



Pacific Association of
Supreme Audit Institutions

Annual Report 2013/14

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Secretary-General's foreword

The 2013/2014 year was characterised by strategic thinking and the *Strategic Plan 2014–2024* is the result. It is a very fine plan and I thank all the PASAI members for their valuable contributions. This plan is truly the result of all our members working together. Our new strategic plan has three critical foci:

- It is SAI centric.
- It puts auditing, particularly financial auditing, at the centre of our attention.
- It adopts the INTOSAI Performance Measurement Framework.

Accompanying this Strategic Plan is a prioritised and costed five-year Operational Plan. Both these documents underlie the Concept Note submitted to the IDI Global Call. The outcome of that funding request will be worked through in 2014/15. Securing ongoing funding is vital for the long-term sustainability of PASAI and its members.

These three documents are each significant in their own right and collectively form a strong basis for PASAI's future.

The achievements under the previous strategy PRAI have continued over the year and this report sets out our progress and outcomes. I would particularly like to note:

1. PASAI's growing international reputation for co-operative audits, with new audits of public debt and climate change adaptation.
2. The positive results in Tuvalu and Kiribati under the Sub-Regional Audit Support Program.
3. The successful Congress in Guam including a visit to their landfill that was the subject of our first co-operative performance audit.
4. The commencement of our first co-operative financial audit on the topic of foreign-aided projects.
5. Successful workshops on professionalisation, the performance measurement framework, ISSAIs and international accounting standards.

I thank my fellow Governing Board members for their leadership. I also thank the PASAI Secretariat staff for their work over the year. The support of our partners is important to us and we appreciate their interest in our endeavours. Finally I thank all members of PASAI for your contributions and achievements in 2013/2014. You should take considerable pride in those achievements. And we still have so much to do. I look forward to work with you all to achieve our *Strategic Plan 2014–2024*.



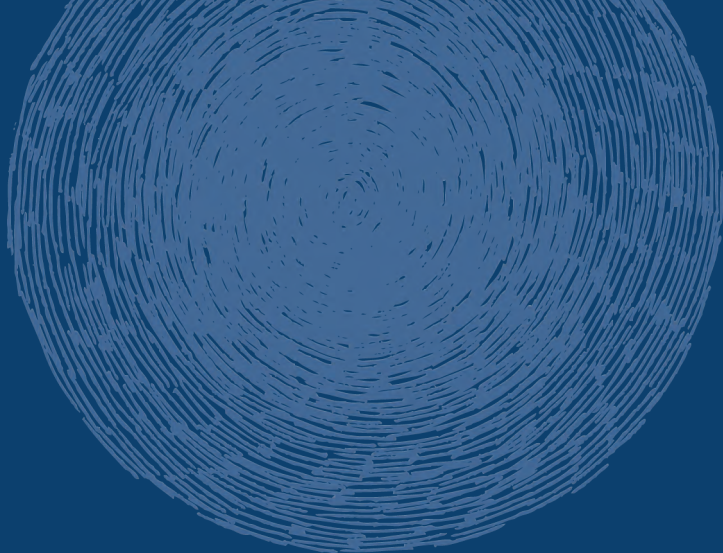
Lyn Provost
Secretary General



Introduction

This Annual Report summarises the activities and achievements for the 2013/2014 year. In Part A, we discuss the two PASAI strategies and the outcomes achieved for the year. In Part B, we discuss the major activities and results of the key programs. In Part C, we include the audited financial statements.





Part A

STRATEGIC OVERVIEW



1. PASAI's FIRST STRATEGIC PLAN

The PRAI's overarching objective was to raise the standard of public auditing in the Pacific region, which in turn is expected to improve transparency and accountability in managing and using public resources. Figure 1 illustrates the PRAI structure, and identifies participants and outputs.

