



Pacific Association of Supreme Audit Institutions (PASAI)

ANNUAL REPORT

for year ended 30 June 2016

CONTENTS

3	SECRETARY-GENERAL'S MESSAGE
5	REPORT FROM THE CHIEF EXECUTIVE
6	VISION, MISSION, VALUES - PASAI STRATEGIC PLAN 2014-2024
7	OUR MEMBERS
8	OUR PARTNERS
9	THE SECRETARIAT TEAM
10	AT A GLANCE
11	OUR SERVICE
12	SP 1: STRENGTHEN SAI INDEPENDENCE
13	SP 2: ADVOCACY TO STRENGTHEN GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY
14	SP 3: HIGH-QUALITY AUDITS COMPLETED BY PACIFIC SAIS ON A TIMELY BASIS
16	SP 4: SAI CAPACITY AND CAPABILITY ENHANCE
18	SP 5: PASAI SECRETARIAT CAPABLE OF SUPPORTING PACIFIC SAIS
19	CAPACITY DEVELOPMENT
20	OUR RESOURCES
22	OUR RELEVANCE AND IMPACT
23	OUR REVIEW
24	ANNEX I — PERFORMANCE ACHIEVEMENT 2015–2016
37	ANNEX II — FINANCIAL ACHIEVEMENT 2015–2016



SECRETARY-GENERAL'S MESSAGE

This is my final annual report as PASAI Secretary-General and member of the INTOSAI Governing Board. It has been a privilege to represent our regional working group on the Governing Board and I wish the next PASAI representative all the very best.

As Secretary-General, I look back at the last seven years with great pride. We have come a very long way since the first PASAI governing board meeting I attended in Papua New Guinea. Good governance is now firmly embedded in PASAI. I sat at the February meeting this year listening to the excellent questions and spirited debate and thought “this organisation is in good hands”. I wish to record my sincere appreciation to everyone who has served on the PASAI governing board. It has been a pleasure working with you.

Each of our members are different; some are developing, some are developed, some use the Court of Audit system, some the Westminster system, some the American congressional system, some are very small, some are larger. We are united by a common goal of increased transparency and accountability to the people of the Pacific.

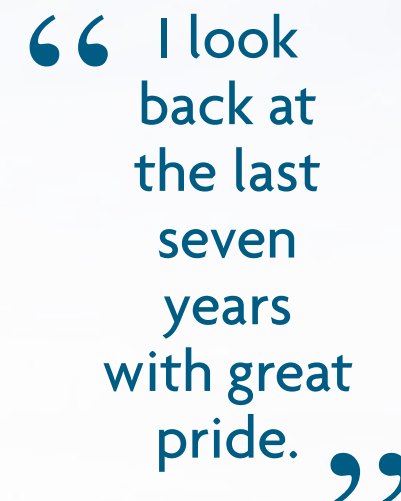
Everyone has made progress towards that goal. Some have moved further than others but overall we can celebrate that our achievements have outranked our difficulties. The Head of each SAI and their staff can take considerable pride in those achievements. Of course, we have yet to achieve many of our goals

as set out in PASAI's Strategic Plan 2014 – 2024. It is an ambitious programme and there is a lot to be done in the next eight years. The fact that all but two of our SAIs have developed strategic plans leads me to believe that we are thinking long term, and have the capability to achieve both our individual and collective strategies.

Before I pay some tributes, I will attempt to identify a few highlights from the last seven years; not an easy task as there are so many. Each congress has been special for different reasons. I am proud of the process and product of our strategic planning. The co-operative audits are a fine body of work, and I particularly like the report on climate change; a matter so vital to many of our Pacific islands. The progress made under the sub-regional audit support (SAS) programme means that the programme has been discontinued as the nations involved feel able to be part of the mainstream. What a great result! Finally, I have seen the reputation and respect for PASAI grow in the international arena. Peer recognition of your efforts is the highest praise you can get.

Tio, Agnes, Sina, Aolele (who we welcomed this year), Natalie, and Eroni – thank you for your good work during 2015/16. Your efforts and the results are appreciated by us all. Keep up the good work.

We are fortunate to have the support of very good consultants. Robert Buchanan does a sterling job of supporting legal and governance matters. Claire Kelly's



“ I look back at the last seven years with great pride. ”

SECRETARY-GENERAL'S MESSAGE (CONT)

leadership of our performance audits, in particular, the co-operative audit approach, is the envy of other regional groupings. Thanks also to Claire for her good work on the Monitoring, Evaluation and Reporting framework. Justine Gannon's communication advice and editing has provided a real professionalism to both the content and image portrayed by our reports. Justine resigned this year and I wish her well in her future endeavours.

We are grateful for the ongoing support of our major funding partners – the New Zealand Ministry of Foreign Affairs and Trade, the Australian Department of Foreign Affairs and Trade, and the Asian Development Bank.

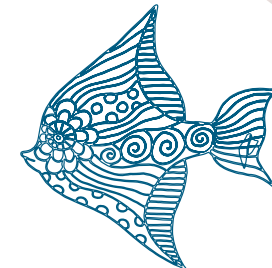
I also wish to thank all my colleagues in the New Zealand Office of the Auditor-General for giving me the space to do this important role. I particularly thank Sarah Lineham and Bruce Robertson for their support of the PASAI Secretariat and strategy, Greg Schollum for representing PASAI on the professional standards committee, and Jonathan Keate for his contribution to the working group on environmental auditing.

I look forward to watching PASAI and its members go from strength to strength. You are a great group of people with an important mission. I wish you all the best as you pursue high quality public audits and reporting across the Pacific and achieve transparency and accountability for your Pacific people.



With fond memories and pride

Lyn Provost
Secretary General PASAI
Controller and Auditor General New Zealand



REPORT FROM THE CHIEF EXECUTIVE

I am pleased to submit the PASAI Annual Report for the year ended 30 June 2016.

About one year ago I started in this role and this report is my first full working year report on the work of PASAI. It has been life in the fast lane with many activities and events carried out to enhance the capacity and strengthen the capability of member SAIs.

We carried out 160 activities in the reporting period, of which 106 (66%) completed and 54 (34%) in progress. About 365 SAI staff (58% female) participated in one or more of our 57 capacity building programs conducted and facilitated which benefitted our member SAIs.

The Sub-Regional Audit Support (SAS) program is one of our great success story. Participating SAIs showed their resolve in achieving the objectives of the program. It is pleasing to witness a living testimony of realization that 'yes, it can be done' - a good encouraging tale to share.

The publication of the 3rd Accountability and Transparency (A&T) report 'Leading by example: Accountability and transparency in the Pacific region', one of PASAI's flagship reports, has not

only raised awareness on critical elements on SAI functions, but has fostered opportunity to raise the profile of the SAI and its work within country - a vital advocacy role for PASAI to persist.

The year 2016 launched the Global Agenda 2030 – Sustainable Development Goals (SDGs). Heads of SAIs were introduced to SDGs and the roles of SAIs during the Vanuatu Congress in October. Work has commenced to develop programs to support and build capacity of SAIs in auditing SDGs issues thus enhancing SAI relevancy to its citizens, leaving no one behind.

With all these good results, it is with sympathy to acknowledge that this report will also be the last full working year for PASAI Secretary-General, Ms Lyn Provost who will complete her term of office towards the second half of 2016. PASAI is profoundly indebted for Lyn's insightful leadership and unwavering support to cultivate the organisation and especially the Secretariat to a strong and assertive entity. We pay honourable tribute to Lyn for her tremendous efforts for PASAI and with much gratitude she will be greatly missed. We wish her a blissful retirement.

I would also like to specially thank Justine Gannon,

our Communication Advisor, for all her proficient services and advice that saw the quality of PASAI reports and publications reach very professional standards, including the development of the PASAI Communication Strategy. We wish her success in her future endeavours.

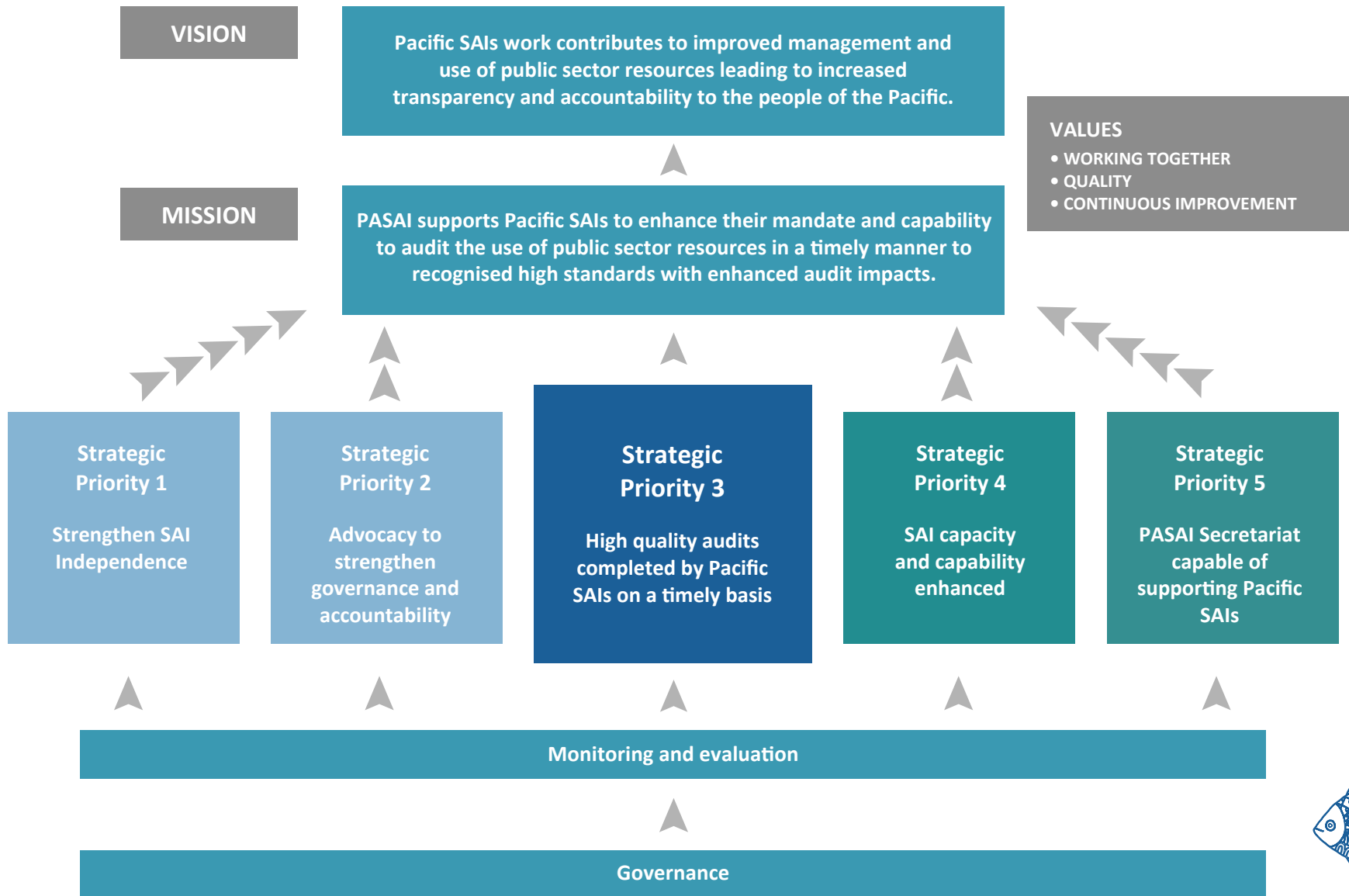
The satisfactory achievements of the year are also attributed to my vibrant team at the Secretariat. The team gained extra strength with Aolele Su'a Aloese joining the PASAI family as our Director of Advocacy, Engagement and Financing. Thank you, team.

Malo 'aupito
Tiofilusi Tiueti
Chief Executive



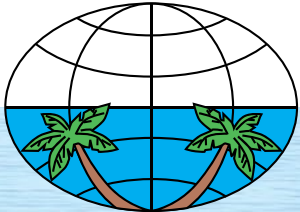
VISION, MISSION, VALUES

PASAI STRATEGIC PLAN 2014-2024

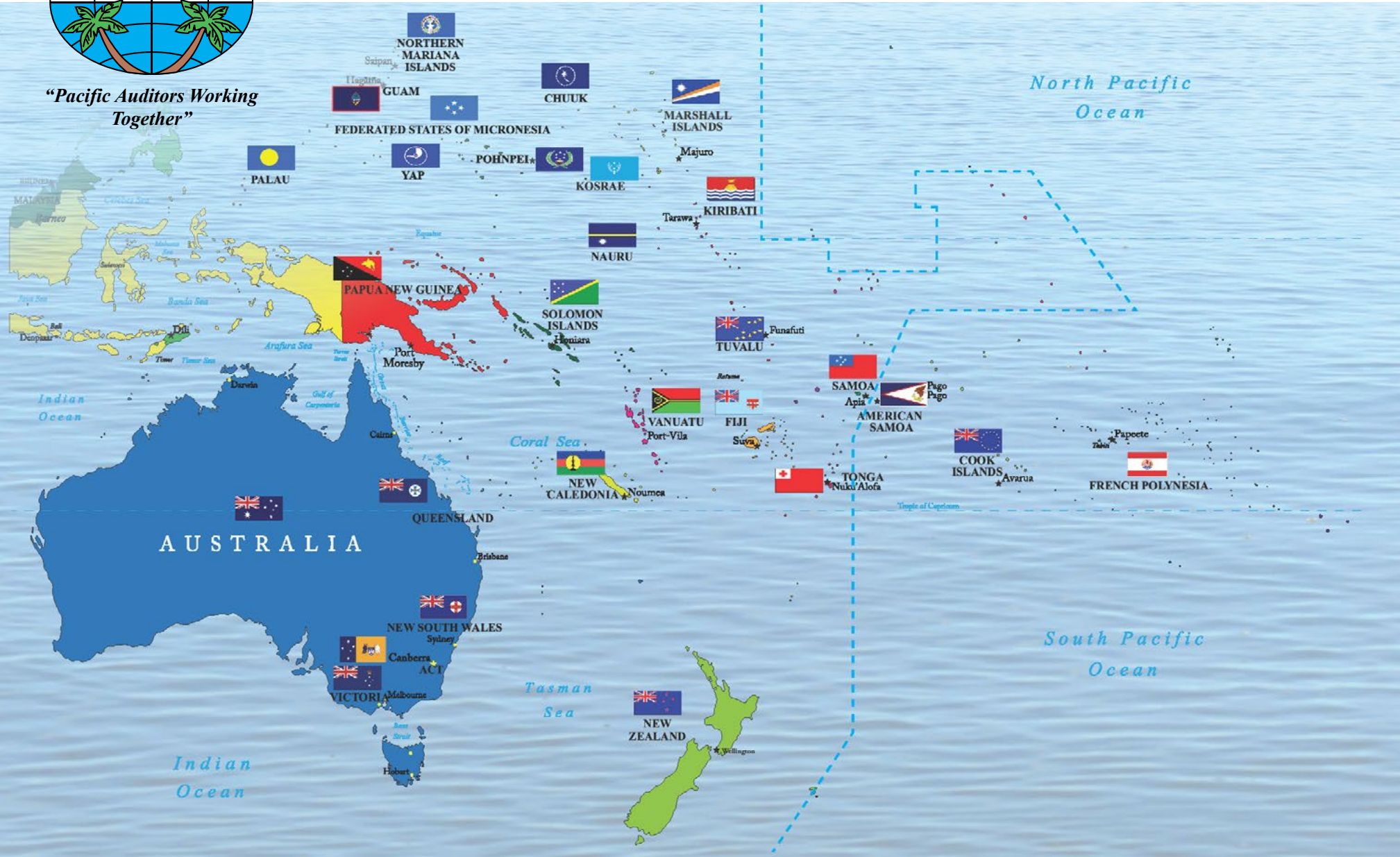


OUR MEMBERS

We had 28 members on 30 June 2016.



