's role and mandate. The OAG lacks a robust professional relationship with Public Account oversight committee to help them better understand the audit reports and conclusions and take appropriate action.

The AG's meetings with the Committee on Public Account are not recorded and no minutes of the meetings and discussions are kept. Also, there is no evidence that OAG has analysed their audit reports to identify themes and common findings, trends, root causes, and audit recommendations and to discuss these with key stakeholders, which further highlights the absence of policies and procedures. The SAI has not sought feedback from the Legislature about the quality and relevance of its audit reports.

The SAI does not make a practice of periodically inviting senior members of the Executive to meetings to discuss issues of concern to both the SAI and the Executive, including common findings, trends and root causes the SAI has identified through analysis of its audit reports. The OAG does not seek feedback from the audited entities about the quality of its audit reports and the audit process. The absence of such good practices may be attributed to the lack of established policies and procedures for communications.

The OAG does not have policies and procedures in place on how to communicate with the Judiciary and/or prosecuting and investigating agencies regarding audit findings that are relevant to those agencies. It does not carry out awareness raising activities with the Judiciary and/or prosecuting and investigating agencies on the OAG's role, mandate, and work.

No press conferences were conducted, and no press releases were issued by the OAG, and it does not have any system in place to monitor the media's

coverage of the SAI. In the absence of established communication policies and procedures, the OAG does not have a designated person who is authorized to and responsible for speaking with the media on behalf of the SAI.

Additionally, there are no procedures in place for handling requests from the media. The current practice is that the Auditor General is the authorized person to speak to the media and handle all requests from the media, until the SAI's communication strategy is finalized and implemented.

Analysis and Conclusions

The OAG of the Marshall Islands does not have a communications strategy fully developed. The AG holds regular communications with the Legislature, sending two reports per year, and responding to any requests. However, the communication with the Committee on Public Accounts still reveals some gaps: no minutes of the meetings and the discussions are kept, no feedback from the Legislature has ever been asked for, and no analyses of their audit reports to identify themes and common findings, trends, root causes and audit recommendations are being produced and discussed with key stakeholders.

The SAI communicates well with the citizens, as demonstrated by the good practices listed in the above section of enablers. However, communications with the media were very limited, as demonstrated by the low score of the corresponding dimension (i) of the indicator SAI-25.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The constitutional and legal framework assure good level of independence and autonomy for the Office of the Auditor General of the Republic of the Marshall Islands, even though there are still gaps that should be addressed, such as: there is no legal provision for the protection of the AG from being sued in the course of his/her work, no legal apparatus that explicitly or implicitly provide for the financial independence of the OAG, and no possibility of direct appeal to the legislature for its budget needs on the part

of the SAI.

The SAI has received a sufficiently broad mandate, adequate access to information and right and obligation to report, as can be seen in the good of indicator SAI-2.

In general, the OAG of the Marshall Islands demonstrated good results in financial and performance audits. The standards are compatible with the ISSAIs, the financial audits covered all the financial statements received, and the performance audit tested in the sample showed good results.

On the other hand, compliance audit has not yet received significant attention. For that audit stream, the adopted standards scored low (SAI-15, i) and the coverage was limited (SAI-8, iii).

The expressive number of financial audits that have been outsourced makes it clear that the quality control and quality assurance systems applied to these works need to be perfected.

Regardless of the good results, there are issues that should be addressed to improve the SAI's performance, as listed in the integrated analysis of the domain A.

Good planning in all levels is necessary to keep the OAG in a process of continuous improvement, reaching better and better results. The OAG of the RMI has a strategic plan and an overall audit plan, but it does not have the intermediate layer of the annual or operational plan. In addition, a risk analysis focused on the intended objectives is not present in the planning practices.

Effective risk management is key to assure that goals are achieved, for risks are the events or situations that can cause negative impacts on the desired results. Consequently, the lack of risk assessment at any level can be a relevant constraint to the achievement of the goals.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

According to ISSAI 12, the SAI should communicate efficiently with the government branches, especially the legislative as well as with the civil society and the media. The SAI should be able to demonstrate that it adds value to the lives of the citizens by communicating its outputs and outcomes efficiently.

The OAG of the Marshall Islands does not have a communications strategy fully developed. The AG holds regular communications with the Legislature, sending two reports per year, and responding to any requests. However, the communication with the Committee on Public Accounts still reveals some gaps: no minutes of the meetings and the discussions are kept, no feedback from the Legislature has ever been asked for, and no analyses of their audit reports to identify themes and common findings, trends, root causes and audit recommendations were produced and discussed with key stakeholders.

The SAI communicates well with the citizens, as demonstrated by the good practices listed in the above section of enablers. However, communications with the media were very limited, as demonstrated by the low score of the corresponding dimension (i) of the indicator SAI-25.

3. Being a model organisation through leading by example

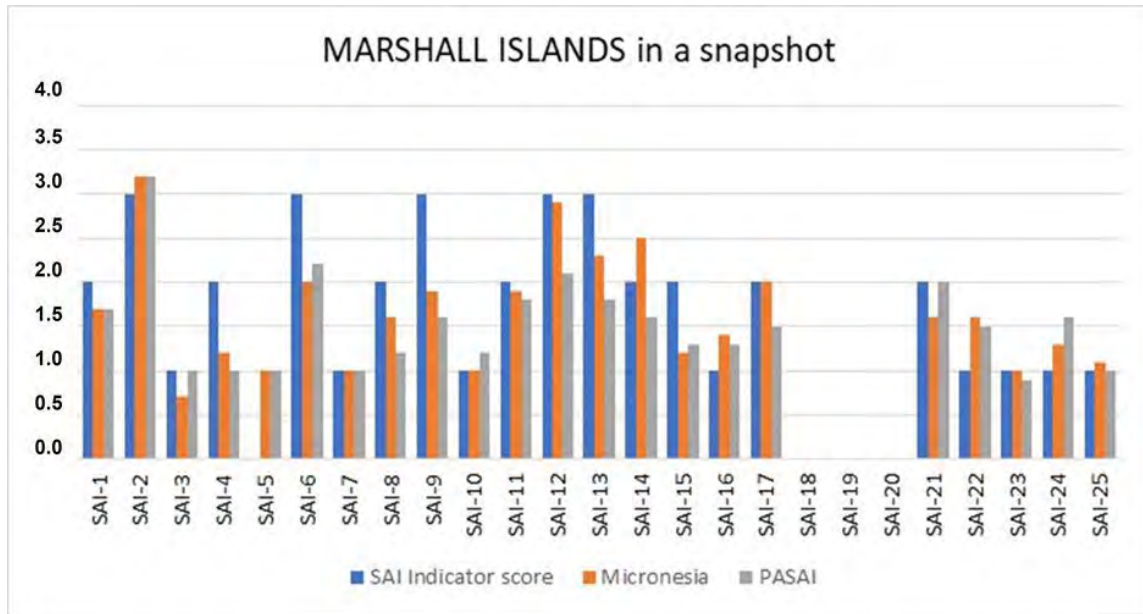
Leading by example involves both internal leadership, by establishing good internal example by the managers (“tone at the top”), and external leadership, by demonstrating strong commitment with ethics and good use of the public resources the Office has been entrusted to.

The AG and the office’s management are always constructing the culture that promotes quality in all its work. The AG sets high expectations and sets tone from the top to build accountability and to strengthen internal controls at the OAG.

Externally, it should be mentioned that cultivating an ethical culture within the OAG is a priority for the AG. He/She encourages the management team to lead by and to show good examples for the staff to follow, and requires his/her employees to abide by the government working hours.

The OAG has a Code of Conduct which is part of the OAG Manual. The Manual provides guidelines on ethical principles and behaviours that the staff members are expected to adhere to in all circumstances. These includes ethical principles such as Independence, Competence, Integrity, Professional Behaviour and Due Care and Confidentiality. Most of the OAG's audits are outsourced to one of the big four audit firms, Deloitte and Touche. Deloitte is required by the OAG under the contract agreement to comply with the SAI's code of ethics. Every staff must complete the declaration form for each audit to ensure they have complied with the code. Any ethical issue identified is dealt with on an ad hoc basis.

GRAPH 25 - THE OFFICE OF THE AUDITOR-GENERAL OF THE REPUBLIC OF MARSHALL ISLANDS IN A SNAPSHOT



GRAPH 26 - THE OFFICE OF THE AUDITOR-GENERAL OF THE REPUBLIC OF MARSHALL ISLANDS IN GDP PER CAPITA CLUSTER

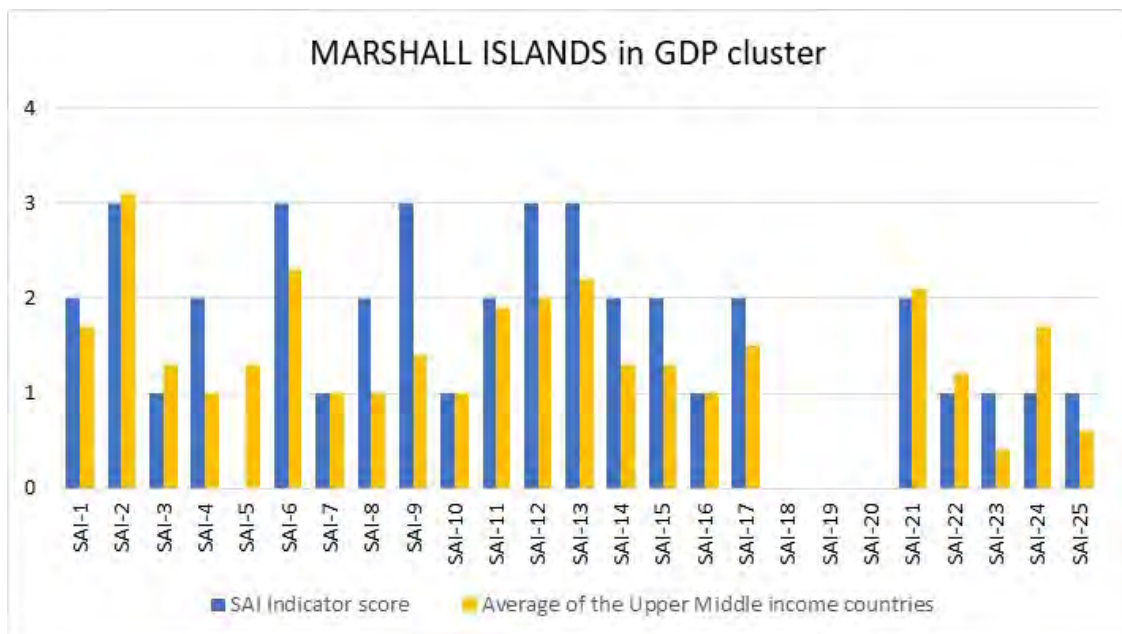


TABLE 19 - MARSHALL ISLANDS INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	3	1	3	1	2
SAI-2	4	3	3	-	3
SAI-3	1	1	0	1	1
SAI-4	0	0	0	0	0
SAI-5	N/A	N/A	N/A	-	N/A
SAI-6	0	2	-	-	1
SAI-7	0	1	-	-	0
SAI-8	2	0	1	N/A	1
SAI-9	0	0	0	-	0
SAI-10	0	0	0	-	0
SAI-11	4	4	1	-	3
SAI-12	0	0	0	-	0
SAI-13	0	0	0	-	0
SAI-14	0	0	0	-	0
SAI-15	0	0	0	-	0
SAI-16	0	1	1	-	1
SAI-17	2	1	0	-	1
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	1	0	0	-	0
SAI-22	2	0	1	2	1
SAI-23	0	1	1	1	1
SAI-24	0	1	1	0	0
SAI-25	1	1	-	-	1



4.13 Nauru Department of Audit (NDOA)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Nauru Department of Audit (NDOA) was prepared based on the SAI PMF Endorsement Version, 2016. This report was completed in June 2019.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	1	0	1	1	0
SAI-2	Mandate of the SAI	2	4	2		3

Enablers

The position of the Auditor General is established in the Constitution and guidance on how the appointment made is provided in the Audit Act 1973. According to the Act, the removal of the AG requires a two-thirds majority vote by the parliament.

All public financial operations, regardless of whether and how they are reflected in the national budget, are subject to audit by NDOA. NDOA's mandate specifically ensures it is responsible for the audit of all central government activities.

The Audit Act 1973 provides the SAI with unrestricted right of access to records, documents and information. The Act states that the Auditor General or any person duly authorized by him/her shall have access to all records, books, vouchers, documents, cash, stamps, securities, stores and other property of the Republic of Nauru in the possession of any officer. The SAI has the right to decide which information it needs for its audits. In case the access to information required for the audit is restricted or denied, there is an established and appropriate process for resolving such matters.

The NDOA is empowered and required by the Constitution to report its

findings annually and independently to Parliament. The SAI is also empowered to report on particularly important and significant findings during the year.

Constraints

The SAI is not established as an independent institution in the legislative framework governing the SAI, such as the Constitution of the Republic of Nauru or the Audit Act 1973. The Constitution establishes the position of the Director of Audit (which was subsequently re-designated as Auditor General) with implied reference to the office of the Director of Audit to be a public office. The SAI's independence is not explicitly laid down and not established in the Constitution. Therefore, the SAI has very low degree of initiative and autonomy. Independent decision-making powers is not clearly defined and guaranteed in the Constitution. The relationship between the SAI and the legislature is also not clarified in the Constitution.

The Constitution is silent on the SAI's financial independence. In practice, the SAI submits its budget to the Department of Finance, like all government departments. The SAI's budget is approved by the Department of Finance as part of the whole government budget before the government budget is submitted to Parliament for approval. After approval, the SAI's budget is kept in the Department of Treasury, like all other government entities.

There are no provisions in the Audit Act 1973 on the SAI's having "right of direct appeal" to the Legislature if the resources provided are insufficient. In the past three years the SAI's proposed budgets submitted to the Department of Finance were reduced.

There are no provisions for the SAI to audit the economy, efficiency and effectiveness of government / public entities' operations. In other words, the NDOA cannot carry out performance audits.

Analysis and Conclusions

The NDOA creation and independence is not fully entrenched in the Constitution, except for the establishment of the position of the Auditor General and the right and obligation to report to the parliament annually or at

any time when significant matters arise.

Some other legal provisions have been given in the Audit Act which describes the NDOA’s mandate and guarantees free access to the information needed to conduct the audits. Altogether, the constitution and the Audit Act are silent on the following important topics:

- a) the SAI’s financial independence;
- b) the SAI’s right to directly appeal to the parliament in situations of insufficient funding;
- c) the SAI’s organisational autonomy;
- d) the mandate for the SAI to carry out performance audits.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	1	0	0	0	0
SAI-4	Organisational control environment	0	0	0	0	0
SAI-5	Outsourced audits	N/A	N/A	N/A		N/A
SAI-6	Leadership and internal communication	0	2			1
SAI-7	Overall audit planning	0	0			0

Enablers

The NDOA has a strategic plan that includes a logical hierarchy of mission-vision-goals-objectives where the mission, vision and value statements determine the strategic direction of the SAI and the goals and objectives describe how to achieve the mission and fulfil the vision.

Constraints

The strategic plan does not include measurable indicators to monitor and measure the achievement of the SAI’s strategic objectives. Moreover, the

strategic plan is not founded on a proper needs assessment that would identify gaps or areas requiring performance improvements. There is no implementation matrix that prioritizes the projects that need to be undertaken to achieve the goals and objectives of the strategic plan. No risk assessment for the strategic plan was made.

It should be noted, however, that the SAI is close to completing the process of developing its new strategic plan. The draft plan has a broader scope compared to the previous one, taking external factors into consideration, such as measures to review the Audit Act 1973 and measures to improve the working processes with Public Accounts Committee. An implementation matrix that includes risk identification and a risk response has also been developed.

The process to develop the strategic plan was not documented, and there was no annual nor operational plan. The SAI does not develop an overall audit plan and does not have a process in place for this.

The SAI has not developed its own code of ethics but follows the common rules for all public employees set out in the Public Service Act. The Public Service Act is generic and is not compliant with ISSAI 30. Most of the essential requirements in ISSAI 30 are not mentioned; for instance, the importance of auditors' independence and objectivity and their acting in a professional manner. The SAI does not have a system in place to ensure that its staff follow ethical principles.

There is not an approved organisational structure where responsibility is clearly assigned for the work carried out by the SAI and the SAI has not developed clear job descriptions that cover the main responsibilities in the organisation. There are job descriptions in place, but they are rather general and they are not sufficient to ensure that staff are clear on their tasks and reporting lines.

The SAI has not implemented central elements to ensure it has an appropriate system of internal control in place, and there are no systems of quality control or quality assurance.

There is not a formally defined leadership group in the SAI. The leadership

consists of one person who is the AG and also makes the key decisions about the SAI. The rest of the staff is a mix of senior staff with more experience and several recent recruitments. This means that the SAI does not have leadership meetings as such. The regular meetings that are conducted are staff meetings where all staff are present. Even though the SAI is small, there is an opportunity to establish a small leadership group to discuss key issues.

There are no established principles for internal communications. The SAI has regular staff meetings and uses e-mail as a communication tool.

Analysis and Conclusions

In an everchanging world, a SAI has to be able to develop a vision for its future and design a path to achieve it, in order to stay relevant in all circumstances. The NDOA has started a process to improve its strategic plan, which will have a broader scope and be risk-based.

That new strategic plan should include important issues such as having an organisational structure fully developed and approved, establishing sound internal control practices and implementing quality control and quality assurance systems.

The strategic plan needs to be detailed in lower-level plans, namely the annual plan and the overall audit plan, so that the daily activities are connected with the long-term goals.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	4	N/A	0	2
SAI-9	Financial Audit Standards and Quality Management	0	0	0	0
SAI-10	Financial Audit Process	0	0	1	0
SAI-11	Financial Audit Results	0	0	0	0
SAI-12	Performance Audit Standards and Quality Management	N/A	N/A	N/A	N/A
SAI-13	Performance Audit Process	N/A	N/A	N/A	N/A
SAI-14	Performance Audit Results	N/A	N/A	N/A	N/A
SAI-15	Compliance Audit Standards and Quality Management	0	0	0	0
SAI-16	Compliance Audit Process	0	0	0	0
SAI-17	Compliance Audit Results	2	0	0	1

Enablers

In the Nauru government, financial statements are only produced for the whole of government accounts. The individual government entities do not produce financial statements. During the period under review, the SAI has received only one set of financial statements, which is the Government financial statements for the financial year ending 30 June 2015. This audit was completed, and the audit report was issued on 24 April 2018.

Constraints

The State-Owned Enterprises (SOEs) are within the NDOA mandate, but the legislation allows them to choose their own auditor or to submit their financial statements to the SAI. As a result, most of the SOEs are audited by external auditors and the audit reports are submitted to the Auditor General, who does not have any responsibility on the results of those audits. The SAI should at least have an oversight role on those audit reports, for the SOEs are within the SAI's mandate.

The SAI has not implemented a planning process where the specific

compliance audits that should be conducted in the next audit year is defined. There has not been a selection of entities and topics based on a systematic and documented assessment of materiality and risk, nor one taking into consideration the SAIs available resources. The SAI does not have a mechanism in place for ensuring that all entities within the SAI mandate are audited within a reasonable period of time.

The NDOA does not have audit manuals or any approved audit standards to guide the auditors in their work and to ensure the high quality needed in the final products. Consequently, there is no guidance regarding the audit team's composition nor quality control procedures. The audits conducted in the period under review were described as having been done in accordance with the ISSAIs.

The examination of the sample of two financial audits revealed the following major gaps, among others:

- a) no audit strategy was developed;
- b) no definition of materiality level for financial statements was found;
- c) no documentation of the auditor's understanding of the entity and its environment, including its internal control was registered or produced;
- d) no documented risk assessment.

Financial audit reports were not timely submitted to the legislature. The SAI does not have the right to publish the reports, neither does it have a follow-up system.

In regard to compliance audits, the NDOA does not prepare working papers; therefore, it was not possible to check if the SAI has a process in place for evaluating audit evidence, concluding and reporting of compliance audits. The compliance audit reports lack important elements such as scope of the audit, identified criteria and objectives of the audit.

Analysis and Conclusions

The NDOA audit works are in their initial stage of development. The SAI has not yet approved audit manuals or standards, and this gap reflects in the process of conducting the audits and in the quality of the audit reports. The SAI has demonstrated some capacity to carry out financial and compliance audits, but improvements are still needed in both audit streams and the approval of internationally recognised audit standards is the starting step.

The upcoming new strategic plan is the key for the SAI's future, for through it the NDOA can trigger improvements in the constitutional and legal framework so as to get more organisational independence and autonomy, and also design a path to achieve high quality in its audit works.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	N/A	0	0	0

Enablers

The NDOA fully uses the Financial Management System that is centralised in the Department of Finance. The SAI's expenditure are approved by the AG and then submitted to the DOF.

Constraints

In practice, the Department of Finance has control over the SAI's disbursement process. The NDOA does not have a long-term strategy or plan for its infrastructure needs, nor does it have a shorter-term plan for its IT necessities.

The SAI does not have its own Information Technology (IT) support service; the Government's ICT Department is responsible for IT support and service

to all government entities, including the SAI. The SAI has not developed office policies and procedures regarding the responsibilities for managing assets, managing files and archiving.

Analysis and Conclusions

The NDOA totally depends upon government provisions for its financial management, infrastructure and IT support. There are two administrative staff responsible for management and archiving who can be trained and equipped to ensure that the Office’s filing system and facilities are effective to secure all audit files and documentations.

Such dependency has a clear connection with the insufficient provision for the SAI’s autonomy and independence, as currently set in the legal framework.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	N/A	0	N/A	1	N/A
SAI-23	Professional Development and Training	0	0	N/A	0	0

Enablers

The NDOA is still in its initial stages of development in the Human Resources Management and professional training.

Constraints

The human resources’ function and recruitment in the government of Nauru, including the NDOA, are under the full control of the Chief Secretary Office. Moreover, the Office does not have a human resource strategy.

In general, there are no established procedures in place for conducting

performance appraisals and promotions. The government had a goal that performance appraisals for public officials should be conducted every 6 months, but this has not been done in practice. This is also the case in NDOA, where employee's performance was supposed to be assessed against the job description or against the performance agreement made in the previous year, but this has not been conducted either.

The SAI has not done anything specific for managing professional development and training within the two audit disciplines - Financial Audit and Compliance Audit. There were no efforts taken to monitor and evaluate the results of the trainings that staff participated, such as overseas trainings delivered by PASAI.

Analysis and Conclusions

The NDOA has very limited legal autonomy and depends totally on the central government for the human resource management, including recruiting. However, there are gaps that could be addressed internally, like establishing performance appraisals and implementing professional development strategy and plans. For any SAI to achieve and maintain a high level of performance, it needs to recruit and retain highly competent workforce.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	3	0	2	N/A	2
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	0	0			0

Enablers

The SAI has developed a communication strategy to guide its engagement with stakeholders. The strategy identifies key stakeholders with whom the SAI needs to communicate and the key messages it wants to communicate to

achieve its organisational objectives. It also identifies appropriate tools and approaches for external communication. The strategy is aligned with the SAI's strategic goal: To increase public sector knowledge on good governance and on the importance of public sector auditors.

The SAI, when conducting an audit, communicates plans for and generic information about the audit with the relevant Heads of department, through the engagement letter. In addition, the engagement letter also clarifies the responsibilities of the auditors and management and ethical requirements for auditors to be independent of the audited entity.

Constraints

Despite having a communication strategy, the SAI has not established policies and procedures regarding its communication with the Legislature, including defining who in the SAI is responsible for this communication. The SAI has not made any efforts to raise awareness of the Legislature on the SAI's role and mandate. In addition, the SAI has not taken the initiative to develop a professional relationship with relevant legislative oversight committees (such as PAC), to help them better understand the audit reports and conclusions and take appropriate action. The SAI has not sought feedback from the Legislature about the quality and relevance of its audit reports.

The reporting channel for the SAI to publish its audit reports is through the Minister concerned and Parliament – not through the media. Therefore, the SAI is not expected to engage directly with the media.

Communication with Citizens and civil society organisations (CSOs) is very limited and almost on a “reactive” basis. There are very few CSOs in Nauru and there are very few forums or opportunities where the SAI can communicate with the public or the CSOs. The SAI has not published summaries of audit reports, written or otherwise communicated to make it easy for citizens to understand the main audit findings. The SAI has not implemented initiatives to stimulate citizens' interest in and to access information on public sector audit and the SAI, apart from audit reports issued to legislature.

Analysis and Conclusions

The NDOA has a communication strategy that identifies key stakeholders and the core messages it wants to convey to them. However, that strategy has not been implemented through the establishment of policies and procedures. The SAI could be more proactive in its communication with the legislature, specially by engaging in more effective interactions with the PAC.

A SAI should also be able to help citizens and civil society organisations to better understand its mandate and to get acquainted with the audit findings so they appreciate the value added by the SAI to their lives. So far, the NDOA has maintained very limited communications with the media and with the citizens, this being only on a “reactive” basis.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The NDOA creation and independence is not fully entrenched in the Constitution, except for the establishment of the position of the Auditor General and the right and obligation to report to the parliament annually or at any time when significant matters arise.

Some other legal provisions have been given in the Audit Act, which describes the NDOA’s mandate and guarantees free access to the information needed to conduct the audits. Altogether, the constitution and the Audit Act are silent on the following important topics:

- a) the SAI’s financial independence;
- b) the SAI’s right to directly appeal to the parliament in situations of insufficient funding;
- c) the SAI’s organisational autonomy;
- d) the mandate for the SAI to carry out performance audits.

The NDOA has conducted financial and compliance audits, to a limited extent. The office is yet at an incipient level of maturity, for it does not have

audit manuals or audit standards approved and applied. Quality control and quality assurance systems are not yet implemented, and there is no follow-up mechanism.

Another relevant legal constraint is that the SAI does not have free decision powers regarding all HR functions. It depends on the executive for recruitment, performance appraisal, promotion and welfare policies.

All these constraints have limited the SAI's potential to add value to the lives of the citizens through high quality audits.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

Even though the NDOA has a communication strategy, it has not been implemented through the establishment policies and procedures. The SAI could be more proactive in its communication with the legislature, specially by engaging in more effective interactions with the PAC.

A SAI should also be able to help citizens and civil society organisations to better understand its mandate and to get acquainted with the audit findings so that they appreciate the value added by the SAI to their lives. So far, the NDOA has maintained very limited communications with the media and with the citizens, this being only on a "reactive" basis.

Altogether, the NDOA should improve its communication channels with all key stakeholders, especially the legislature, the media and the citizens.