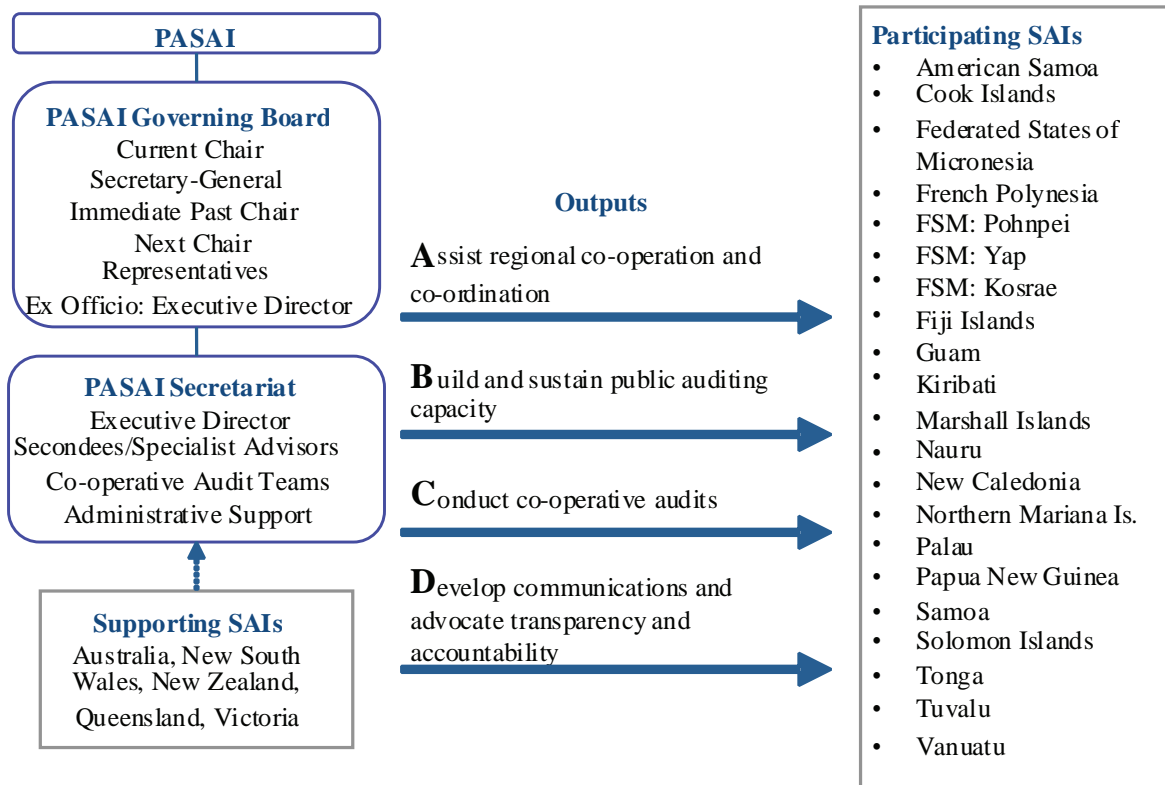


Figure 1: The Pacific Regional Audit Initiative



1.1 PRAI's impact and outcomes

The impact of the PRAI was to improve transparency and accountability in managing and using public resources in the Pacific region. These expectations assumed that:

- participating jurisdictions remained committed to improving transparency and accountability and effective public auditing
- public financial management included accounting systems, standards, and records in the region continued to improve
- PASAI members continued to work collaboratively.

1.2 Performance framework

The PASAI Congress held in Tonga in August 2011 approved a Performance Framework (PF) for the organisation. The PF is intended to provide an annual account to the PASAI Congress and PASAI development partners on the impact PASAI has had towards improving accountability in the Pacific and the progress of the PRAI strategic goals. The framework will also provide reports on the efficiency and effectiveness of the PASAI Secretariat and the value it adds to PASAI.

There are three tiers to the framework:

- Tier 1: The outcome of PASAI: transparent, accountable, effective and efficient use of public sector resources in the Pacific
- Tier 2: The achievement of the four strategic goals of the Pacific Regional Auditing Initiative
- Tier 3: The service delivery and cost effectiveness of the PASAI Secretariat.

Tables 1, 2, and 3 show the achievements of the PASAI.

Table 1: Outcome of PASAI — transparent, accountable, effective and efficient use of public sector resources in the Pacific