“Pacific Auditors Working Together”



OUR PARTNERS

FUNDING



CAPACITY BUILDING



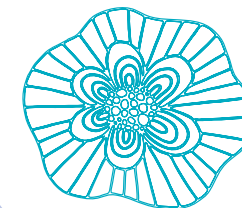
REGIONAL



**PACIFIC ISLANDS
FORUM SECRETARIAT**



*Empowered lives.
Resilient nations.*



THE SECRETARIAT TEAM



LYN PROVOST
(SECRETARY-GENERAL OF PASAI AND AUDITOR-GENERAL OF NEW ZEALAND)

TIOFILUSI TIUETI
(CHIEF EXECUTIVE)

AGNES TUIAI-ARUWAFU
(DIRECTOR TECHNICAL SUPPORT)

SINAROSETA PALAMO IOSEFO
(DIRECTOR PRACTICE DEVELOPMENT)

AOLELE SU'A ALOESE
(DIRECTOR ADVOCACY, ENGAGEMENT AND FINANCING)

NATALIE PRICE
(OFFICE COORDINATOR)

ERONI VATULOKA
(PASAI ADVOCATE)

SARAH LINEHAM
(SECTOR MANAGER LOCAL GOVERNMENT -NEW ZEALAND OFFICE OF THE AUDITOR GENERAL)

ROBERT BUCHANAN
(LEGAL EXPERT ADVISER)

CLAIRE KELLY
(PERFORMANCE AUDIT ADVISER)

JUSTINE GANNON
(COMMUNICATIONS ADVISER)



AT A GLANCE

- 75% of SAIs achieved the timely audit of their country's Whole of Government/ Financial Statement Government Accounts compared to an average of 60% in previous years.
- Results of the 5th Co-operative Performance Audit were reported in the Pacific Regional Report on Public Debt Management. The regional report encourages governments to adopt robust debt management strategies, sound risk management practices and proper reporting to disclose levels of public debt.
- Successful achievements of the Sub-Regional Audit Support (SAS) program objectives with: SAIs of Kiribati and Tuvalu have up to date whole of government accounts; professional development and capability improvement for the staff in participating SAIs; completion of audits; relationship building; and reporting of value adding recommendations
- The 3rd Accountability and Transparency (A&T) report 'Leading by example: Accountability and transparency in the Pacific region' significantly raised awareness on: the importance of financial and operational independence of SAIs; SAI contribution to national budget processes; and SAIs promoting ethical governance in the public sector.
- Effective advocacy programs led to increased awareness of the role of PASAI, SAIs and Public Accounts Committees (PACs) by Members of Parliament, Ministers, senior government officials, management of public sector agencies and non-government organisations of Solomon Islands, Tonga, Cook Islands and Vanuatu.
- SAIs of Solomon Islands, Republic of Marshall Islands and Tuvalu were provided expert legal advice to support their demand for modernised legislation and effective legislative reforms.
- Collaborative partnerships within the region and in the global arena were achieved through productive meetings with and providing progress and status reports to development partners, by the joint delivery of programs, and by active participation in working groups and committee forums, for example INTOSAI's Capacity Building Committee.
- A SAI Performance Management Framework (PMF) 'Lite' version suitable for small SAIs was developed in conjunction with IDI by reviewing the INTOSAI SAI PMF framework. SAIs of Cook Islands, Papua New Guinea and Solomon Islands were assessed or peer reviewed.
- In total, about 365 SAI staff (58% female) participated in one or more of our 14 training workshops, 10 technical support programs, four program design meetings, three Quality Assurance and Evaluation meetings, three SAI PMF assessments, and one staff exchange program.
- A 'clean' endorsement for PASAI's financial performance for the year ended 30 June 2016 was confirmed by the External Auditor on 22 June 2016: Total Members' Funds of more than NZ\$1.6 million at balance date.



OUR SERVICE



PASAI Strategic Plan 2014–2024 travelled in its second year of implementation.

At 30 June 2016, 160 activities had been carried out during the reporting period, of which 106 (66%) completed and 54 (34%) in progress. About 365 SAI staff (58% female) participated in one or more of our 57 capacity building programs conducted and facilitated which benefitted our member SAIs.

The highlights achieved during the year are shown in Table 1. The details on capacity building programs are provided in a later section of this report.

TABLE 1: SUMMARY OF ACTUAL AGAINST PLANNED ACTIVITIES BY STRATEGIC PRIORITY FOR THE PERIOD JULY 2015–JUNE 2016

STRATEGIC PRIORITIES	TOTAL EVENTS/ACTIVITIES					PARTICIPATION					
	Planned (No.)	Actual (No.)	Complete (No.)	On-going (No.)	% of actual	No. of SAIs involved	Total	Male	%	Female	%
1: Strengthen SAI Independence	16	22	12	10	138%	28	-	various	-	various	-
2: Advocacy to strengthen transparency and accountability	31	29	17	12	94%	28	-	various	-	various	-
3: High-quality audits completed by Pacific SAIs on a timely basis	20	27	19	8	135%	16	65	17	26	48	74
4: SAI capacity and capability enhanced	32	37	20	17	116%	15	300	135	45	165	55
5: PASAI Secretariat capable of supporting SAIs	43	45	38	7	105%	All	-	-	-	-	-
TOTAL	142	160	106	54	127%	28	365	152	42	213	58

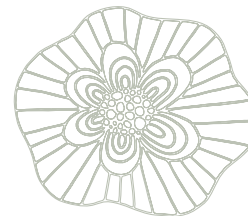
SP 1: STRENGTHEN SAI INDEPENDENCE

PASAI continued to ensure improvements in SAI independence and resourcing and consequent ability to communicate relevance to citizens and elected stakeholders.

During the year, two critical activities were undertaken that helped SAIs in assessing their progress against the eight key principles of the Mexico Declaration. The work related to the 2015 Accountability and Transparency study (see SP2 below) which focused on SAI financial independence and operational autonomy (Mexico Declaration Principle 8). In-depth work was undertaken in seven jurisdictions selected for country visits, and reported in the 2015 Accountability and Transparency Report and in country reports prepared for each SAI Head.

In addition, the project to develop a “lite” version of the SAI Performance Measurement Framework (see SP4 below) includes a full assessment of the participating SAIs’ independence in accordance with the Mexico principles. The assessment enables the SAIs to identify gaps and shortfalls with its SAI independence and assists Head of SAIs to develop an action plan to address these shortfalls.

PASAI’s project to develop an Independence Resource Kit for member SAIs was scoped and completed, and the resource kit will be presented and launched at the 2016 PASAI Congress. The resource kit will be a tool available for SAIs to access information about SAI independence and assist in planning to advocate for enhanced independence more effectively so that stakeholders and citizens can better understand the role of a SAI and the importance of its independence. The kit will have a provision for web access to facilitate online discussions on independence and its use.



SP 2: ADVOCACY TO STRENGTHEN GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY

Advocating strong partnerships with regional organisations with an interest in governance, transparency and accountability and, where appropriate, strategic partnership agreements with joint results-oriented frameworks agreed is integral to our work.

The 3rd Accountability and Transparency (A&T) report *Leading by example: Accountability and transparency in the Pacific region* was published in December 2015. It focuses on improving independence of SAIs and promoting good governance in the region. In-depth country studies were done in Cook Islands, Fiji, Kiribati, New Caledonia, Republic of the Marshall Islands, Tuvalu and Vanuatu. The A&T report was provided to all SAI Heads, together with templates for a media release and a covering letter to accompany the report to in-country stakeholders. In addition, report “talking points” and a brochure were developed to assist SAI Heads to communicate findings of the study and its recommendations to their governments, legislators and other agencies. The report was also provided to all PASAI’s development partners and a range of other stakeholders.

Collaborative meetings were conducted with development partners in Suva to discuss progress of work, the status of implementing the Strategic Plan and funding issues. Furthermore, discussions were also held with regional partners (PIFS, PFTAC, UNDP, USP) to continue building partnerships with them to promote the effective and timely scrutiny of audited financial statements, particularly Whole of Government/Financial Statement of Government audit reports. These discussions are on-going to form agreements on programs of work in the future or memorandum of understandings for future collaboration and engagement.



In addition, during the period PASAI shared information with SAIs, regional bodies and other stakeholders through the PASAI website and by issuing nine monthly updates and two quarterly bulletins. This information increased SAIs awareness of the status and progress of programs and activities undertaken by PASAI, work in other regions and by INTOSAI bodies.

PASAI provided support to the SAIs of Republic of Marshall Islands, Solomon Islands and Tuvalu during the year to review and help strengthen draft legislation being developed in those countries to reform their public audit laws. This work and the related work on financial independence and operational autonomy under the A&T report, has highlighted the need for shared information and standardised approaches to modernising SAI legislation in the Pacific and, in some cases, enhancing the SAI’s constitutional status.

For example, while many Pacific constitutions establish and recognise the status and independence of the country’s Auditor-General, there is often no similar provision for the Auditor-General’s office such as to ensure its independence from the country’s civil service and provide a satisfactory basis for its funding and accountability.

It is important that a country’s public audit laws both reflect the modern reality of public sector auditing and are consistent with the recent resolutions of the United Nations General Assembly on SAI independence. The Independence Resource Kit (see SP1) will be an important resource for PASAI’s ongoing work in this area.

PASAI’s advocacy programme also continued through the reporting year. Workshops with Public Accounts Committees (PACs) were conducted in three island countries namely Cooks Islands, Solomon Islands and Tonga. The workshops were aimed to increase the awareness of PACs and Members of Parliament on their financial oversight roles and improve their effectiveness in carrying out such an important role. Further, PASAI supported SAI Vanuatu in an awareness program about the important role of the SAI and the PAC, and the proposed a Bill to modernize the SAI’s governing legislation. The workshop was delivered to Vanuatu senior government officials, NGOs and the private sector on the role of the SAI.

SP 3: HIGH-QUALITY AUDITS COMPLETED BY PACIFIC SAIS ON A TIMELY BASIS

High quality audits completed by Pacific SAIs on a timely basis is at the core of PASAI's strategic planning framework and PASAI continued to pursue this goal vigorously.

During the year, a blended approach of providing technical support and capacity building were delivered such as regional workshops, co-operative programs, online support, in-country SAI support, collaboration with regional organisations such as INTOSAI Development Initiative (IDI), Pacific Financial Technical Center (PFTAC), US Department of Interior (DOI), sub-regional audit support programs, engaging expert consultants and participating in regional meetings. These activities were undertaken with the aim of (i) improving the timeliness and quality of the audits of annual Financial Statements of Government (FSG)/Whole of Government (WoG) (using international auditing standards appropriate to the individual SAI); (ii) increasing the number of performance audits undertaken by SAIs with audit impacts reported annually.

TIMELINESS

PASAI members operate on different financial year periods – ending December, June or September and an analysis of the status of WOG/FSG accounts for the previous period to this period 2015/2016 was determined by PASAI for its 28 members.

For the current period eight [8] WOG/FSG accounts were not audited on a timely basis where three [3/8] were attributed to the late submission of the WOG/FSG by Ministries of Finance and [3/8] were delays by the contracted auditors. Both these factors are beyond the control of a SAI. PASAI is working collaboratively with PFTAC to design a strategy to work together and support the timely preparation of the FSG/WOG so that SAIs are able to complete their audits on a timely basis. The remaining two [2/8] are the result of the SAIs being responsible for the delay in the timely completion of the FSG/WOG audits

due to lack of capacity and resources. Compared to last year the number has increased, but this increase is due to factors beyond the control of the SAI.

PASAI's capacity building programs held during this period and planned for next financial year are designed to focus on building capacity and providing support for these SAIs with the aim to improve the timely completion of these audits in the future.

KEY CAPACITY BUILDING PROGRAM AIMED AT TIMELINESS

The Sub-regional Audit Support (SAS) program has been one of PASAI's most successful capacity building annual programs and catered for our smaller island SAIs. It has been implemented with the support from Asian Development Bank technical assistance funding since 2009 until 2016. The key purpose for this program was to enable the audits of WOG/FSG of the three participating SAIs – Kiribati, Tuvalu and Solomon Islands to be up to date while at the same time developing the capacity of public auditors. The SAS Committee concluded that this has been achieved and that ongoing support will be provided to maintain quality auditing under the overall initiatives of PASAI.