3. Being a model organisation through leading by example

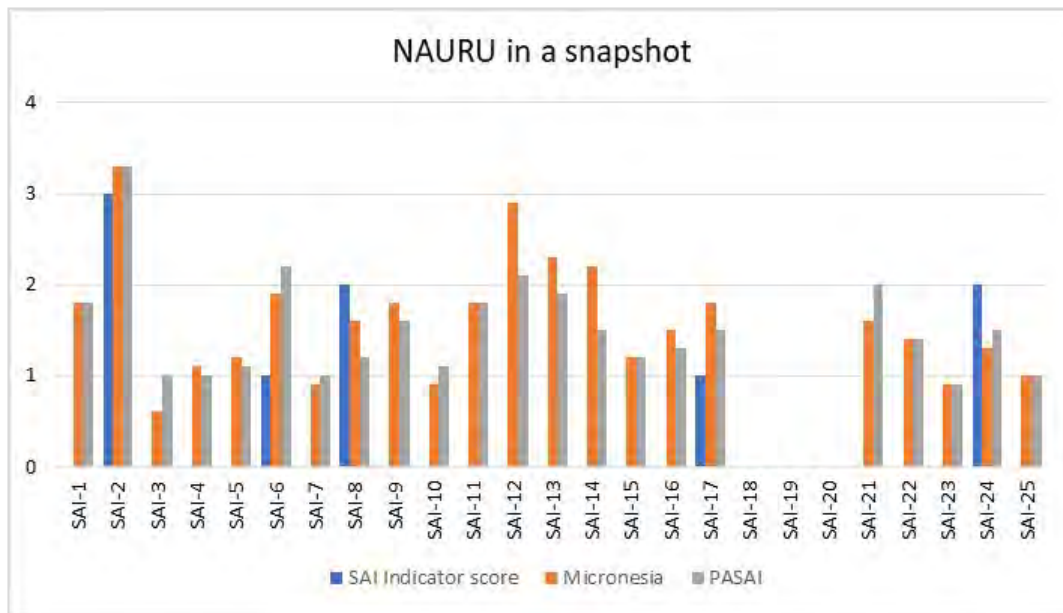
Leading by example involves both internal leadership, by establishing good internal example by the managers ("tone at the top"), and external leadership, by demonstrating strong commitment with ethics and good use of the public resources the Office has been entrusted to.

The NDOA use of the public resources entrusted to it, either financial or infrastructure assets, is not fully under the control of the AG. All payments and HR decisions are under the executive control, leaving very little discretionary space for the AG.

The upcoming new strategic plan is the key to overcome those limits, for through it the NDOA can trigger improvements in the constitutional and legal framework so as to get more organisational independence and autonomy, and also design a path to achieve high quality in its audit works.

Internally, the SAI should establish a leadership group clearly identified and empowered to take the initiative in key issues, namely demonstrating commitment to ethics and setting a good example from the top.

GRAPH 27 - NAURU DEPARTMENT OF AUDIT IN A SNAPSHOT



GRAPH 28 - NAURU DEPARTMENT OF AUDIT IN GDP PER CAPITA CLUSTER

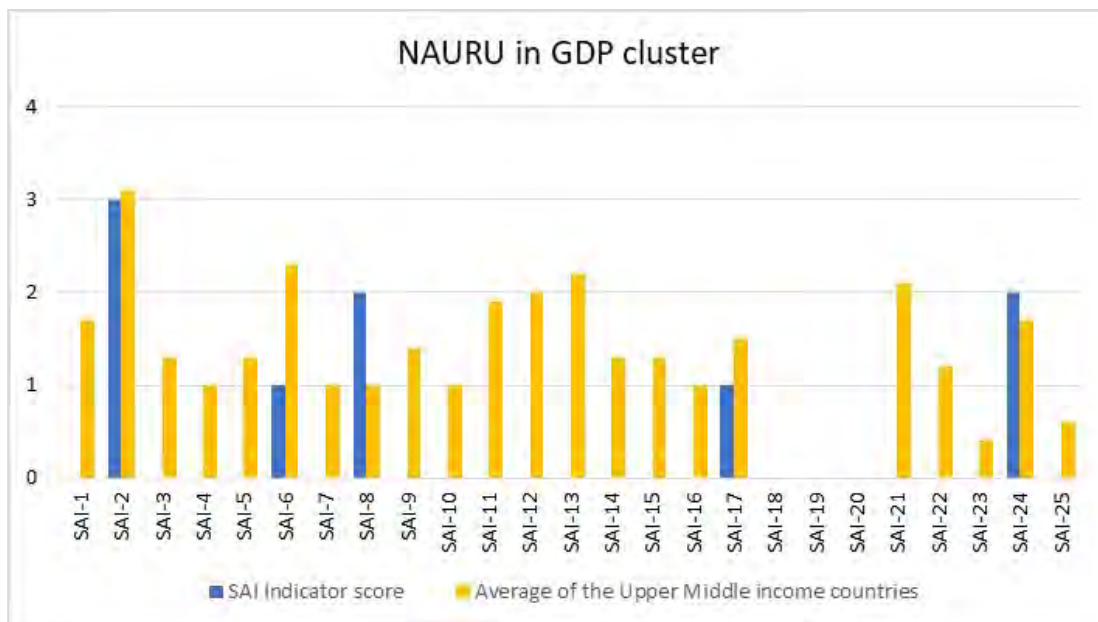


TABLE 20 - NAURU INDICATORS

Indicator	(i) (ii)		(iii)	(iv)	SAI Indicator score
SAI-1	1	0	1	1	0
SAI-2	2	4	2	-	3
SAI-3	1	0	0	0	0
SAI-4	0	0	0	0	0
SAI-5	N/A	N/A	N/A	N/A	N/A
SAI-6	0	2	-	-	1
SAI-7	0	0	-	-	0
SAI-8	4	N/A	0	N/A	2
SAI-9	0	0	0	-	0
SAI-10	0	0	1	-	0
SAI-11	0	0	0	-	0
SAI-12	N/A	N/A	N/A	-	N/A
SAI-13	N/A	N/A	N/A	-	N/A
SAI-14	N/A	N/A	N/A	-	N/A
SAI-15	0	0	0	-	0
SAI-16	0	0	0	-	0
SAI-17	2	0	0	-	1
SAI-18	N/A	N/A	N/A	-	N/A
SAI-19	N/A	N/A	N/A	N/A	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	N/A	0	0	-	0
SAI-22	N/A	0	N/A	1	N/A
SAI-23	0	0	N/A	0	0
SAI-24	3	0	2	N/A	2
SAI-25	0	0	-	-	0



4.14 Palau Office of the Public Auditor (Palau OPA)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Palau Office of the Public Auditor (Palau OPA) was prepared on the basis of the SAI PMF Endorsement Version 2016. The draft report of the assessment was completed in June 2022.

The current analysis is fully based upon the above-mentioned SAI PMF draft assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	3	4	3	4	3
SAI-2	Mandate of the SAI	4	4	4		4

Enablers

The Constitution of the Republic of Palau, the Public Auditing Act and relevant legislation provide an appropriate and effective Constitutional and Legal Framework to support the independence of the Office of the Public Auditor (OPA).

The establishment of the SAI is laid down in the Constitution. The confirmation of the public auditor's appointment by the Palau National Congress guarantees independence from the executive government. Currently, the SAI has full independence as provided under Article 12 of the Constitution. The appointment, term, cessation of functions of the Head of the SAI and the independence of their decision-making powers are guaranteed in the Constitution.

The legal framework in Palau explicitly provides for the SAI's financial independence from the executive. The SAI budget is included and submitted with the President's budget to Parliament, thus confirming the SAI's independence from the executive. The SAI's budget is approved by the Palau National Congress (*Olbiil Era Kelulau*). The OPA is free to propose its

budget directly to the *Olbiil Era Kelulau*.

The Palau OPA is entitled to use the funds allotted to them as they see fit. After the *Olbiil Era Kelulau* has approved the SAI budget the Treasury cannot control or restrict the use of funds by the Public Auditor.

The legal framework ensures that the OPA has the functional and organisational independence required to accomplish its tasks. This is provided under the Constitution. In practice, the SAI is free from direction or interference from the Legislature or the Executive in the organisation and management of its office, and there has been no interference with the work of the SAI. The SAI has the power to determine its own rules and procedures for managing business and for fulfilling its mandate.

The Head of SAI is free to independently decide on all human resource matters, including appointments of staff, terms and conditions. This is provided under the Public Auditing Act of 1985.

The Constitution specifies the conditions for appointments, reappointments, and removal of the Head of the SAI by a process that ensures their independence. The Palau National Congress must confirm the approval. The head of SAI is given appointments and re-appointments with sufficiently long and fixed terms of six years each, to allow them to carry out their mandates without fear of retaliation. The Head of the SAI and staff are immune to any prosecution for any act that results from the normal discharge of their duties. The Constitution states that the public auditor is free from any control or influence by any person or organisation.

The Constitution and relevant legislation provide a sufficiently broad mandate for the SAI. The OPA has the mandate to audit all public financial operations and to report on the economy, efficiency and effectiveness of the central government activities. The SAI has not had any interference from the central government in the performance of its work.

The SAI has the authority and powers to access any information required in the course of their work. They have powers to summon persons to testify. The Constitution and Public auditing Act 1985 have empowered the SAI with the

right and obligation to report to the National Congress, including the freedom to decide on the content and the timing of submission and publication. In the last three years, there has been no interference from the executive as to the content and the publication of the audit reports.

Constraints

The constitution is silent about “adequate legal protection by a supreme court against any interference with a SAI’s independence”, and the legal framework does not clearly define the relationship between the SAI, the Legislature, and the Executive.

Analysis and Conclusions

The Palau OPA enjoys strong support by the constitution and legal framework, which altogether provide for the SAI’s creation, financial and organisational autonomy, and the independence of the Head of the SAI and its officials. The mandate is broad, covering all government’s entities and activities, and including the three audit streams, financial, performance and compliance.

The only constraints are the absence of legal protection by a supreme court and the lack of clear definitions about the relationships among the SAI, the Legislature and the Executive. In practice, these constraints have had virtually no impact in the OPA’s discharge of its mandate.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	0	1	0	1	0
SAI-4	Organisational control environment	0	0	2	0	0
SAI-5	Outsourced audits	3	3	1		2
SAI-6	Leadership and internal communication	1	1			1
SAI-7	Overall audit planning	0	0			0

Enablers

The OPA has an annual plan with clearly defined activities, timetables and responsibilities. The annual plan includes the following topics: The Office; Values and Mission; Audits, Inspections and Support; Other Mandates; OPA's capacity to carry out its Mandates; and Non-Audit Services.

The OPA has an Employee Performance Guide and also follows the Government of Palau Code of Ethics. The Code of Ethics Act is posted on the OPA website. The code and the guide set out the policies, practices and rules regarding integrity, professional conduct, due care, conflicts of interest, confidentiality, and use of information obtained during the audits works. All staff members are required to maintain their conduct consistent with the values and principles outlined in the Code.

The OPA has an approved organisational structure that includes job descriptions for all positions. The Public Auditing Act specifically exempts the OPA from the Civil Service laws and regulations. The Public Auditor has the authority to appoint and remove the OPA employees as deemed necessary, and to establish personnel regulations for the employees.

The procurement process to contract an outsourced auditor follows the OPA's audit manual, the Palau Government Procurement Act, and the Single Audit Request for Proposal. The OPA outsourcing of financial audits follows a well-established process that includes a system of quality control. That system covers all outsourced audit works and requires the contracted firm maintain quality control procedures. All draft audit reports are submitted to the OPA and the Ministry of Finance for comments before finalisation. The outsourced firm signs the financial audit opinion after discussion and agreement with the Public Auditor.

The Head of the SAI holds periodic staff meetings. In conducting these meetings, staff members are notified by emails that include the meeting agenda. Afterwards, the Administrative Officer keeps minutes of staff meetings. Emails are the primary means of communication to all staff.

Constraints

The Palau OPA has as a strategic plan, but it is not fully developed. The plan was based on a needs assessment, and included the major elements of Vision, Mission, Values and goals, but lacked a number of important points:

- a) the objectives are not articulated, and the plan does not include a results framework;
- b) there is no framework to measure the achievements of goals identified, nor any indicators to measure achievements;
- c) there is no implementation matrix or similar document which identifies and prioritises the projects;
- d) the strategic plan does not identify the risks to its implementation;
- e) the stakeholders' expectations and emerging risks are not factored into the strategic plan;
- f) the current strategic plan is not based on an assessment of the institutional framework in which the SAI operates;
- g) the strategic plan does not include measures designed to strengthen the SAI's institutional environment.

The OPA annual plan has neither linkage to the strategic plan nor any connection to the budget. There is no evidence that considerations have been made about the resources needed to complete the activities in the plan. There was no assessment of the risks connected to achieving the objectives of the plan and there were no measurable indicators at the outcome and output level.

The planning process and responsibilities for preparing the strategic plan and operational plan are not documented or described in any Office Manual or official documents. There is no evidence of staff and management input in the development of both the strategic plan and the annual operational plan.

The SAI does not have a separate audit plan. There were no documents to provide sufficient details of the audits planned to be conducted during the year, how the audits were selected, what the major objectives of the audits are as well as who has the responsibility for each audit.

There is no system to identify and mitigate ethical risks, nor is there a system to address breaches in ethical values, including protection of those reporting suspected wrongdoing.

The system of internal control does not clearly define mechanisms to monitor and mitigate major operational risks. There are policies and procedures in the audit manual that provide some guidance on audit risks, but there are no processes to monitor compliance with established internal controls. The OPA does not maintain an annual process to provide assurance that staff members have managed risk while carrying out their responsibilities. There was no evidence that OPA had undertaken a review of its internal control system.

The SAI does not have a structured mechanism or process to prioritize its work in a way that considers the need to maintain quality. There is no system to consider the risks to quality that may arise from carrying out the work. When developing its work programs, the SAI does not consider whether there are available resources to deliver the range of work at the desired level of quality. The OPA does not have a system to prioritize its work in a way that takes into account the need to maintain quality.

There are no written procedures and/or plans for quality assurance (QA) that specify the frequency with which QA reviews should be carried out, including the QA of outsourced audits. The results of monitoring the system of quality control are not reported to the Head of SAI in a timely manner.

For outsourced audits, there is no requirement of rotating key personnel to reduce the risk of familiarity with the audited organisation.

Audit teams meet regularly, but minutes, if any, are not filed with the administrative officer. While key decisions are communicated to staff, those decisions are not documented.

There was no evidence that the SAI leadership has identified and disseminated the SAI's values and promoted these values in public activities, core documents and regular communications. While the audit manual outlines supervisory responsibilities, there was no evidence that managers are held accountable for their actions.

The staff agenda and minutes do not indicate initiatives to set a tone at the top, by enabling accountability and strengthening the culture of internal control. No documents reflect initiatives for building an ethical culture in the organisation by identifying ethic as an explicit priority, leading by example, maintaining high standards of professionalism, accountability and transparency in decision making, encouraging an open and mutual learning environment where difficult and sensitive questions can be raised and discussed, and recognizing good ethical behaviour, while addressing misconduct. Additionally, the SAI leadership has not demonstrated initiatives to establish an internal culture recognizing that quality is essential in performing all its work.

Analysis and Conclusions

All SAIs are expected to perform at high level, so that they can lead by example. To comply with such an expectation, the OPA needs to develop its planning capabilities. The strategic plan still lacks important points, as listed in the previous section of constraints. The annual plan should be connected to the strategic plan and to the budget. It also needs to balance the planned activities with the available resources, so as to maximise its efficiency.

There are clear gaps in risk assessment and risk management, for there were no risk evaluations associated with the implementation of the plans nor associated with the need to maintain quality in all audit works.

The OPA has a code of ethics, but there is no system to identify and mitigate ethical risks, nor is there a system to address breaches in ethical values, including protection of those reporting suspected wrongdoing. Moreover, there was no evidence that the SAI leadership has identified and disseminated the SAI's values and commitment to ethical behaviour.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	1	1	0	1
SAI-9	Financial Audit Standards and Quality Management	4	0	0	1
SAI-10	Financial Audit Process	0	0	0	0
SAI-11	Financial Audit Results	2	0	0	1
SAI-12	Performance Audit Standards and Quality Management	4	3	3	3
SAI-13	Performance Audit Process	2	3	3	3
SAI-14	Performance Audit Results	0	1	0	0
SAI-15	Compliance Audit Standards and Quality Management	2	1	3	2
SAI-16	Compliance Audit Process	2	3	2	2
SAI-17	Compliance Audit Results	2	1	0	1

Enablers

The OPA outsourced all its financial audits. As a result, 39 out of 40 received financial statements were audited and had an opinion issued. Even though a contracted firm conducted those audits, the OPA retains full authority and supervision powers over them.

Performance audit is the priority for the OPA. All the SAI's audit staff carried out audits of government programmes in accordance with the principles of economy, efficiency, and effectiveness. In the period under review, the SAI conducted 12 performance audits (including 10 of a compliance nature) covering a wide range of sectors/topics.

The OPA and the contracted auditors adopted the Generally Accepted Government Auditing Standards (GAGAS), which is in line with the

fundamental principles of financial auditing as reflected in ISSAI 200. Further, the OPA has adopted an Audit Manual that provides guidance on financial audit processes.

Palau OPA performs well when it comes to performance audit standards and quality management. The SAI Audit Manual provides a solid foundation setting out performance audit standards and policies in compliance with international auditing standards. The primary document/guidance developed by the OPA to support their performance audit work is the Palau OPA Audit Manual 2014.

According to the conclusions of the SAI PMF assessment team, the national standards adopted by the OPA meet the requirements of the ISSAI 300. The OPA also has good practices regarding the composition and management of the performance audit teams.

The planning of a performance audit starts with a study prior to the commencement of an audit that methodically gathers substantive knowledge on the subject matter or audit topic. The audit team also carries out observations to identify problems and risks.

The audit teams set clearly defined audit objectives according to the three E's of performance auditing – efficiency, effectiveness, and economy. The audit objectives were appropriately framed with audit questions, with teams utilising the problem-oriented approach for Audit Sample 1, and the result-oriented approach for Audit Sample 2.

For both engagement files, the audit team established suitable criteria that corresponded to the audit questions and were related to the principles of economy, efficiency and effectiveness. The audit team obtained sufficient and appropriate audit evidence to establish findings, reach conclusions in response to the audit objectives and questions and issue recommendations. The audit team evaluated the evidence to obtain audit findings and combined and compared data from different sources. The audit team exercised professional judgement to reach a conclusion that provided answers to the audit questions.

The performance audit reports included all the information needed to address the audit objectives and audit questions, while being sufficiently detailed to provide an understanding of the subject matter and the findings and conclusions. They were also logically structured, presenting a clear relationship between the audit objectives, criteria, findings, conclusions and recommendations. They were also balanced in content and tone, including information on sources of audit criteria used.

Materiality was addressed in both reports particularly in respect of the economic and social impact of the topic the report considered. Both reports provided constructive recommendations with the audited entities given an opportunity to comment on the audit findings, conclusions and recommendations before the OPA issued its audit reports.

Constraints

The OPA did not report publicly or to those responsible on any non-submission of financial statements. The selection of the performance audits was based on requests from the national or state leaderships due to concerns over a particular project and/or operations. The OPA lacked planning and a selection process for performance and compliance audit topics.

The Financial Audit Manual still lack specific guidance on determining materiality and in developing an overall audit plan strategy. The OPA has not established a system to regularly check and ensure that the engagement teams of the Contract Auditors collectively have the appropriate competence and capabilities.

There were no audit work papers available to review and examine how quality control measure for financial audit have been implemented in practice, although the OPA Audit Manual has policies and procedures for internal monitoring of quality.

During the period under review, the OPA has not conducted any financial audits, although it has the mandate to conduct financial audits and the oversight responsibilities in the conduct of the Single Audit of the Republic of Palau National Government and its Component Units and Agencies, and of

the States.

During the period under review, about 59% of related audit opinions and financial reports were submitted within the established legal or agreed timeframe. The financial audit results are published in the OPA website and available to the public; however, there was no information to determine when and how the OPA received a copy of the audited financial statements from the independent auditors.

Both the performance audit reports were submitted to the audited entities more than a year after completion. Only one of the two performance audit reports completed was published within 60 days after the SAI was permitted to publish it. There is no system to follow-up the performance audit recommendations.

Regarding compliance audit standards, The SAI adopts the Generally Accepted Government Auditing Standards (GAGAS) that is regulated by the United States General Accountability Office as its authoritative standards. This standard is not as comprehensive as ISSAI 400 in terms of providing the compliance auditing framework and the different ways in which compliance audits are conducted. The criterion requiring the consideration of risk (inherent, control and detection) throughout the audit process was scored as not met because the OPAs audit manual and GAGAS does not specify/discuss those the three dimensions of audit risk.

For compliance audits, the OPA does not have a system to ensure that individuals in the audit team collectively possess the knowledge, skills and expertise to complete the audit. Only 40% or 4 out of 10 compliance audit reports were issued within 12 months of the end of the audit reporting period, and only 50% or 5 of the 10 compliance audit reports completed were published on the website within 60 days after the SAI was permitted to publish it. Again, there is no follow-up system for the recommendations.

Analysis and Conclusions

The OPA option to outsource all its financial audits has provided some good results. Almost all the financial statements received were audited, with only

one exception. The OPA and the contracted auditors adopted the Generally Accepted Government Auditing Standards (GAGAS), which is in line with the fundamental principles of financial auditing as reflected in ISSAI 200.

However, not all the financial audit reports were timely submitted. They were all published in the website, but there was no information about the timeliness of the publication.

Performance audit is the key focus of the SAI. The OPA has good standards, and the audits examined in the sample reached good scores, which is a reflection of their high quality. Nonetheless, the OPA lacked a selection process for performance and compliance audit topics. The submission and publication of the performance audit reports were untimely.

Ten in twelve performance audits were of compliance nature. They followed the same audit standards and practices of the performance audits. Consequently, they showed similar results. The compliance audits are not seen as a standalone audit type; they are treated as a performance audit with a compliance nature.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	2	1	3	2

Enablers

Financial management's responsibility is assigned to the Administrative Unit of the OPA that is resourced by two staff, who have adequate knowledge and long years of work experience. They report to the Public Auditor. The OPA budget is appropriated through the unified national budget process and is guaranteed with a budget allocation in the audit legislation.

The OPA follows the financial management rules, policies, and procedures outlined in the Financial Manual and related Guidelines on financial management issued by the National Treasury, which by law administers the financial management and budget of the Government of Palau.

The OPA has appropriate administrative support through its Administrative Unit to function and maintain its assets and infrastructure effectively. Responsibilities for file management, archiving, major assets, and infrastructure are assigned and carried out by two administration staff.

Constraints

Although the OPA's financial activities are reported in the Annual Republic of Palau Single Account report, the OPA has not prepared a detailed account of the use of its budget funds as required by the Public Auditing Act. Further, there is no report on its financial performance in both its Annual Reports and its Performance Reports.

The OPA has not developed short and long-term asset or IT management plans based on its current and future anticipated needs. Further, there has been no review of asset utilisation to ensure assets are used effectively, including secured access archiving facility for its records. The actual IT works are outsourced to a local computer company.

Analysis and Conclusions

The OPA has an Administrative Unit that is resourced with two staff, who are well qualified for their jobs. By law the office follows financial management rules that are issued by the National Treasury, which is a common arrangement in small countries.

It is important that the OPA prepare a detailed account of its use of the budget, as required by the law. Transparency in the use of the money is of key importance to demonstrate that the SAI is committed to leading by example.

There should be controls to assure the security and confidentiality of the

information and the data used and produced by the OPA in its audits.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	2	0	0	0	0
SAI-23	Professional Development and Training	0	0	0	0	0

Enablers

The Public Auditor has discretionary power and responsibility for human resources (HR) functions under the Public Auditing Act. The OPA has an established human resource management function under its Administrative Unit, which is managed and supervised by the Public Auditor (PA).

Constraints

The power stipulated in the Public Auditing Act also means that the HR functions are within the control of the OPA. It specifically exempts the OPA from the National Public Service System Act (NPSSA) and therefore makes it not subject to its requirements. However, the OPA has no established systems, policies, or procedures for HR in place. Instead, it voluntarily uses selected provisions of the NPSSA, such as the pay structure, to guide its HR practices.

There was no Human Resources Strategy in place, nor any procedure for recruitment. There were no established remuneration and promotion procedures available, and no staff welfare practice exists, although the OPA seems to be using the NPSSA public pay scale and structure.

There were no established or developed plans and processes for Professional Development and Training in the OPA for both its professional staff and its non- audit (administrative) staff. OPA did not have a professional development or a training plan specific to financial, performance or

compliance auditors. Responsibility for training in the three audit streams is not assigned to any staff in the SAI but depends on Programs offered by APIPA, PASAI, U.S. Graduate School PITI and other development partners.

Analysis and Conclusions

The Human Resources function is within the control of the OPA, but the SAI has chosen not to exercise that discretion. Instead, it has chosen to use the provisions of the National Public Service System Act (NPSSA) such as the pay structure to guide its HR practices.

Therefore, it is up to the OPA to cover the major gaps that still persist in its management of HR, like a human resource strategy, overall professional development plans and a fully established welfare policy aimed at recruiting and retaining highly qualified professionals. The OPA cannot reach its full potential without such improvements.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	1	1	1	0	1
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	0	0			0

Enablers

The SAI has consistently reported annually to Parliament, and all the reports have been posted on the website.

The SAI is not involved or seem to be involved, in any manner, in the management of the organisations they audit. The OPA is independent of all auditees as stated in Article 12, Section 2 - (a) of the Constitution, which provides: *The Public Auditor shall be free from any control or influence by any person or organisation.*

Constraints

The Palau office of the Public Auditor does not have an official communication strategy. The SAI has not developed a strategy for external communication and stakeholder engagement. The SAI however has identified their key stakeholders with whom the SAI needs to communicate to achieve its organisational objectives. Since it has no communications strategy, it cannot identify the key messages the SAI wants to communicate. Appropriate tools and approaches for external communication have not been identified and documented in a structured manner. Alignment of the communication strategy with the strategic plan cannot be made.

Even though the SAI communicates regularly with the legislature, there is no evidence that the SAI analyses its audit reports to identify common themes, findings, trends, root causes, and audit recommendations. There is no evidence that the SAI organises programmes to raise awareness of the Legislature on the SAI's role and mandate. There is no evidence that the SAI develops a professional relationship with the legislative oversight committee to assist them to understand the audit reports and conclusion. There is no evidence that the SAI seeks feedback from the Legislature about the quality and relevance of its audit reports.

There is no evidence of activities to support good practice regarding communication with the Executive or no evidence that the SAI provides generic information to auditees on what to expect during an audit. Similarly, there is no evidence that the SAI invites senior members of the Executive to meetings to discuss issues of concern to both the SAI and the Executive or that the SAI seeks feedback from the audited entities about the quality and relevance of audit reports and the audit process.

There is also no evidence that the SAI has good practices regarding communication with the judiciary, and/or prosecuting and investigating agencies.

Regarding communication with the media, the SAI never held a press conference to launch annual reports or other reports, nor issued a press release when submitting a report to Parliament. The OPA has never approached the media to disseminate audit reports. There is no system to monitor media's coverage

and respond to media questions.

In relation to the citizens and civil societies organisations, the SAI does not publish its mandate or summaries of the audit reports to make it easy for citizens to understand. There are no communication works with the citizens and civil society organisations.

All the above gaps are due to the non-existence of a comprehensive communications strategy in which all those issues could be addressed.

Analysis and Conclusions

A SAI should engage in proactive communications with its key stakeholders and with the citizens in general. The OPA has held regular communications with the legislature through the annual reports sent to them. However, the OPA has not gone beyond this mandatory practice. The list of constraints depicted in the previous section demonstrates that there are a lot of improvements to be done in this area.