Design summary	Performance targets/indicators	Achievements to date
<p>Outcome</p> <p>The public accounts of participating countries are audited in a timely manner to uniformly high standards, with enhanced audit impacts and improved audit capability.</p>	<p>By the end of 2012, 70% of available public accounts and their components will have been audited to internationally accepted standards within 12 months of the end of the financial year.</p> <p>Improvement by the end of 2012 of the PEFA PI-26 indicator to an average C rating.</p> <p>By the end of 2012, 80% of participating SAIs will be at level three or higher on the PASAI Capability Model.</p>	<p>PASAI has completed the production of all the manuals and training materials, and conducted co-operative audits, including the sub-regional audit support (SAS), which are essentially the first steps in raising capability in the region and enabling public accounts to be audited to uniformly high standards.</p> <p>Only three SAIs provided the PEFA assessments in the 2014 survey. Two were assessed at D+ and one C. However, the 2014 survey noted the following:</p> <ul style="list-style-type: none"> • Seven of 16 SAIs that responded are up-to-date with their whole-of-government public accounts. The other SAIs did not provide their whole-of-government accounts status. • In relation to the SAI capability, 42% were assessed at level five (<i>SAI is contributing proactively to the public sector</i>); 24% at level four (<i>SAI is confident</i>); 23% at level three (<i>SAI is functional</i>); and 5% at level two (<i>SAI is operating safely</i>). Compared to 2012 where 53% of SAIs were assessed at level three or higher, the 2013 result noted 92% is encouraging.
<p>Impact</p> <p>Improved transparency and accountability in managing and using public resources in Pacific island countries.</p>	<p>Average one-step improvement by the end of 2012 of relevant public expenditure and financial accountability (PEFA) performance indicators (PI):</p> <ul style="list-style-type: none"> • PI-10: public access to key fiscal information • PI-25: quality and timeliness of annual financial statements • PI-26: scope, nature and follow-up of external audit • PI-28: legislative scrutiny of external audit reports. 	<p>No SAI has shown an improvement in their PEFA assessment in 2013. However, the financial audits completed indicate attempts by SAIs to improve timeliness of audits and increase their work on performance audits. Seven out of 16 SAIs that responded are up-to-date with their whole-of-government audits with others between 33% and 99% complete. In addition, after five regional cooperative performance audits (CPA), SAIs have been able to complete more audits on their own. After the first CPA in 2009, a total of 369 audits have been completed over the last five years, compared to 176 over five years prior to 2009. This result also reflects that SAIs have started conducting performance audits. These results were achieved despite challenges such as SAI independence, staff turnover and delays in preparation and submission of quality accounts for audits.</p>

Table 2: Achievements of the PRAI strategic goals

Strategic goals	Key performance indicators	Outputs	Output measures and targets	Achievements 2013–14
Strengthened regional cooperation between SAIs	At least 90% of SAI heads in the Pacific agree that regional co-operation has strengthened year on year	Common audit methodologies for SAIs for both financial and performance auditing. The peer review program is delivered.	Shared audit methodologies are issued, updated and used by SAIs. Technical assistance is increasingly provided by SAIs, rather than external consultants. There is a trend of reduced expenditure on external consultancy for technical advice and assistance by SAIs and PASAI.	Five manuals — Human Resources Management, Quality Assurance Guidelines, Reporting Guidelines, Performance Audit Manual and Financial Audit Manual — have been produced and released to SAIs to date. Copies are also available from the PASAI website www.pasai.org . Some SAIs will continue to use consultants to improve their audits (e.g. Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu) because of lack of expertise. Some other SAIs will still need some support from the PASAI Secretariat in view of the difficulty in retaining qualified and experienced staff.
Public auditing capacity is strengthened	SAI capability improves year on year, measured by the PASAI capability model Individual SAIs to establish appropriate targets	Core competencies for audit staff are agreed and supported by an effective training program and the Sub-regional Audit Support Program (SAS). An increase in the attainment of professional accountancy qualifications.	Core competencies for financial and performance audit are agreed and implemented in all SAIs by 2013. SAI heads agree that training has demonstrably strengthened skills and auditing (measured by SAI survey). There is an increase in the number of qualified staff across the Pacific SAIs (baseline study in 2012).	A generic set of competencies and job descriptions were completed in 2009. The PASAI Governing Board endorsed a structured training program in November 2009. Unlike in previous years, where there was noticeable increases in qualified and professional staff, the 2014 survey noted decreases. The following were noted: <ul style="list-style-type: none"> (i) only PNG showed slight increases in both graduate (12%) and professional qualifications (2%) and Cook Islands an increase in graduate qualifications (13%), all other SAIs showed decreases or static (ii) SAIs that showed static 100% graduate qualifications in 2013 and 2014 indicate that they employ graduates only (iii) there were considerable decreases in professional qualifications due to turnover in qualified staff.