QUALITY

Now that SAIs in the Pacific (particularly) are conducting audits and the timeliness issue is improving, PASAI has been focussing on SAIs to consistently conduct high quality audits. This includes maintaining a high degree of integrity, accountability and professional competence. Quality must be embedded in all areas of a SAI's activities. This includes performance and compliance audits and for this reason the deliverables from PASAI programs under its strategic priorities are all interrelated with the overall objective of achieving quality in all types of audits conducted by SAIs.

More importantly a key focus for this period was to engage more effectively with regional organisations to synergize efforts and develop long term solutions to improve quality auditing. This has been achieved with on-going collaboration

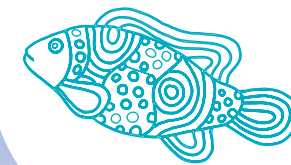
with IDI, PFTAC (SAIs that follow a Westminster audit system) and Department of Interior (SAIs that follow a Congressional audit system) with the ambition to design and implement a range of joint strategies in the future.

REGIONAL CAPACITY BUILDING PROGRAMS AIMED AT QUALITY – SP3

A regional planning workshop was held to support SAIs move towards ISSAI-compliant audits, as part of a joint IDI/PASAI co-operative compliance audit program. The workshop was attended by 11 SAIs [Cook Islands, Fiji, Guam, FSM National, FSM Pohnpei, Marshall Islands, PNG, Samoa, Solomon Islands, Tonga, Tuvalu] made up of 26 participants (20 female, 6 male). This program is expected to be completed with a regional review meeting and a QA process by 2017 with the aim that SAIs will produce high quality audits and that government agencies are implementing its audit recommendations.

A regional workshop was attended by eight SAIs - Cook Islands, Fiji, Guam, PNG, Samoa, Solomon Islands, Tonga and Vanuatu- that use the electronic auditing tool TeamMate to conduct its audit with the aim to provide a forum for members to learn more about TeamMate and how it can enhance audit quality and the timeliness of financial audits, and to develop Pacific TeamMate champions. Twenty-three (23) participants – 11 female and 12 male, supported by experts from TeamMate and Audit NZ were in attendance. The objective was to enhance audit quality and increase audit confidence in the work of SAIs.

An ongoing project which commenced this period is to carry out a stocktake of the performance auditing capacity of Pacific SAIs and to evaluate the impact of the five co-operative performance audits completed by PASAI. These results will be used to design future programs to enhance performance auditing and underpin a regional co-operative approach to auditing SDGs or SDG related programs/projects.



SP 4: SAI CAPACITY AND CAPABILITY ENHANCE

Targeting SAIs for improved SAI management processes supported by staff with up-to-date skills and auditing capabilities was paramount in our efforts to enhance SAI capacity and capability during the year.

Programs to build capacity and enhance capabilities of SAIs were carried out during the period. The main activities carried out included: supporting SAIs in developing their strategic plans, supporting the implementation of SAI PMF; administering the staff exchange programme between Fiji SAI and Kiribati SAI; conducting Tier trainings for Tonga SAI; conducting a workshop on strengthening PFM through accounting and auditing reform; co-ordinating the PASAI TeamMate Virtual Group and facilitating members who are interested to join the International Computer Driving Licence (ICDL) program in which Yap joined in November.

Overall, these programs not only improve the knowledge of staff, but also develop their skills in accounting and auditing through sharing of ideas and experiences and learning from each other on how audit practice is being used in their respective SAIs. Key benefits for SAIs and their staff included: increased overall efficiency and productivity; increased employee confidence and job satisfaction and saved time and money. The impact from these increased knowledge and enhanced skills should be known at their performance in their respective SAIs.

A summary of the trainings carried out and number of staff participated in those trainings are shown in the summary table below.

PASAI worked with the SAIs of American Samoa and Palau and provided support to develop their Strategic Plans. For both SAIs, developing a strategic plan was a challenge because this was the first time they had developed their own strategic plan.

Engaging all staff of the SAI in developing its strategic plan provided an opportunity to develop staff capabilities but also to obtain the “buy-in” and a sense of ownership from all staff of their strategic plan. This sense of ownership will motivate staff to commit to implementing their strategic plan and contribute to achieving the SAIs strategic goals.

The PASAI and IDI reviewed and developed a project plan for piloting the SAI PMF ‘Lite’ version (as explained under Strategic Priority 1) and is implementing the model by peer reviews in selected SAIs namely Cook Islands, Samoa, Solomon Islands, Tonga and Tuvalu. A peer review in Solomon Islands was carried out and further peer reviews are planned. Support was provided for the full SAI PMF assessments of the SAIs of Cook Islands and Papua New Guinea. The information from these assessments will assist PASAI in monitoring and evaluating the SAIs’ performance and capabilities over time as well as identifying appropriate support for the SAIs to enhance their performance and improve the delivery of value and benefits to stakeholders.

PASAI administered and implemented a pilot staff exchange program for the SAIs of Kiribati and Fiji. The two SAIs exchanged staff to share knowledge and experience and to learn from each other’s audit processes and practices in performance auditing.

The highlight of the Fiji attachment was the completion of the first performance audit draft report for SAI Kiribati. Through this staff exchange, it is expected that the theoretical lessons learnt and experiences gained will assist SAI Kiribati in conducting performance audits in the future.

PASAI delivered the necessary auditing skills workshops (Tier 1 to 4 trainings) for the SAI of Tonga to address training needs identified under the Tonga PFM reform roadmap. Staff from other government agencies such as the Ministry of Finance, National Planning and Ministry of Revenue and Customs Services in Tonga also attended these trainings as part of the capacity development of agencies who have key responsibilities in implementing and managing public financial management systems in Tonga.

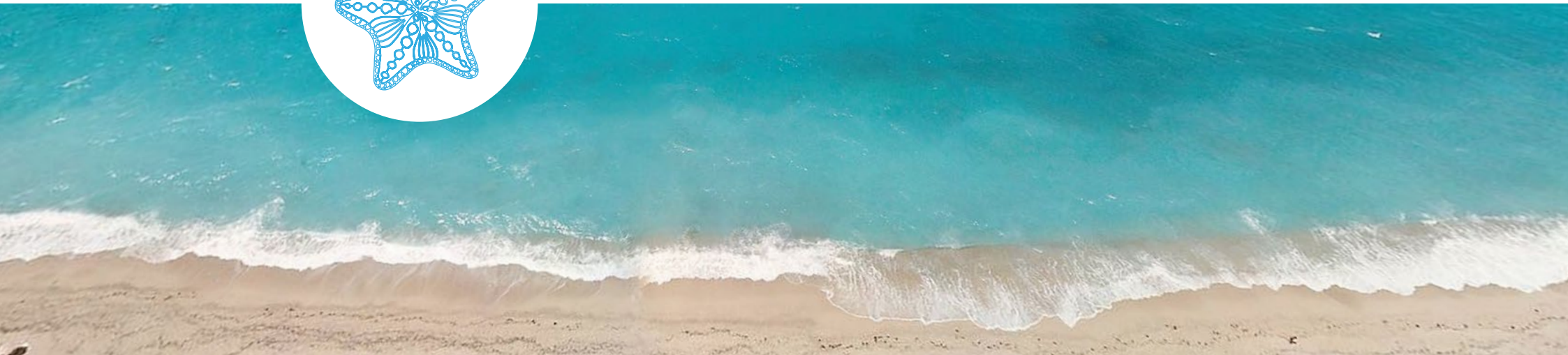
The overall outcome of these trainings was to develop the capabilities of these agencies to strengthen PFM in Tonga thereby improving the quality of public financial information available for informed decision making.

PASAI in collaboration with PFTAC and the University of the South Pacific facilitated workshops to strengthen PFM systems through accounting and auditing reforms. These workshops enhanced the knowledge of auditors of current international accounting standards but also facilitated collaboration between auditors and accountants in their respective roles in strengthening PFM in their own countries.

The workshop reinforced co-ordination between accountants and auditors through developing a joint action plan that will facilitate their joint efforts in strengthening PFM in their respective countries. PFM is a country-wide system that included macro fiscal planning and monitoring, managing budget, revenue, debt and aid, cash and assets as well as accounting, controllership and auditing. The various components of the PFM system are interrelated. Therefore co-ordination amongst the various components is necessary to achieving the common PFM goals and ensuring sustainability of the systems.



Participants at the “Strengthening PFM through accounting and auditing reforms” workshop, Nadi, Fiji, 23-27 November 2015



SP 5: PASAI SECRETARIAT CAPABLE OF SUPPORTING PACIFIC SAIS

The Secretariat continued to ensure it has the skills and resources to be effective and efficient in providing leadership to facilitate the implementation of PASAI's strategy, affording operational support to SAIs and ensuring adequate funding and resources are available to sustain its operation.

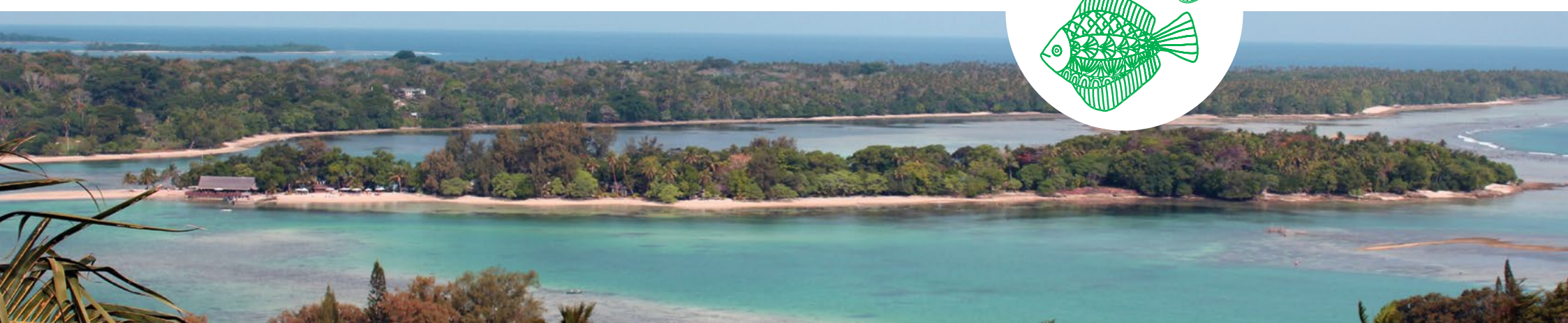
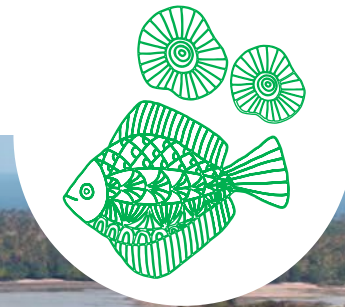
On the Secretariat structure, we welcomed Ms Aolele Su'a Aloese to our team as Director of Engagement, Advocacy and Financing in February 2016.

PASAI's 5 year operational plan 2015-16 – 2019-20 was approved by the Governing Board and endorsed by Congress, together with the PASAI Annual Report 2014-15 which included the 'clean' audited financial statements of PASAI Incorporated for the same period. The new PASAI Monitoring, Evaluation and Reporting (MER) framework was adopted and used to measure PASAI performance. The revision of PASAI's Charter, its governance code and operational policies, and the rules of PASAI Incorporated were completed. The revised Charter and governance code will be submitted to the Congress in August for adoption.

In addition, PASAI developed various policies to ensure it met the requirements of legislation and also of our development partners. Policies developed during the year include Health & Safety at Work, Child Protection, Gender and other Office policies. Both a PASAI funding strategy and a gender strategy were drafted and will be discussed by the Governing Board. PASAI Communications strategy was approved and adopted while a funding strategy has been developed and proposed to the Governing Board for endorsement.

The 18th Congress of PASAI was held in Port Vila, Vanuatu from 13–16 October 2015. The theme of the Congress was *'Securing independence of SAIs to improve the effectiveness of audit finding'* emphasising one of PASAI's five strategic priorities. The Annual Meeting of the PASAI Incorporated was also held during the Congress. The Governing Board met before the Congress. The significant progress Pacific SAIs have made towards independence and the value of regionalism were the key messages to emerge from the Congress. Australian Capital Territory and the State of Chuuk were newest members to join PASAI and endorsed at the Congress.

PASAI Monitoring, Evaluation and Reporting (MER) framework continued to be used to measure performance and report against however, work is in progress to align PASAI PMF to the MER to establish appropriate performance indicators. This includes monitoring the risk through updating the risk register.

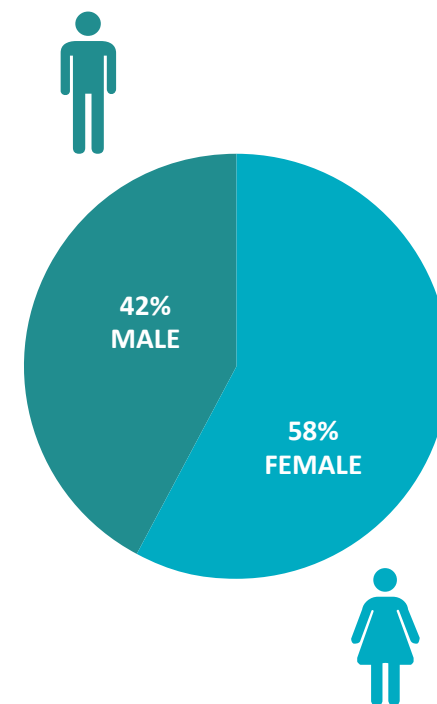


CAPACITY DEVELOPMENT

In total, about 365 SAI staff (58% female) participated in one or more of our 14 training workshops, 10 technical support programs, four program design meetings, three quality assurance and evaluation meetings, three SAI PMF assessments, and one staff exchange program. PASAI also participated in 18 regional and international forums, represented from various SAIs and the Secretariat. Secretariat staff also participated in four staff development workshops during the year. Details are provided in the table below.