The development and implementation of a comprehensive communications strategy, aligned with the strategic planning, is a major step towards demonstrating to the society the value added by the SAI's work.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The constitution and the legal framework have given the OPA a high level of independence and organisational autonomy. The mandate is broad, covering all government's entities and activities, and including the three audit streams, financial, performance and compliance.

The SAI has chosen to outsource all the financial audits under its mandate, which has proven to be an efficient arrangement, for almost all financial statements received were duly audited and had an opinion issued. As a consequence, the SAI has dedicated its audit workforce to performance audits,

which quite often assume a compliance nature.

The potential impact of all the audits has been somehow limited by the untimely submission of the audit reports. Audit recommendations are very often meaningful in the context they were developed. If it takes too long before they are submitted to the audited bodies, then opportunities might be lost. The implementation of follow-up systems can also boost the desired outcomes.

The strategic planning needs to be extensively improved to circumvent the following issues:

- a) the objectives are not articulated, and the plan does not include a results framework;
- b) there is no framework to measure the achievements of goals identified, nor any indicators to measure achievements;
- c) there is no implementation matrix or similar document which identifies and prioritises the projects;
- d) the strategic plan does not identify the risks to its implementation;
- e) the stakeholders' expectations and emerging risks are not factored into the strategic plan;
- f) the current strategic plan is not based on an assessment of the institutional framework in which the SAI operates;
- g) the strategic plan does not include measures designed to strengthen the SAI's institutional environment.

Altogether, the Palau OPA has delivered good results in the three audit streams. However, there is room for improvement.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

The OPA has been very restricted in its communication efforts, which so far have been limited to the annual reporting to parliament. The following constraints are up to now limiting the SAI's ability to communicate its value to the society:

- a) there is no official communications strategy;
- b) the key messages the SAI wants to communicate are not identified;
- c) appropriate tools and approaches for external communication have not been identified;
- d) the SAI does not analyse its audit reports to identify common themes, findings, trends, root causes, and audit recommendations;
- e) there are no programmes to raise awareness of the Legislature on the SAI's role and mandate;
- f) there is no evidence that the SAI seeks feedback from the Legislature about the quality and relevance of its audit reports;
- g) the SAI does not provide generic information to auditees on what to expect during an audit, nor seeks feedback from the audited entities about the quality and relevance of audit reports and the audit process;
- h) there has been no press conference to launch annual reports or other reports and no press release when submitting a report to Parliament;
- i) the SAI does not publish its mandate or summaries of the audit reports to make it easy for citizens to understand.

3. Being a model organisation through leading by example

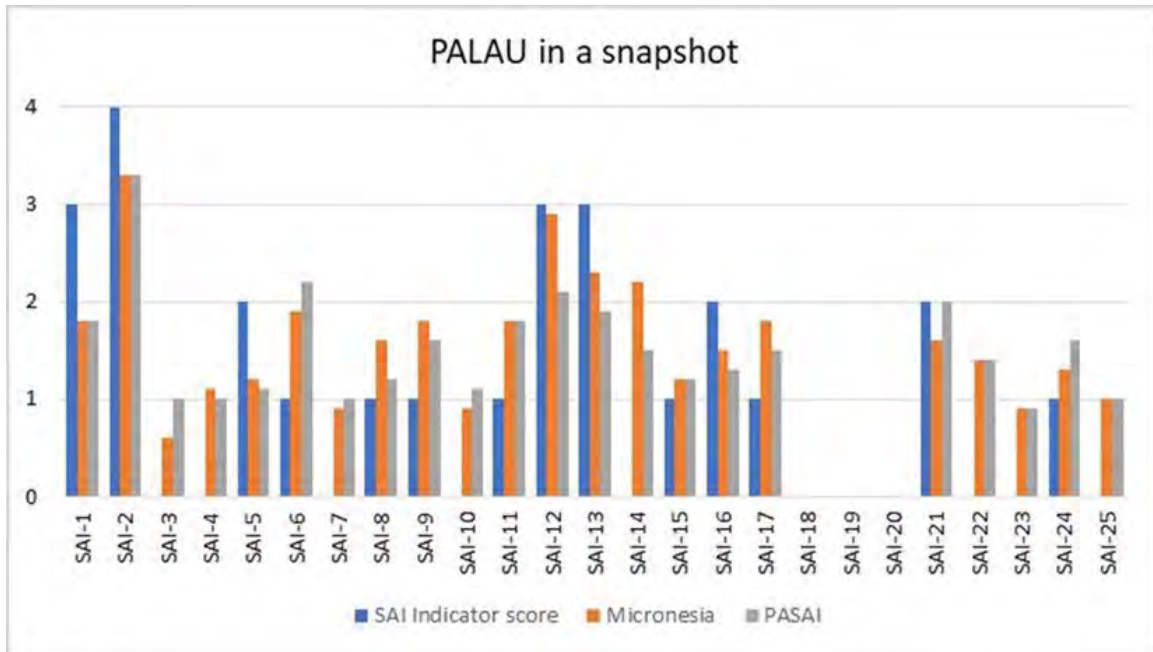
The OPA has a performance guide and a code of ethics posted on the OPA website. The code and the guide set out the policies, practices and rules regarding integrity, professional conduct, due care, conflicts of interest, confidentiality, and use of information obtained during the audits works. All staff members are required to maintain their conduct consistent with the values and principles outlined in the Code.

The OPA could reinforce its leading by example by preparing and publishing a detailed account of the use of its budget funds as required by the Public Auditing Act. Further, the SAI should include information about its financial performance in both its Annual Reports and its Performance Reports.

The OPA has a code of ethics, but there is no system to identify and mitigate ethical risks, nor is there a system to address breaches in ethical values, including protection of those reporting suspected wrongdoing. Moreover, there was no evidence that the SAI leadership has identified and disseminated the SAI's values and commitment to ethical behaviour.

Commitment to ethical behaviour and transparency in the use of public funds are key points to lead by example.

GRAPH 29 - PALAU OFFICE OF THE PUBLIC AUDITOR IN A SNAPSHOT



GRAPH 30 - PALAU OFFICE OF THE PUBLIC AUDITOR GDP PER CAPITA CLUSTER

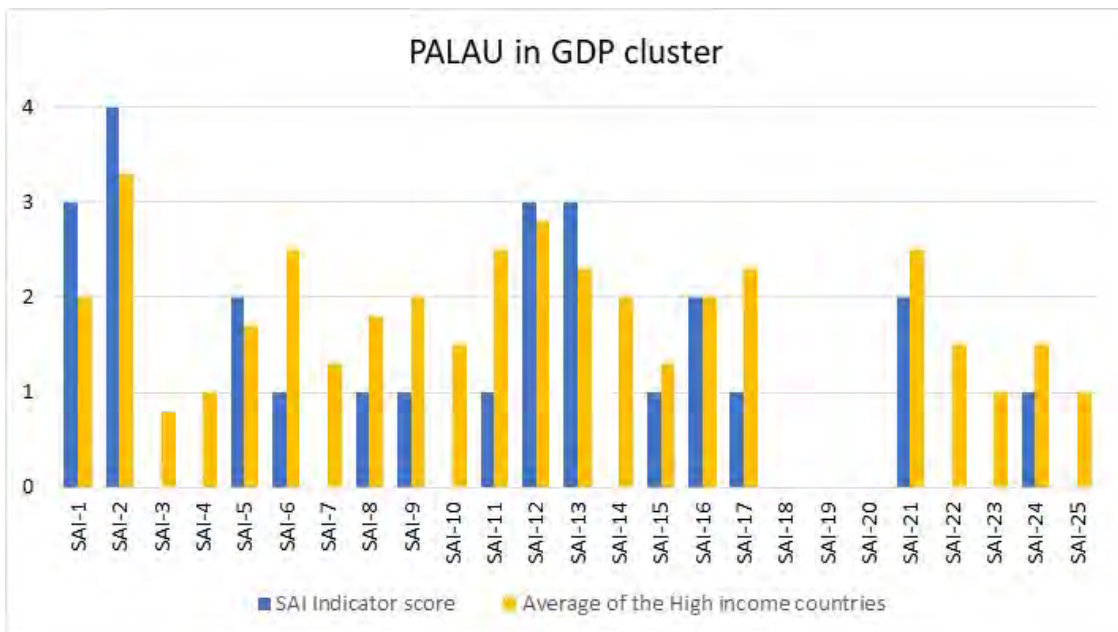


TABLE 21 - PALAU INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	3	4	3	4	3
SAI-2	4	4	4	-	4
SAI-3	0	1	0	1	0
SAI-4	0	0	2	0	0
SAI-5	3	3	1	-	2
SAI-6	1	1	-	-	1
SAI-7	0	0	-	-	0
SAI-8	1	1	0	N/A	1
SAI-9	4	0	0	-	1
SAI-10	0	0	0	-	0
SAI-11	2	0	0	-	1
SAI-12	4	3	3	-	3
SAI-13	2	3	3	-	3
SAI-14	0	1	0	-	0
SAI-15	2	1	3	-	2
SAI-16	2	3	2	-	2
SAI-17	2	1	0	-	1
SAI-18	N/A	N/A	N/A	-	N/A
SAI-19	N/A	N/A	N/A	N/A	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	2	1	3	-	2
SAI-22	2	0	0	0	0
SAI-23	0	0	0	0	0
SAI-24	1	1	1	0	1
SAI-25	0	0	-	-	0



4.15 Papua New Guinea Auditor General’s Office (PNG AGO)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Auditor General’s Office of Papua New Guinea (AGO) was prepared on the basis of the SAI PMF Endorsement Version 2016. The assessment was completed in June 2020.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	4	1	2	2	2
SAI-2	Mandate of the SAI	3	4	2		3

Enablers

The AGO of PNG is supported by an adequate constitutional and legal framework (SAI-1, Dimension i, scored 4). A good degree of organisational autonomy has been established by law, but in practice there have been a few external constraints. It controls its own budget after approval; however, releasing funds for wages and travel expenses could be delayed by the Department of Finance.

The Audit Act 1989 allows the AGO to propose its budget to the Permanent Parliamentary Committee on Public Accounts (PPCPA) for recommendation to the Prime Minister for approval. The Audit Act 1989 also allows the AGO to seek further funding from the PPCPA if it believes extra funding is needed.

The constitution and the Audit Act allow the Auditor-General to inspect and audit the accounts, finances and property of all departments of the national public service and arms, agencies and instrumentalities of the national and provincial government and all statutory bodies, regardless of whether and

how they are reflected in the National Budget.

Constraints

Up to six statutory bodies have amended their legislation to remove the Auditor-General as their auditor. When statutory bodies autonomously select different auditors, rather than the AGO, it creates a significant risk to the AGO's mandate, powers, and effective functioning. It also limits the AGO's ability to report to the parliament on matters of public interest.

Outside of the legislative provisions, the Ministry of Finance has placed a ceiling on the Auditor-General's proposed budget. This means that its budget is no longer directly considered by the PPCPA, but by the Department of Treasury. As such, the AGO does not have financial independence, which means that the scope of its operations are not within its control.

The National Government and Provincial Government agencies' financial ledgers are recorded on the Integrated Financial Management System (IFMS). This data must be requested in advance from the respective entity and collection of such data can take a long time. Data may also get lost if transferred on a portable hard drive, or it could be edited before providing it to the AGO, adversely affecting its integrity.

Analysis and Conclusions

The constitutional framework that supports the AGO's existence and activity is appropriate and includes a sufficiently broad mandate. However, there are still a few issues that could be improved.

The AGO must clarify its legal mandate to ensure parliament fairly considers its future budget submissions and provides the AGO with sufficient funding to undertake the audit of all public sector entities and run its business. It needs to appeal for the current legislative arrangements and ensure that its mandate to audit all areas of government operations, including statutory bodies, is restored.

The AGO should formally write to the IFMS custodian within the Department of Finance to request that it provide read-only access to the relevant

IFMS modules to authorised auditors.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	2	1	1	0	1
SAI-4	Organisational control environment	0	0	0	0	0
SAI-5	Outsourced audits	2	0	0		1
SAI-6	Leadership and internal communication	1	3			2
SAI-7	Overall audit planning	1	1			1

Enablers

The AGO’s strategic plan clearly explains its vision, mission, core value and key focus areas with stated objectives. The stated vision and mission reflect the functions and powers given to the Auditor-General under the PNG constitution and Audit Act 1989. The corporate plan was developed with input from AGO staff. The involvement of staff means that they have been engaged in the process of change from the beginning, which enhances the staff’s support to the AGO direction.

Although the AGO’s communication strategy document was still in draft form, the SAI scored well in internal communications practices (SAI-6, ii).

Constraints

The corporate plan does not include any measurable key performance indicators; therefore, the success of the corporate plan is not being measured. The AGO has an annual work plan that details the various audits that are required to be undertaken by the three financial audit divisions, but it does not have an annual plan as required under SAI 3.

The AGO has a code of conduct in place, but it does not show the date of its introduction or the date of its last review, so it is not clear that the code is updated and relevant. Whilst this code of conduct applies to all staff members, staff have not been trained in how to understand and apply the code.

The AGO scored zero in the four dimensions of SAI 4, suggesting that the minimum requirements for organisational control environment have not been met. There is no audit function in place, and the quality control and quality assurance systems are yet to be fully implemented. Specifically, the AGO has not established practices regarding the quality control and quality assurance of outsourced audits.

The process followed to develop the overall audit planning is not yet fully documented, and it does not include a risk-based methodology. No system in any division of the AGO captures the time spent on each engagement and on the key activities on each engagement. Thus, the AGO does not know how much it costs to deliver an audit, neither whether audits are delivered in a cost-efficient manner.

Analysis and Conclusions

Domain C indicators assess if the SAI has functional strategic management and governance practices to ensure that it will achieve its long-term desired results. The AGO of PNG has been given a broad mandate, reflected in its strategic plan. However, there are still significant gaps in between the strategic and the operational levels, thus enhancing the uncertainty regarding the SAI's performance and the cost-effectiveness of the delivery of its mandate.

In organisations whose core business is intellectual work, such as a SAI, staff skills and work culture play a decisive role in the efficiency of the work done and in the final quality of the outputs. It should be emphasised that there is a strong connection between Domains B and E, for human resources policies and training will directly impact the SAI's work culture, thus helping to create a solid internal control environment and likewise providing a stronger foundation for all audit work. In other words, improvements in these two Domains will result in better audit quality and in gains of efficiency and effectiveness of the AGO performance in the long-term.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	0	2	1	1
SAI-9	Financial Audit Standards and Quality Management	0	1	2	1
SAI-10	Financial Audit Process	0	1	1	1
SAI-11	Financial Audit Results	0	0	1	0
SAI-12	Performance Audit Standards and Quality Management	0	3	1	1
SAI-13	Performance Audit Process	1	0	3	1
SAI-14	Performance Audit Results	0	0	0	0
SAI-15	Compliance Audit Standards and Quality Management	0	1	1	1
SAI-16	Compliance Audit Process	1	2	0	1
SAI-17	Compliance Audit Results	0	0	1	0

Enablers

The AGO of PNG is one of the biggest offices of the Pacific region. It has three financial audit divisions and one performance audit branch. Its workforce comprises about 61 auditors, 28 directors and 21 senior managers at executive level (AAG, DAG), altogether a significant workforce. They are empowered by a broad legal mandate, and enjoy a reasonably good degree of independence.

Constraints

Each of the three financial audit divisions is led by a Deputy Auditor-General (DAG), and undertakes audits in its own style and form. As a result, the financial audit process lacks consistency. There is a draft audit manual specific to one of the divisions (NGAD). However, this manual has not been used. The Performance Audit Division uses an audit manual, but it is not consistent with the requirements of ISSAI 300. The AGO has not developed a nation-wide compliance audit standard and relies on the ISSAIs for guidance.

Quality control procedures are yet to be implemented in all three audit lines.

Analysis and Conclusions

The lack of approved comprehensive audit standards reflects on the overall performance of the AGO in the three audit lines. They are a pre-requisite to the development of adequate training and to the implementation of quality control policies and procedures. The low scores in all indicators of Domain C are a clear demonstration of this point. Therefore, the SAI capacity to add value to the citizens is yet to be fully developed.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	2	0	0	1

Enablers

The AGO’s financial management activities are stipulated by the Public Financial Management Act, 1995. Budget execution, accounting and financial management are addressed through the Integrated Financial Management System (IFMS). The financial management function has improved compared to the 2016 review.

Constraints

The staff in the regional offices have not yet been fully put into work due to the restricted travel budget. The absence of a time capturing system is a hindrance to the assessment of the productivity of the workforce placed in the regional offices. The AGO does not have a list of financial delegations that staff can refer to. This means that staff can commit the office to expenses without proper authorisation.

The AGO has not managed to have its financial statement audited since the 2011 financial year. The 2012 to 2014 financial statements are currently with the AGO’s auditors for completion, with the auditors waiting on responses to their queries. In 2015, there was an issue in which the supporting invoices for a few months during the year were corrupted and could not be retrieved. As a result, the AGO was unable to prepare its financials for the year ended 31 December 2015 and this has had a cascading effect on preparing the financials for the subsequent years.

Analysis and Conclusions

One of the core objectives depicted in the INTOSAI-P 12 is that a SAI should lead by example. A key part of it is that a SAI is expected to be transparent and accountable, being able to demonstrate that it uses its funds according to the principles of economy and efficiency. The AGO of PNG at present is not able to fully demonstrate that it complies with such requirements; therefore, it needs to improve its performance in the Domain D.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	2	0	2	2	1
SAI-23	Professional Development and Training	1	1	1	0	1

Enablers

The Assistant Auditor General-Human Resources (AAG-HR) has been appointed to manage the HR related functions, and a HR strategy was developed in 2018, and relevant training to the HR team has been provided.

Performance reviews are undertaken once a year for non-audit staff and twice a year for the audit staff. However, there is no formal performance management framework in place that provides a structured approach to assessment and subsequent improvement actions.

The AGO has an established graduate programme, and there is a twinning arrangement in place for staff to be seconded to audit offices in Australia to develop their knowledge and skills.

Constraints

The lack of an approved performance management framework makes it more difficult to align organisational objective with the employees' agreed measures, skills, competency requirements, development plans, and the delivery of results. Such a framework would emphasise personal improvement and learning and development in order to achieve the overall business strategy and to create high- performance workforce.

The AGO has had a recruitment freeze in place at the operational levels for a number of years. No policy or procedures exist to explain how to undertake recruitment. Having the right staff at the right time is key to the AGO's being able to deliver on its audit mandate. The AGO's ability to recruit to expand the workforce is restricted by the level of funding available to them.

When it comes to determining remuneration, such matters are bound by the general orders, which were published on the Department of Personnel Management's website. General Order No. 13 Salaries and Allowances stipulates the remuneration levels for public sector employees.

The AGO offers support to staff in obtaining professional accreditation such as CPA or further studies. No formal policy exists with details of how the study program works in practice. One of the drawbacks of not having such a policy is that on the completion of the course, the staff may leave the AGO for better employment opportunities. Therefore, the AGO may not be able to capitalize on the time and money spent in training and developing the staff.

The AGO does not have a competency framework that defines what is expected of its staff at various levels. A competency framework defines performance and behavioural expectations for the whole organisation and each individual. It includes technical, soft skills and ethical expectations and requirements.

The AGO does not have a professional development and training plan. The AGO has a process in place for selecting staff to participate in twinning arrangements – staff are sent to other audit offices in Australia for on-the-job training. However, the staff sent on twinning arrangements are not required to share and implement their learnings on their return.

Analysis and Conclusions

The AGO of PNG has achieved significant improvements in HR management, thus strengthening its potential to develop a highly competent workforce. There are a few good training practices in places, such as the support to staff in obtaining professional accreditation and the twinning programme with the Australian National Audit Office -ANAO. However, the AGO has not been able to fully benefit from its good practices because of the staff turnover after they get better qualifications.

The development and approval of a performance management framework, a competency framework and a professional training plan would create a stronger foundation for further improvements that would upgrade the AGO capacity to deliver high quality audits and consequently to add more value to the citizens.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	3	2	2	1	2
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	2	1			1

Enablers

The AGO’s communication strategy is comprehensive and identifies a broad range of stakeholders who rely on the AGO's reporting. One of the strategies is to deliver against the AGO's purpose by producing timely and relevant audit reports to parliament that are valued by its stakeholders. The

strategy identifies external and internal stakeholders, as well as the best communication channels to use for these stakeholders.

Constraints

The AGO annually prepares and tables in the parliament four reports that summarise its results of audits on the PNG public sector. At the time of the SAI PMF review (2020), many of the 2017 and 2018 results of audit had not been tabled. Although the constitution does not prescribe a timetable for this report to be tabled, these reports are more relevant to stakeholders if they are tabled in a timely manner.

There are no established policies and procedures regarding its communication with the Legislature (criterion c, SAI 24 Dimension ii, was not met).

Many AGO senior staff members sit on audit and risk committees of their audit clients. While they don't aim at direct management, their presence as members—and not observers—on the committees is likely to create the perception that they are influencing outcomes. No mechanism exists to obtain feedback from the auditee about the quality and relevance of the audit reports and the process. The only feedback received is the auditee's response to the issues identified in the management letter. This lessens the AGO's ability to continue improving the way they produce reports that can be understood and acted upon.

The AGO does not have any recent media articles explaining audit findings published on their website. The last media release published was in February 2015. Parliament doesn't publish the AGO's reports which means the public relies on the AGO to make the reports available to them. The AGO has published three media articles over the months of July 2019 to September 2019.

These articles were about the Auditor-General's role and the various division at the AGO. The media releases didn't discuss audit reports or audit findings as required by SAI25.

Other than publishing its mandate in the 'About the AGO' section of the

website, the AGO hasn't taken steps to communicate with the citizens and civil society organisations.

Analysis and Conclusions

The participation of the AGO's staff as members of their clients' committees that focus on audit and risk issues could be seen by the public as a constraint in its independence. The audit findings are the most important outcomes, for they represent the final result of the AGO's work and they embed the value added to public governance. Such information should not only be made easily available to citizens and civil society organisations but also be written in such a way that any literate citizen can understand.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The AGO of PNG is one of the biggest offices of the Pacific region, endowed with a significant workforce. They are empowered by a broad legal mandate, and enjoy a reasonable degree of independence.

High quality audits that result in relevant findings are the way for any SAI to induce improvements in the government's capacity to demonstrate accountability, transparency and efficiency in how they use public resources. At present, the lack of approved comprehensive audit standards impacts the overall performance of the AGO in the three audit lines, and limits the SAI's capacity to manage HR and to provide adequate training. Quality control and quality assurance procedures are still to be implemented. These issues altogether limit the AGO's capability to produce the significant findings that will trigger changes in the government efficiency and strengthen public governance.

In addition, it should be noted that a few public bodies have approved legislation that allows them to be audited by another entity rather than the AGO, which means that the AGO's mandate has been shrunk.

The recruitment and retention of highly qualified staff is indispensable for a SAI to properly deliver its mandate. However, due to the fact that the AGO offers support in obtaining professional accreditation such as CPA or further studies (a good practice in itself), the staff may leave the AGO for better employment opportunities after the completion of the course. Therefore, the AGO may not be able to fully capitalize on the time and money spent in training and developing its workforce.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

A SAI's relevance is intrinsically connected to its capacity to impact all the government sectors positively and this depends essentially on the quality of the audit work done. However, it is not enough to be relevant; it is as well necessary to communicate the good results to relevant stakeholders and be seen as a reliable source of independent and objective insight and guidance to support improvements in the public sector. The following points could be better addressed:

- (i) The AGO does not have yet approved policies and procedures regarding its communication with legislature;
- (ii) Communications with media and citizens is still not focused on providing transparency about the audit findings;
- (iii) The AGO's senior staff participation in their clients' audit and risk committees in the role of members could be seen as a constraint in the SAI's independence, therefore, affecting the society's perception of the SAI as a credible and independent source of information;
- (iv) The full use of its workforce, especially in the regional offices, is paramount to demonstrate good governance.

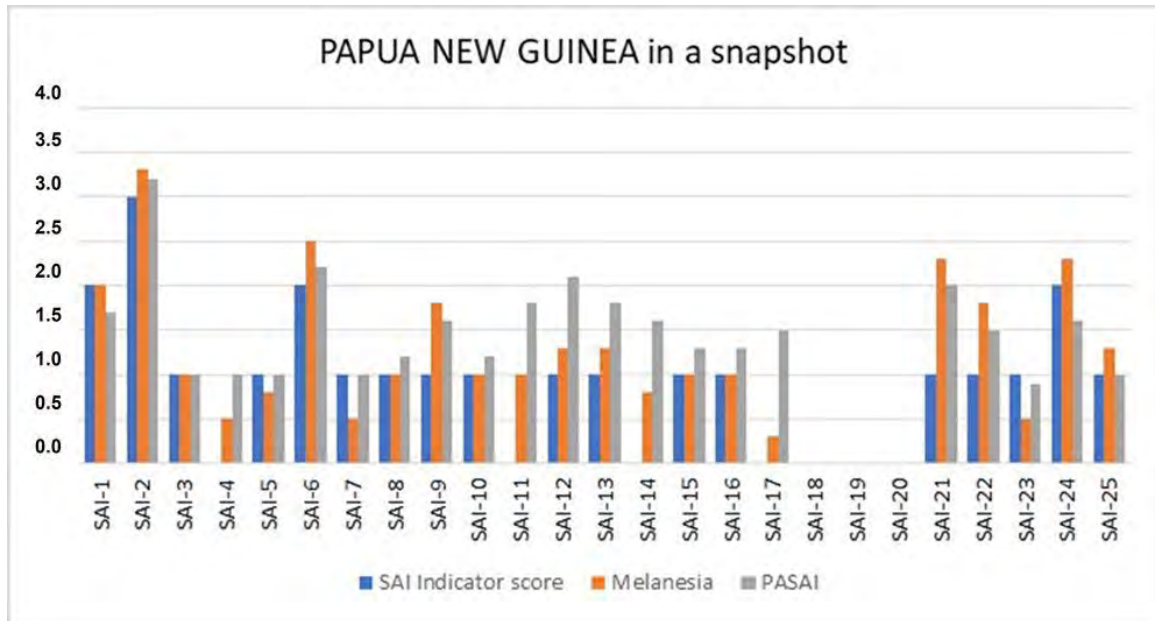
3. Being a model organisation through leading by example

The low scores in domain B highlights important issues to be addressed so that the AGO will more and more be seen as a model organisation, that is, an entity that manages its administrative functions and its core business

efficiently. Leading by example will strengthen the SAI's credibility and make its recommendation more compelling.

The provision of training and support to staff in understanding and applying the Code of Ethics will be an important step in reinforcing the AGO's image of an entity that leads by example.