Table 2: Achievements of the PRAI strategic goals

Strategic goals	Key performance indicators	Outputs	Output measures and targets	Achievements 2013–14
Public auditing capacity is strengthened	SAI capability improves year on year, measured by the PASAI capability model Individual SAIs to establish appropriate targets	A peer review program strengthens quality of auditing.	There is an increase in the number of SAIs involved in the peer review program. SAIs agree that the peer review program is effective in driving improvements in both financial and performance auditing. Peer review scores show incremental improvement in the quality of both financial and performance auditing.	The peer review program has been included in the 2014–24 strategy to commence in next financial year. The Peer Review of Financial Audits is planned to commence 2015/16. The Peer Review of Performance Audits is planned to commence in 2016/17.
		Improved contract management.	90% of audit and consultancy contracts are completed on time and to budget.	Contract management guidance is included in the Strategic Management and Operational Guidelines (SMOG). 12 SAIs contract out a total of 546 audits, which comprised 33% of the total SAIs audits. Measurement of completion on time and to budget was not undertaken/reported.
		Better strategic and corporate planning.	Each SAI has a fully costed business plan, approved by its parliament.	A number of SAIs have reviewed or commenced the development of their strategic and business plans. The 2013 survey revealed that 5 SAIs would appreciate assistance with developing their strategic plans, 5 with corporate plans and 6 with operational plans. However, with the release of the <i>PASAI Strategic Plan 2014–2024</i> and the introduction of the INTOSAI Performance Measurement Framework (SAI PMF), a number of SAIs in the region will require further assistance. The PASAI Secretariat will provide this assistance on request from SAIs.
		SAIs are responsive to financial reporting and auditing developments.	Financial auditing is completed according to international accounting standards, as adopted in each SAI's country or jurisdiction. Pacific SAIs are represented or actively participating on international working groups.	PASAI's Financial Audit Manual and Tiers training materials are ISSAI-compliant. SAIs are encouraged to use the ISSAIs in the audits they conduct. A number of SAIs in the region are represented on INTOSAI committees and working groups, and a list of these can be accessed from the PASAI website www.pasai.org .

Table 2: Achievements of the PRAI strategic goals

Strategic goals	Key performance indicators	Outputs	Output measures and targets	Achievements 2013–14
Regional financial and performance audits are undertaken	Co-operative audits are completed on time to a high quality, measured by the SAI survey and SAI stakeholder survey and peer reviews	There are regular cooperative financial audits.	There is an annual program of cooperative financial audits	The first cooperative financial audit (CFA) on foreign-aid projects commenced in March 2014. As at the end of financial year 2014, the audit teams were conducting their fieldwork. The individual SAI reports of the audit are expected to be released in late 2014.
		There are regular cooperative performance audits.	One cooperative performance audit is completed annually.	Since 2009, PASAI has completed 5 CPAs: solid waste management, access to safe drinking water, sustainable tuna fisheries, climate change adaptation and risk reduction strategies, and sustainable public debt management. The regional reports of the waste, water and fisheries audits are available on the PASAI website:www.pasai.org The climate change regional report will be tabled in the 11th Governing Board meeting in Apia, Samoa in August 2014.
		Enhanced and more timely financial audits of public accounts.	90% of financial audits are completed on time and to budget across the Pacific.	7 of the 16 SAIs that responded to the survey are up-to-date with their whole-of-government audits with others between 33% and 99% complete. 8 out of 15 SAIs that responded are up-to-date with the audits of ministries and departments with others between 30% and 99% complete. 4 out of 12 SAIs that responded are up-to-date with audits of SOEs with others between 44% and 99% complete. 6 out of 12 SAIs that responded are up-to-date with audits of statutory bodies with others between 59% and 99% complete. In addition, after 5 regional CPAs, SAIs have been able to complete more other audits on their own.
There is strengthened communication, transparency and accountability in the public sector	Annual stakeholder survey shows year on year improvement in transparency and accountability	Stakeholders know about public auditing.	The annual stakeholder survey shows that key public officials are aware of public auditing.	The 2014 survey did not obtain responses from stakeholders, but will do so in the 2015 survey. The third Accountability and Transparency project for the region will be conducted in 2014/15.
		There is advanced transparency and accountability.	The annual stakeholder survey found that key public sector officials agree that there is greater transparency, including amongst parliamentarians.	The stakeholder survey will be conducted in 2014/15.