Table 2: Summary of trainings carried out and number of staff participation

TYPES OF CAPACITY DEVELOPMENT	NUMBER OF CAPACITY DEVELOPMENT PROGRAMS	NUMBER OF SAIS INVOLVED	NUMBER OF PARTICIPANTS (PASAI)	GENDER (F:M)
Trainings and Workshops	14	18	209	130:79
Technical Support for SAI	10	10	31	22:9
Program Design	4	10	30	20:10
Quality Assurance Review and Evaluation	3	3	16	10:6
SAI PMF Assessments	3	3	21	10:11
Staff Exchange	1	2	9	4:5
Regional and International Forums	18	28	45	17:28
Secretariat Staff Development	4	-	4	0:4
TOTAL	57	28	365	213:152 58%:42%



OUR RESOURCES

AUDITED FINANCIAL REPORT

The PASAI financial statements for the year ended 30 June 2016 was signed on the 22 July 2016, with an unqualified audit opinion (*Annex II*).

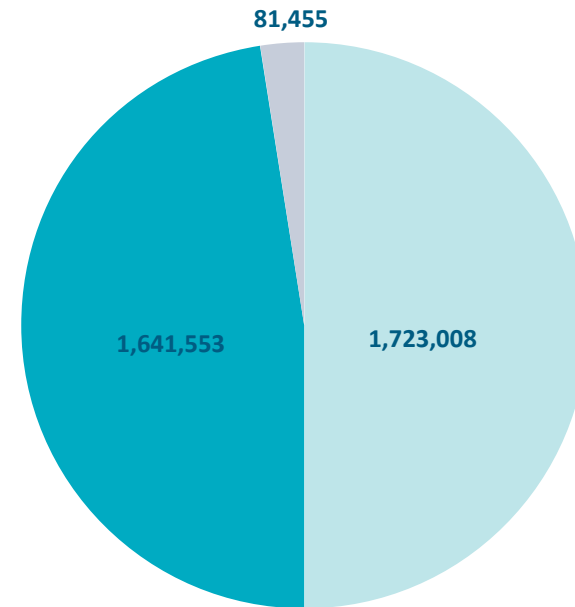
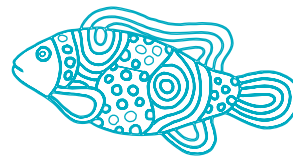
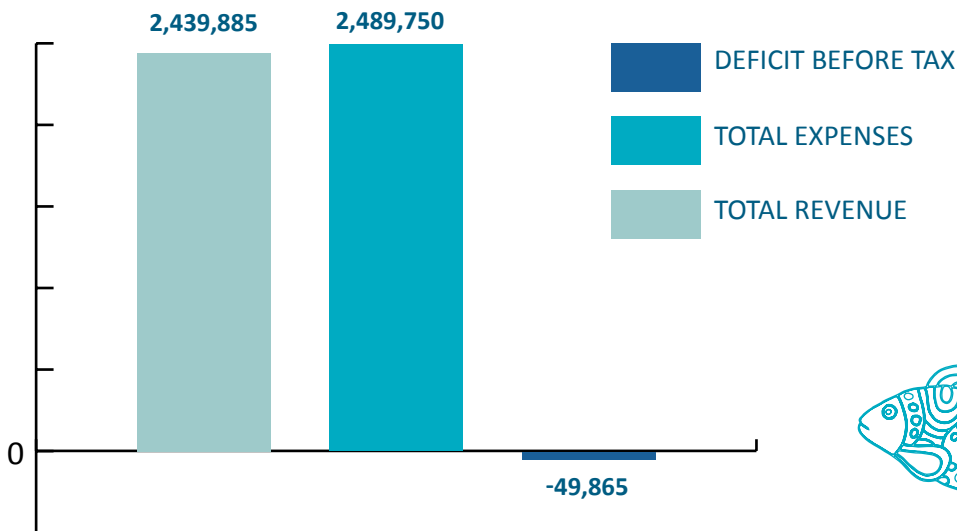
FINANCIAL PERFORMANCE

We received all our agreed funding for the year from our development partners together with additional funds from regional partners. These funds were fully used for conducting programs and for operation of the Secretariat for the year. Part of our retained earnings was used to cover for the resultant in a net deficit for the reporting year.

FINANCIAL POSITION

PASAI financial position as at 30 June 2016 was strong. Total Members' funds stood at NZ\$1.6m at balance date.

FINANCIAL PERFORMANCE



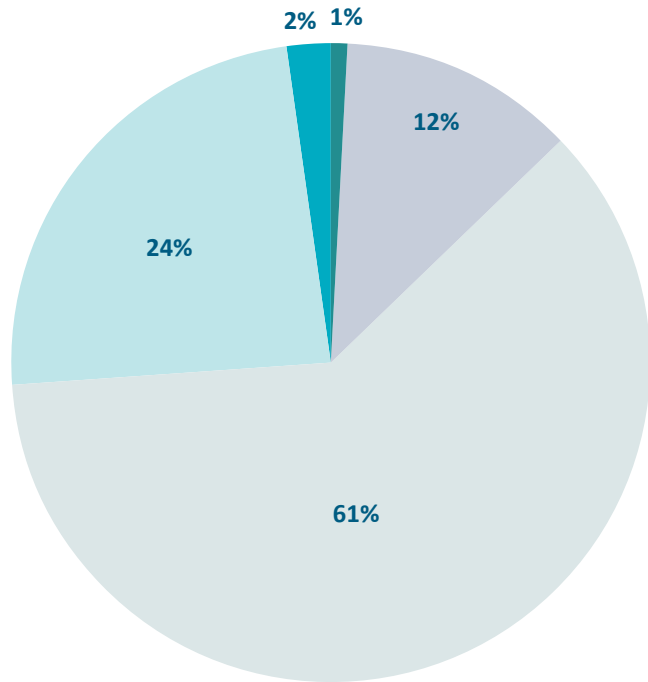
FINANCIAL POSITION

TOTAL MEMBERS FUNDS	TOTAL ASSETS	TOTAL LIABILITIES
1,641,553	1,723,008	81,455

REVENUE

Total Revenue received for the year was about \$2.4 million. Australia DFAT still our main funder donating 63% of total revenue, followed by New Zealand MFAT with 24%.

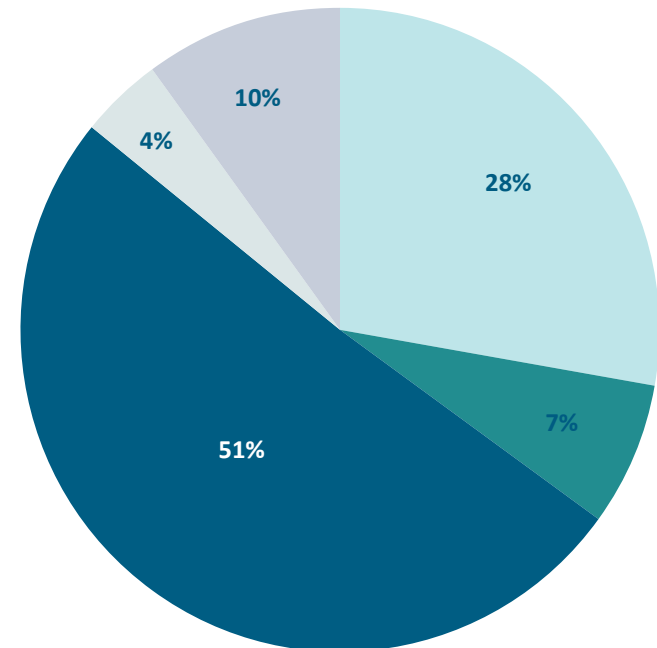
DEVELOPMENT PARTNERS FUNDING



EXPENDITURE

Spending for the year was totalled to around \$2.5 million. About 51% of that spent on Programs delivered during the year.

EXPENDITURE BY CATEGORIES



OUR RELEVANCE AND IMPACT

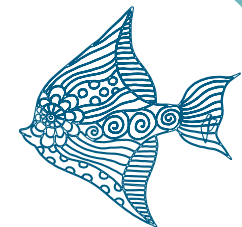
Overall, PASAI's activities had a significant and sustainable developmental impact on SAIs in the region.

PASAI's program continued to develop SAIs. As in previous years, follow-up procedures to measure the outcome of training provided to the SAIs are being implemented for every program PASAI conducted. These follow-up procedures required the participants of training to prepare a post-training action plan based on an idea, concept, process or practice from the training attended, approved by the Head of SAI and submitted to PASAI one month after the training was delivered. Participants are also required to submit an accomplishment report twelve months after the training on the results of the implementation of their action plan.

Based on the accomplishment reports received in the past year, some key impacts are:

- a. Effective advocacy programs led to increased awareness of the role of PASAI, SAIs and Public Accounts Committees (PACs) by members of parliament, ministers, senior government officials, management of public sector agencies and non-government organisations of Solomon Islands, Tonga, Cook Islands and Vanuatu. As a result of these workshops PAC Tonga has proceeded to develop PAC framework and procedures for review and scrutiny of the management of public resources through a regular review process and follow up of audit recommendations and strengthening working relationships with Tonga SAI.
- b. The 3rd A&T report included a focus on SAI financial independence and operational autonomy, and this has resulted in specific steps being taken in two Pacific jurisdictions where legislative amendments are to be introduced strengthening the financial and operational independence of the SAI in accordance with the report's recommendations. Vanuatu (currently awaiting introduction of new public auditing legislation) and the Cook Islands and Kiribati are other jurisdictions where the possibility of legislative reform has been signaled.
- c. Successful achievements of the Sub-Regional Audit Support (SAS) program objectives with: SAIs of Kiribati and Tuvalu up to date the audits of whole of government accounts; professional development and capability improvement for the staff in participating SAIs; completion of audits; relationship building; and reporting of value adding recommendations
- d. Collaborative partnership with PFTAC reinforces the importance of strengthening strategic alliances among all key stakeholders in PFM, with accountants and auditors participated in the workshop on Strengthening PFM through accounting and auditing reforms. Without comprising their independence, SAI involved has improved their professional relationships with their Ministries of Finance counterpart and scheduled regular meetings with open communication on certain accounting issues and working towards the ultimate goal to prepare and audit Government WOG/FSG on a timely basis.
- e. Cooperative performance audits conducted in collaboration with IDI reinforced performance audit in some SAIs, leading to the establishment of performance audit units within SAIs where performance audit was not previously considered as a separate audit stream. SAI capability has improved with some SAIs having the ability to conduct their own self-initiated performance audits. It is very encouraging to note that the Cook Islands Audit Office (CIAO) intends to undertake a performance audit on the Environmental Impact Assessment (EIA) process given the level of tourism related development currently occurring in the Cook Islands. The CIAO has participated in all four cooperative performance audits, conducted by PASAI and IDI, on environmental topics.

PASAI is measuring the impact of these activities through the Monitoring, Evaluation and Reporting Framework.



OUR REVIEW

The PASAI Monitoring, Evaluation and Reporting (MER) framework was developed during 2014/15. The MER framework is a fundamental component of the PASAI Strategic Plan 2014–2024 to ensure that PASAI is on track to achieve its vision. Because of this the MER is subject to on-going revision to maintain the currency of its performance measures and the indicators. The MER framework was developed through consultation and collaboration with PASAI development partners and stakeholders. It has a number of interrelated purposes:

- articulates the results of the strategic plan and the relationship between results in a clear and transparent way
- gives all stakeholders a shared ‘line of sight’ of results so that they can identify their contribution to the strategic plan
- illustrates how results will be achieved
- provides the indicators, measures, and processes that will track and report results
- assigns roles and responsibilities to different stakeholders in the MER system.

The MER framework informs and assists management at the strategic, program, partnership, and SAI levels. It will identify why and how results are achieved and will provide a basis to analyse any unexpected outcomes from activities. The MER framework will form the basis of accountability and reporting of results to development partners.

The MER framework focuses on results and the interrelationship between inputs, activities, and results (outputs, outcomes, and impact). Ongoing tracking and assessing of results requires regular and systematic consideration of the strategic plan’s relevance, efficiency, and effectiveness as well as its long-term impact and sustainability.

The MER framework is based on stakeholders’ ability to engage with the framework to achieve and report results. The MER framework will focus on tracking results and identifying areas for program adjustments. Over time, it is expected the MER system will become an intrinsic part of PASAI’s and member SAIs’ planning, management, and reporting processes.

During 2015/16, PASAI integrated the MER with its project (activity) planning processes. This supports the principle of being able to clearly identify the contribution of PASAI’s funded capacity development projects to PASAI’s long term goals and vision.