GRAPH 31 - PAPUA NEW GUINEA AUDITOR GENERAL'S OFFICE IN A SNAPSHOT



GRAPH 32 - PAPUA NEW GUINEA AUDITOR GENERAL'S OFFICE IN GDP PER CAPITA CLUSTER

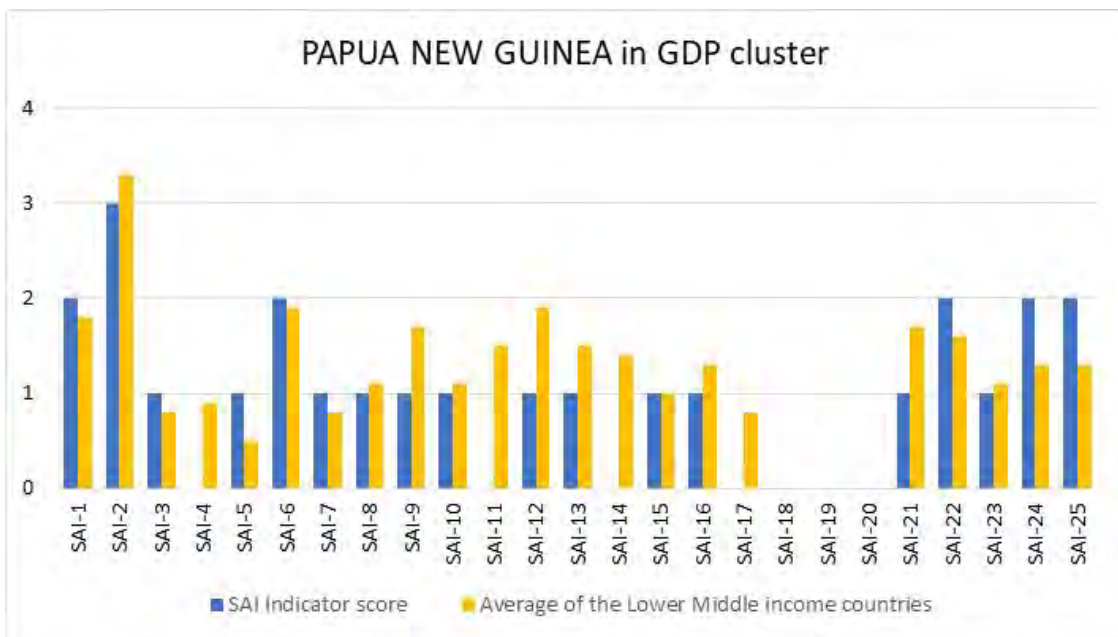


TABLE 22 - PAPUA NEW GUINEA

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	4	1	2	2	2
SAI-2	3	4	2	-	3
SAI-3	2	1	1	0	1
SAI-4	0	0	0	0	0
SAI-5	2	0	0	N/A	1
SAI-6	1	3	-	-	2
SAI-7	1	1	N/A	-	1
SAI-8	0	2	1	N/A	1
SAI-9	0	1	2	-	1
SAI-10	0	1	1	-	1
SAI-11	0	0	1	-	0
SAI-12	0	3	1	-	1
SAI-13	1	0	3	-	1
SAI-14	0	0	0	-	0
SAI-15	0	1	1	-	1
SAI-16	1	2	0	-	1
SAI-17	0	0	1	-	0
SAI-18	N/A	N/A	N/A	-	N/A
SAI-19	N/A	N/A	N/A	N/A	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	2	0	0	-	1
SAI-22	2	0	2	2	2
SAI-23	1	1	1	0	1
SAI-24	3	2	2	1	2
SAI-25	2	1	-	-	2



4.16 Samoa Audit Office (SAO)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Samoa Audit Office (SAO), which is the SAI of Samoa, was prepared based on the SAI PMF Version 3.1, dated January 22, 2016. The assessment began in October 2016, with fieldwork in Samoa taking place from October 1st to 5th, 2016. The assessment was completed in September 2020.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	3	1	4	2	2
SAI-2	Mandate of the SAI	4	3	4		4

Enablers

The Constitution of Samoa establishes the Controller and Auditor General (CAG) as the Head of the Samoa Audit Office, the country's SAI. It also defines the power and duties of the CAG as well as explicitly provides the conditions for the appointment, term and removal of the CAG. The Constitution also sets out the independence, autonomy and initiative of the CAG, when the SAI acts as an agent of the Parliament, and gives complete discretion to the CAG on how he carries out his/her duties.

The relationship between the SAO and the Legislature and the Executive is clearly defined in the legal framework that requires the CAG to report annually on the audits conducted and on the performance of the SAO. Once a report is tabled in Parliament, it becomes a public document. Legislation expressly allows the Prime Minister and Ministers to formally request for an audit. Except from that, the CAG has complete discretion in carrying his functions.

The Audit Act gives the CAG authority to structure, appoint, manage and fix remuneration and salaries of the Assistant Auditor, officers, employees and other persons of the SAO, as well as power to transfer, promote, suspend, discipline or dismiss officers and employees.

The Audit Act also states that no liability can be pursued against the CAG or the SAI's employees for any act done in good faith in the course of their duties and functions.

The SAO's mandate as defined in Audit Act covers the audit of public bodies and related entities, non-controlled entities and statutory and local authorities. There has been no interference in selecting the audits to be conducted. The Audit Act 2013 also gives the SAI the authority to conduct financial, compliance and performance audits.

The Audit Act specifies the SAI must have unrestricted access to documents and information essential in the conduct of its function. This also applies to the right to access premises of audited bodies to do the fieldwork.

Constraints

The financial autonomy of the SAI is not laid out in the Constitution nor in the Audit Act. Also, neither the amended Constitution nor the Public Act support the financial independence of the SAI. The SAI's budget is included in the national budget, which is approved by the Legislature. The SAI is expected to comply and follow through the same budget process as every other ministry within the government. Consequently, the Ministry of Finance can review and cut the SAI's budget, and the SAI cannot appeal to Parliament if it has insufficient resources to fulfil its mandate.

Analysis and Conclusions

The Samoa Audit Office existence and role are solidly entrenched in the Constitution. The Constitution of Samoa establishes the Controller and Auditor General (CAG) as the Head of the Samoa Audit Office, the country's SAI. It also defines the power and duties of the CAG as well as explicitly provides the conditions for the appointment, term and removal of the CAG.

The Constitution also sets out the independence, autonomy and initiative of the CAG, when the SAI acts as an agent of the Parliament, and gives complete discretion to the CAG on how he carries out his duties.

The SAO is supported by a strong mandate to perform its audit functions. The Audit Act 2013 provides greater organisational independence and autonomy to do its work without interference from any person or authority. Its broad mandate provides SAO the authority to perform its pre-audit function and conduct financial, performance, environment, compliance, and special investigation audits.

However, neither the constitution nor the Audit Acct provide full financial autonomy to the SAO.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	4	3	3	2	3
SAI-4	Organisational control environment	3	3	4	0	2
SAI-5	Outsourced audits	4	3	0		2
SAI-6	Leadership and internal communication	4	4			4
SAI-7	Overall audit planning	2	3	3		3

Enablers

The strategic plan (SP) was based on a needs assessment and on the Institutional Strengthening Project (ISP) and incorporated a results framework that described their vision, mission, values, strategic priorities and outputs. The plan contains indicators and was complemented by a list of actions for key reforms. The number of indicators was manageable; they measured the deliverables, internal capabilities and the operating environment. The stakeholders’ expectations were factored in, as well as the emerging risks.

The SAO has a risk management framework policy document that shows which risks it has identified, analysed, and managed.

The annual plan (AP) covered all the SAI's main support services including financial management, HR and training, IT, and infrastructure. It described the targets to be achieved and the dates for completion. The annual plan is clearly linked to the strategic plan, for the goals depicted in the annual plan are consistent with the goals and outcomes described in the strategic plan.

The CAG and senior management are responsible for organisational planning and lower-level staff are well informed of the plans through staff meetings, emails and one to one feedback with the CAG. The SP is made available to the public and it is on the office website. Appropriate external stakeholders such as audit clients, Parliamentary Committees and professional bodies were consulted for inputs into the organisational planning process. There is a process for annual and/or in-year monitoring of progress against the strategic plan and annual/operational plan. There are clearly defined responsibilities, actions, and a timetable for developing the organisational plans which are linked back to the AP and SP.

The SAO staff are obliged to follow the Code of Conduct, which provides sufficient guidance for the conduct of the staff. The SAO Code of Conduct reflects the Samoa Public sector code and values, professional and ethical standards of the Samoa Institute of Accountants, and the professional and ethical standards of IFAC and INTOSAI/PASAI.

The Code also contains criteria which address the auditors' "integrity, independence and objectivity, professional behaviour, confidentiality, conflict of interests, fraud, and the use of SAO resources".

The SAO have an approved and applied organisational structure and ensures that responsibility is clearly assigned for all work carried out. All positions within SAO have clear descriptions, ensuring that everyone in the organisation knows their responsibilities, tasks, and reporting lines. Performance agreements are signed between all staff, ACAG and the CAG. The performance agreements outline the tasks, individual work assignments and audits to be completed within a specific time frame. It is also the basis and

tool for rewarding good performance and disciplining poor performance.

The SAO is aware of its operational risks and has a clearly defined system for identifying, mitigating, and monitoring major operational risks which is contained in the SAI Risk Management Framework (RMF) and Fraud Control Plan (FCP). The SAO also uses the Treasury instructions issued by the Ministry of Finance to support its system of internal control. The internal control policies and procedures are documented in the office policies and are applied to all staff. Any deviations or non-compliance to the internal control procedures are addressed during staff meetings and minutes of staff meetings showed that compliance to internal controls were reinforced. The risk management responsibilities are addressed regularly in senior staff meetings and staff meetings. The RMF is updated annually.

The SAO has a system of quality control in place for all its work audit and non-audit activities, which are embedded in several documents, policies, and process. These include the office policies, quality control procedures and checklist outline in audit manuals, Treasury instructions issued by MOF, FCP, recruitment process and staff performance agreements, annual work program, review templates for supervisors and senior management team and reviews undertaken by the ACAG and CAG. The quality control policies are set by the CAG with the support of the senior leadership team and the CAG retains the overall responsibility for the system of quality control.

The outsourcing of audits is done through an open and public tendering process that encourages competitive bidding and allows for opportunities for as many potential bidders as possible. There are requirements for the participants that include auditors' qualifications and adherence to the ISSAIs. Working papers must be accessible to the CAG for supervision. Furthermore, SAOs Code of Conduct applies to contractors being subject to confidentiality provisions as per the code. The SAO seeks confirmation that the contracted firms have effective systems of quality control in place through reference checks it conducts and the reviews it has undertaken on audits done by the contracted firm.

The system for quality control for outsourced audits covers all outsourced audit work. Only SAOs financial audits are outsourced. The quality control

system for outsourced audits is based on an assessment of risk to quality of outsourcing audit work and adequately responds to these risks.

On the other hand, despite the SAO's having specific written procedures for quality assurance (QA) in its financial audit manual – called Reviews Subsequent to Opinion Signing - in practice, this does not happen, as the CAG signs off the audit opinion and the CAG or ACAG are involved in the quality control process.

The SAO's leadership team includes the Comptroller and Auditor General, the Assistant Comptroller and Auditor General and all the directors. There are good leadership practices such as regular meetings with the staff, written registration of the decisions made in those meetings, staff training, incentives to performance through appraisals, and regular communications from the CAG to all staff on various matters.

The management has made efforts to act as an example and further explain to the staff how the SAO staff can do the same. The SAO uses several initiatives to improve the quality of audit work. It recognises that having a good internal culture, happy staff and high staff morale can lead to good results and quality work. The SAI organises quarterly staff social gatherings, plans staff bonding activities and provides staff awards to recognise good performance, foster team bonding, and promote the values of the SAO.

SAI Samoa does not have a formalised documented system for follow-up audits. However, in practice, the SAI's systematic follow-up system is performed through interim audits and comprehensive audit spot checks before the close of the financial year. This allows the SAI to promptly address the issues and to follow up in the following year's audits.

Constraints

The SAO does not technically have an audit plan. Instead, it has an annual work plan that documents the audit entities to be audited, audit types and audit related, and non-audit activities to be conducted for the year.

The SAO has a risk management framework policy and there is reference of

those risks in the SP. However, there is no evidence that risks that might affect the SAO's ability in achieving the operational plan's objectives have been considered. In addition, there is no reference or mention of risks in the AP.

The SAO does not have an internal audit committee and relies on the recommendations provided by the internal auditors of the MOF. The Director of the Strategy and Corporate division is responsible for monitoring and addressing the recommendations from internal audit with the support from the CAG. There is a channel through which employees can report violations through its website portal.

Process and procedures for quality assurance are documented in the office's audit manuals, but have not been done in practice.

Analysis and Conclusions

The Samoa Audit Office has effective planning, from the strategic to the operational levels. The strategic plan (SP) was based on a needs assessment and on the Institutional Strengthening Project (ISP). The SP incorporated a results framework that described their vision, mission, values, strategic priorities and outputs. The annual plan includes all audit and non-audit activities, and is clearly linked to the strategic plan, for the goals depicted in the annual plan are consistent with the goals and outcomes described in the strategic plan. Even though the SAO does not technically have an audit plan, it has an annual work plan that is sufficient, for it documents the audit entities to be audited and audit types and audit related and non-audit activities to be conducted for the year.

The SAO has a Risk Management Framework and a Fraud Control Plan that are effectively functioning so that risks are cared for throughout the organisation. In addition, quality control is in place, covering all audit work, including outsourced audits. The SAO has a system of quality control for all its work audit and non-audit activities, which are embedded in several documents, policies, and processes.

Clear evidence of the SAO's good performance in this domain is that twelve in

sixteen indicators’ dimensions reached score 3 or 4.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	2	1	1	1
SAI-9	Financial Audit Standards and Quality Management	4	1	3	3
SAI-10	Financial Audit Process	1	1	2	1
SAI-11	Financial Audit Results	1	0	4	2
SAI-12	Performance Audit Standards and Quality Management	3	1	3	2
SAI-13	Performance Audit Process	2	2	3	2
SAI-14	Performance Audit Results	2	0	0	1
SAI-15	Compliance Audit Standards and Quality Management	0	0	2	1
SAI-16	Compliance Audit Process	1	1	2	1
SAI-17	Compliance Audit Results	2	0	4	2

Enablers

All 65 financial statements received were audited by the SAO and contracted auditors, thus achieving 100% of financial audit coverage. In the SAO, compliance audit is conducted on government ministries as they do not prepare annual financial statements. All ministries are audited annually, so there is no documented risk assessment process for selecting ministries that will be subject to audit.

The SAI sets priorities for performance auditing based on the notion that economy, efficiency and effectiveness are of equal importance. One key strategy is ensuring that audit resources are directed towards areas which can most add value to improving public management and/or minimizing the risk of potential waste in addition to assessing the economy, efficiency and effectiveness of government program.

The SAO adopted the International Standards on Auditing (ISA) as its financial audit standards and conducted its financial audit in accordance with this standard. The SAO has established its own audit manual to prescribe the financial audit process in line with the ISA.

In practice, the SAO quality review of financial audits is a three-level review of audit files and work paper which are reviewed by the team leader, supervisor, manager, and director.

The financial audits tested in the assessment revealed that in the planning stage, there is proper communication with appropriate level of management observed in the audit file (CEO and project manager). Internal controls relevant to financial reporting are assessed in each account balance tested. Risk of material misstatements due to non-compliance with laws and regulations is assessed during planning. Ethical declarations are signed for all of the SAO's audit.

The Performance and Compliance Audit Manual (PCAM) complies with the general principles prescribed by ISSAI 300. The SAO did not have a manual specific for compliance audit.

In practice the assessment team observed the similar three levels of reviews of working papers done in financial audit are also done with performance audit. Audit plans are submitted to the CAG for approval before the execution of the audit. The CAG also issued the final authorisation before a performance audit report is issued.

Constraints

The SAO does not report publicly on the entities who did not submit their financial statements for audit.

Unlike financial and compliance audit, the SAO does not identify the performance audit topics it will conduct in the financial year, thus indicating that equal attention has not been given to the performance audit as to the other two during the strategic planning process. There was no documented evidence to confirm that stakeholder's expectation and emerging risks were considered in

the selection of these performance audits. In its annual plan, SAO identified that two audits would be conducted during the year, but did not identify the audit topic/area.

The Financial Audit Manual states, *“The SAO is required to assign audit staff with the appropriate level of experience and use experts with the necessary competence to properly conduct each audit engagement”*.

In practice, the SAO has taken a different approach to assessing the skills and competencies of auditors assigned to financial audit engagements. This assessment is solely done during the recruitment process instead of being done before each engagement. While the SAO considers this adequate, it is important to note the ISSAIs required this assessment be conducted for each engagement. This will ensure that the engagement team’s skills and competencies are sufficient to match the skills required to do the audit. In addition, audit clients may differ in size and complexity; therefore, the required skills and competencies may vary. Similar to financial audit, the SAI’s approach to assessing audit team’s skills and competencies is carried out during the recruitment process instead of before each engagement.

For the tested financial audits, an overall audit strategy was set out in the audit plan/strategy document but the strategy did not set out the nature, timing and extent of planned risk assessment procedures and the nature, timing and extent of further audit procedures at the assertion level.

There is no documentation of any procedures designed to address the risk of material misstatements due to fraud and non-compliance simply because such risk was not assessed at the planning stage.

All the financial audits completed during the financial year are summarized into the office’s annual report which is submitted to Parliament for tabling before it is published. These includes financial, performance and compliance audits. At the time of the assessment, the annual reports for the last three financial years up to 2014/15 had not yet been submitted. They were submitted in December 2016.

Analysis and Conclusions

The SAOs performance in its core mandate of financial audit was satisfactory in terms of number of audits completed annually and financial audit coverage. They audit 100 percent of all the financial statements they received. SAO's approach to financial audit in respect of overall standards and guidance is attuned with international standards of auditing (ISA). However, there are items that should be addressed for improvement:

- a) the composition of the audit teams should be tailored to each audit work;
- b) the overall audit strategy should set out the nature, timing and extent of planned risk assessment procedures;
- c) there should be documentation of any procedures designed to address the risk of material misstatements due to fraud and non-compliance.

Like its financial audit, the SAO's achievement in performance audit was satisfactory in terms of completing all its planned audits for the 2014/15 year and considering the fact that performance audit capacity is still being developed.

With respect to the SAO's compliance audit, it lacked policy and guidance for its compliance audit. As a consequence, several important elements on how to conduct compliance audit, such as identification of applicable authorities and identification of the object matter, are not sufficiently described in the existing manuals.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	2	3	4	3

Enablers

The responsibility for financial management in the SAO is assigned to the director of the Strategy, Personnel and Corporate Services. Financial management process and delegation are in accordance with the Treasury Instruction issued by the Samoa Ministry of Finance.

The SAI had identified its physical infrastructure needs, IT needs and current and future staffing levels in its Strategic Plan. It was also found from the minutes of the SAI Leadership meetings that infrastructure of the SAI, IT needs, establishment of new units and staffing levels were planned and discussed by the SAO.

The SAO has secured access to appropriate archiving facilities through the purchase of the team-mate auditing software enabling the SAI to store and archive its working papers and documentation electronically, which is securely stored on the SAIs server network. Furthermore, SAO has purchased portable scanners so that auditors can scan documents, load, and store these documents. All documents are securely stored on the server over several years and accessed when needed. The SAIs server is maintained and backed-up by its IT division.

The Director of Strategy & Corporate Services (SCPS) and its support staff are assigned the responsibility to manage all major categories of assets and infrastructure. They have the appropriate skills set, competencies and resources to do their job.

Constraints

The SAO is under the centralised government payment system whereby payments are processed by the Ministry of Finance. In most cases, the voucher payments are signed off by the Director of Corporate Services and the ACAG. The financial delegation of authority and limits to commit/incur and approve expenditure on behalf of the SAI is outlined in the Treasury Instructions issued by MOF.

Analysis and Conclusions

The SAO has adequate infrastructure and services support. The SAI had identified its physical infrastructure needs, IT needs and current and future staffing levels in its Strategic Plan. It has appropriate archiving facilities and a secure server network. The Director and the officers responsible for administrative functions have appropriate skills, competencies and resources to do their job.

The financial processes are dependent upon the MOF, but this is a consequence of the SAI's limited organisational autonomy.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	4	0	2	3	2
SAI-23	Professional Development and Training	0	1	1	1	1

Enablers

The SAO has a human resource (HR) function clearly established, executed by a human resource officer and the SAO managers (directors, ACAG and the CAG). The SAO also has a HR manual approved and adopted in December 2014. The manual provides guidance on the HR policies, code of conduct,

competency framework, job descriptions, employment terms and conditions, training and development, performance management and other HR matters. The manual was developed by the leadership group and was subject to comments from all the staff in the office.

The recruitment is carried out by the SAO without interference of any other government agency or department. The HR manual describes the procedures that must be followed for recruitment that starts with advertisement in Samoa's local newspaper and in the SAI's website. The selection panels involve three panellists, two from the SAO and an independent one. The SAO has a performance appraisal system, that describes the stages of the appraisal and the evaluation criteria. Even though the SAI does not have a welfare policy, the HR manual contains a section that supplies it to some extent.

Constraints

The SAO does not have a HR strategy; however, it should be noted that they are in the process of compiling one, according to the Strategic Plan.

In practice, the SAO does not have a documented training and development plan. Nonetheless, there are trainings conducted during the year by audit directors of each unit which covers subjects such as the SAI's audit and HR policies, accounting standards, auditing standards, and trainings run by staff who have participated in regional trainings. Each audit staff has a career path form which documents their future aspirations.

The SAO does not have a formal training plan for financial, performance or compliance auditing. The low scores in the indicators that assess the audit samples (SAIs 10, 13 and 16) are a reflection of this gap.

Analysis and Conclusions

Human Resource functions and management are well established in the SAO, and the Office has full discretion in conducting such matters, from recruiting to promotion. Surely the development and approval of a HR Manual played a decisive role.

However, the SAO still lacks a more solid approach to professional development and training. There are no formally developed plans for that; so far, the SAI still relies upon informal practices. The SAO does not have a formal training plan for financial, performance or compliance auditing. The low scores in the indicators that assessed the audit samples (SAIs 10, 13 and 16) are a reflection of this gap.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	2	2	2	2	2
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	2	1			1

Enablers

The SAO has a Communication Plan (CP) that sets out the communication strategy of the SAI. It identifies the key stakeholders and the messages the SAI wants to convey to each of them.

Findings from all the audits conducted during the financial year are consolidated and reported to the Legislature through its Annual Report. Apart from other special reports, this is the sole mechanism whereby the SAI's findings are reported to Parliament.

The communication with the auditees starts with the Engagement Letter, which sets the audit objectives, provides generic information on what to expect during and audit, sets the terms of the engagement, i.e., the nature and limitations of the audit, and the responsibilities of the auditors and the audited body. Later on, the SAO communicates the audit findings to the auditees in the Management Report. The same findings are also communicated to the legislature in the SAI's annual report.

The SAO has formal procedures in place for communicating with the

prosecuting and investigating agency which is set out in a Memorandum of Understanding (MOU) regarding any request from this agency. The Memorandum also sets out the procedures for communicating with the other agencies about the role of the SAI in relation to investigations and legal proceedings that are initiated based on the SAI's audit findings.

There is a communication plan that designates the CAG as the person in charge to handle the media. The SAO maintains a website on which the annual reports are published after being tabled in the parliament. There is a feedback portal in the website that allows citizens to get in direct contact with the SAO.

Constraints

The Communication Plan needs to be reviewed to align with the last strategic plan.

The SAI has not been able to submit annual reports in a timely manner. The annual report for the last three years has not been tabled to parliament. The SAI does not analyse the individual audit reports to identify themes, common findings, trends, root causes and audit recommendations, and does not discuss these with key stakeholders.

The SAI does not seek any feedback from the auditees about the quality and relevance of audit reports and audit process. There is no feedback on whether the expectations set out in the Engagement Letter were met or not and to what satisfactory level, if any.

The audit findings are not summarized in a way that is easy for the citizens to understand, and the SAO has not sought feedback from the civil society on the accessibility of its reports.

Analysis and Conclusions

The SAO has a communication plan in which key stakeholders and the key messages that should be communicated to them are identified. However, the SAI has limited its communication with the legislature to the reports that are

sent, without any deeper analysis to identify themes, common findings, trends, root causes and recommendations. The Legislature is the most important stakeholder, for it is their role to hold the executive accountable.

The SAO could also improve its communication with the auditees. In addition to the Engagement Letter and the Management Report, it should seek feedback from the auditees about the usefulness of the audit reports and the recommendations embedded.

The media and the citizens usually are not able to fully understand the role of the SAI and the value and content of the audit findings, for they are written in technical language. Therefore, it is up to the SAO to publish its results in a more understandable, accessible way to the average citizen.

The communication plan needs to be updated. The SAO could seize this opportunity to include improvements to enable the SAI to adopt a proactive attitude towards communication with all relevant actors, such as the parliament, the executive and the society.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The constitutional and legal framework assure good level of independence and autonomy for the SAO, except for the financial independence. The SAI received a sufficiently broad mandate, adequate access to information and right and obligation to report. The SAO has virtually full discretion in Human Resource functions and can freely decide upon recruitment, appraisal and promotion.

The SAO has adequate infrastructure and services support. The SAI had identified its physical infrastructure needs, IT needs and current and future staffing levels in its Strategic Plan. Also, it has appropriate archiving facilities and a secure server network.

All financial statements received were audited and all performance audits planned for the period under review were completed. However, the assessment of the financial audit sample still revealed points for improvement, such as:

- a) the composition of the audit teams should be tailored to each audit work;
- b) the overall audit strategy should set out the nature, timing and extent of planned risk assessment procedures;
- c) there should be documentation of any procedures designed to address the risk of material misstatements due to fraud and non-compliance.

Regarding performance audits, there was no documented evidence to confirm that stakeholder's expectation and emerging risks were considered in the selection of performance audits. In its annual plan, the SAO did not identify the audit topic/area.

Another relevant constraint is the absence of professional development training plans. In order to achieve and maintain its performance at a high level, it is indispensable for a SAI to invest in forming and keeping a highly skilled workforce, and this can only be efficiently done through specific strategic planning.

In conclusion, the SAO has been performing satisfactorily in its core business, but there is significant room for improvements.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

The SAO has a communication plan in which key stakeholders and the key messages that should be communicated to them are identified, but that plan needs to be updated. The SAI has limited its communication with the legislature to the reports that are sent, without any deeper analysis to identify themes, common findings, trends, root causes and recommendations. It is

important to make sure that the parliamentarians really understand the audit reports and the content and impact of the recommendations issued. To achieve that, it is up to the SAO to improve its communication practices with the legislature.

Likewise, the media and the citizens usually find it difficult to understand the content of the audit reports and the root causes for the public administration under performance, which are the basis for the audit recommendations. Therefore, the SAO should not only make the reports accessible to the public, but should also actively seek contact with the media and the citizens, and communicate to them in a language that is accessible to the average person.