Table 2: Achievements of the PRAI strategic goals

Strategic goals	Key performance indicators	Outputs	Output measures and targets	Achievements 2013–14
There is strengthened communication, transparency and accountability in the public sector	Annual stakeholder survey shows year on year improvement in transparency and accountability	There is effective communication of audit findings.	The annual stakeholder survey demonstrates that parliaments and audited public entities in the Pacific are satisfied with the communication of audit findings.	The stakeholder survey will be conducted in 2014/15.

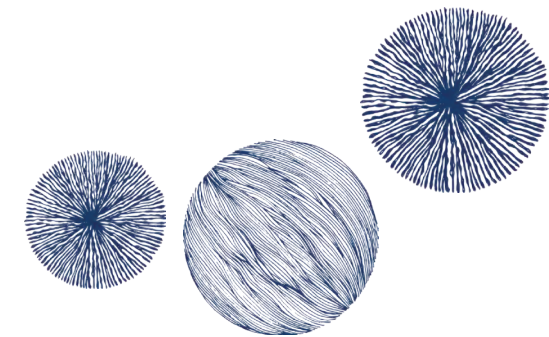
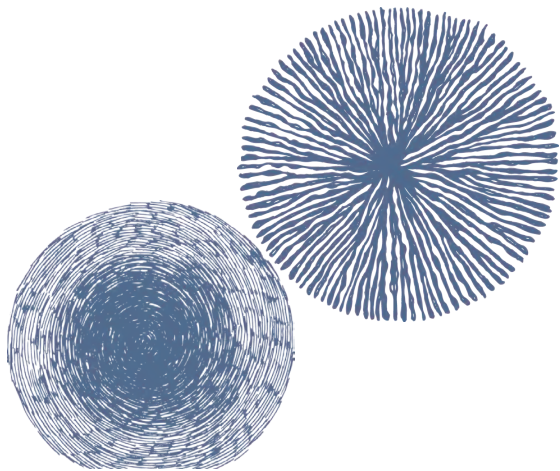
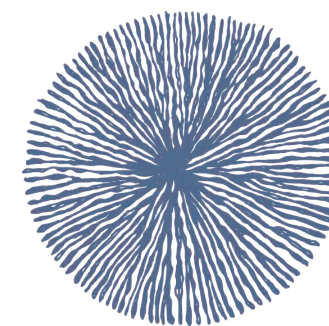


Table 3: Achievements of the PASAI Secretariat

Objective	Output	Measure	Target	Achievements
PASAI website	High quality website	Annual satisfaction survey of SAIs.	First year to provide baseline data, targets to be set in following years.	SAIs are generally satisfied with the PASAI website. A few SAIs have suggested that perhaps the website should be a repository of SAI audit reports as they have continuous problems with their IT providers.
Organisation of meetings and training events	Timely and efficient organisation of PASAI meetings.	As above.	As above.	SAIs, including members of the Governing Board who attended two meetings, indicated that PASAI meetings and events were organised effectively and achieved their purposes. Only one SAI thought that the organisation of one event was 'average'.
Management of PASAI finances and management of risks and governance arrangements	Accounts are audited and approved by external auditors. There are no arrears. All audit recommendations are implemented.	Annual audit results.	There are no repeat issues and there is a reduced number of recommendations each year.	The audit management letter for the audit of the 2013/14 accounts was received from auditors on 8 August 2014. There were no repeat issues. However, six new issues were identified. The Governing Board asked the Secretariat to implement all audit recommendations as soon as possible.
Donor relationship management	Positive feedback from donors	Short questionnaire to donors.	High satisfaction rating achieved from donors.	A formal survey was not conducted; however, relationships with development partners have strengthened over the years. Agreement on a monitoring and evaluation framework to be used for external reporting and to meet contract reporting obligations is in progress.





1.3 Funding

PASAI receives funds from a number of agencies including the Australia Department of Foreign Affairs and Trade (DFAT), the New Zealand Ministry of Foreign Affairs and Trade (MFAT), the Asian Development Bank (ADB), the World Bank and INTOSAI Development Initiative (IDI).

PASAI acknowledges the financial contributions from its development partners aimed at increasing the quality of public auditing in the Pacific region. To date, partners have provided PASAI a total of \$8,350,868 or about 97% of amounts under various grant agreements. The details of the funds received are shown in Table 4.