ANNEX I — PERFORMANCE ACHIEVEMENT 2015–2016

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
STRATEGIC PRIORITY 1: STRENGTHEN SAI INDEPENDENCE					
OBJECTIVE A: SAIS ARE INDEPENDENT WITH A MODERN MANDATE CONSISTENT WITH THE UN GENERAL ASSEMBLY RESOLUTION ON SAI INDEPENDENCE AND THE LIMA AND MEXICO DECLARATIONS.					
1A1	Assess SAI independence against 8 Mexico principles and report in Accountability & Transparency report	Independence & Reporting	Provide initial assessment of SAI independence against the Mexico Principles (Secretariat)	Assessments provided for SAI Cook Islands using SAI PMF (full) and SAIs Samoa, Solomon Islands, Tonga and Tuvalu using SAI PMF Lite 5 southern Pacific SAIs. Also assessments of SAIs through the 2015 A&T report (financial and operational independence) including any requirements for independence resources.	17 SAIS
1A2	Support SAIs to access expertise to address independence issues	Training & Support	Develop a resource kit and provide support to SAIs which wish to use the resources	Independence resource kit has been scoped, completed and reviewed and to be presented to 2016 congress. Legal expert support provided to sais of kiribati, solomon islands, republic of marshall islands and tuvalu for pending new legislation.	ALL SAIS 4 SAIS
1A3	SAIs advocate to improve independence	Independence & Reporting	Meet and develop partnerships with other regional agencies in the Pacific to promote SAI independence.	Meetings held during the year with development partners and other agencies and raised importance to improve independence of SAI.	ALL SAIS

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
OBJECTIVE B: SAI INDEPENDENCE IS SUPPORTED BY ADEQUATE RESOURCES AND CAPABILITY.					
1B1	Identify resourcing and capability shortfalls & advocate for additional capacity needs	Capability	Assist SAIs to advocate for additional resourcing where necessary to effectively implement audit mandate	Refer 1A2. Provided support to SAI Vanuatu in delivering workshop with Vanuatu Senior Government officials, NGOs and private sector on the role of SAIs A System Developer has been recruited through ADB to develop a Web-based database.	4 SAIS ALL SAIS
OBJECTIVE C: SAIS DEMONSTRATE AND EFFECTIVELY COMMUNICATE THEIR INDEPENDENCE AND RELEVANCE TO CITIZENS AND OTHER STAKEHOLDERS.					
1C2	Provided support to SAI Vanuatu in delivering workshop with Vanuatu Senior Government officials, NGOs and private sector on the role of SAIs	Independence & Reporting	Facilitate online discussions on independence and use of the independence resource kit. Work with PACs of island states that have recently held their general elections	PASAI website hosts all independence resource kit materials. Refer 1A2 Workshops for Public Accounts Committed (PAC) were conducted in the Solomon Islands (September 2015), Tonga (January 2016), Cook Islands (March 2016), and Vanuatu (May 2016).	ALL SAIS 3
1C3		Independence & Reporting	Develop a template to allow SAIs to complete own communication strategies to implement during the period.	A program plan on Communicating and promoting values and benefits of SAIs has been prepared and submitted to the Board.	ALL SAIS

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
STRATEGIC PRIORITY 2: ADVOCACY TO STRENGTHEN TRANSPARENCY AND ACCOUNTABILITY					
OBJECTIVE A: PASAI REGULARLY REPORTS ON THE CONTRIBUTION MADE BY AUDITING PUBLIC RESOURCES TO TRANSPARENCY AND ACCOUNTABILITY IN THE REGION					
2A1	Complete 3 yearly Accountability & Transparency report, plan actions to address findings	Advocacy	Report the 3rd Accountability and Transparency (A&T) to the Governing Board and the Congress in October 2015	The 3rd Accountability and Transparency (A&T) report has been launched and disseminated.	17 SAIS
OBJECTIVE B: SAIS ARE SEEN IN THEIR COUNTRY SYSTEMS AND ACROSS THE REGION, AS A CREDIBLE SOURCE OF INDEPENDENT AND OBJECTIVE INSIGHT AND GUIDANCE ON THE MANAGEMENT OF PUBLIC RESOURCES.					
2B1	SAIs increasingly recognised by government & civil society groups as advocates of good public financial management	Governance, Accountability & Transparency	Work with PIFS, PFTAC, UNDP, DFAT, MFAT and other regional bodies and development partners to assist SAIs increase their advocacy work with governments, stakeholders and the public at large	Refer 1C3	2 SAIS
			Review the PFM expertise database and inform SAIs to access and participate in online forum discussions between members.	Refer 2D2	
2B2	Actions taken to advocate for PFM system improvements to improve governance and reduce corruption	Public Financial Management	Coordinate and monitor an exchange programme involving two or more member SAIs to assist in developing their skills to advocate for PFM system improvements to reduce corruption (Secretariat)	Refer 4C1	
			Encourage and monitor SAI member countries that ratify UNCAC	A country paper structure was circulated to all members for reporting to Congress on the status of Poverty and their role in Reducing Corruption in their individual jurisdictions.	ALL SAIS

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
OBJECTIVE C: STRONG PARTNERSHIPS ARE DEVELOPED WITH REGIONAL ORGANISATIONS WITH AN INTEREST IN ENHANCED ACCOUNTABILITY AND TRANSPARENCY.					
2C1	Examples of impacts and benefits of collaboration with stakeholders collected, assessed and reported	Governance, A&T	Meet with key stakeholders and encourage developing Agreement or MOU of joint results oriented frameworks [e.g. UNDP, PIFS, PFTAC, World Bank, DFAT, MFAT, Transparency International, etc.]	Meetings held with ADB, WB, DFAT, MFAT, UNDP, PIFS, PFTAC, PICPA, USP and TI Fiji in April 2016 discussed the idea of developing an MOU of a joint results oriented framework. This is currently being considered by PIFS, UNDP and TI Fiji. Participated in the PFTAC Steering Committee meeting in Samoa, (February 2016) and met with various development partners.	ALL SAIS
2C2	Develop triennial partnership agreements with regional partners	Advocacy	Conduct collaborative meetings with development partners.	A meeting held with the WBG while attending the WBG Fiduciary Management meeting in Sydney, Australia (May 2016) Refer 1A2	ALL SAIS
2C3	Support for SAIs initiatives to strengthen understanding of Accountability & Transparency	Advocacy	Meet with stakeholders to discuss the 2015 A&T results and report. Support 2 SAIs per year to contribute to initiatives lead by others to strengthen understanding of A&T.	Refer 1A2 and 2A1. Held discussions with Tuvalu and Marshall Islands.	ALL SAIS 2 SAIS

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
OBJECTIVE D: SAIS ADVOCATE FOR IMPROVEMENTS IN THE PUBLIC FINANCIAL MANAGEMENT SYSTEMS ADOPTED BY THEIR COUNTRIES.					
2D2	Work with stakeholders to improve timeliness & scrutiny of Whole of Government and Financial Statements of Governments (WOG/FSGs) audit reports.	Advocacy	<p>Work with respective Ministries of Finance, other audited entities (where applicable), and legislatures to improve timeliness and scrutiny. (SAIs).</p> <p>Build collaborative relationships with other regional bodies and development partners [UNDP, PFTAC] to promote the effective and timely scrutiny of audited financial statements, particularly WOG/FSGs audit reports.</p>	<p>Worked with Nauru to support the audit of Whole of Government account</p> <p>Refer 2C1</p>	1
OBJECTIVE E: PASAI IDENTIFIES AND PROMOTES GOOD PRACTICE BY SAIS TO OTHER SAIS.					
2E1	Database of good practice examples in place and promoted annually	Training & Support	<p>Develop a database to capture good examples in place, and share with SAIs [technical information, monthly updates, pronouncements and online forums or discussion groups]</p> <p>Share knowledge and information with SAIs and regional bodies through PASAI website, or other appropriate interactive communication tools.</p>	<p>Refer 1A2 and 1B1</p> <p>There were 9 Monthly updates and 2 Quarterly Bulletins on the work of PASAI issued to members and stakeholders.</p>	<p>ALL SAIS</p> <p>ALL SAIS</p>

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
STRATEGIC PRIORITY 3: HIGH QUALITY AUDITS COMPLETED BY PACIFIC SAIS ON A TIMELY BASIS					
OBJECTIVE A: UP-TO-DATE FINANCIAL STATEMENT OF GOVERNMENT (FSG) OR WHOLE OF GOVERNMENT (WOG) REPORTS ARE AUDITED (USING STANDARDS APPROPRIATE TO THE INDIVIDUAL SAI) ON A TIMELY BASIS FOR APPLICABLE MEMBER NATIONS.					
3A1	Status of FSG/WOG audits known and reported	Practice Management	Gather information on status of WOG Accounts and update the Secretariat database.	A template has been developed to gather data and information obtained and summarised for the information of the Board.	ALL SAIS
3A2	SAIs recognised as supporting Ministry of Finance initiatives for timely completion of FSG/WOG for audit	Public Financial Management	Identify a PFM contact person within each SAIs to provide updates to the Secretariat. Update the Secretariat database through its programs regularly	Key contacts from SAIs have been established. Information gathered from country visits and programs and updated Secretariat records and database. (Also refer 1B1)	SAME AS 3A1
3A3	Timely audits of FSG/WOG are completed and audit findings reported	Audit Delivery	Support Nauru SAI through technical assistance (Secretariat and Donor). Deliver Tier 1 workshop and on-the-ground support for Nauru SAI (Secretariat) PASAI Teammate Regional Workshop to be held for SAI members that use teammate.	Provided technical support to Nauru to assist with WOG accounts and prepared plan for training and support of Nauru staff to do the audit. The Teammate Regional Workshop was conducted(May 2016)	2 8 SAIS 23 PARTICIPANTS (11 FEMALES/ 12 MALES)

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
OBJECTIVE B: SAIS PRODUCE HIGH QUALITY FINANCIAL AUDITS IN ACCORDANCE WITH NATIONAL/INTERNATIONAL STANDARDS					
3B1	Financial Audit Manual (FAM) aligned to current ISSAIs as a result of annual review	Training & Support	Update the FAM to be compliant with ISSAIs and available for use by SAIs.	The FAM was updated, revised and distributed to member SAIs	ALL SAIS
3B2	High quality financial audits confirmed by Peer reviews	Practice Management	Develop approach to conduct peer review for PASAI (Secretariat)	Refer 4D2	ALL SAIS
3B3	Cooperative financial audits undertaken	Audit Delivery	<p>Conduct IDI/PASAI joint cooperative audit on procurement workshop in November 2015.</p> <p>Develop Design Program high quality financial audits, especially on FSG/WOG</p> <p>Finalise regional report on Foreign Aided Projects – Cooperative Financial Audit to be published by June 2016 (1st pilot)</p>	<p>The IDI/PASAI co-operative audit on public procurement workshop (November 2015) was conducted. A related design planning meeting was also attended.</p> <p>Ongoing discussion with the US Department of Interior (DOI) to develop an approach for North Pacific sub-region. Participated in the PICPA Asset Management symposium (May 2016)</p> <p>A draft report on Foreign Aided Projects – Co-operative Financial Audit has been prepared and awaiting to be finalised.</p>	<p>11 SAIS AND 1 SUPPORTING SAI (VAGO)</p> <p>26 PARTICIPANTS (20 FEMALES/ 6 MALES)</p> <p>ALL SAIS</p>

	OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
3B4	SAS program to progress arrears and raise capacity	Capability	Manage the round 5 of SAS program . Prepare the Final regional report on SAS program and submit to Congress in August 2016	The Planning meeting was held in Fiji then followed by Consultant visits to Kiribati, Solomon Islands and Tuvalu. Post SAS review was made to Kiribati (October 2015). Tuvalu (February 2016) and Solomon Islands (April 2016). SAS Committee final meeting held in February 2016. Submitted report to ADB on post visits completed for Kiribati, Tuvalu, and Solomon Islands. Draft SAS Report summary of last 5 years given to Communications Advisor for input and final layout design by Communications Consultant	3 16 STAFF 10 FEMALES AND 6 MALES.
3B5	Financial auditor training	Capability	SP 4D4	Refer 4D4 (IFRS accounting workshops).	
OBJECTIVE C: SAIS PRODUCE HIGH QUALITY PERFORMANCE AUDITS (PA) OF GOVERNMENT AND REGIONAL PROGRAMMES.					
3C2	Performance Audit manual (PAM) aligned to current ISSAIs as a result of periodic review	Training & Support	1. Update the PAM. (Secretariat)	Refer to 3C4	
3C3	Cooperative performance audits are undertaken	Audit Delivery	Finalise public debt management regional report	The Final Public Debt report was launched in June 2016 and released. PASAI regional paper on INCOSAI Theme I ‘Sustainable Development Goals’ has been submitted. Participated in the ACAG/RWGEA meeting held in Melbourne. (May 2016)	6 7 PARTICIPANTS FROM PIC SAIS– 4 FEMALES AND 3 MALES
3C4	2 or more SAI coordinated performance audits completed every 2 years	Audit Delivery	Develop Design Program high quality performance audits. e.g. SDGs	A PASAI regional team met for a design planning meeting (March 2016)	ALL SAIS 3 (ALL FEMALES)

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
STRATEGIC PRIORITY 4: SAI CAPACITY AND CAPABILITY ENHANCED					
OBJECTIVE A: SAIS DEVELOP AND IMPLEMENT THEIR OWN COMPREHENSIVE AND REALISTIC STRATEGIC PLANS.					
4A1	SAIs develop comprehensive strategic plans	Practice Management	Develop and implement a program plan to assist SAIs to develop their strategic plans [American Samoa and Palau.]	Provided support on developing a strategic plan for SAI American Samoa (March 2016) and SAI Palau (May 2016)	2 (9 MALE, 11 FEMALE)
4A2	SAIs report publicly against their strategic plans	Practice Management	Support SAIs with reporting on their strategic plans.	Refer 4A1	
OBJECTIVE B: SAIS ADOPT AND APPLY THE INTOSAI PERFORMANCE MEASUREMENT FRAMEWORK (PMF).					
4B1	SAIs develop performance measurement framework (INTOSAI model)	Practice Management	Conduct planning meeting on SAI PMF Lite (Secretariat and IDI)	The SAI PMF 'Lite' Planning meeting was held in September 2015 and attended by members of the Project team.2. Regional SAI PMF workshop for the South SAIs was held in Auckland in February 2016	11 SAIS (7 MALE, 4 FEMALE)
			Conduct a SAI PMF workshop for Tonga SAI staff in September 2015.	A SAI PMF workshop conducted for staff of Tonga SAI	1
			Conduct SAI PMF Lite Peer Review of Solomon Islands and preparation for Tonga Peer Review	A full SAI PMF assessment of the Cook Islands SAI and the Papua New Guinea SAI while a SAI PMF 'Lite' peer review of Solomon Islands SAI was carried out .	3