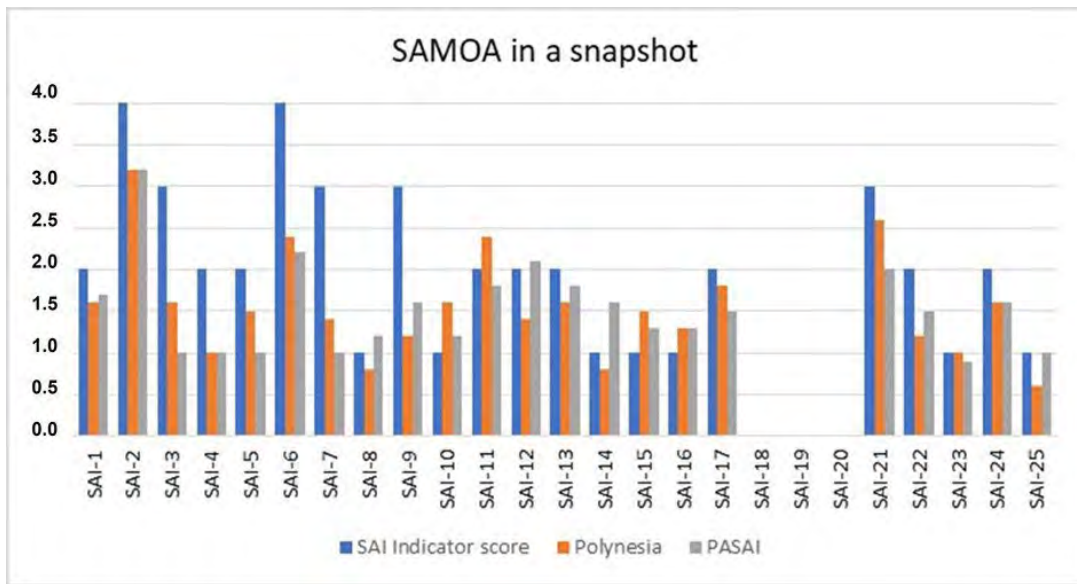
3. Being a model organisation through leading by example

The Samoa Audit Office has effective planning, from the strategic to the operational levels, and has a Risk Management Framework and a Fraud Control Plan that are effectively functioning so that risks are cared for throughout the organisation. In addition, quality control is in place, covering all audit and non- audit work, including outsourced audits.

The SAI has a Code of Ethics, and all the staff members are obliged to follow it. The SAO has an approved organisational structure and ensures that responsibility is clearly assigned for all work carried out. All positions within SAO have clear descriptions, ensuring that everyone in the organisation knows their responsibilities, tasks, and reporting lines.

The SAO could enhance its leadership by example by adhering to external peer reviews as part of the quality assurance system.

GRAPH 33 - SAMOA AUDIT OFFICE IN A SNAPSHOT



GRAPH 34 - SAMOA AUDIT OFFICE IN GDP PER CAPITA CLUSTER

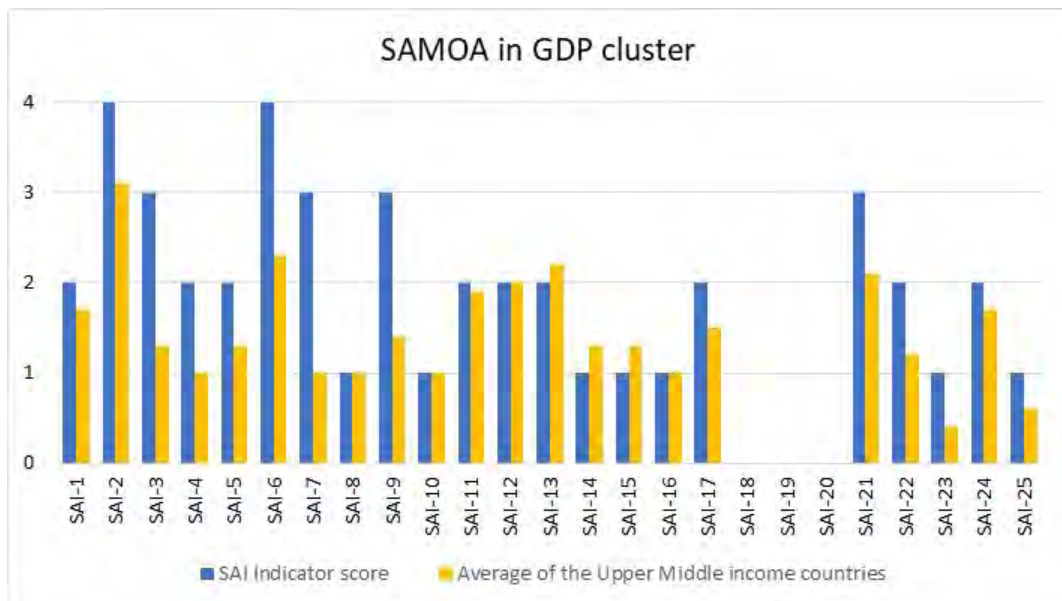


TABLE 23 - SAMOA INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	3	1	4	2	2
SAI-2	4	3	4	-	4
SAI-3	4	3	3	2	3
SAI-4	3	3	4	0	2
SAI-5	4	3	0	-	2
SAI-6	4	4	-	-	4
SAI-7	2	3	3	-	3
SAI-8	2	1	1	-	1
SAI-9	4	1	3	-	3
SAI-10	1	1	2	-	1
SAI-11	1	0	4	-	2
SAI-12	3	1	3	-	2
SAI-13	2	2	3	-	2
SAI-14	2	0	0	-	1
SAI-15	0	0	2	-	1
SAI-16	1	1	2	-	1
SAI-17	2	0	4	-	2
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	2	3	4	-	3
SAI-22	4	0	2	3	2
SAI-23	0	1	1	1	1
SAI-24	2	2	2	2	2
SAI-25	2	1	-	-	1



4.17 Office of the Auditor General of the Solomon Islands (OAGSI)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Solomon Islands Audit Office (OASGI) was prepared on the basis of the SAI PMF Version 3.1, January 2016. The assessment was completed in 2017.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	3	1	1	2	2
SAI-2	Mandate of the SAI	4	4	4		4

Enablers

The Constitution sets out the requirement of the need for an Auditor General and the Office of the Auditor General for the Solomon Islands (OAGSI). The Solomon Islands Public Finance and Audit Act further sets out the powers and duties of the Auditor General and the legal requirements of the Auditor General. Both the Constitution and the Public Finance and Audit Act provide the Auditor General with full authority to conduct financial and performance audits without interference of any person or authority up to the Prime Minister level.

The two legislations also provide the Auditor General with full authority to access all records, books, documents as well as explanations from officers. The Constitution also requires the SAI submit its reports to the Speaker, who is required to table them. In such case, The United Kingdom House of Commons Standing Orders apply, which allows tabling of reports when Parliament is sitting and their subsequent public release. With such strong legal mandate, the SAI is free from direction and interference from the Executive or other powers in the conduct of its work including the dissemination of the results of its work to the members of the public.

The SAI specially has the mandate for financial, compliance and performance audits, the powers to audit all public funds, the access to documentation and premises of audited bodies, and rights and obligation to report to Parliament.

Constraints

However, while the Constitution provides the Auditor General with considerable independence and freedom from direction and full due process for his appointment and dismissal, it does not provide for any parliamentary involvement in the appointment process of the position, nor sets the length of tenure. Moreover, it caps the age of 55 years subject to any agreement with the Governor General (on the advice of the Public Service Commission) to remain in the Office until a later age. This provides an opportunity to remove an Auditor General without due process despite being competent.

Also, the Constitution does not provide the Auditor General with the appropriate degree of autonomy. In this regard, the Auditor General does not have autonomy over access to its financial resources required to carry out its operations independently of the Ministry of Finance as well as having control to assess the personnel resources required to conduct its operations independently of the Public Service Commission.

Analysis and Conclusions

The constitutional and legal framework confers to the OAGSI a powerful mandate, which covers all government sectors, operations and funds and includes the three types of audits, i.e, financial, performance and compliance. On the other hand, the SAI's budget must go through the Minister of Finance and Treasury (MoFT), which controls all expenditure.

The SAI, therefore, does not have control over access to its financial resources required to carry out its operation independently of the MoFT. Instead, the SAI's budget is developed through the government budgeting system controlled by the MoFT. This is not consistent with international principles of SAI independence.

Such constraints make the SAI vulnerable to potential interferences from the Executive, specially the MoF and the Public Service Commission.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	3	0	0	1	1
SAI-4	Organisational control environment	0	0	0	0	0
SAI-5	Outsourced audits	1	0	0		0
SAI-6	Leadership and internal communication	3	4			3
SAI-7	Overall audit planning and follow-up	0	0			0
SAI-8	Overall audit planning	4	3	0		2

Enablers

The OAGSI developed a Draft Corporate Plan to provide guidance and focus for the SAI work over the years 2016 -2020. It established broad objectives that SAI should strive to achieve over the period and set down the activities and values they should pursue to meet those objectives.

The SAI has a code of ethics that is publicly available. The Office uses the Code of Conduct for the Solomon Islands Public Service, which applies to all staff by virtue of their being members of the Public Service, and also to those who hold public office (including the SAI Head). The SAI Head is also subject to the Leadership Code. Contracted auditors are required to declare their independence under the auditing standards and under the professional codes of ethics applicable to them as practitioners.

Leadership and internal communications are strong points at the OAGSI, demonstrated by the high score in the indicator SAI 6. Financial audit and performance audit coverage are good; all financial statements received were audited by the SAI.

Constraints

The OAGSI does not have a control system to identify and analyse ethical risks, to mitigate them, to support ethical behaviour, and to address any breach of ethical values.

The SAI neither has an annual audit plan nor does it have written procedures for the development and approval of the plan. However, the SAI developed a yearly audit cycle plan in the form of worksheet for each audit branches. The OAGSI does not have a documented annual audit plan.

Analysis and Conclusions

Domain B indicators assess the SAI's capacity to plan and deliver accordingly, from strategic to operational levels. This Domain also evaluates the office's work culture that characterizes the organisational control environment, which is one of the foundations that sustains efficient and high-quality performance.

The OAGSI combines a strong mandate and a good Corporate Plan that despite being in draft version, achieved good score in the assessment (SAI-3, i). However, there are significant opportunities for improvement in this domain, such as:

- 1- implementation of quality control and quality assurance systems;
- 2- establishment of an annual planning process.

The audit coverage is good; so, if the improvements suggested above are put in place, the OAGSI will deliver even better results that will add more and more value to the citizens.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-9	Financial Audit Standards and Quality Management	1	0	2	1
SAI-10	Financial Audit Process	0	0	2	1
SAI-11	Financial Audit Results	0	0	4	1
SAI-12	Performance Audit Standards and Quality Management	2	0	1	1
SAI-13	Performance Audit Process	1	1	2	1
SAI-14	Performance Audit Results	0	0	0	0
SAI-15	Compliance Audit Standards and Quality Management	-	-	-	-
SAI-16	Compliance Audit Process	-	-	-	-
SAI-17	Compliance Audit Results	-	-	-	-

Enablers

OAGSI is in the process of transitioning from ISAs to ISSAIs. Its financial audit opinions currently make reference to ISAs. Financial audit staff in OAGSI undertake their work by using the audit manual they have designed, which is currently being modified and built into TeamMate. The manual is also currently being updated.

All audit working papers, procedures and audit reports are subject to review. The requirement for review is documented within each work paper, which must be signed off by the preparer and the reviewer. All three audit files checked in the sample demonstrated that reviews identify issues that are solved and contribute to staff learning.

The SAI has formally adopted the PASAI Performance Audit Manual for performance audit since 2014. The PASAI Manual is a comprehensive document that covers various aspects of performance auditing.

Constraints

None of the criteria for implementing financial audits were met on the three audits sampled. The sampled audit files' audit procedures were not designed as direct response to assessed risk. No risk assessment procedures were undertaken during the planning phase. The audit procedures and sample sizes were predetermined and not tailored specifically to each audit. Along with the incorrect use of materiality, this further hindered the achievement of audit efficiency and effectiveness.

OAGSI's financial audit work is impeded by two related factors: late preparation and submission of financial statements by government entities and the poor quality of client working papers and records. It should be noted that these issues are not under the direct control of the SAI.

The SAI has yet to establish a system to ensure that staff of the Performance Audit team are fully aware of the standards relevant to performance auditing. In addition, the team has not yet developed full knowledge of the basic principles of performance auditing and still lack the ability and experience to exercise professional judgement and personal abilities such as analytical, writing and communication skills, which are all needed for performance auditing.

In the performance audits, there was lack of evidence to indicate that reviews were conducted by relevant officers at every stage of the audit. Lack of evidence also existed to indicate that procedures have been applied throughout the audit process to safeguard quality. The SAI also has no policy in place for the review of the whole performance audit by an experienced performance auditor.

Most of the issues found in the performance reports are related to the absence of audit criteria. Also, most of the findings in the reports did not specifically answer the audit questions developed for the audit.

Analysis and Conclusions

The primary outputs of the OAGSI are the financial audit reports for the Solomon Islands Government – National Accounts, Provincial Governments (9), Honiara City Council, State Owned Enterprises (8) and Statutory

Authorities (6). The Auditor General is required under the Public Finance and Audit Act CAP 120 to examine and report on the National Accounts produced by the Ministry of Finance and Treasury (MoFT) on behalf of the Solomon Island Government (SIG) annually.

Even though the financial audit indicators scored low, there are quite a few important criteria that have been met by the OAGSI, and all the financial statements received were audited. There are still opportunities for improvements, such as to include the use of risk assessment in the planning phase and to engage with the adequate stakeholders in order to circumvent the late preparation and submission of financial statements by government entities and the poor quality of client working papers and records.

In relation to performance audits, most of the findings highlighted in the reports did not include audit criteria that have been included in the Performance Audit Work Plan. As such, aspects of the report did not appear convincing as there was lack of flow between findings and the objective of the audit and the recommendations.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	2	3	4	3

Enablers

The SAI has a long-term strategy or plan for its physical structure needs, which are currently being implemented, after the development funds provided in the 2016 budget. It does not have internal IT support in the office because it has outsourced IT services to the government Information Communication Technology Support Unit (ICTSU). The officers within that unit are qualified and have the appropriate skills set, experience and resources to do the job.

Constraints

The SAI does not have a clear timetable and procedures governing the budgeting process. It relies on the Budget Section at the Ministry of Finance and Treasury for advice on the date to submit its budget bid. The SAI does not have a functioning Management Information System that includes financial and performance information. It also does not have a functioning staff cost recording system.

Analysis and Conclusions

Overall, the SAI's financial management, asset and support services are performing well. The only relevant gap is the non-existence of a staff cost recording system, which would be important to assess how efficiently the SAI uses its workforce.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	4	0	3	3	2
SAI-23	Professional Development and Training	2	0	0	0	0

Enablers

The SAI has a mechanism in place on the function of its human resources, known as the Public Management Policy (PMP). The SAI has recently adopted the public service performance management policy. The SAI also has strong systems for documenting human resources matters and securely maintaining personnel files.

The SAI's recruitment procedures in place are publicly available, transparent, merit based and promote gender equality. It should be noted that those are the procedures of the Public Service Commission, which controls the SAI's recruitment process.

The PMP provides the SAI with established routines to ensure individual staff members are appraised annually. The SAI has job descriptions for all of its

staff which are consistent with the best practice. There is also good culture of staff relations, with staff having the opportunity to express their views on the work environment to management, which are discussed by the executive leadership team.

The SAI has a mechanism in place to monitor and evaluate the professional development and training of the staff. This is done through the appraisal system, and overseen by the SAI's Training Committee.

Constraints

The SAI has no Human Resources Strategy in place. Instead, the SAI uses the systems of the Public Service Commission in regard to recruitment, remuneration and professional development. The SAI still does not have a staff welfare policy.

The SAI does not have an overall plan for professional development and training. Also, while professional development of auditing staff is somehow available, the development of non-audit staff is limited. At the time of the SAI PMF assessment, the SAI did not have any professional development plan for financial, performance and compliance audits.

Analysis and Conclusions

The OAGSI has sound human resources management practices, regardless of the lack of a human resources strategy. Three of the four dimensions of SAI-22 scored 3 or 4, thus providing evidence of the good practices. The most significant opportunity for improvement is related to the professional training, because specific plans for the three audit lines are still to be developed. The SAI has job descriptions for all of its staff, which can be used as a key input to design the professional training for all staff.

Adequate training can bring potentially good impacts in the quality of the audits done and help to foster a work culture favourable to quality control.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	2	3	2	2	2
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	2	3			2

Enablers

The SAI demonstrated strong performance in its media communications. While it is not its practice to hold press conferences to launch its annual report and other major reports, it issues press releases (media releases) regarding its audit findings as well as matters concerning the office. The SAI also uses appropriate media to disseminate its audit reports, including the radio (80% of the population are in remote locations), the Forum SI International Facebook page, and newspapers.

The SAI's mandate is publicly available and is explained extensively, including a standard approach in all published reports and material. Every report is the subject of a media release in plain English.

The SAI's outreach programs also provide opportunities for citizens to give feedback to the SAI. The SAI also participates in panel discussions broadcast nationally with citizen talk-back and has made separate radio talk-back shows.

Constraints

There are no relevant constraints in this domain. The only point is that the SAI has yet to use performance indicators to assess the value of audit work for Parliament, citizens and other stakeholders and follow up on public visibility, outcomes, and impact through external feedback.

Analysis and Conclusions

The OAGSI shows outstanding results in this domain. It has been using a wide diversity of communication tools to reach out so that even remote populations are reached by its communication. Highlights are the use of plain English, the use of the radio and the practices of getting feedback from the citizens. The OAGSI can be seen as a key partner to help other SAIs of the region to improve in this area.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The constitutional and legal framework confers to the OAGSI a powerful mandate, which covers all government sectors, operations, and funds and includes the three types of audits, i.e., financial, performance and compliance. In the discharge of such mandate, the OAGSI has focused on financial audits: all the financial statements received were duly audited. Some degree of quality control is already in place, given that all audit working papers, procedures and audit reports are subject to review.

The SAI is moving towards the adoption of the ISSAIs as the audit standards. After the completion of that process, audit quality will certainly improve and enhance the SAI's capacity to induce improvements in the efficiency and effectiveness of the government's activities.

The OAGSI has shown good human resources management, even though there are important opportunities for improvement in this field, such as the development of a human resources strategy and the design of professional development tailored to the job descriptions already in place.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

The OAGSI shows outstanding results in its communications with the Parliament and citizens in general. Strong points are the use of plain English,

the use of radio and the practices of getting feedback from the citizens. The OAGSI can be seen as a key partner to help other SAIs of the region to improve in this area.

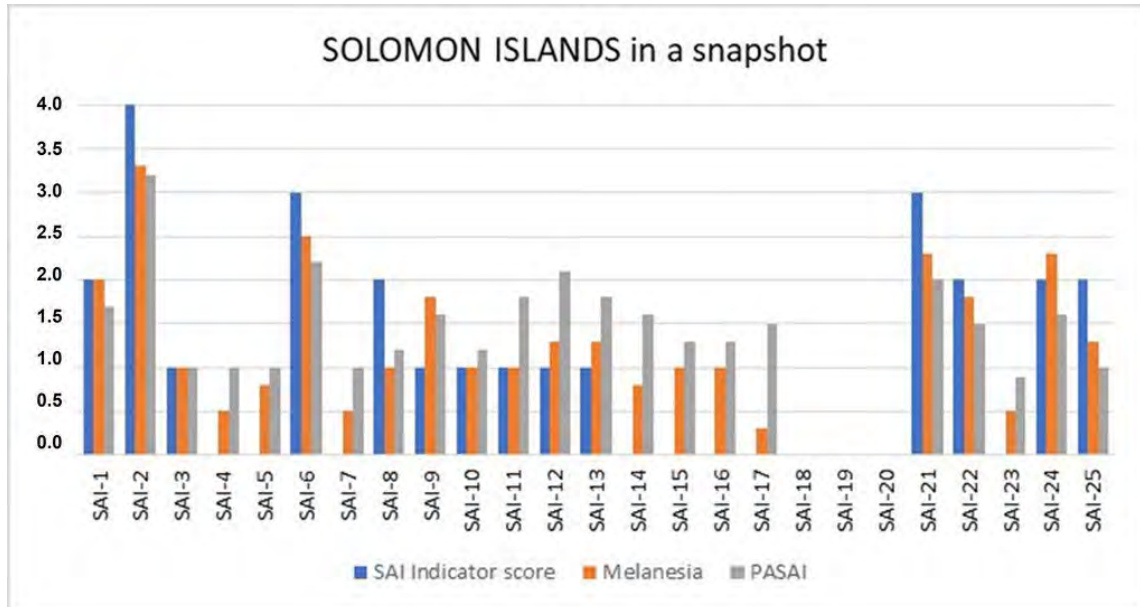
The SAI also uses appropriate media to disseminate its audit reports, including radio (80% of the population are in remote locations), the Forum SI International Facebook page, and newspapers.

The SAI's mandate is publicly available and is explained extensively, including a standard approach in all published reports and material. Every report is the subject of a media release in plain English.

3. Being a model organisation through leading by example

The SAI demonstrates a clear commitment to ethics, because it has a code of ethics that is publicly available and uses the Code of Conduct for the Solomon Islands Public Service. The SAI Head is also subject to the Leadership Code, which shows a good pattern of leadership through example. However, the OAGSI should strive to create a cost registration system in order to be able to improve its efficiency in the use of the available workforce.

GRAPH 35 - OFFICE OF THE AUDITOR GENERAL OF THE SOLOMON ISLANDS IN A SNAPSHOT



GRAPH 36 - OFFICE OF THE AUDITOR GENERAL OF THE SOLOMON ISLANDS IN GDP PER CAPITA CLUSTER

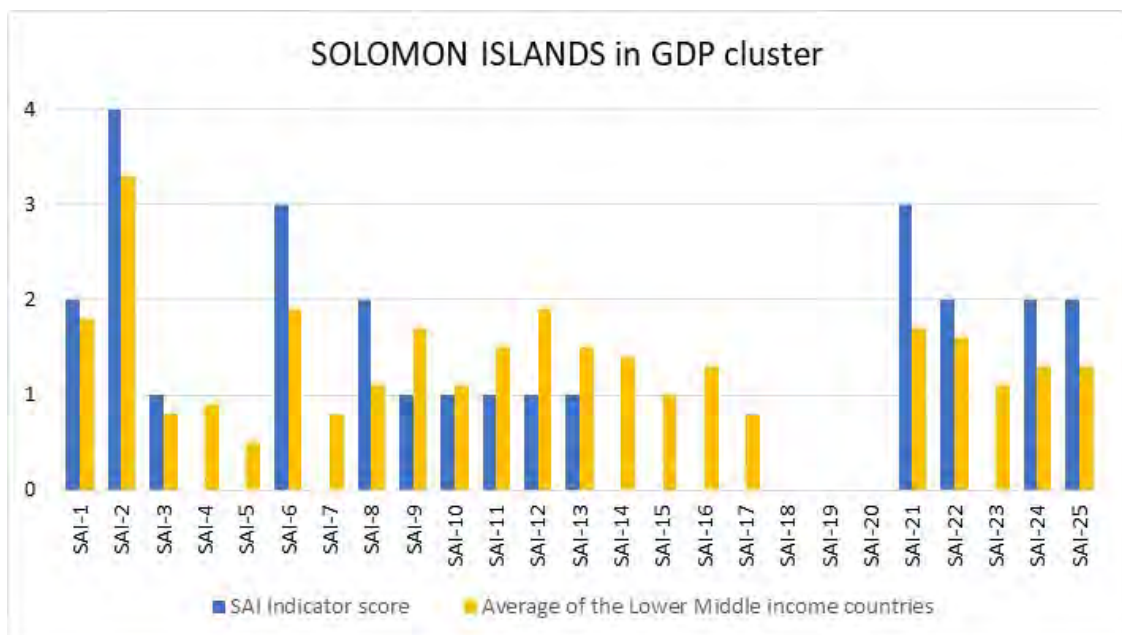


TABLE 24 - SOLOMON ISLANDS INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	3	1	1	2	2
SAI-2	4	4	4	-	4
SAI-3	3	0	0	1	1
SAI-4	0	0	0	0	0
SAI-5	1	0	0	-	0
SAI-6	3	4	-	-	3
SAI-7	0	0	0	-	0
SAI-8	4	3	0	-	2
SAI-9	1	0	2	-	1
SAI-10	0	0	2	-	1
SAI-11	0	0	4	-	1
SAI-12	2	0	1	-	1
SAI-13	1	1	2	-	1
SAI-14	0	0	0	-	0
SAI-15	N/A	N/A	N/A	-	N/A
SAI-16	N/A	N/A	N/A	-	N/A
SAI-17	N/A	N/A	N/A	-	N/A
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	2	3	4	-	3
SAI-22	4	0	3	3	2
SAI-23	2	0	0	0	0
SAI-24	2	3	2	2	2
SAI-25	2	3	-	-	2



4.18 Tonga Office of the Auditor General (TOAG)

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of Tonga Office of the Auditor General was prepared on the basis of the SAI PMF 3.1 version, January 2016. The assessment was completed in May 2017.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAL-1	Independence of the SAI	0	4	4	4	2
SAL-2	Mandate of the SAI	4	4	2		3

Enablers

The Tonga Office of the Auditor General (TOAG) can submit its budget directly to the Public Accounts Committee (PAC) and to Parliament, without going through the Executive arm of government (Minister of Finance and National Planning). This ensures that the Minister of Finance and National Planning does not have the authority to control or influence the budget proposal that the SAI puts forward.

The Public Financial Management Act 2012 provides that after the budget's approval by the Legislature, the SAI is free to access and disburse its financial resources to carry out its mandate and function. Although the government financial management system is centralised in the Ministry of Finance and National Planning, the SAI has full access to its budget and can use its financial resources in accordance with the budget approved.

The Public Audit Act 2007 states that the Auditor General or any of his/her Officials shall not undertake any activities or hold any position or offices that may affect the SAI in the discharge of its duties. In practice, the SAI is free from direction or interference from the Legislature or the Executive in the

organisation and management of the office. The relationship among the SAI, the Legislature and also the Executive is clearly defined in the legal framework.

The Public Audit Act 2007 specifies the qualifications for appointments, reappointments, and processes for removal of the Head of the SAI by the Legislature. The same Act provides that neither the Auditor General nor any employee of the Audit Office shall have any civil liability for any act done in good faith in the course of his/her duties and functions under the Act. This enables the Head of the SAI of Tonga and its staff to carry out the mandate without fear of retaliation.

The TOAG's mandate is sufficiently broad, in such a way that all criteria regarding this point were fully met (SAI 2, i). Likewise, the TOAG enjoys full right to access all information needed to the discharge of its functions (SAI 2, ii). Legal framework includes sanctions (a fine or imprisonment) against anyone who resists or obstructs the Auditor General in the discharge of his/her functions.

Constraints

The Constitution of Tonga does not:

- include a provision for the establishment of the SAI;
- provide for the necessary degree of independence of the SAI; provide the degree of autonomy and initiative when the SAI acts as an agent of Parliament,
- explicitly provide for the appointment, term, removal or dismissal of the Auditor General or the independence of the Auditor General's decision-making powers;
- provide adequate legal protection by a supreme court against any interference with the SAI's independence;
- explicitly empower the SAI to report its findings annually and independently to Parliament.

The SAI did not bring this lack of independence to the attention of the Legislature, nor had the Head of SAI made efforts to keep the legal framework

of the SAI up-to-date by developing proposals for Constitutional amendment.

Analysis and Conclusions

The TOAG existence, independence and autonomy are not enshrined in the Constitution of Tonga. All those provisions have been included in infra-constitutional legal framework - an arrangement that does not provide strong enough protection to the TOAG in the discharge of its duties. However, it should be highlighted that in the period covered by the SAI PMF analysis, no undue interferences against the TOAG were registered. De facto, the TOAG has been performing its duties with autonomy and independence.

It should be noted that, in addition to this de facto independence, the TOAG has received a strong and broad mandate that includes all three types of audit (financial, performance and compliance) and covers all government activities, expenditure and revenues. In other words, the TOAG has been given sufficient legal and organisational conditions do fully meet its mandate.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	3	1	1	2	2
SAI-4	Organisational control environment	2	1	0	0	1
SAI-5	Outsourced audits	-	-	-		
SAI-6	Leadership and internal communication	2	4			3
SAI-7	Overall audit planning	1	1	2		1

Enablers

The TOAG’s corporate plan is the SAI’s strategic plan. The process taken to develop the corporate plan included each division conducting a ‘Gap Analysis’ of their own division on an annual basis. This analysis by each division provided information to develop the Corporate Plan for the Office. The Corporate Plan included key performance indicators and is complemented by the Annual Plan and Divisional Plans. Divisional Plans include an implementation matrix.

The Annual Plan includes the budget, activities and responsibilities for each division. Performance measures and output indicators and prior year achievements for each division are provided. The annual plan also covers the main support services such as financial management, human resources training, and IT.

There is high level ownership by the Head of SAI and SAI management of the organisational planning process. Each divisional head is responsible for preparing the division's plan, which forms the basis for the annual plan as well as the Office's corporate or strategic plan. This process provides an opportunity for all staff to participate in the planning process. The organisational plans are communicated to all staff through weekly meetings.

The TOAG adopted the Public Service Commission (PSC) Code of Conduct, which applies to the public sector in Tonga, and developed its own Code of Conduct. It also has a draft Human Resource Management (HRM) manual, which sets out policies and procedures sufficient for guidance on staff conduct.

The Auditor General's Office has an approved organisational structure with well-defined responsibilities at all levels. All positions have clear descriptions, ensuring that everyone in the organisation understands their responsibilities, tasks and reporting channels within the organisation.

The TOAG leadership or executive team comprises the Auditor General (Head of the SAI) and each deputy Auditor General leading the six divisions within the SAI. The leadership has demonstrated initiatives to set a tone supporting accountability and strengthening the culture of internal control, such as a weekly follow up meeting on the progress of each division's work and a monthly progress meeting for senior staff.

The TOAG leadership has also demonstrated initiatives to establish an internal culture recognizing that quality is essential in performing all its work by purchasing an electronic audit software, TeamMate, and developing audit manuals and a human resource management manual. TOAG has moved from a manual audit management system to an electronic system. These

resources will enhance the quality of audits and promote compliance with auditing standards.

Internal communications are functioning well, as demonstrated by the score 4 in the corresponding dimension (SAI 6, ii)

Constraints

Although TOAG has a comprehensive Corporate Plan, which is its strategic plan, its vision and mission were not identified. The corporate plan starts with a results framework which is not, however, linked to the implementation of the strategic plan. The framework does not show how the achievement of planned activities are monitored and measured over time. The process taken to develop the corporate plan involved only the staff of the Audit Office.

There were no consultations with external stakeholders such as the Public Accounts Committee or Ministry of Finance to better understand their expectations and to address emerging risks within the public sector that could potentially impact the service delivered by the Audit Office. Thus, stakeholders' expectations and emerging risks were not considered in the planning process.

In the annual plan, the actual activities and the timing of activities to achieve outputs are not clearly described. There is no assessment of the risks connected to achieving the objectives of the plan nor are there measurable indicators at the outcome and output levels to track progress in implementing the plan. The planning process and the related responsibilities for preparing divisional plans as well as the annual plan are not documented.

Despite having a code of ethics, the policies and procedures to ensure compliance with ethical requirements are prescribed in the HRM manual that is yet to be approved. Additionally, the SAI has not assessed its vulnerability and resilience to integrity violations and obtained assurance that the Office's integrity is upheld.

The TOAG does not have a documented system of internal control; it does

have regular meetings to monitor major operational risks, but this practice is not yet formally established. There are no procedures to ensure that risks to the quality of its audits have been considered in the prioritisation of audits to be conducted, especially where the SAI has insufficient resources. There is little evidence demonstrating that quality control takes place in a systematic manner. Quality assurance practices are yet to be implemented.

The SAI considers its annual plan as the “overall audit plan”. The consolidated Annual Plan clearly demonstrates that TOAG is discharging its audit mandate which is briefly restated at the beginning of the annual plan. The overall plan contains an assessment of risks and constraints to its delivery. The SAI lacks an audit plan aligned with the annual plan (which includes non-audit services) that clearly identifies the different types of audits to be conducted during the year when they will be conducted and the required resources to deliver these audits.

The TOAG does not have a formalized system to follow up audits. Each division has its own follow-up processes which are not formally documented; however, follow-up is mentioned in the audit plan.

Analysis and Conclusions

Strategic planning is in place, but the connections with lower-level plans are not yet as strong as would be expected. Therefore, there is limited assurance that the TOAG will achieve its long-term objectives. The SAI leadership holds clear ownership of the planning activities and has been fully engaged in developing the plans in all levels.

Internal control, quality control and quality assurance altogether lack formally approved systems and procedures. Therefore, risks are not fully identified and addressed.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	4	0	2	2
SAI-9	Financial Audit Standards and Quality Management	1	0	0	0
SAI-10	Financial Audit Process	1	3	1	2
SAI-11	Financial Audit Results	3	4	3	3
SAI-12	Performance Audit Standards and Quality Management	3	1	0	1
SAI-13	Performance Audit Process	3	2	3	3
SAI-14	Performance Audit Results	0	0	3	1
SAI-15	Compliance Audit Standards and Quality Management	1	3	4	3
SAI-16	Compliance Audit Process	2	1	3	2
SAI-17	Compliance Audit Results	3	4	3	3

Enablers

All financial statements received were audited, thus providing a full coverage regarding financial audits. The Tonga Office of the Auditor General (TOAG) conducts audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). TOAG is currently in the process of fully adopting the ISSAIs, including the fundamental principles of financial auditing as reflected in ISSAI 200.

The implementation phase of the financial audits was good, reaching score 3 (SAI 10, ii), and the financial audit results were also satisfactory (overall score of SAI 11 was 3).

The TOAG has developed national performance audit standards consistent with ISSAI 300 and a Performance Audit Manual that is consistent with the key criteria depicted in the correspondent dimension of SAI 12 (dimension i). Such good standards reflected in good quality performance audits, as evidenced by the score 3 in *SAI-13 Performance Audit Process*.

The SAI achieved good assessment in compliance audits; two indicators scored 3 (SAI 15 and SAI 17) and one scored 2. The highlights are good team management and a sufficient quality control process.

Constraints

At the time of the SAI PMF assessment, the TOAG was in the process of drafting its financial audit manual using the PASAI financial audit manual as a basis. A review of the manual and associated documents found that a number of applicable financial audit standards and policies were incorporated while a number have yet to be adopted.

It needs to be noted that at the time of the assessment, the methodologies adopted varied among the divisions within TOAG performing financial audits. For instance, the methodology used for Public Enterprises financial audits is the risk-based methodology whereas for the audit of Public Accounts it is the system-based approach.

The TOAG has a partial system in place for ensuring that the members of the financial audit team collectively possess the professional competence and skills necessary to carry out the audit in question. Because the system still has only partial coverage, the correspondent dimension scored zero in the SAI PMF assessment (SAI 9, ii). Likewise, all criteria applicable for quality control in financial audits were considered not met. However, there was evidence that the review of audit planning documents and field working papers was done by the Head of each division.

The financial planning document is the Audit Planning Memorandum (APM), which covers all significant points, such as audit objective, audit engagement, a description of the entity and its environment, risks, internal control, among others. However, the APM was not consistently applied to all financial audits.

The SAI's practices regarding performance audit team managements cover some of the needed skills, but altogether fail to include some important requirements, such as: sound knowledge of performance auditing; sound knowledge of government organisations and programs; personal,

analytical, writing and communication skills.

The TOAG scored zero in the quality control dimension for performance audit (SAI 12, iii). At the time when the SAI PMF assessment was conducted, the submission and publication of the performance audits were not timely done.

Analysis and Conclusions

The TOAG has delivered good coverage in financial audits, for all financial statements received were audited. These audits were conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and the implementation phase and the financial audit results were also satisfactory.

While TOAG has been performing well in its core mandate relating to financial audits, performance auditing is in its early stages within TOAG and despite its participation in four rounds of the PASAI Cooperative Performance Audit program, the Office is yet to table an audit report. TOAG performs a lot better with compliance auditing, but improvements are needed.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		SERVICES			Overall Score
Indicators	Name	Dimension			
		(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	4	3	3	3

Enablers

The TOAG has the necessary and adequate human resources, material, and monetary resources available to perform its mandated functions. It has a functioning financial management system which includes financial and performance information.

The SAI has internal IT support with clear responsibilities. The IT staff member who is responsible for looking after the SAI’s IT related matters, including TeamMate, is qualified and has the appropriate skill set and resources to do the job.

Constraints

The constraints were the lack of a long-term strategy for its infrastructure needs and the absence of a review of its administrative support functions in the 5 years before the SAI PMF assessment.

Analysis and Conclusions

The TOAG has adequate financial management, and is provided with sufficient infrastructure and support services, including a qualified IT staff member.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	2	0	1	2	1
SAI-23	Professional Development and Training	0	0	0	0	0

Enablers

The human resource function is a sub-unit in the Corporate Services division. This unit is managed by the Principal Human Resource Officer (PHRO) with one assistant. The human resource unit has the following responsibilities:

- Development and maintenance of human resource strategy and policies;
- Provision of guidance and consultation on human resource related matters to SAI;
- Maintenance of a performance evaluation appraisal system; and Maintenance of personnel files (e.g., signed code of ethics and continuing professional development reports).

The SAI is now fully independent from the Public Service Commission (PSC)

in terms of recruitment of its employees, but the SAI still adopts the salary scale determined by the PSC for the public sector.

Constraints

The SAI does not have a Human Resources strategy; however, the SAI has referred to the draft Human Resource Management (HRM) manual to provide guidance on HR matters. The TOAG currently uses the draft HRM manual for guidance on recruitment procedures. Nonetheless, these procedures are not detailed enough to demonstrate an open and transparent procedure for recruitment and selection.

Although the Auditor General has the power to recruit staff of the SAI, staff remuneration is still based on the salary scale determined by the PSC. The PSC salary scale which is adopted by government ministries is lower than that applied in the private sector. This made it challenging for the SAI to retain the right personnel, as staff opt for better salaries available elsewhere. The TOAG does not have a staff welfare policy.

While TOAG identifies the audit 'professions' or 'cadres' that it wishes to develop in order to discharge its mandate, it does not have a Professional Development and Training Plan in place. There is no documentation of the type of training that the different staff grade in each division needs; there are no established procedures for selection of staff to participate in training or professional development; there is no plan for development of non-audit staff. Furthermore, there is no mechanism in place to monitor and evaluate the results of professional development and training of staff.

The TOAG scored zero in all dimensions of indicator *SAI-23 Professional Development and Training*.

Analysis and Conclusions

The TOAG does have a human resources function exercised by a Sub Unit in the Corporate Services division. The SAI can now recruit its staff in an independent way, which is a major achievement, but the recruit process still needs important improvements to make it open and transparent. This is very important to the SAI's reputation and to lead by example.

The lack in professional development plans cannot be overemphasised; only through recruiting and keeping highly qualified people can a SAI deliver its mandate with the quality, the efficiency and transparency demanded by the society. This requires proper HR strategy, welfare policy, job descriptions and adequate training.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	1	2	3	1	2
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	1	0			0

Enablers

The TOAG relies heavily on its annual plan and annual report to Parliament as its main communication vehicle. The SAI’s vision, mission and goals are clearly identified as well as its key stakeholders in these documents. The Parliament is TOAG's primary stakeholder. The TOAG demonstrated that it met the following criteria:

- It could identify the key stakeholders with whom the SAI needs to communicate in order to achieve its organisational objectives;
- It could identify the key messages that the SAI wants to communicate.

TOAG demonstrated that it used some good practices to communicate with the Legislature, including:

- TOAG’s Annual Reporting requirements to the Legislature;

- The SAI analyses its individual audit reports to identify themes, common findings, trends, root causes, and audit recommendations, and discusses these with key stakeholders. The Head of SAI is responsible for TOAG's Annual Report and handles all communications between the SAI and the Legislature. The Head of SAI can also attend the Parliamentary session where the Annual Report is considered and can provide clarification of any issues, if required by members.
- The SAI's Annual Plan and regular PAC meetings have assisted Parliament to address findings from the SAI's special audit reports.
- SAI reports are provided to the Parliament on a timely basis to assist with any decision-making or any investigation undertaken.

Communications with the Executive were assessed as good; the score of the *Dimension (iii) Good Practices Regarding Communication with the Executive* reached score 3.

Constraints

The development of an overall communications strategy would provide additional assurance that all of its stakeholders – the Legislature, the Judiciary and the Executive are identified and communicated with appropriately. So far, there is no formally approved communication strategy.

At present, the TOAG has no formal policies and procedures in place for communicating with the Judiciary and/or prosecuting and investigating agencies regarding audit findings that may be relevant to those agencies.

Communications with the Media, citizens and civil society organisations are still in their very early stages; therefore, SAI 25 scored zero.

Analysis and Conclusions

The TOAG has good communication practices with its most important stakeholder, the Legislative. The Head of the SAI proactively gets involved in this endeavour, which includes the annual report and regular meetings with the PAC and, on occasions, participation of the AG in the Parliament sessions.

Still there are significant gaps when it comes to regular and relevant communications with the media and the citizens. Such channels are of key importance, for the SAI should not only add value through its work but also should make its results known to all relevant parts.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The TOAG existence, independence and autonomy are not enshrined in the Constitution of Tonga. All those provisions have been included in infra-constitutional legal framework; an arrangement that does not provide strong enough protection to the TOAG in the discharge of its duties. However, it should be highlighted that in the period covered by the SAI PMF analysis, no undue interferences against the TOAG were registered. *De facto*, the TOAG has been performing its duties with autonomy and independence.

It should be noted that, in addition to this *de facto* independence, the TOAG has received a strong and broad mandate that includes all three types of audits (financial, performance and compliance) and covers all government activities, expenditure and revenues. In other words, the TOAG has been given sufficient legal and organisational conditions to fully meet its mandate.

The TOAG has delivered good coverage in financial audits, for all financial statements received were audited. While it has been performing well in its core mandate relating to financial audits, performance auditing is in its early stages; the Office is yet to table a performance audit report. The TOAG performs a lot better with compliance auditing, but improvements are needed. Highly qualified staff are the key resource for any SAI to deliver good results, so as to strengthen government performance and accountability. In this issue, the TOAG faces a challenge, which is to maintain the good professionals they recruit and train. For that, the development of a human resources strategy, a welfare policy and a formally designed training program

can make a major difference.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

In the Westminster model, the most important gear that connects the Auditor General's work with the society is the Parliament which empowers the audits' findings and recommendations to make sure they are attended to, mainly through the actions of the Public Accounts Committee (PAC).

So far, the TOAG has constructed good channels to interact with the Legislature, particularly with the PAC, with the personal involvement of the Head of the SAI in some key communication actions. But it still needs to develop strategies to engage in effective communication with the media and with the citizens in general.

Owing it to the lack of a dedicated Stakeholder Communications strategy, TOAG's capacity to effectively demonstrate the impact of its audits has been somehow reduced. Its key accountability document – the Annual Report – has been tabled on time, in most years, and provides the Legislature with a clear picture of the state of public finances in Tonga, especially the performance of Ministries, Departments and Agencies to deliver their planned outputs. This SAI PMF assessment found that there was no evidence identifying the impact that TOAG is making across the government and as a result the benefit of its work improving the lives of the citizens of Tonga.

However, there are a number of areas where TOAG can clearly demonstrate its values and benefits. Development projects in Tonga play a major role in the country's economic and social development. Development partners are increasingly using TOAG's audit reports as a means to monitor government and non-government agencies' use of donor funds. All major projects are audited by TOAG while some minor ones are audited by private firms. TOAG plays a crucial role in ensuring that donor funds are being used for their intended purpose and donors are increasingly dependent on TOAG to provide assurance on the use of their funds.

The challenge that TOAG faces is to make sure that the contribution of its audit work is communicated to all stakeholders through the adoption of a coordinated communications strategy.

3. Being a model organisation through leading by example

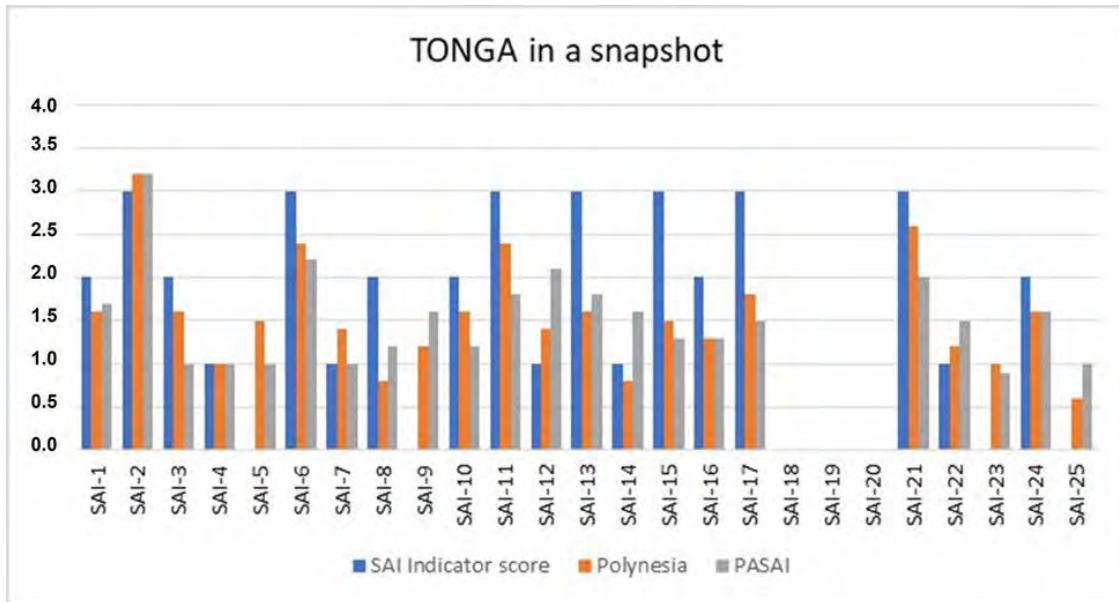
In order to lead by example, a SAI should demonstrate its commitment to ethics, the efficient use of its resources (good governance) and its continuous efforts to deliver better and better results for the benefit of the society.

The TOAG adopted the Public Service Commission (PSC) Code of Conduct, which applies to the public sector in Tonga and developed its own Code of Conduct. It also has a draft Human Resource Management (HRM) manual, which sets out policies and procedures sufficient for guidance on staff conduct.

The TOAG leadership has also demonstrated initiatives to establish an internal culture recognizing that quality is essential in performing all its work, thus creating good foundation for the development of a sound control environment throughout the whole organisation.

Still there needs to be better connections between the strategic planning level and the operational and audit plans in order to make sure that the long-term objectives are timely met.

GRAPH 37 - TONGA OFFICE OF THE AUDITOR GENERAL IN A SNAPSHOT



GRAPH 38 - TONGA OFFICE OF THE AUDITOR GENERAL IN GDP PER CAPITA CLUSTER

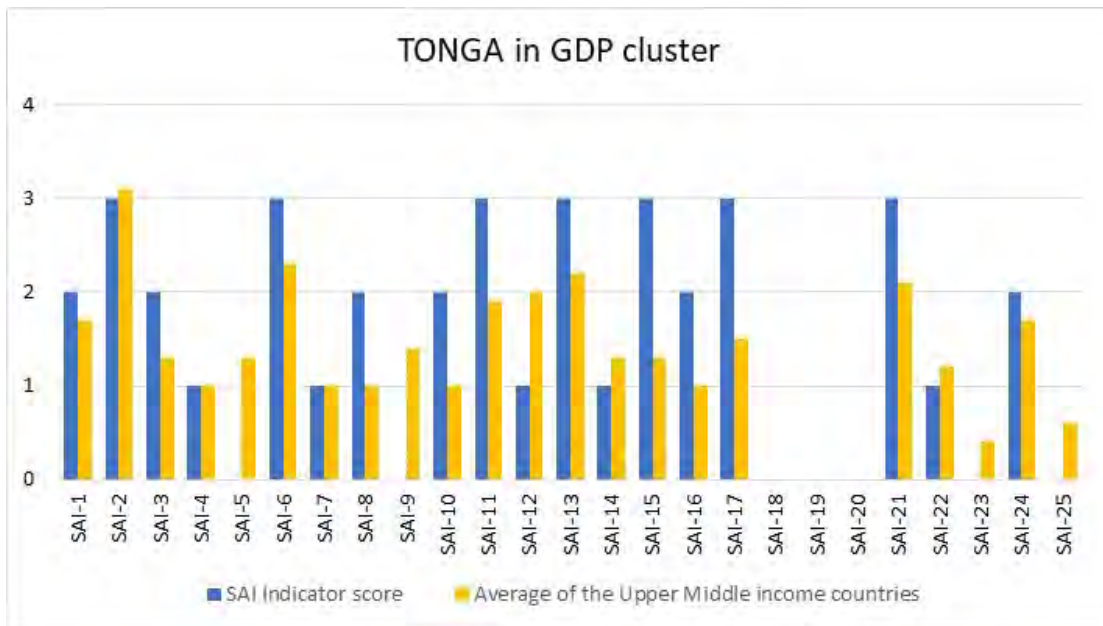


TABLE 25 - TONGA INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	0	4	4	4	2
SAI-2	4	4	2	-	3
SAI-3	3	1	1	2	2
SAI-4	2	1	0	0	1
SAI-5	N/A	N/A	N/A	-	N/A
SAI-6	2	4	-	-	3
SAI-7	1	1	2	-	1
SAI-8	4	0	2	-	2
SAI-9	1	0	0	-	0
SAI-10	1	3	1	-	2
SAI-11	3	4	3	-	3
SAI-12	3	1	0	-	1
SAI-13	3	2	3	-	3
SAI-14	0	0	3	-	1
SAI-15	1	3	4	-	3
SAI-16	2	1	3	-	2
SAI-17	3	4	3	-	3
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	4	3	3	-	3
SAI-22	2	0	1	2	1
SAI-23	0	0	0	0	0
SAI-24	1	2	3	1	2
SAI-25	1	0	-	-	0



4.19 Tuvalu Office of the Auditor General (Tuvalu OAG)

The SAI PMF assessment of the Office of the Auditor General Tuvalu (SAI Tuvalu), was prepared and conducted based on the INTOSAI's Supreme Audit Institutions Performance Measurement Framework (SAI PMF) Version 3.1, dated January 22, 2016. The assessment fieldwork was carried out in October/November 2016 and the report was completed in September 2017.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	3	1	2	2	2
SAI-2	Mandate of the SAI	2	4	4		3

Enablers

The Tuvalu Constitution and the Audit Act 2008 recognised the importance of and the need for SAI independence in the performance of audit functions; both pieces of legislation specifically mention that the Auditor-General is not subject to direction or control of any other person or body. The Audit Office has also initiated and submitted to Parliament a Draft Audit Bill which proposed amendments to the audit act to strengthen SAI independence by enabling it to hire staff and have financial independence.

Even though there may be limitations and controls from the Ministry of Finance of the SAI's budget submission, the SAI freely decides on its own use and spending upon receiving its finances from the executive. It is important to note that the proposed Audit Bill 2016 aims to address the issues of financial independence of the SAI.

The SAI has the power to determine its own rules and procedures for managing business and for fulfilling its mandate. The Act gives authority and power to the Auditor General to outsource or appoint a firm to conduct audits on behalf of the SAI.

SAI Tuvalu has been given a broad mandate, which covers all public funds and financial operations and includes financial, performance and compliance audits. The dimensions that focus on the access to information and on the right and obligation to report scored 4, thus showing the sufficiency of the legal provisions for those points.

Constraints

Neither the Constitution nor the Audit act specify the tenure of the Auditor General, even though they describe the terms and conditions for the appointment or dismissal or removal of the Auditor General.

The SAI's annual budget follows the government budgetary processes which requires all government entities to submit their budgets to the Ministry of Finance (MOF). With this budgetary process, the SAI's budget is subject to MOF's review, and there is a possibility that the SAI's budget can be limited as the MOF decides, before the budget is submitted to legislature scrutiny and approval.

The existing legal framework does not provide the Head of SAI to freely and independently decide on its human resources, including appointments of staff and establishment of the terms and conditions of these appointments. Currently, the SAI recruited all its personnel through assistance of the Public Service Commission (PSC) and followed human resource policies and regulations prescribed in the PSC's General Administrative Orders.

Analysis and Conclusions

The constitutional and legal framework that surrounds and supports the establishment and the functioning of the OAG of Tuvalu provide a strong mandate and a high degree of legal assurance regarding the existence and independence of the SAI. However, the SAI's budget still can be affected by the Ministry of Finance (MoF), what somehow poses a potential constraint on the SAI's free exercise of its autonomy.

It should also be noted that there is still a significant gap in the legal

arrangements, which is the non-definition of the Auditor General’s tenure in the legislation. In addition, it is also relevant to highlight that SAI Tuvalu cannot freely decide upon the recruitment and the appointment of its staff, another relevant constraint to is autonomy.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	1	1	1	1	1
SAI-4	Organisational control environment	2	0	0	0	0
SAI-5	Outsourced audits	3	1	0		1
SAI-6	Leadership and internal communication	1	1			1
SAI-7	Overall audit planning and Follow-up	0	1	2		1

Enablers

SAI Tuvalu has its own code of ethics – “Code of Professional Conduct and Ethics”. The Code sets out ethical rules, policies and practices that address the auditors’ integrity, independence and objectivity, professional behaviour, confidentiality and competence. The Code also requires all staff to comply with it. Additionally, SAI Tuvalu has an approved organisational structure identifying lines of reporting within the SAI, and the responsibilities at all levels are described in each position’s job description.

Constraints

Regarding both strategic and annual planning practices, the SAI of Tuvalu is yet at an incipient level and has limited systems and processes in terms of preparing and monitoring progress against their strategic and annual plan. Thus, the OAG of Tuvalu requires improvement in establishing documented policies and procedures to support the development of its strategic and annual plan. There were no evidences to indicate that the corporate plan had been developed based on a formal needs assessment or that a results framework was included.

The SAI does not prepare annual reports on its performance but submits progress reports as part of the National Strategic Plan (NSSD TKIII). These progress reports do not report on the SAI's operations. Furthermore, there are no reports on achievements of outputs described in the strategic plan or reporting against achieving the objectives of the strategic plan.