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
OBJECTIVE C: PARTNERSHIPS AND 'TWINNING' ARRANGEMENTS ARE DEVELOPED BETWEEN SAIS WITHIN PASAI AND GLOBALLY.				
4C1 Assist to develop twinning arrangements & reports impact annually	Advocacy	Make regular contact with twinning partners and share information with the Secretariat.	The ACAG secretariat has provided up to date information regarding the status of twinning arrangements of ACAG/PASAI members.	10 SAIS FROM SOUTH WHO ARE TWINNING WITH ACAG MEMBERS
		Coordinate and monitor the staff exchange between Fiji and Kiribati SAIs.	The staff exchange between Fiji and Kiribati SAIs were successfully implemented.	2 SAIS
		Establish a database of all existing twinning arrangements and coordinate communications between parties regarding needs, support and monitoring of these relationships.	A database of ACAG/PASAI members twinning arrangements was established and to be updated on a regular basis	
OBJECTIVE D: SAIS PLAN FOR AND USE PASAI TRAINING RESOURCES AND PROGRAMMES.				
4D1 Senior and middle management trained for leadership positions	Capability	Coordinate and arrange a Management Development Program (IDI program) or any other relevant training (e.g. Project management) to prepare senior and middle SAI managers for future SAI leadership roles.	A program plan on 'Strengthening SAI sustainability through developing SAI Young Leaders' was prepared for consideration of the Board. PASAI participated in the IDI Global Leadership Symposium and SAI Young Leaders Programme planning meeting (November 2016, Shimla, India).	
4D2 SAIs have 3 year training plans in place for all staff	Capability	Maintain training database to assess common needs identified by SAIs and to consider effective and efficient ways to address common needs across the region.	A Training needs template was developed to gather training needs information from SAIs	

OUTPUT		DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
4D3	All relevant staff complete ISSAI and Tier training	Capability	<p>Conduct Tiers 1 to 4 trainings for Tonga SAI staff and other SAIs</p> <p>Coordinate and arrange further trainings on ISSAIs including updates from meetings or dialogues with IDI.</p>	<p>PASAI Tier 1 – 4 trainings were conducted for staff of Tonga SAI.</p> <p>Participated in the 3i ISSAI Implementation Phase 2 Meeting (Bhutan)</p>	1
4D4	All staff requiring current accounting skills complete accounting IFRS/IPSAS training	Capability	<p>Coordinate and facilitate the IPSAS workshop to be held in November 2015 and collaborate with PFTAC on the work plan and other arrangements. (Secretariat/PFTAC)</p>	<p>The IPSAS Strengthening public financial management (PFM) systems through accounting and auditing reforms workshop was conducted jointly with PFTAC.</p> <p>Regional IPSAS training was also conducted in June 2016 for SAIs staff. Discussed with PFTAC to develop an MOU for this particular program – ongoing</p>	<p>17 SAIS (6 MALE, 9 FEMALE)</p> <p>13 SAIS (12 MALE, 16 FEMALE)</p>
4D5	Increased numbers of SAI staff have recognised certifications	Capability	<p>Coordinate and monitor the needs for member SAIs to obtain relevant certifications for their staff.</p> <p>Develop a collaborative relationship with institutions in the region that provide necessary qualifications.</p>	<p>Submitted PASAI regional paper on INCOSAI Theme II ‘Professionalisation’</p> <p>Discussions held with PICPA and USP as well as the National Audit Academy (NAA) in Malaysia and the Chartered Institute of Public Finance and Accountancy (CIPFA). Attended the CAPA Asia/Pacific meeting in Kuala Lumpur, Malaysia (May 2016).</p>	ALL PASAI MEMBERS
4D8	SAIs improve audit delivery by identifying and implementing information system needs including audit software	Practice Management	<p>Coordinate and set up a Teammate virtual group for collaboration.</p> <p>Coordinate ICDL registrations for SAI members. (Secretariat)</p>	<p>A Teammate virtual group was co-ordinated and set up</p> <p>The ICDL registrations was coordinated for members and FSM Yap SAI joined the ICDL program.</p>	<p>11 SAIS</p> <p>12 MALE, 11 FEMALE</p>

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS	
STRATEGIC PRIORITY 5: PASAI SECRETARIAT CAPABLE OF SUPPORTING PACIFIC SAIS					
OBJECTIVE A: THE SECRETARIAT HAS THE SKILLS AND RESOURCES TO BE EFFECTIVE AND EFFICIENT IN PROVIDING LEADERSHIP OF THIS STRATEGY AND CAPACITY-BUILDING OPPORTUNITIES AND OPERATIONAL SUPPORT TO SAIS.					
5A1	Secretariat assessment completed and implementation of revised structure completed	Management, Funding & Reporting	<p>Recruit Secretariat’s vacant post.</p> <p>Review PASAI’s governance arrangements</p> <p>Develop PASAI Child Protection policy.</p> <p>Develop PASAI Health and Safety policy</p> <p>Relocate the PASAI Secretariat Office to new premises</p>	<p>The recruitment of Director of Advocacy, Engagement and Finance was completed (February 2016).</p> <p>PASAI governance arrangements were reviewed and proposed amendments were presented to the Board and endorsed to present to the Congress in August 2016.</p> <p>PASAI Child Protection policy was approved .</p> <p>An interim PASAI Health and Safety policy was approved.</p> <p>The Secretariat Office was relocated to new premises in December 2015</p>	
5A2	PASAI staff training and development plan developed and implemented	Training & Support	Participate in various regional and international committee meetings and technical workshops on behalf of PASAI	Participated in various regional and international meetings including: 26th Annual Association of Pacific Islands Public Auditors (APIPA) Conference (Guam); INTOSAI Capacity Building Committee (CBC) Steering Committee (Stockholm); INTOSAI Regions Workshop on Strategy, Performance Measurement and Reporting (Oslo); INTOSAI-Donor Co-operation Steering Committee Meeting (Brasilia); MOSAIC (Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration) meeting (Brasilia). INTOSAI Task Force on Statutes meeting (China); and Women in Business Conference (Auckland)	

OUTPUT	DIMENSIONS	PLANNED ACTIVITIES	ACHIEVED ACTIVITIES	NO. OF SAIS BENEFITS
OBJECTIVE B: ADEQUATE FUNDING IS AVAILABLE TO IMPLEMENT THE PASAI STRATEGY				
5B1	Funding strategy approved, implemented and monitored	Management, Funding & Reporting	Develop a funding strategy for PASAI.	A draft funding strategy has been developed and submitted to the Board.
OBJECTIVE C: AN EFFECTIVE OPERATIONAL PLAN UNDERPINS THE IMPLEMENTATION OF PASAI'S STRATEGY.				
5C1	5 year operational plan and budget confirmed annually and reported against	Management, Funding & Reporting	Prepare PASAI 5-year Operational Plan and related budget. Prepare PASAI Annual Report 2014-15	The PASAI 5 year Operational plan 2015/16 – 2019/20 and its related budget was approved. The Annual report 2014-15 was approved and disseminated. An IDI/PASAI SAI management and stakeholders meeting was held (June 2016).
5C2	Revised PMF to measure PASAI performance	Management, Funding & Reporting	Revise the PASAI PMF to align with the new MER framework, and establish appropriate performance indicators.	PASAI MER has been endorsed and in use.
5C3	Develop regional communications strategy & implement	Management, Funding & Reporting	Develop a PASAI communications strategy. Upgrade the PASAI website	PASAI Communication Strategy has been approved The upgrade of PASAI website is in progress.
5D1	Strategy monitoring and evaluation	Management, Funding & Reporting	Prepare monthly and half yearly report on PASAI performance and send to GB members Update PASAI Risk Register and present to GB	A monthly performance report was sent and half yearly report presented to the Board PASAI Risk Register was updated on a regular basis and presented to the Board.

ANNEX II — FINANCIAL ACHIEVEMENT 2015–2016





*"Pacific Auditors Working
Together"*

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS
(PASAI) INCORPORATED

PERFORMANCE REPORT FOR THE YEAR
ENDED 30 JUNE 2016

Index to Performance Report

Non Financial Information

Entity Information	1
Statement of Service Performance	4

Financial Information

Statement of Financial Performance	10
Statement of Expenses	11
Statement of Financial Position	13
Statement of Cash Flows	14
Statement of Accounting Policies	15
Notes to Accompany Performance Report	17
Auditor's Report	23

Entity Information as at 30 June 2016

Legal Name	Pacific Association of Supreme Audit Institutions (PASAI) Incorporated
Nature of Business	Facilitation of support to audit offices in the Pacific region in order to improve quality and build capacity.
Entity Type	PASAI is an Incorporated Society, incorporated on 18 November 2009, under the Incorporated Societies Act 1908.
Entity's Mission	PASAI promotes transparent, accountable, effective, and efficient use of public sector resources in the Pacific. PASAI contributes to that goal by helping its member Supreme Audit Institutions (SAIs) improve the quality of public sector auditing in the Pacific to uniformly high standards. PASAI works to strengthen understanding, co-operation, and coordination between its members, advocate the interests of good governance, including transparency, accountability, and the need for strong and independent SAIs, to governments and others in the Pacific region, as well as building and sustaining public auditing capacity across the Pacific by sharing knowledge with, and providing support to, its members, and assisting its members to perform their auditing functions, including through co-operative audits and similar activities. PASAI also serves as a regional working group of International Organisation of Supreme Audit Institutions (INTOSAI), in the interests of all SAIs in the Pacific and beyond and encourages the co-operation with other regional working groups and SAIs.
Entity's Structure	Under the guidance of the annual PASAI Congress, the PASAI Governing Board sets PASAI's direction and oversees the activities of its Secretariat. The Governing Board is responsible for formulating strategies and policies for the organisation. The Board also approves the 3-year work plan and budget and the rules for the conduct of PASAI activities. Membership of the Governing Board is made up of the current PASAI chair, the Secretary General, immediate past PASAI chair and the next PASAI chair. Three representative members are drawn from the Melanesian, Micronesian and Polynesian member states. The Executive Director of the PASAI Secretariat is also an ex-officio member of the Board.
Main Source of Funding	PASAI's main source of funds and cash are derived from grants received from governments, development organisations and public and private institutions. Funding is also sourced from membership subscriptions, income from publications, conferences and other activities, the proceeds from the sale of any assets, interest earned from the investment of surplus cash, as well as any other method approved by the Governing Board.

Entity Information as at 30 June 2016 (continued)

Business Address	Suite 7, Level 2 168 Parnell Road Parnell 1052 Auckland
Postal Address	PASAI Secretariat PO Box 37 276 Parnell 1151 Auckland
IRD Number	103-852-250
Office Holders	Chairperson: John Path, Auditor General, Vanuatu Secretary - General: Lyn Provost, Controller & Auditor General, New Zealand Governing Board: Doris Flores Brooks, Public Auditor, Guam Atunaisa Nadakuitavuki, Deputy Auditor General, Fiji Allen Parker, Director of Audit, Cook Islands Jean-Yves Marquet, President de la Chambre, New Caledonia Fuimaono Camillo Afele, Controller & Auditor General, Samoa Ihlen K Joseph, Pohnpei State Public Auditor, Pohnpei Chief Executive: Tiofilusi Tueti, PASAI Secretariat, New Zealand
PASAI Members	American Samoa Australia Australian Capital Territory Cook Islands Federated States of Micronesia (National Office) Federated States of Micronesia (Chuuk) Fiji Islands French Polynesia Guam Kiribati Kosrae Marshall Islands Nauru

Entity Information as at 30 June 2016 (continued)

PASAI Members (cont.)	New Caledonia New South Wales New Zealand Northern Mariana Islands Palau Papua New Guinea Pohnpei Queensland Samoa Solomon Islands Tonga Tuvalu Vanuatu Victoria Yap
Auditor	RSM Hayes Audit Chartered Accountants
Bankers	Westpac New Zealand Limited
Accountants	Bellingham Wallace Limited 470 Parnell Road, Parnell Auckland 09 309 7851

Statement of Service Performance for the year ended 30 June 2016

Description of Outcomes

PASAI promotes transparent, accountable, effective and efficient use of public sector resources in the Pacific. It contributes to that goal by helping its 28 member Supreme Audit Institutions (SAIs) improve the quality of public sector auditing in the Pacific to uniformly high standards.

PASAI's Strategic Plan (2014–2024) guides our work to support our members. It has five key strategic priorities (SPs) that provide a focus for the next 10 years and include the capacity to measure success. The SPs are all highly interdependent and mutually reinforcing. We also have now established an extensive Monitoring Evaluation and Reporting (MER) framework to enable us to evaluate the effectiveness of our work so that we can ensure we are meeting our strategic objectives.

Key strategic priorities of PASAI are:

1 Strengthen SAI Independence

Encourage and support our members to be independent and sustainable institutions that make a difference to the quality of public sector governance and service delivery for the benefit of their peoples. A strong and independent SAI is essential for a country's good governance and public financial management.

2 Advocacy to strengthen governance, transparency and accountability

Improved governance, transparency and accountability of countries will be assisted by greater regional cooperation amongst SAIs and active engagement with stakeholders and development partners with an interest in effective public financial management.

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 partnerships with other organisations to promote the effective preparation and scrutiny of audited financial statements of Pacific Island governments.

4 SAI capacity and 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 resources in the Pacific region.

5 PASAI Secretariat capable of supporting Pacific SAIs

A properly resourced and staffed secretariat is essential to a high level of performance in implementing PASAI's strategic priorities.

Outputs

The performance report below details the significant outputs delivered by the PASAI under each of the strategic priorities.

Statement of Service Performance for the year ended 30 June 2016 (continued)

1 Strengthen SAI Independence

Outcome measure: Improvements in SAI independence and resourcing and consequent ability to communicate relevance to citizens and elected stakeholders.

Outputs	Actual 2015-16	Target 2015-16
Develop a resource kit and provide support to SAIs which wish to use the resources	In progress	Independence Resource Kit developed
Provide legal support to SAIs for potential changes in legislation.	Achieved (ongoing) 3 countries	Legal expert support provided
Work with Public Accounts Committees (PACs) of five (5) island states that have recently held their general elections and discuss ways to enhance the independence SAIs based on Strategic Priority 1.	3 countries	5 countries

Since the PASAI Operational Plan 2015/2016 was approved, PASAI and the INTOSAI Development Initiative (IDI) have progressed planning of a (separate) pilot project to develop a "lite" version of the international measurement framework for SAIs, known as the SAI Performance Measurement Framework (SAI PMF): see Strategic Priority 4. This version includes a full assessment of the participating SAIs' independence which is fully aligned with international principles. The "SAI PMF Lite" will, when completed, provide a basis for other smaller SAIs to complete similar assessments.