Despite the existence of the Code, it is only available on the internal SAI network (shared drive) and is not published on the SAI's website. There are also no processes in place to support and mitigate risks or any breaches of the Code, although the Code describes disciplinary measures to be taken. The SAI has not assessed its vulnerability and resilience to integrity violations using some mechanisms such as public survey or a tool similar to the INTOSaint.

The SAI of Tuvalu neither has a comprehensive internal control system nor a quality control or quality assurance systems. In the absence of a quality control and quality assurance systems, the SAI does not review audit work performed by the contracted auditor. There are also no established processes to ensure that the contracted auditor implements quality control procedures to ensure quality and compliance with applicable standards.

Analysis and Conclusions

In the absence of an annual report or performance measurement report against the SAI's strategic plan, there is no basis to assess the value of audit work for Parliament, citizens and other stakeholders. There is no overall assessment of the impact or implications of audit findings on government programs or resources and how it may affect Government, citizens and other stakeholders.

Due to the absence of a process to support and mitigate risks related to ethics, and because the SAI Tuvalu does not have an integrity policy, there is no systematic way for the SAI to obtain assurance that the integrity of all its staff is upheld and that the credibility of the SAI is maintained before the public.

Because of the non-existence of quality control and quality assurance systems, there remains the risk that the OAG of Tuvalu will sign an audit opinion that is not sufficiently supported by tests and evidence.

DOMAIN C: AUDIT QUALITY AND REPORTING

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	1	0	N/A	0
SAI-9	Financial Audit Standards and Quality Management	0	0	0	0
SAI-10	Financial Audit Process	2	2	2	2
SAI-11	Financial Audit Results	2	4	2	3
SAI-12	Performance Audit Standards and Quality Management	2	1	2	2
SAI-13	Performance Audit Process	2	1	3	2
SAI-14	Performance Audit Results	0	4	0	1
SAI-15	Compliance Audit Standards and Quality Management	N/A	N/A	N/A	N/A
SAI-16	Compliance Audit Process	N/A	N/A	N/A	N/A
SAI-17	Compliance Audit Results	N/A	N/A	N/A	N/A

Enablers

SAI Tuvalu had conducted audits for all the financial statements being received for auditing, (which are mostly the public accounts), but the SAI did not report on the no submission of financial statements by the island councils and other entities which should be audited. Therefore, the score for financial audit coverage was 1. Financial audits results were good, evidenced by the score 3 in SAI-11.

The SAI of Tuvalu has not conducted a performance audit on its own and does not have a manual for performance audit. However, given the cooperative performance audit that was initiated and facilitated by the IDI and PASAI, the PASAI Performance Audit Manual (PAM) was used to provide guidelines when conducting the performance audit on climate change adaptation. The SAI's performance audit unit is yet to be fully established and developed but, in the meantime, it will continue to use the PAM for guidance on any (cooperative) performance audits that they may

be involved in, in the future. The PASAI Manual is a comprehensive document that covers all elements of performance audit. It covers important aspects of planning, professional conduct, documentation, evidence, quality control, as well as reporting and communication appropriately. However, certain aspects need to be incorporated into the PAM.

Constraints

The SAI did not plan for any performance audit to be conducted during the period under review. As a result, there was no evidence of the SAI's processes for identifying and selecting potential performance audit topics and how to ensure that selected topics cover significant issues that are likely to have an impact on the lives of citizens. Therefore, the score for the coverage of performance audit was zero.

There are no financial audit standards specifically for Tuvalu, but they have adopted international standards of auditing (ISAs) for the audits conducted by the office and for the outsourced audits. Regarding the government/annual public accounts, standards and work papers used by the office are referenced to the Australia National Audit Office (ANAO) Financial Audit manual as a guideline. However, based on our review of the Audit Report for the Public Accounts as at 31 Dec 2015, the audit report explicitly states that the audit has been carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

The SAI does not have a documented system or processes in place to ensure that audit team members collectively have the appropriate competence and capabilities to carry out any audit. These processes are critical in ensuring that the audit team have an understanding of the nature of the audit engagement, the professional standards, and applicable legal and regulatory requirements. There was no documented quality control for financial audit process in place.

Analysis and Conclusions

All the dimensions of the indicator SAI-10 – Financial Audit process scored 2, thus demonstrating that financial audit at the OAG of Tuvalu has already reached some level of quality, but there is still room for improvement. The

coverage of this type of audit has been comprehensive, for all the financial statements received were audited.

The AG of Tuvalu has not yet conducted a performance audit on its own, but it took part in the cooperative performance audit on Climate Change Adaptation led by PASAI. There were no compliance audits done in the period reviewed in the SAI PMF assessment.

The SAI of Tuvalu is a very small one, not exceeding 14 people in its staff, which is an important circumstance to be taken in consideration in the assessment of its overall audit performance. Nevertheless, improvements in key areas such as quality control and quality assurance should be pursued.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	3	2	3	3

Enablers

Financial management, assets and support services are functioning adequately, as it can be seen by the score 3 in SAI-21 Dimension (i).

Information Technology (IT) services for the government departments in Tuvalu is centralised in the Information and Communication Technology (ICT) Department, which is one of the Government departments. All IT related issues are handled and dealt with by the ICT department. Therefore, the SAI does not have its own Information Technology (IT) unit.

Constraints

The ICT department assisted the SAI with the installation and maintenance of computers and such assistance is considered by the SAI to be adequate. However, the importance of confidentiality and security of information

should be emphasised, especially when there have been problems with the storage and backups of data for the SAI, and given that all the IT network for the Tuvalu SAI is managed and handled by the ICT department. There is always a possibility that important and confidential audit files may be accessed by the ICT department without knowledge of the SAI, given that they manage IT issues for the SAI.

Analysis and Conclusions

The SAI Tuvalu has adequate financial management, and is provided with sufficient infrastructure and support services, including qualified IT services delivered by the ICT department. Because of that dependency on a government unit that is part of the Executive, there are potential risks to the confidentiality of the data used and produced by the OAG of Tuvalu in the discharge of its duties.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	N/A	0	2	2	1
SAI-23	Professional Development and Training	0	N/A	N/A	N/A	0

The SAI PMF assessment applied to Tuvalu was a lite version, and according to that approach, some dimensions were considered as Not Applicable, mainly because of the small size of the SAI. Because of that, Dimension (i) of SAI 22 – Human Resources Function, and Dimensions (ii), (iii) and (iv) of SAI-23 (Professional training for financial, performance and compliance auditors, respectively) were not included in the assessment.

Enablers

The SAI currently adopts Public Service Commission (PSC) rules for guidance on recruitment procedures and these procedures are publicly available to all government entities and on the PSC website. Recruitment is managed by PSC

including advertising for the vacant post. The Auditor General is involved in the selection process. The selection process involved more than one person as evident from recent recruitments that were reviewed. The interview panel consists of three people including one external expertise from the Ministry of Finance.

Constraints

Although the SAI is currently adopting Public Service Commission's guidelines for human resource matters, there are some issues that are not addressed in these general guidelines, but should be addressed in a strategy. For instance, a human resource strategy provides a plan to address HR issues, such as when to recruit personnel or when to review remunerations, designations, need for more staff and welfare issues.

Therefore, although the SAI is relatively small in size, it should have a strategy or long-term plan on how it determines the required number of staff to recruit and the relevant quality and skills to complete the workload and achieve the objective of the SAI. The strategy will also establish and operate an objective performance-based staff appraisal system based on meeting annual objectives and competency requirements developed by the SAI.

Analysis and Conclusions

Due to the relatively small size of the SAI, it makes sense that the AG of Tuvalu uses human resource guidelines and infra-structure and IT support provided by the central government. However, a human resources strategy specifically developed to meet the needs of the OAG would make a significant difference in the recruitment of the needed professionals and in the proper training on the audit lines. Also, the confidentiality risks involved in the use and production of data and information by the AG using the IT services provided by the Executive should be addressed.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	0	2	2	1	1
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	0	1			0

Enablers

The OAG of Tuvalu reports to the legislature on an annual basis by submitting the report of the Tuvalu Whole of Government accounts/Public Accounts. It also submits reports on other audits including public bodies' audits and performance audits.

The SAI conducted awareness trainings for Members of Parliament and the Public Accounts Committee on understanding and communicating audit issues raised in the audit reports. Furthermore, the SAI has assisted the Legislature mainly through the Public Accounts Committee with reviews of reports and some legislation when requested. The TOAG, also held and facilitated meetings with the Legislatures to clarify and provide further explanations on any queries regarding audit reports.

Constraints

The SAI Tuvalu communication strategy was still in draft form, and because of that the score of Dimension (i) of SAI 24 scored zero. The SAI was experiencing a shortage of staff, with four senior staff on study leave during the period being assessed. Hence the delay in finalising the SAI's communications strategy.

The SAI does not seek feedback from the auditees about the quality and relevance of audit reports and the audit process. Feedback is usually received informally during the meetings but was not documented.

The SAI does not have assurance or any documented evidence that its website is effective in making the public aware of the audit reports or the activities

of the SAI. There was no evidence of any press conferences or press releases on the audit report. Furthermore, the website is not updated and regularly monitored to ensure that the website provides accurate and timely information and can be accessed and utilised by the media and other stakeholders.

SAI Tuvalu communicates with citizens and civil societies through meetings with the village chiefs of each island council to discuss the results of their audit. Members of the village may also attend the meeting to listen to the discussions on the audit reports. Similarly, Parliamentary committee meetings are held to discuss audit reports and obtain further clarifications where necessary. Normally these meetings are held in “open meeting houses”, which means that members of the public are able to attend and listen into the discussions of the audit reports. Unfortunately, there are no documentations or records of discussions during these meetings.

Analysis and Conclusions

The OAG of Tuvalu has some good communication practices with its most important stakeholder, the Legislative. It has conducted awareness trainings for Members of Parliament and the Public Accounts Committee on understanding and communicating audit issues raised in the audit reports.

Still there are significant gaps when it comes to regular and relevant communications with the media and the citizens. Such channels are of key importance, for the SAI should not only add value through its work but should also make its results known to all relevant parts. The meetings with the village chiefs of each island council could be part of a comprehensive communications strategy and be documented.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The constitutional and legal framework that surrounds and supports the establishment and the functioning of the OAG of Tuvalu provide a strong

mandate and a high degree of legal assurance regarding the existence and independence of the SAI. However, the SAI's budget still can be affected by the Ministry of Finance (MoF), what somehow poses a potential constraint on the SAI's free exercise of its autonomy.

It should also be noted that there is still a significant gap in the legal arrangements, which is the non-definition of the Auditor General's tenure in the legislation. In addition, it is also relevant to highlight that SAI Tuvalu cannot freely decide upon the recruitment and the appointment of its staff, another relevant constraint to its autonomy.

The OAG of Tuvalu has already reached some level of quality in financial audits, but there is still room for improvement. The coverage of this type of audit has been comprehensive, for all the financial statements received were audit. This has been the most relevant outcome of SAI Tuvalu to contribute to better national governance.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

The OAG of Tuvalu has developed good communication practices with the Parliament, through reports to the legislature on an annual basis. The SAI conducted awareness trainings for Members of Parliament and the Public Accounts Committee on understanding and communicating audit issues raised in the audit reports. Furthermore, the SAI has assisted the Legislature mainly through the Public Accounts Committee with reviews of reports and some legislation when requested.

SAI Tuvalu communicates with citizens and civil societies through meetings with the village chiefs of each island council to discuss the results of their audit. Members of the village may also attend the meeting to listen to the discussions on the audit reports. Similarly, Parliamentary committee meetings are held to discuss audit reports and obtain further clarifications where necessary. Normally these meetings are held in "open meeting houses", which means that members of the public are able to attend and listen into the discussions of the audit reports. Unfortunately, there are no documentations

or records of discussions during these meetings.

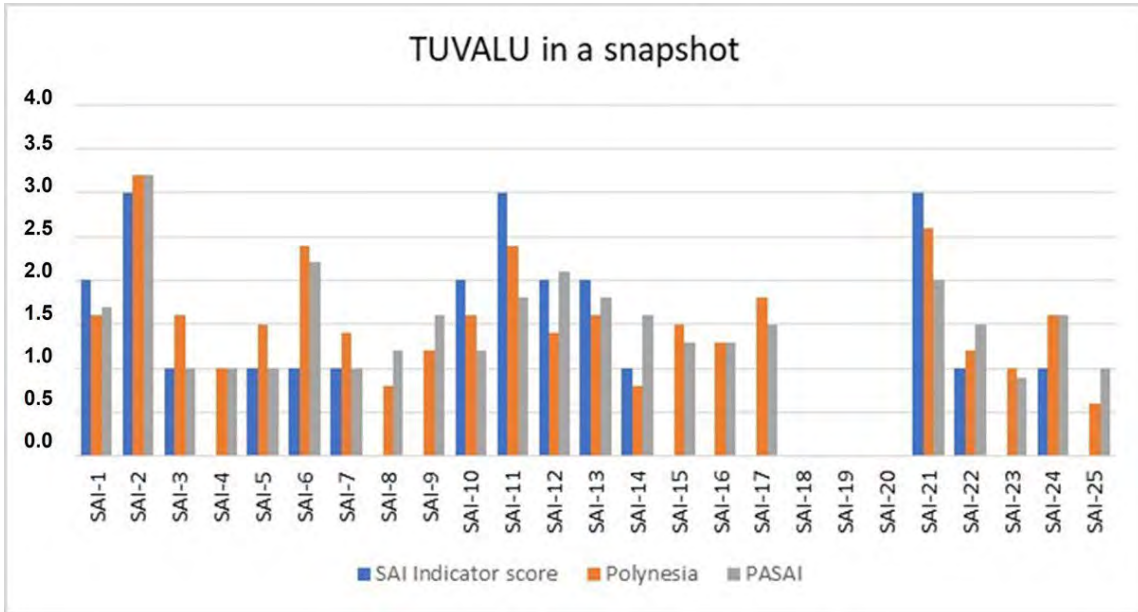
The implementation of performance audits will certainly enable the OAG of Tuvalu to add more and more value to the citizens, as a result of the recommendations aimed to improve the government practices that will be issued in those audit reports.

3. Being a model organisation through leading by example

Regarding both strategic and annual planning practices, the SAI of Tuvalu is yet at an incipient level and has limited systems and processes in terms of preparing and monitoring progress against their strategic and annual plan. Therefore, there is a clear need for the SAI to improve its capacity to plan in all levels and to deliver against the planned objectives.

The establishment of a process to support and mitigate risks or any breaches of the Code of Ethics, based on the assessment of its vulnerability and resilience to integrity violations through the use of some mechanisms, such as public survey or a tool similar to the INTOSAIN'T would reinforce the SAI's leadership by example.

GRAPH 39 - TUVALU OFFICE OF THE AUDITOR GENERAL IN A SNAPSHOT



GRAPH 40 - TUVALU OFFICE OF THE AUDITOR GENERAL IN GDP PER CAPITA CLUSTER

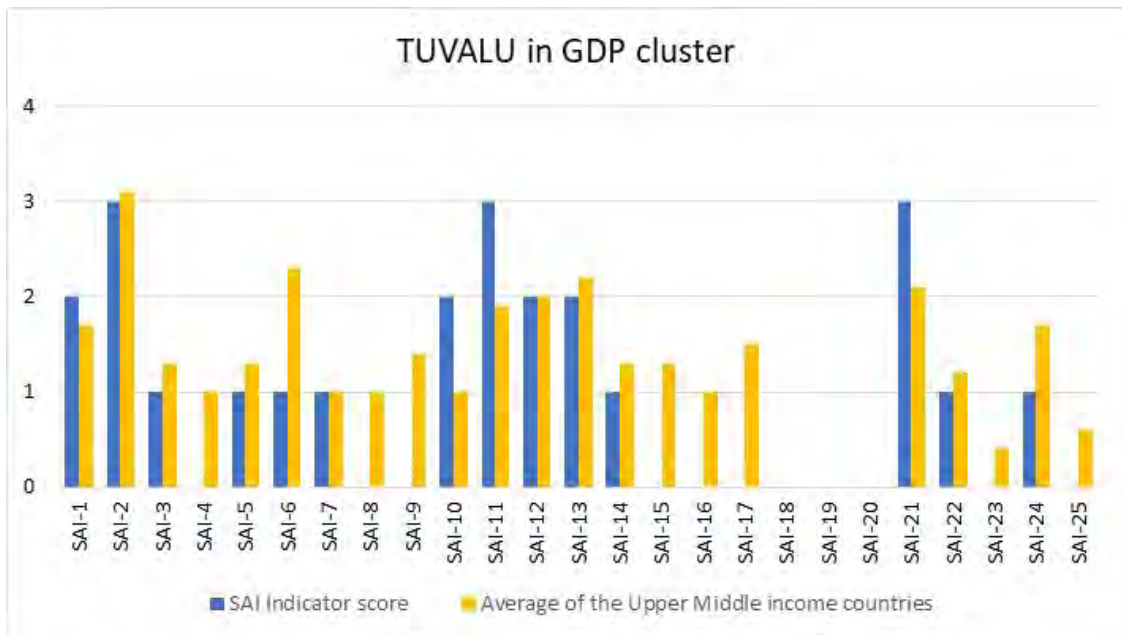


TABLE 26 - TUVALU INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	3	1	2	2	2
SAI-2	2	4	4	-	3
SAI-3	1	1	1	1	1
SAI-4	2	0	0	0	0
SAI-5	3	1	0	-	1
SAI-6	1	1	-	-	1
SAI-7	0	1	2	-	1
SAI-8	1	0	N/A	-	0
SAI-9	0	0	0	-	0
SAI-10	2	2	2	-	2
SAI-11	2	4	2	-	3
SAI-12	2	1	2	-	2
SAI-13	2	1	3	-	2
SAI-14	0	4	0	-	1
SAI-15	N/A	N/A	N/A	-	N/A
SAI-16	N/A	N/A	N/A	-	N/A
SAI-17	N/A	N/A	N/A	-	N/A
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	3	2	3	-	3
SAI-22	N/A	0	2	2	1
SAI-23	0	N/A	N/A	N/A	0
SAI-24	0	2	2	1	1
SAI-25	0	1	-	-	0



4.20 Vanuatu Office of the Auditor General

The Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) assessment of the Office of the Auditor General of the Republic of Vanuatu was prepared on the basis of the SAI PMF Endorsement Version 2016. The assessment was completed in June 2020.

The current analysis is fully based upon the above-mentioned SAI PMF assessment report.

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Domain A: Independence and Legal Framework		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-1	Independence of the SAI	1	1	1	1	1
SAI-2	Mandate of the SAI	2	3	2		2

Enablers

The establishment of the SAI and the function of the Auditor General is stipulated in the Constitution of the Republic of Vanuatu. Further to this, the Expenditure Review and Audit Act (ERAA) describes the powers and functions of the Office of the Auditor General. In particular, section 20 defines the OAG as a constitutional office and sections 21- 34 describe the establishment of the role of the Auditor General and regulate the powers and obligations of the OAG, including its audit mandate. The Constitution provides that the Auditor-General (AG) shall not be subject to the direction or control of any other person or body in the exercise of his/her functions.

The OAG has been given an adequate mandate under the Constitution and the ERAA, which covers all revenue and expenditure of the Public Funds and accounts of Ministries, Agencies, Local authorities and Ministerial offices. The duties of the Auditor General include the three audit types – financial, compliance and performance. The OAG can also look at the adequacy of internal controls and check if they are sufficient to ensure effective management of public moneys.

The ERAA provides the Auditor-General and his staff with full access at all reasonable times to all document and information with no restrictions. Further to this, the Auditor-General and every person authorized by the Auditor-General may require any person to supply any information or answer any questions relating to an audit and an examination carried out by the OAG. Generally, the OAG has authority to inspect, measure, test and conduct audits with unrestricted access to all information. There have not been any cases identified where access has been denied.

Constraints

The impact of the OAG's role to deliver on his audit mandate effectively is dependent on the effectiveness of the Public Accounts Committee (PAC) in advancing the OAG's audit recommendations. The Committee is dependent on the high quality of the audit reports from the AG. Since 2017, the PAC sits more frequently but is also constrained by funding to attempt to work effectively. There are efforts for the OAG and PAC to work more effectively together, as it will be reflected in the 2019 amended Audit Bill, because the Westminster system of the Vanuatu Government encourages a good relationship between the OAG and PAC.

Although the OAG has not been a department under the Ministry of Finance and Economic Management (MFEM) since 1998, all financial management and budgeting processes still go through the MFEM. In particular, the budget for the OAG is channelled through the budget process for the government, which requires all government agencies to provide their budget and present it to the budget committee prior to submission to Parliament. The OAG does not have the right to appeal directly to the Legislature or Parliament; instead, the Public Accounts Committee has been tasked to review and report to Parliament in cases of the insufficient resources of the Audit Office.

In essence, the OAG does not control the access to the financial resources required to carry out its operations independently of the MFEM. In practical terms, this means that funds are released to the OAG monthly, the same way as to all other government agencies. In conclusion, the OAG does not have financial independence or autonomy in relation to government funds and is

restricted to freely access financial resources or appropriations approved by Parliament. Despite such arrangements, the MFEM has been cooperative in providing the necessary support to the office.

The autonomy in the Audit Office is hampered by the fact that the structure and staffing of the OAG is determined by the Public Service Commission. It should also be noted that there are no legal provisions to secure immunity for the Head of the SAI and its staff against legal processes in the discharge of their duties (criterion c, SAI-1, iv, considered as not met).

De facto, the OAG has conducted mainly financial and compliance audits. Although there have been no reported cases of interference in the OAG's selection of audits to be conducted, the audit plan and the audits to be conducted each year have to be reviewed by the Public Accounts Committee. In some cases, the PAC has requested the Auditor-General to carry out specific investigative audits which are not in the original audit plan. Furthermore, the follow-up of audits is a responsibility of the PAC as per the ERAA; therefore, the OAG has not implemented this task.

Analysis and Conclusions

The constitutional framework provides some legal independence and autonomy to the OAG of the Republic of Vanuatu, but this has not yet been fully reflected in the SAI's activities. A close cooperation with the PAC is part of the Westminster system; however, such proximity should neither affect the OAG capability to directly appeal to the Legislature for its budget nor to influence the SAI's free choice of the audits that will be done.

Also, the OAG should pursue more autonomy in defining its organisational structure and in recruiting the staff needed.

It seems that at present those constraints are not having any significant impact on the OAG's results, but if the legal framework remains unchanged, that could allow for future undue interferences on the OAG's work.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Domain B: Internal Governance and Ethics		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-3	Strategic Planning Cycle	1	0	0	0	0
SAI-4	Organisational control environment	0	0	1	0	0
SAI-5	Outsourced audits	1	0	0		0
SAI-6	Leadership and internal communication	2	3			2
SAI-7	Overall audit planning and Follow-up	0	0			0

Enablers

The Vanuatu SAI has adopted the INTOSAI Code of Ethics as their own, and in 2017 a Technical Advisor developed the VNAO Code of Ethics. Every year one of the Audit Managers makes a presentation on this Code. It should be noted that all but one criteria of SAI-4 – *Dimension (i) – Internal Control Environment – Ethics, Integrity and Organisational Structure* have been met by the SAI. The correspondent score is zero because according to the scoring system for that dimension, if criterion “g” is not met, then the final score for the dimension is zero, even if all other criteria are met.

Criterion “g” requires that a SAI should implement an ethics control system to identify and analyse ethical risks, to mitigate them, to support ethical behaviour, and to address any breach of ethical values, including protection of those who report suspected wrongdoing. If there is no such system, the dimension’s score goes down to zero.

Given the small size of the SAI (13 employees), SAI leadership (the Executive Management Team) includes the Auditor General (Head of the SAI) and the two senior Audit Managers. The Executive Team holds meetings every fortnight and these meetings are documented in minutes. Decisions made by SAI leadership are circulated to all staff via email, while key decisions on human resources issues (such as recruitment and promotions) are discussed with staff by the executive management team, documented, and filed in personnel files.

The main medium of internal communication for the SAI is through email and the shared drive, which is accessed by all staff. All staff communicate and share information through email. Regular emails are circulated to all staff about office matters, announcement of trainings and other key issues. Given it is a small office and everyone works in close proximity, discussions or information is also shared through conversation.

Constraints

The Corporate Plan was not based on a formal needs assessment or SWOT analysis to support the strategic priorities identified in the plan. Although the Corporate Plan included its vision, mission, objectives and corporate goals, it lacked measurable or specific indicators under the verifiable outputs. There were no measurable targets or timeframes against which the OAG could measure its progress or performance.

The process to develop the Corporate Plan was not documented and the staff were not aware of how the Corporate Plan was compiled. At the time of the SAI PMF assessment, there was no updated annual plan to operationalise the Corporate Plan.

Analysis and Conclusions

The exclusion of the staff from the process of development of the Corporate Plan reduces the potential involvement of the workforce in the achievement of the proposed goals. It is also indispensable that an annual plan be developed in order to make sure that the strategic goals are achieved in due time.

The OAG exemplary leadership (“tone at the top”) and the SAI’s clear focus on ethics altogether compose a solid cornerstone on which a strong organisational control environment can be built, thus opening a suitable way to develop other needed functions, such as quality control and quality assurance systems and practices. Undoubtedly commitment to quality in all tasks by the staff is the most important foundation for sustainable high performance.

Those improvements in quality would also positively impact the way the

OAG manages outsourced audits.

DOMAIN C: AUDIT QUALITY AND REPORTING

There is clearly a mandate for the SAI to conduct performance and compliance audits; however, the Vanuatu SAI is small and there is a lack of capacity including skillsets to carry out these types of audits. The Auditor General’s efforts to build the capacity of his/her office has resulted in building a twinning arrangement with the Queensland Audit Office and includes some requests to PASAI for long term support in these areas. The indicators for these audit streams (as shown in the table below) have been scored as zero to reflect this situation.

Domain C: Audit Quality and Reporting		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-8	Audit Coverage	1	0	0	0
SAI-9	Financial Audit Standards and Quality Management	2	1	1	1
SAI-10	Financial Audit Process	1	1	2	1
SAI-11	Financial Audit Results	0	0	0	0
SAI-12	Performance Audit Standards and Quality Management	0	0	0	0
SAI-13	Performance Audit Process	0	0	0	0
SAI-14	Performance Audit Results	0	0	0	0
SAI-15	Compliance Audit Standards and Quality Management	0	0	0	0
SAI-16	Compliance Audit Process	0	0	0	0
SAI-17	Compliance Audit Results	0	0	0	0

Enablers

The Vanuatu SAI currently conducts its audits according to INTOSAI Standards of Supreme Audit Institutions or ISSAIs, which are based on the International Standards of Auditing (ISA). Given that the main audit completed is the Financial Statements of the Government of the Republic of Vanuatu or Whole of Government accounts, the Financial Audit ISSAIs are

used and reported upon. In particular, the SAI has a shared network drive and there is a Financial Audit Manual (FAM) which includes requirements and guidance for the conduct of Financial Statements Audits. The manual is very prescriptive and well-written.

Constraints

The staff rarely referred to the manual. The main reason is because when they use TeamMate (the software bought by the OAG to support audit work) to conduct the audit, most of the templates are already embedded on the file and therefore they just carry on conducting the audit according to these templates. There are many good checklists in the TeamMate library and those are used by the staff; however, sometimes this was not present or evident on the file. A review of the templates and TeamMate files highlighted that there was no link between its procedures or programs with the Financial Audit Manual (FAM). In other words, the FAM was not really used or embedded in the audit practice and not used as a good reference tool.

The quality control in terms of reviewing working papers in a timely manner was not completed and remained unreviewed despite the Financial Statements' being issued and signed. Timeliness of the quality control process is very important not only to ensure high quality, but to also guarantee that the risk of an incorrect audit opinion by the Auditor General is reduced.

Analyses and Conclusions

The OAG of Vanuatu adopted the ISSAIs as their standard to conduct financial audits and there is a suitable Financial Audit Manual to support the audit teams in their work. However, there are still significant issues to be addressed in the financial audits, such as the inconsistency of the quality control practices and infrequent use of the FAM. These gaps, associated with the weakness in the operational plan level, make it more difficult for the OAG to ensure that the strategic goals will be timely achieved.

The SAI's mandate is yet to be fully covered. The OAG has legal power to carry out financial and performance audits, but so far these audit lines are not operating regularly.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Domain D: Financial Management, Asset and Support Services		Dimension			Overall Score
Indicators	Name	(i)	(ii)	(iii)	
SAI-21	Financial Management, Asset and Support Services	1	2	2	2

Enablers

The SAI has access to and directly inputs into the government’s centralised Financial Management Information System (FMIS), which includes Smart Stream and all its modules. Similarly, the Government has a centralised IT provider and as such all IT related matters are dealt with by the government’s IT staff. Given the small size of the SAI, this is a reasonable arrangement.

During the last three fiscal years, the SAI experienced deviations inferior to 10% for the actual expenditure versus the original budgeted expenditure. This is an appropriate and reasonably good management of funds. The Office Manager has more than 10 years’ experience in the public sector; therefore, she has managed to implement an archiving system that seems adequate.

Constraints

The SAI relies on the central government IT services, which is responsible for the IT needs of the office. If the OAG needs IT support, such as installing software, backup, passwords or internet connections, it calls upon the IT support to provide them. There is a chance that important and confidential audit files may be accessed by the IT support without the knowledge of the SAI, given that they manage all IT issues for the SAI.

Analysis and Conclusions

Vanuatu’s population is relatively small; consequently, the government apparatus should be proportional to the context of the country. In a broad sense, the AGO is part of the public sector and works in the same

environment. In such scenario, it is reasonable that the AGO of Vanuatu shares with the central government the infrastructure and IT resources needed to its work. Nonetheless, it is advisable to address the potential vulnerabilities that could jeopardize the confidentiality of the data used in the audit works.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Domain E: Human Resources and Training		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-22	Human Resource Management	N/A	0	4	1	2
SAI-23	Professional Development and Training	0	1	1	2	1

Enablers

The SAI currently adopts the Public Service Staff Manual (PSSM) for guidance on recruitment procedures pursuant to recruiting and selecting staff. These procedures are publicly available to all government entities. Recruitment is managed by the Public Service Commission (PSC), including advertising for the vacant post. The Auditor-General is consulted at all times by the PSC in relation to recruitment matters. All criteria for dimension (iii) – *Human Resources Recruitment* were met.

Constraints

Overall, the SAI does not have a HR function. The Human Resource Management (HRM) unit, which is a department within the Public Service Commission (PSC), is responsible for human resource (HR) matters for all departments within the government, including the Auditor General’s Office.

The SAI does not have a Human Resource Strategy. However, the SAI has referred to the PSC Rules for guidance on human resource matter which are specified in the Public Service Staff Manual (PSSM). The PSSM (which was undergoing a review) cover recruitment, remuneration, performance appraisal and professional development. The PSSM are general and are meant for all public sector entities; therefore, it does not contain specific considerations about the number and type of staff required by the SAI for its strategic

planning period.

Consequently, although the SAI is relatively small in size, it should have a strategy or long-term plan on how it determines the required number of staff to recruit and the relevant quality and skills to complete the workload and achieve the objectives of the SAI. The strategy should also establish and operate an objective performance-based staff appraisal system based on meeting annual objectives and competency requirements developed by the SAI.

The SAI does not have a Professional Development and Training Plan in place. There is no documentation of the type of trainings that the division or staff needs; there are no established procedures for selection of staff to participate in training or professional development; there is no plan for development of non-audit staff. Furthermore, there is no mechanism in place to monitor and evaluate the result of professional development and training of staff. In the absence of a plan and established procedures to monitor and evaluate staff development, there is no systematic way of identifying the required trainings that staff should undertake.

The Competence Based Performance Management Framework (CBPM Framework) achieves the criterion to develop appropriately tailored competency requirements for different staff levels in financial, performance and compliance audit.

Analysis and Conclusions

The CBPM Framework is a good starting point to improve the office's approach to professional training. The OAG capability to deliver high quality audits depends very much on the professional development of its staff. Because of that, it is of paramount importance that the OAG develop and implement a consistent and well construed Human Resources Strategy and a professional development and training plan.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Domain F: Communication and Stakeholder Management		Dimension				Overall Score
Indicators	Name	(i)	(ii)	(iii)	(iv)	
SAI-24	Communication with the Legislature, the Executive and the Judiciary	3	0	0	0	0
SAI 25	Communication with the Media, Citizens and Civil Society Organisations	0	1			1

Enablers

There is a SAI Vanuatu Communications Strategy (VCS) in place, which identifies key stakeholders, key messages, appropriate tools and approaches for external and internal communication.

The ERAA gives the Auditor General legal power to forward a report directly to the Speaker of Parliament at least once annually. This report can contain any information relating to audits as the Auditor General deems appropriate for the Speaker to present to Parliament and to call for a debate on it. Once any reports are tabled in Parliament, they are considered public documents and can be published accordingly. Such practice has not been implemented; however, such practice could increase the use and impact of audit reports.

Constraints

The OAG reached a score of 0 in SAI-24, which highlights it has a weak relationship in communicating with the key clients, such as the PAC, the Parliament and the Judiciary.

The ERAA states that the Auditor-General shall report to the Minister, Minister for Finance and the PAC on every review, audit, investigation or inquiry undertaken. The last annual report provided to the PAC and Minister was reporting on activities from 2013 to 2016, but there was no evidence that any of the audit reports had been debated in Parliament.

Further to this, the ERAA requires the Auditor-General to furnish the PAC

with information such as analysis, appraisals, recommendations and advice to assist the PAC in carrying out its duties and functions. In essence, it is up to the PAC to scrutinise the reports of the Auditor-General and provide its own summary and table this to Parliament. However, there is no evidence that any of the audit reports have been debated or discussed in Parliament.

It is important that the SAI raise awareness among the Executive and the audited entities on the importance of good governance in the public sector, including meetings between leaders of the SAI and of the audited entities and/or the Ministry of Finance and Economic Management.

However, there is no proactive process in place to invite senior members to meetings to discuss common findings, trends and root causes identified during SAI audit reports. The SAI also does not seek feedback from the auditees about the quality and relevance of audit reports and the audit process.

Communication with media, citizens and civil society is still a weak point in the OAG's practice, as can be seen by the low score in SAI-25. Nonetheless, it is very important that a SAI have good practices to communicate with the society to make its work and value known to the nation.

Analysis and Conclusions

According to the principles embedded in the INTOSAI P 12, it is of key importance that a SAI maintain good communications practices with major stakeholders, such as the Legislature and the Executive, and with the society in general. Proper communication will help to improve the SAI's public image as an organisation that leads by example.

Integrated Analysis

1. Strengthening the accountability, transparency and integrity of government and public sector entities

The OAG of Vanuatu has been given an adequate mandate under the Constitution and the ERAA, which covers all revenue and expenditure of the Public Funds and accounts of Ministries, Agencies, Local authorities and Ministerial offices. The duties of the Auditor General include the three audit types – financial, compliance and performance. The OAG can also look at the adequacy of internal controls and check if they are sufficient to ensure effective management of public moneys.

The impact of the OAG's role to deliver on his audit mandate effectively is dependent on the effectiveness of the Public Accounts Committee (PAC) in advancing the OAG's audit recommendations. The ERAA states that the Auditor-General shall report to the Minister, Minister for Finance and the PAC on every review, audit, investigation or inquiry undertaken.

There is room for improvement in the working connection with the PAC. For example, the last annual report provided to the PAC and Minister was reporting on activities from 2013 to 2016, but there was no evidence that any of the audit reports had been debated in Parliament.

It should be noted that the ERAA gives the Auditor General legal power to forward a report directly to the Speaker of Parliament at least once annually. This report can contain any information relating to audits as the Auditor General deems appropriate for the Speaker to present to Parliament and calls for a debate on it. Once any reports are tabled in Parliament, they are considered public documents and can be published accordingly. Such practice has not been implemented; however, it could increase the use and impact of audit reports.

Regarding the audit work, there are still significant issues to be addressed in the financial audits, such as the inconsistency of the quality control practices and infrequent use of the FAM. These gaps, associated with inconsistencies in

the preparation of the operational plan, make it more difficult for the OAG to make sure that the strategic goals are timely achieved.

The SAI's mandate is yet to be fully covered. The OAG has legal power to carry out financial and performance audits, but so far these audit lines are not operating regularly.

Altogether, the Auditor General of the Republic of Vanuatu holds a strong constitutional position, being empowered to conduct all types of audits to induce improvements in the way the country is governed, for the good of all society. However, there is significant room to improve its performance, to add more and more value to the citizens.

2. Demonstrating ongoing relevance to citizens, Parliament and other Stakeholders

There is a SAI Vanuatu Communications Strategy (VCS) in place, which identifies key stakeholders, key messages, appropriate tools and approaches for external and internal communication. However, the OAG reached a score of 0 in SAI-24, which highlights that there are flaws in communicating with the key clients, such as the PAC, the Parliament and the Judiciary.

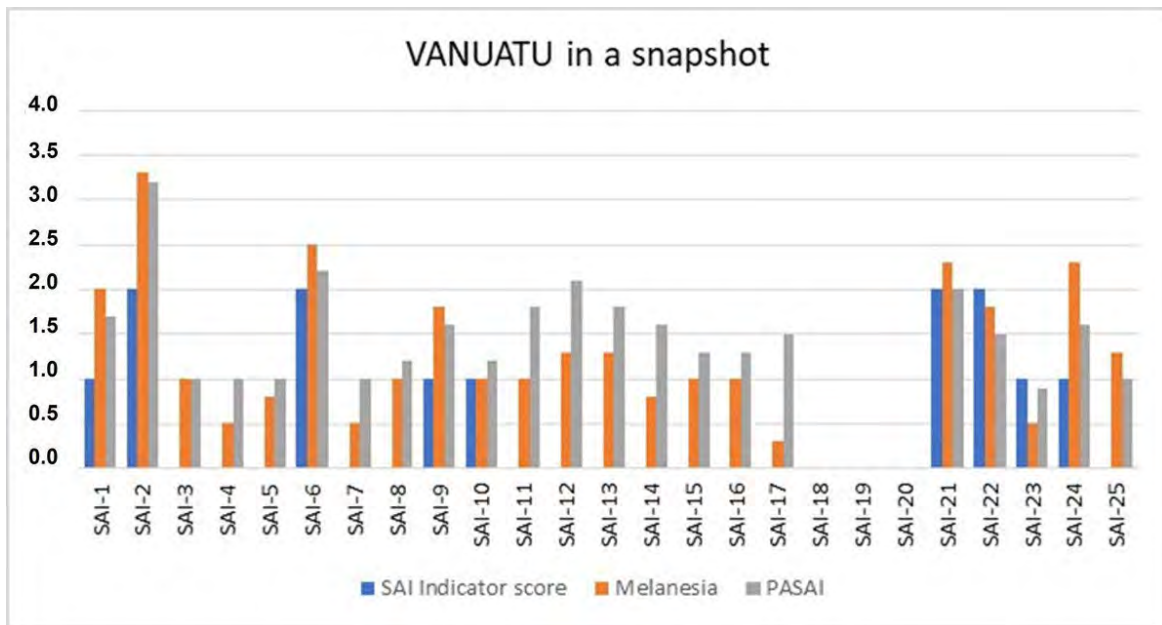
Communication with media, citizens and civil society is still a weak point in the OAG's practice, as can be seen by the low score in SAI-25. Nonetheless, it is very important that a SAI have good practices to communicate with the society in order to make its work and value known to the nation.

3. Being a model organisation through leading by example

The OAG exemplary leadership ("tone at the top") and the SAI's clear focus on ethics significantly contribute to the leading by example principle. Good governance is an important point in being a model organisation, but SAI Vanuatu did not score so well in Domain B, thus revealing the challenge to improve its practices in that area. Quality control and quality assurance practices are still to be fully implemented and planning in all levels, from

strategic to operational, could be improved.

GRAPH 41 - VANUATU OFFICE OF THE AUDITOR GENERAL IN A SNAPSHOT



GRAPH 42 - VANUATU OFFICE OF THE AUDITOR GENERAL IN GDP PER CAPITA CLUSTER

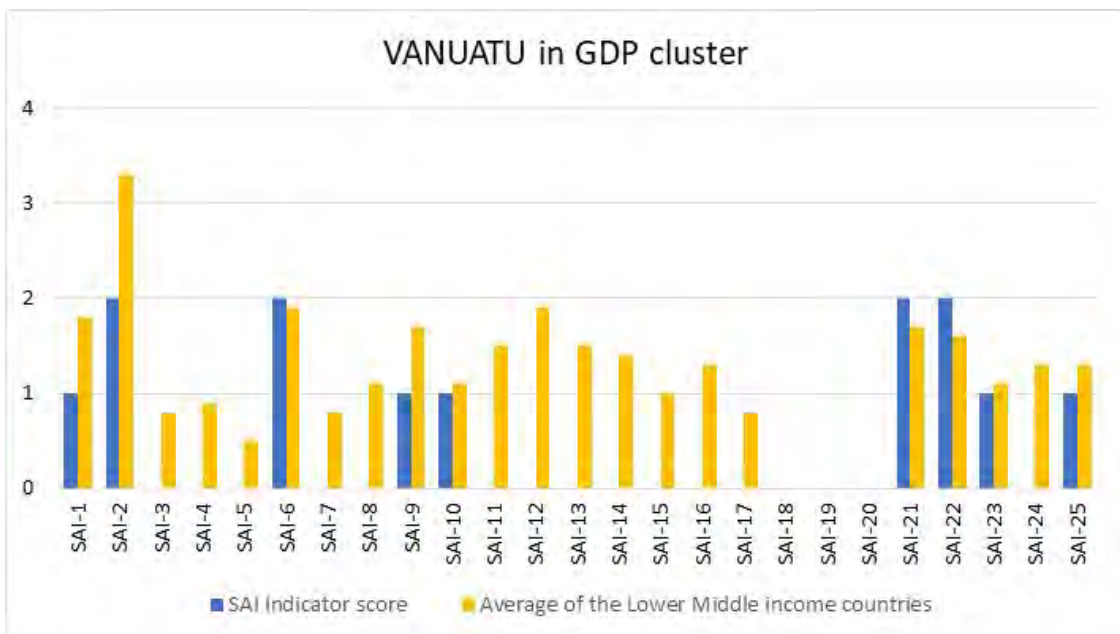


TABLE 27 - VANUATU INDICATORS

Indicator	(i)	(ii)	(iii)	(iv)	SAI Indicator score
SAI-1	1	1	1	1	1
SAI-2	2	3	2	-	2
SAI-3	1	0	0	0	0
SAI-4	0	0	1	0	0
SAI-5	1	0	0	-	0
SAI-6	2	3	-	-	2
SAI-7	0	0	-	-	0
SAI-8	1	0	0	-	0
SAI-9	2	1	1	-	1
SAI-10	1	1	2	-	1
SAI-11	0	0	0	-	0
SAI-12	0	0	0	-	0
SAI-13	0	0	0	-	0
SAI-14	0	0	0	-	0
SAI-15	0	0	0	-	0
SAI-16	0	0	0	-	0
SAI-17	0	0	0	-	0
SAI-18	N/A	N/A	N/A	N/A	N/A
SAI-19	N/A	N/A	N/A	-	N/A
SAI-20	N/A	N/A	N/A	-	N/A
SAI-21	1	2	2	-	2
SAI-22	N/A	0	4	1	2
SAI-23	0	1	1	2	1
SAI-24	3	0	0	0	0
SAI-25	0	1	-	-	1



Section III – Connections with PASAI Strategy

Chapter 5 – Connections with the four strategic pillars

PASAI has developed four strategic pillars to support and guide its actions. It is important to harmonise the analysis and conclusions provided in this report with those pillars in order to improve PASAI’s strategic efficiency.

AVERAGE OF THE INDICATORS FOR THE WHOLE PASAI REGION

Indicator	(i)	(ii)	(iii)	(iv)	PASAI Indicator score
SAI-1	2.0	1.5	2.4	2.1	1.8
SAI-2	3.2	3.6	3.2	-	3.3
SAI-3	1.4	0.9	1.0	1.3	1.0
SAI-4	0.6	0.8	1.6	1.1	1.0
SAI-5	2.2	1.1	0.5	-	1.1
SAI-6	2.0	2.8	-	-	2.2
SAI-7	0.8	1.1	-	-	1.0
SAI-8	2.1	1.3	0.4	-	1.2
SAI-9	1.9	1.3	1.7	-	1.6
SAI-10	1.0	1.2	1.4	-	1.1
SAI-11	1.6	1.8	1.7	-	1.8
SAI-12	2.7	1.8	1.9	-	2.1
SAI-13	1.7	1.7	2.3	-	1.9
SAI-14	1.9	1.8	1.1	-	1.5
SAI-15	0.6	1.2	1.9	-	1.2
SAI-16	1.3	1.2	1.5	-	1.3
SAI-17	1.8	1.4	1.4	-	1.5
SAI-18	-	-	-	-	-
SAI-19	-	-	-	-	-
SAI-20	-	-	-	-	-
SAI-21	2.4	1.7	2.0	-	2.0
SAI-22	2.3	0.1	2.4	2.1	1.4
SAI-23	0.8	0.9	1.0	0.9	0.9
SAI-24	1.2	1.7	2.0	1.6	1.5
SAI-25	1.0	1.5	-	-	1.0

5.1 Strategic Priority 1: Strengthening SAI Independence

A strong independent SAI is essential for a country's good governance and public financial management. The SAI will accomplish such an impact by working in collaboration with other development partners, participation in international and regional conferences and publication of resources.

The indicator SAI-1 assesses the constitutional and legal independence of the SAIs. At regional level, the indicator reached an average score of 1.8. This shows that there are challenges to be addressed in this area, especially in the dimension (ii), which focuses on the financial independence. This dimension has reached an average score of only 1.5.

An independent SAI can focus its work on issues or areas that are relevant to the wellbeing of the society, so that to maximize the value it can add from its work. Real independence requires not only legal protection but also financial autonomy. PASAI has room for improvement in both.

On the other hand, the indicator SAI-2 reached an average score of 3.3, an indication that most of the SAIs in the region have a sufficiently broad mandate.

Another important part of the SAIs' *de facto* independence is to have full discretion on its human resource decisions, so that the SAI can freely recruit and maintain highly qualified workforce. The indicator SAI-22 – Human Resource Management has reached overall score of 1.4, thus demonstrating that the SAIs of the Pacific region still have room to improve in their capacity to fully deal with HR issues.

5.2 Strategic Priority 2: Advocacy to strengthen Governance, Transparency, Accountability and Integrity

PASAI advocates for improved governance, transparency and accountability of countries assisted by greater regional co-operation amongst SAIs and active engagement with stakeholders and development partners with an interest in effective public financial management.

Independent SAIs empowered by broad mandates can play a decisive role in

improving the country's governance. High quality audit recommendations will have a positive impact in the government's structure and performance. SAIs that communicate effectively with the media and with the citizens will provide greater transparency of the governments' performance and make it clearer how the public resources are being used.

The communication with the media reached a low average score of 1.6 (SAI-24) and the communications with the citizens achieved an even lower average of 1.0.(SAI-25). These two low scores show that in the Pacific region there is a major gap in the SAIs communication with the society. If this is improved, there will be gains in the transparency of the governments' performance and the public managers will be held accountable before the public.

5.3 Strategic Priority 3: High Quality Audits Completed by Pacific SAIs on a timely basis

Public accounts audited in a timely manner to internationally agreed standards by SAIs are 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 experts at both the SAI, sub-regional and regional levels to achieve timeliness and high-quality audits.

All analysis and conclusions associated with or derived from Domain C will likely be helpful to boost this strategic objective. This report identifies SAIs with outstanding results in financial and performance audits; they can be key resources for PASAI in the promotion of high-quality audits. No SAI has been identified as an outstanding example in compliance audits. In fact, many SAIs do not see compliance audits as a different type of audit. Some SAIs associate compliance with financial audits and others associate with performance audits.

5.4 Strategic Priority 4: SAI Capacity & Capability Enhanced

The ongoing capacity building of SAIs as institutions and of their staff is crucial to achieve the transparent, accountable, effective, and efficient use of public sector resource in the Pacific region. PASAI implements initiatives to build and sustain public auditing capacity through improving SAI management processes supported by staff with up-to-date skills and auditing capabilities.

The indicator SAI-23 Professional Development and Training reached the average score of 0.9, the lowest of all indicators for the Pacific region. This is linked to the low scoring in HR strategy. Improvements in the HR strategy will certainly trigger stronger plans for professional development.

There is a clear major gap in the region regarding the strategic thinking of the SAIs, evidenced by the low scores in Strategic Planning (SAI-3 dimension (i) scored 1.4), HR strategy (SAI-22 dimension (ii) scored 0.1), and in the communication strategy (SAI-24 dimension (i) scored 1.2).

The average for the Strategic Planning was 1.4. There is a clear major gap in the region regarding the strategic thinking of the SAIs, evidenced by the low scores in HR strategy and in the strategic planning.

The internal control environment forms the organisational foundation to address risks. Internal controls systems are organisational response to risks. Quality control and quality assurance are there to mitigate the risks in the audit process. All these aspects are included in the indicator SAI-4, which has reached the low average score of 1.0. This is a clear indication that there is an overall need to improve the approach to risks in the Pacific SAIs.

Annex I

THE SAI PERFORMANCE INDICATOR SET OVERVIEW OF INDICATORS INCLUDING DIMENSIONS

Indicator	Domain	Dimensions
A. Independence and Legal Framework		
SAI-1	Independence of the SAI	(i) Appropriate and effective constitutional framework (ii) Financial independence/autonomy (iii) Organisational independence/autonomy (iv) Independence of the Head of SAI and its Officials
SAI-2	Mandate of the SAI	(i) Sufficiently broad mandate (ii) Access to information (iii) Right and obligation to report
B. Internal Governance and Ethics		
SAI-3	Strategic Planning Cycle	(i) Content of the Strategic Plan (ii) Content of the Annual Plan/Operational Plan (iii) Organisational Planning Process (iv) Monitoring and Performance Reporting
SAI-4	Organisational Control Environment	(i) Internal Control Environment – Ethics, Integrity and Organisational Structure (ii) System of Internal Control (iii) Quality Control System (iv) Quality Assurance System
SAI-5	Outsourced Audits	(i) Process for Selection of Contracted Auditor (ii) Quality Control of Outsourced Audits (iii) Quality Assurance of Outsourced Audits
SAI-6	Leadership and Internal Communication	(i) Leadership (ii) Internal Communication
SAI-7	Overall Audit Planning	(i) Overall Audit Planning Process (ii) Overall Audit Plan Content
SAI-8	Audit Coverage	(i) Financial Audit Coverage (ii) Coverage, Selection and Objective of Performance Audit (iii) Coverage, Selection and Objective of Compliance Audit (iv) Coverage of Jurisdictional Control
SAI-9	Financial Audit Standards and Quality Management	(i) Financial Audit Standards and Policies (ii) Financial Audit Team Management and Skills (iii) Quality Control in Financial Audit
SAI-10	Financial Audit Process	(i) Planning Financial Audits (ii) Implementing Financial Audits (iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits
SAI-11	Financial Audit Results	(i) Timely Submission of Financial Audit Results

Indicator	Domain	Dimensions
		(ii) Timely Publication of Financial Audit Results (iii) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations
SAI-12	Performance Audit Standards and Quality Management	(i) Performance Audit Standards and Policies (ii) Performance Audit Team Management and Skills (iii) Quality Control in Performance Audit
SAI-13	Performance Audit Process	(i) Planning Performance Audits (ii) Implementing Performance Audits (iii) Reporting on Performance Audits
SAI-14	Performance Audit Results	(i) Timely Submission of Performance Audit Reports (ii) Timely Publication of Performance Audit Reports (iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations
C. Audit Quality and Reporting		
SAI-15	Compliance Audit Standards and Quality Management	(i) Compliance Audit Standards and Policies (ii) Compliance Audit Team Management and Skills (iii) Quality Control in Compliance Audit
SAI-16	Compliance Audit Process	(i) Planning Compliance Audits (ii) Implementing Compliance Audits (iii) Evaluating Audit Evidence, Concluding and Reporting in Compliance Audits
SAI-17	Compliance Audit Results	(i) Timely Submission of Compliance Audit Results (ii) Timely Publication of Compliance Audit Results (iii) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations
SAI-18	Jurisdictional Control Standards and Quality Management <i>(for SAIs with Jurisdictional Functions)</i>	(i) Jurisdictional Control Standards and Policies (ii) Jurisdictional Control Team Management and Skills (iii) Quality Control of Jurisdictional Controls
SAI-19	Jurisdictional Control Process <i>(for SAIs with Jurisdictional Functions)</i>	(i) Planning Jurisdictional Controls (ii) Implementing Jurisdictional Controls (iii) Decision-making Process During Jurisdictional Controls (iv) Final Decision of Jurisdictional Controls
SAI-20	Results of Jurisdictional Controls <i>(for SAIs with Jurisdictional Functions)</i>	(i) Notification of Decisions Relating to Jurisdictional Control (ii) Publication of Decisions Relating to Jurisdictional Control (iii) Follow-up by the SAI on the Implementation of Decisions Relating to Jurisdictional Control
SAI-21	Financial Management, Assets and Support Services	(i) Financial Management (ii) Planning and Effective Use of Assets and Infrastructure (iii) Administrative Support Services

Indicator	Domain	Dimensions
E. Human Resources and Training		
SAI-22	Human Resource Management	(i) Human Resources Function (ii) Human Resources Strategy (iii) Human Resources Recruitment (iv) Remuneration, Promotion and Staff Welfare
SAI-23	Professional Development and Training	(i) Plans and Processes for Professional Development and Training (ii) Financial Audit Professional Development and Training (iii) Performance Audit Professional Development and Training (iv) Compliance Audit Professional Development and Training
F. Communication and Stakeholder Management		
SAI-24	Communication with the Legislature, Executive and Judiciary	(i) Communications Strategy (ii) Good Practice Regarding Communication with the Legislature (iii) Good Practice Regarding Communication with the Executive (iv) Good Practice Regarding Communication with the Judiciary, Prosecuting and Investigating Agencies
SAI-25	Communication with the Media, Citizens and Civil Society Organisations	(i) Good Practice Regarding Communication with the Media (ii) Good Practice Regarding Communication with Citizens and Civil Society Organisations



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