The 2015 Accountability and Transparency study focused on SAI financial independence and operational autonomy (Mexico Declaration on the Independence of Supreme Audit Institutions, Principle 8). In-depth work was also undertaken in seven jurisdictions selected for country visits, and in country reports prepared for each SAI Head. The study results were reported in the 2015 Accountability and Transparency report *Leading by example: Accountability and transparency in the Pacific region* (see Strategic Priority 2).

An Independence Resource Kit has been scoped and completed and is currently under review to be presented at the 2016 PASAI Congress. The resource kit will have a provision for web access to facilitate online discussions on independence and use of the independence resource kit.

PASAI's Legal Consultant provided expertise to the SAI of Solomon Islands to review and strengthen draft legislation being developed for the SAI and the PAC. The legislation has yet to be introduced. Support was also provided to the SAIs of the Republic of Marshall Islands and Tuvalu to strengthen their financial independence and operational autonomy through proposed legislative reforms.

Statement of Service Performance for the year ended 30 June 2016 (continued)

2 Advocacy to strengthen governance, transparency and accountability

Outcome measure: strong partnerships with regional organisations with an interest in governance, transparency and accountability and, where appropriate, strategic partnership agreements with joint results-oriented frameworks agreed.

Outputs	Actual 2015-16	Target 2015-16
Complete a 3 rd Accountability and Transparency (A&T) report and present to the Governing Board and Congress in October 2015.	Achieved	3rd Accountability and Transparency (A&T) report completed
Work with Public Accounts Committees (PACs) of five (5) island states that have recently held their general elections and discuss ways to enhance the independence of SAIs based on Strategic Priority 1.	3 countries	5 countries

The 3rd Accountability and Transparency (A&T) report *Leading by example: Accountability and transparency in the Pacific region* was published together with a summary version. It focuses on improving independence of SAIs and promoting good governance in the region. In-depth country studies were done in Cook Islands, Fiji, Kiribati, New Caledonia, Republic of the Marshall Islands, Tuvalu, and Vanuatu. The report was provided to all SAI Heads, together with templates for a media release and a covering letter to accompany the report to in-country stakeholders. In addition, report "talking points" and a brochure were developed to assist SAI Heads to communicate findings of the study and its recommendations to their governments, legislators, and other agencies. The report was also provided to all PASAI's development partners and a range of other stakeholders.

PASAI conducted workshops with Public Accounts Committees (PACs) in three island countries namely Cooks Islands, Solomon Islands and Tonga. The objectives of the workshop were to make PACs and members of Parliament aware of their financial oversight roles. Further, PASAI supported SAI Vanuatu in an induction program for new members of Parliament of Vanuatu about the important role of the SAI and the PAC, and the proposed Bill to modernize the SAI's governing legislation. A workshop was also delivered to Vanuatu senior government officials, NGOs and the private sector on the role of the SAI.

Meetings were held with development partners, regional institutions, donors and other stakeholders to develop agreements or memorandum of understandings for future collaboration and engagement. During the period, PASAI shared information with SAIs and other regional bodies through the PASAI website and by issuing monthly updates and quarterly bulletins. This information increased SAIs' awareness of the status and progress of programs and activities undertaken by PASAI, work in other INTOSAI regions, and by INTOSAI bodies.

Statement of Service Performance for the year ended 30 June 2016 (continued)

3 High quality audits completed by Pacific SAIs on a timely basis

Outcome measure: Improvements in production of Financial Statements of Government (FSG)/ Whole of Government (WoG) audits annually by trained and qualified SAI staff and increase in numbers of performance audits undertaken by SAIs with audit impacts reported annually.

Outputs		Actual 2015-16	Target 2015-16
Status of Whole-of-Government and Financial Statements of Government audits is known and reported		42%	60%
Develop Design Program - high quality financial audits		Achieved	Design Program developed
Sub-regional Audit Support (SAS) program to progress arrears and raise capacity		Achieved	SAS Program round 5 completed
Cooperative performance audits are undertaken – finalise public debt management regional report		Achieved	Public debt management regional report completed
Develop Design Program - high quality performance audits		Achieved	Design Program developed

PASAI gathered information on the status of Whole-of-Government and Financial Statements of Government audits in order to determine the support appropriate for SAIs. Information was gathered from country visits and programs. Ongoing support to SAIs was provided through technical advice, workshops, and country visits to ensure timely and quality audits of Whole-of-Government and Financial Statements of Government accounts including those of state owned enterprises. A regional planning workshop was held to support SAIs move towards ISSAI-compliant audits, supporting them to enhance their staff and organisational capacity to conduct ISSAI-based audits of procurement practices. The workshop was attended by 11 SAIs [Cook Islands, Fiji, FSM National, FSM Pohnpei, Guam, Marshall Islands, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu] made up of 26 participants (20 female, 6 male). To further enhance high quality financial audits, another regional workshop was held for eight SAIs that are using the electronic auditing tool TeamMate to conduct their audits. These workshops were attended by 8 SAIs [Cook Islands, Fiji, Guam, PNG, Samoa, Solomon Islands, Tonga and Vanuatu] and 23 participants – 11 female and 12 male.

The Sub-regional Audit Support (SAS) program Round 5 was completed, and a final report will be presented to the PASAI Governing Board meeting in August, highlighting the impacts from an independent quality assurance evaluation.

Design programs have been developed for both high quality financial audits and high quality performance audits in coordination with regional organisations such as the Pacific Financial Technical Assistance Centre (PFTAC), and expert consultants.

Statement of Service Performance for the year ended 30 June 2016 (continued)

4 SAI capacity and capability enhanced

Outcome measure: Improved SAI management processes supported by staff with up-to-date skills and auditing capabilities

Outputs	Actual 2015-16	Target 2015-16
Develop and implement a program plan to assist SAIs to develop their strategic plans	Achieved	Program plan developed and implemented
Coordinate and monitor the staff exchange between Fiji and Kiribati SAIs	Achieved	Staff exchanges completed and reported
Conduct planning meeting, regional workshop, and peer review on "SAI PMF Lite"	Achieved	Planned programs completed
Coordinate and facilitate IPSAS workshop program and collaborate with PFTAC	Achieved	Program completed

PASAI worked with the SAIs of American Samoa and Palau and provided support to develop their Strategic Plans.

The PASAI and IDI reviewed and developed a project plan for piloting the SAI PMF 'Lite' version (as explained under Strategic Priority 1) and is implementing the model by peer reviews in selected SAIs namely Cook Islands, Samoa, Solomon Islands, Tonga and Tuvalu. A peer review in Solomon Islands was carried out and further peer reviews are planned. Support was provided for the full SAI PMF assessments of the SAIs of Cook Islands and Papua New Guinea.

PASAI delivered the necessary audit skills training workshops for the SAI of Tonga to meet its identified training needs. Similar work has been discussed with the SAI of Papua New Guinea.

PASAI in collaboration with PFTAC and the University of the South Pacific facilitated workshops to strengthen PFM systems through accounting and auditing reforms and enhance the knowledge of auditors of current accounting standards. In addition, there were other audit capacity building programs conducted during the year for the SAIs of Tonga (Tier 1 – 4 training and SAI PMF) and Papua New Guinea on SAI PMF.

PASAI administered and implemented a pilot staff exchange program for the SAIs of Kiribati and Fiji. The two SAIs exchanged staff to share knowledge and experience and to learn from each other's audit processes and practices in performance auditing.

Statement of Service Performance for the year ended 30 June 2016 (continued)

5 PASAI Secretariat capable of supporting Pacific SAIs

Outcome measure: Development partner and SAI satisfaction with PASAI management.

Outputs	Actual 2015-16	Target 2015-16
Complete the Secretariat restructure	Achieved	Secretariat restructure completed
Prepare PASAI 5-year Operational Plan and related budget and submit for approval	Achieved	Operational Plan and budget approved
Develop a PASAI communications strategy	Achieved	Communications strategy approved

The recruitment of a new Director for Engagement, Advocacy and Financing in February 2016 completed the planned restructure of the PASAI Secretariat. PASAI's 5 year Operational plan 2015-16 – 2019-20 was approved by the Governing Board and endorsed by Congress, together with the PASAI Annual Report 2015-16 which included the audited financial statements of PASAI Incorporated for the same period. The new MER framework was adopted and used to measure PASAI performance. PASAI's communications strategy was developed and approved. The Secretariat completed a revision of PASAI's Charter, its governance code and operational policies, and the rules of PASAI Incorporated. The revised Charter will be submitted to the Congress in August for adoption. Both a PASAI funding strategy and a Gender Strategy were drafted and will be discussed by the Governing Board.

Statement of Financial Performance for the year ended 30 June 2016

	Note	2016 \$	Unaudited Budget 2016 \$	2015 \$
Revenue				
Member Contributions		2,800	2,700	2,600
Development Partner Contributions	3	2,479,390	2,376,350	1,884,180
Interest Received		10,484	6,610	16,696
Other Income		370	-	7,285
Foreign Currency Gains (Losses)		(53,159)	-	17,594
Total Revenue		<u>2,439,885</u>	<u>2,385,660</u>	<u>1,928,355</u>
Expenses				
Personnel Expenses		685,948	618,527	568,925
Consultancy Expenses		177,344	760,846	172,054
Program Expenses		1,267,653	1,191,385	324,292
Secretariat Travel Expenses		99,921	215,556	97,933
Secretariat Operational Expenses		<u>258,884</u>	<u>232,724</u>	<u>220,074</u>
Total Expenses		<u>2,489,750</u>	<u>3,019,038</u>	<u>1,383,278</u>
Surplus/(Deficit) Before Tax		(49,865)	(633,378)	545,077
Income Tax Expense	8	2,794	-	1,072
Surplus/(Deficit) After Tax		<u>(52,659)</u>	<u>(633,378)</u>	<u>544,005</u>



This Performance Report should be read in conjunction with the Statement of Accounting Policies, the Notes to the Performance Report and the Auditor's Report.

Statement of Expenses for the year ended 30 June 2016

	2016 \$	<i>Unaudited Budget</i> 2016 \$	2015 \$
Personnel Expenses			
Administration Fees	-	-	89,627
ACC Levies	1,296	-	-
Employer Kiwisaver Contributions	4,374	3,466	3,086
Payroll Processing Fees	697	696	1,820
Relocation & Recruitment	35,781	21,000	19,354
Staff Training	3,809	10,000	713
Wages	639,991	583,365	454,325
Total Personnel Expenses	685,948	618,527	568,925
Consultancy Expenses			
Consultants' Fees	158,789	173,120	97,589
Consultants' Airfares - International	8,505	257,700	41,129
Consultants' Accommodation - International	5,160	216,726	19,979
Consultants' Ground Transport	201	-	272
Consultants' Airfares - Domestic	565	-	1,243
Consultants' Per Diem	4,124	113,300	11,842
Total Consultancy Expenses	177,344	760,846	172,054
Program Expenses			
Participants Airfares - International	621,761	520,180	183,253
Participants Accommodation - International	345,967	242,664	61,518
Participants Per Diem	169,448	171,726	29,174
Venue Hire	79,598	149,630	9,700
Event Catering for Program	39,629	53,185	31,675
Program Miscellaneous Expenses	8,926	53,650	7,091
Participants Accommodation - Domestic	-	350	1,881
Ground Transportation	2,324	-	-
Total Program Expenses	1,267,653	1,191,385	324,292
Secretariat Travel Expenses			
Secretariat Airfares - International	60,254	117,606	55,625
Secretariat Accommodation - International	16,599	52,630	23,767
Secretariat Ground Transport - International	671	-	431
Secretariat Per Diem	20,339	44,570	17,604
Secretariat Travel - Miscellaneous Expenses	627	750	195
Secretariat Ground Transport - Domestic	1,258	-	311
Secretariat Accommodation - Domestic	173	-	-
Total Secretariat Travel Expenses	99,921	215,556	97,933



This Performance Report should be read in conjunction with the Statement of Accounting Policies, the Notes to the Performance Report and the Auditor's Report.


Statement of Expenses for the year ended 30 June 2016


	2016	<i>Unaudited</i> Budget	2015
	\$	2016 \$	\$
Secretariat Operational Expenses			
Audit Fee	11,833	11,408	10,371
Bank Fees	4,739	3,360	3,244
Cleaning	4,422	4,200	4,177
Computer Expenses	10,486	-	9,509
Depreciation	9,129	15,031	10,543
Electricity	3,713	3,600	3,447
Insurance	6,964	6,900	6,345
Equipment Lease	9,401	9,000	8,026
Loss on Sale of Fixed Assets	7,933	-	-
Office Expenses	11,037	9,000	8,703
Postage, Printing & Stationery	11,708	12,000	11,070
Professional Fees	69,524	57,425	38,013
Rent	84,918	78,000	92,525
Repairs & Maintenance	744	1,200	719
Reorganisation of Secretariat	-	-	3,694
Subscriptions	4,005	-	-
Telephone	8,328	21,600	9,688
Total Secretariat Operational Expenses	258,884	232,724	220,074
Total Expenses	2,489,750	3,019,038	1,383,278

Statement of Financial Position as at 30 June 2016

	Note	2016 \$	Unaudited Budget 2016	2015 \$
Current Assets				
Bank Accounts & Cash	9	1,123,822	1,610,696	1,685,912
Debtors & Prepayments	4	194,727	136,001	43,103
Investments	10	382,463	58,905	56,989
Tax Refund Due	8	3,755	5,168	3,515
Total Current Assets		1,704,767	1,810,770	1,789,518
Non-Current Assets				
Property, Plant & Equipment	5	18,242	31,916	27,892
Total Non-Current Assets		18,242	31,916	27,892
Total Assets		1,723,008	1,842,686	1,817,410
Current Liabilities				
Employee Costs Payable	7	48,935	17,230	23,534
Creditors & Accrued Expenses	6	32,520	29,883	96,872
UNDP Funding Reserve	17	-	-	2,792
Total Current Liabilities		81,455	47,113	123,198
Total Liabilities		81,455	47,113	123,198
Total Assets less Total Liabilities		1,641,553	1,795,573	1,694,212
Total Members' Funds	1	1,641,553	1,795,573	1,694,212

For and on behalf of the Members:


 John Path
 Auditor General, Vanuatu
 Chairman, PASAI


 Lyn Provost
 Controller and Auditor-General of New Zealand
 Secretary-General, PASAI


 Tiofilusi Tiueti
 Chief Executive, PASAI

Date: 22/7/2016


RSM

This Performance Report should be read in conjunction with the Statement of Accounting Policies, the Notes to the Performance Report and the Auditor's Report.

Statement of Cash Flows

for the year ended 30 June 2016

		2016 \$	2015 \$
Cash flows from operating activities			
Cash was provided from:			
Receipts from Development Partners	2,375,297		1,909,269
Interest & Dividends Received	11,116		16,807
Receipts from Member Contributions	<u>4,265</u>		<u>(1,755)</u>
		2,390,678	1,924,321
Cash was applied to:			
Payments to Suppliers & Employees	<u>(2,619,880)</u>		<u>(1,306,854)</u>
		<u>(2,619,880)</u>	<u>(1,306,854)</u>
Net cash inflow (outflow) from operating activities		(229,202)	617,467
Cash flows from investing activities			
Cash was provided from:			
Receipts from the sale of Fixed Assets	<u>970</u>		<u>-</u>
		970	-
Cash was applied to:			
Payments to acquire Fixed Assets	(8,383)		-
Payments to purchase Investments	<u>(325,474)</u>		<u>(56,989)</u>
		<u>(333,857)</u>	<u>(56,989)</u>
Net cash inflow (outflow) from investing activities		(332,887)	(56,989)
		<u>(562,090)</u>	<u>560,478</u>
Add cash at start of year		1,685,912	1,125,434
Balance at end of year		<u><u>1,123,822</u></u>	<u><u>1,685,912</u></u>

Statement of Accounting Policies for the year ended 30 June 2016

(a) Basis of Preparation

PASAI has elected to apply Public Benefit Entity Simple Format Report – Accrual (Not-For-Profit) (PBE SFR-A (NFP)) on the basis that the Incorporated Societies Act 1908 and PASAI's charter do not prescribe the applicable financial report framework or any requirement to comply with any form of generally accepted accounting practice. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

(b) Change in Accounting Policies

With the adoption of the PBE SFR-A (NFP) framework, policies relating to the preparation of the statement of cash flows have been applied for the first time. All other policies have been applied on a consistent basis with the previous period.

(c) Revenue Recognition

PASAI derives revenue from member subscriptions that are recognised when invoiced.

Grants and contributions received from development partners are recognised in the Statement of Financial Performance when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

All other revenue is recognised on an accrual basis.

(d) Income Tax

Income tax is accounted for using the taxes payable method. The income tax expense in the Statement of Financial Performance represents the estimated current obligation payable to Inland Revenue.

(e) Foreign Currency Translation

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction.

At balance date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are included in the Statement of Financial Performance.

(f) Leased Assets

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expenses over the period of expected benefit.

Statement of Accounting Policies for the year ended 30 June 2016 (continued)

(g) Property, Plant & Equipment

Property, Plant and Equipment are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

Depreciation of property, plant and equipment is calculated on a straight line basis so as to expense the cost of the assets to their residual values over their useful lives.

The following depreciation rates have been used:

Computer & Technology	40% (2-3 years)
Office Equipment	10% (10 years)
Website Development	40% (2-3 years)

(h) Debtors

Debtors are stated at expected realisable value. Bad debts are written off during the period in which they are identified.

(i) Liabilities

Liabilities are stated at the estimated amounts payable and include all obligations that can be reliably estimated. Current liabilities include the amounts payable within twelve months of these financial statements.

(j) Goods and Services Tax (GST)

The financial statements have been prepared on a GST inclusive basis of accounting, as the society is not a registered person in terms of the Goods and Services Tax Act 1985. Consequently all revenue, expenses and capital acquisitions are shown inclusive of GST.

(k) Donated Services

The work of PASAI is dependent on the services of its members. Since these services are not normally purchased by PASAI and because of the difficulty of determining their value with reliability, donated services are not recognised in these financial statements.

(l) Employee Benefits

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognised when they accrue to employees. The liability for employee entitlements is carried at cost.

(m) Reimbursement of Expenses

The reimbursement of expenses by employees or PASAI members have been offset against the relevant expense.

Notes to the Performance Report for the year ended 30 June 2016

1. Movements in Members' Funds	2016	2015
	\$	\$
Total Members' Funds at Beginning of the Year	1,694,212	1,150,207
Surplus/Deficit & Revaluations		
Net Surplus (Deficit) for the year	(52,659)	544,005
Total recognised revenues and expenses for the year	(52,659)	544,005
	1,641,553	1,694,212
Contributions/Distributions		
Contributions from members	-	-
Distributions to members	-	-
Total Members' Funds at End of Year	1,641,553	1,694,212
2. Remuneration of Auditors	2016	2015
	\$	\$
Amounts received, or due and receivable, by the auditor of the organisation for:		
Audit Fee	11,834	10,371
3. Development Partner Contributions	2016	2015
	\$	\$
Asian Development Bank	18,206	1,967
INTOSAI Development Initiative	307,198	183,882
The Department of Foreign Affairs and Trade	1,296,978	1,237,518
The Ministry of Foreign Affairs and Trade	544,954	460,813
Ministry of Foreign Affairs & Trade (PIC)	50,940	-
The Department of Foreign Affairs & Trade (Tonga)	215,613	-
The Pacific Islands Centre for Public Administration	41,395	-
The United Nations Development Programme	4,927	-
Returned Funds	(821)	-
	2,479,390	1,884,180

Note that following completion of programs funded by The Department of Foreign Affairs & Trade, funding of \$821 was unused and returned during the 2016 financial year.

Notes to the Performance Report for the year ended 30 June 2016 (continued)

4. Debtors & Prepayments	2016	2015
	\$	\$
Accounts Receivable	53,897	4,424
Interest Receivable	251	513
Rental Bond	12,382	12,382
Insurance Prepaid	2,286	1,472
Travel Expenses Prepaid	125,911	24,313
	<u>194,727</u>	<u>43,103</u>

5. Property, Plant & Equipment

	Opening Carrying Amount	Purchases/ (Disposals)	Current Year Depreciation & Impairment	Closing Carrying Amount
This Year				
Computer & Technology	5,144	(1)	5,143	-
Office Equipment	22,748	(6,135)	3,300	13,313
Website Development	-	5,615	686	4,929
Total Fixed Assets	<u>27,892</u>	<u>(521)</u>	<u>9,129</u>	<u>18,242</u>
Last Year				
Office Fit Out	134	-	134	-
Computer & Technology	11,179	-	6,035	5,144
Office Equipment	27,122	-	4,374	22,748
Total Fixed Assets	<u>38,435</u>	<u>-</u>	<u>10,543</u>	<u>27,892</u>

6. Creditors & Accrued Expenses	2016	2015
	\$	\$
Accounts Payable	20,318	39,639
Westpac MasterCard	368	-
Audit Fee Payable	11,834	10,371
Consultancy Fee Payable	-	46,863
	<u>32,520</u>	<u>96,872</u>

7. Employee Costs Payable	2016	2015
	\$	\$
Holiday Pay	28,942	19,734
Wages Payable	19,993	3,800
	<u>48,935</u>	<u>23,534</u>

Notes to the Performance Report for the year ended 30 June 2016 (continued)

8. Income Tax

Profit Reconciliation	2016	2015
	\$	\$
Operating Surplus (Deficit) before income tax	(49,865)	545,077
Deduct		
Non Taxable Income	2,439,862	1,904,139
Tax Exempt Income	1,000	1,000
Non-Taxable Dividend	6	6
	<u>(2,490,733)</u>	<u>(1,360,068)</u>
Add Back		
ICA Credits Attached to Dividends Received	141	137
Non Deductible Expenses	2,501,076	1,371,302
Taxable Income	<u>10,484</u>	<u>11,371</u>
Taxation charge @ 28%	2,935	3,183
Prior period adjustments	-	(1,974)
	<u>2,935</u>	<u>1,209</u>
ICA Credits Attached to Dividends Received	141	137
Taxation Expense	<u>2,794</u>	<u>1,072</u>
Tax paid relating to current year		
RWT Paid	3,034	4,587
Taxation refundable for current year	(240)	(3,515)
Prior year tax refundable	(3,515)	-
Taxation refundable	<u>(3,755)</u>	<u>(3,515)</u>

9. Bank Accounts & Cash

	2016	2015
	\$	\$
Westpac New Zealand Limited - Cheque	292,327	610,322
Westpac New Zealand Limited - Business Online Saver	-	285,497
Westpac New Zealand Limited - NZ Aid	-	32,284
Westpac New Zealand Limited - SMOG & TSA AUS Aid	-	821
Westpac New Zealand Limited MFAT - GRA80105	275,501	314,507
Westpac New Zealand Limited DFAT - GFA70596	555,983	442,334
Petty Cash Administration	11	147
	<u>1,123,822</u>	<u>1,685,912</u>

10. Investments

	2016	2015
	\$	\$
Westpac New Zealand Limited - Term Deposit	382,463	56,989
	<u>382,463</u>	<u>56,989</u>

Interest Rate: 3%

Maturity: 18 November 2016



Notes to the Performance Report for the year ended 30 June 2016 (continued)

11. Events occurring after Balance Date

There were no significant post balance date events (Last year: \$0)

12. Commitments for Expenditure

Capital Commitments

There were no material commitments for capital expenditure outstanding at balance date. (Last year \$0)

	2016 \$	2015 \$
Operating Lease Commitments		
Total lease expenditure contracted for at balance date but not provided for in the accounts:		
Payable:		
Not later than one year	54,817	51,610
Later than one year but not later than 5 years	135,928	446
	<u>190,745</u>	<u>52,056</u>
Representing:		
Non-cancellable operating leases	<u>190,745</u>	<u>52,056</u>

Lease of Land & Buildings

Property: Suite 7, Level 2, "Heards Building", 168 Parnell Road, Parnell, Auckland, New Zealand

Annual Rent: \$54,371

Term: Monthly lease

Rent Reviews: 2 yearly

Right of Renewal: 1 January 2020

Lease of Assets

Asset: Ricoh Copier

Monthly Rent: \$446

Term: 18 months from 20 February 2015

Notes to the Performance Report for the year ended 30 June 2016 (continued)

13. Contingent Liabilities

Make Good Provision

The premises at Suite 7, Level 2, 168 Parnell Road has a "make good obligation" (reinstatement works), which PASAI has to comply with at the end of the lease or when the lease is terminated. The lease has a commencement date of 1 January 2016, and a term of four years. The next rent review date is 1 January 2018, and the next renewal date 1 January 2020.

Development Partner Contributions

Any unspent development partner contributions, on the expiry date of the contracts or upon termination of the contracts by mutual consent, are to be repaid to the funder.

The Governing Board believes that the contracts in place are unlikely to be terminated before their expiry dates, and that any unspent funds at the end of the contracts will be minimal. Accordingly, no provision for any liability has been made in the performance report.

14. Credit Risk

In the normal course of its operations, PASAI incurs credit risk from receivables and from transactions with financial institutions.

PASAI has no significant concentrations of credit risk. No collateral or security is held or given to support instruments.

15. Interest Rate Risk

The interest rate risk on funds held is considered to be minimal, as all cash funds are managed as part of the normal banking arrangements and the financial instruments are not interest rate sensitive.

16. Currency Risk

The majority of PASAI members are invoiced in NZ Dollars, therefore currency risk is considered to be minimal thus no hedging took place to reduce foreign currency exposure.

17. UNDP Funding Reserve

The UNDP Funding Reserve was an upfront 60% payment received in advance from the United Nations Development Program in order to facilitate a staff exchange program between the Fiji Office of the Auditor General and Kiribati Audit Office, which took place during the 2016 financial year. The remaining 40% of funding was received in August 2015 upon submission of a final report and financial acquittals by PASAI.

Notes to the Performance Report for the year ended 30 June 2016 (continued)

18. Technical Assistance Grant

During the year the Asian Development Bank (ADB) provided funding of \$USD373,857 (\$NZD523,976) to support costs associated with the activities of PASAI, in particular the Sub Regional Audit Support Program. These transactions have occurred directly between ADB and the respective consultants, secondees or other third parties and have not been recognised in this performance report.

19. Prior Year Comparatives

Comparative figures in the performance report relate to the year ended 30 June 2015. Where necessary these figures have been reclassified on a basis consistent with current disclosure for the year ended 30 June 2016.

Independent Auditor's Report

To the Members of Pacific Association of Supreme Audit Institutions Incorporated

RSM Hayes Audit

PO Box 9588
Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023

T +64 (9) 367 1656
www.rsmnz.co.nz

We have audited the financial information of Pacific Association of Supreme Audit Institutions Incorporated on pages 10 to 22 which comprise the statement of financial position as at 30 June 2016, the statement of financial performance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Pacific Association of Supreme Audit Institutions Incorporated and the Members, for our work, for this report, or for the opinions we have formed.

Board's Responsibility for the Financial Information

The Board is responsible on behalf of the entity for:

- (a) the financial information containing the statement of financial performance, statement of financial position, statement of cash flows, summary of significant accounting policies and notes to the performance report in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) issued by the New Zealand Accounting Standards Board, and
- (b) for such internal control as the Board determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand).

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Pacific Association of Supreme Audit Institutions Incorporated.

Opinion

In our opinion, the financial information on pages 10 to 22 presents fairly, in all material respects, the financial position of Pacific Association of Supreme Audit Institutions Incorporated as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).

RSM

23 July 2016