Table 4 PASAI funds received from development partners

Development Partners	Total Granted	Received to date ¹	Received in 2013/14
AusAID (AU\$3.79 million) ²	4,866,126	4,866,126	
INTOSAI Development Initiative (IDI)	1,380,650	1,380,650	147,078
NZ-MFAT	1,680,507	1,680,507	500,000
World Bank (US\$ 550,000)	696,119	423,515	(4,093) ³
	8,623,402	8,350,798	642,985

1. Received since the Secretariat was established on 18 January 2010.
 2. In 2013 PASAI received a grant of \$44,000 to undertake the PASAI review.
 3. A sum of \$4,093 was returned to the World Bank.
- 



2. PASAI's STRATEGIC PLAN 2014-2024

2.1 New strategy

The PRAI has come to the end of its initial project period. During the year, a significant amount of time and energy was committed to preparing the new 10-year direction. The Governing Board led several workshops, including a major session at the Guam Congress. The resulting strategy focuses on meeting individual SAIs' development needs with support from the Secretariat.

The five strategic objectives in the new strategy are:

1. Strengthen SAI independence
2. Strengthen transparency and accountability in Pacific Island countries by contributing to and promoting an integrated approach to Public Financial Management (PFM) based on strong partnerships.
3. Promote and enhance effective accountability and financial management in Pacific Island countries through strengthened public financial reporting, public audit and legislative oversight.
4. Strengthen the capacity and capability of PASAI's member SAIs to perform their mandates.
5. Ensure the PASAI secretariat is able to support the implementation and monitoring of PASAI's Strategic Priorities 1-4.

These are shown in Figure 2.

2.2 Performance management Framework

The Guam Congress adopted the INTOSAI Performance Management Framework as its basis for needs identification, strategic planning and the measurement of achievements. In Part B of this annual report, there is discussion on the workshop held on this tool.

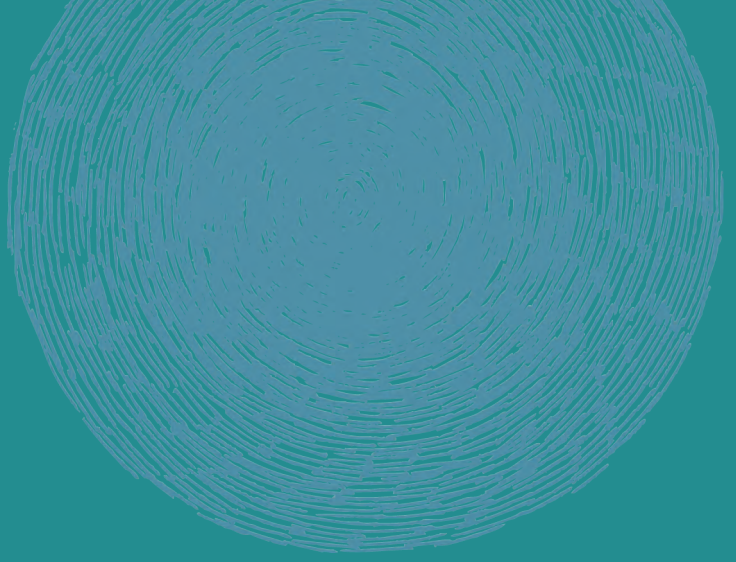
2.3 Funding

To support the new strategic plan, a detailed operational plan was prepared. This formed the basis of our bid to the IDI Global Call. The strategic and operational plans will form the basis of all future funding proposals. Obtaining this funding will be a major challenge for the 2014/15 year.

The strategy focuses on meeting individual SAIs' development needs with support from the Secretariat.

Figure 2 PASAI Strategy 2014–2024





Part B

PASAI PROGRAMS





3. STRUCTURE OF PART B

In part B, we discuss the achievements of the four goals under the first strategy, namely:

- regional cooperation and coordination
- build and sustain public auditing capacity
- conduct cooperative audits
- develop communications and advocate transparency and accountability.

4. REGIONAL COOPERATION AND COORDINATION

4.1 Events and activities

The major events and activities conducted or attended in the financial year include:

- the Guam PASAI Congress
- two Governing Board meetings
- XXI INCOSAI Beijing, China 2013
- Symposium on Public Financial Management Reform in the Pacific region
- INTOSAI Performance Measurement Framework workshop
- UNDP workshop for parliamentarians
- Public Accounts Committee meetings
- facilitation of an international accounting standards workshop, three co-operative audit meetings, a communications workshop and one in-country SAI training program
- support to SAIs and other meetings.

4.2 PASAI Congress — Guam

The 16th PASAI Congress was held in Guam on 10–13 September 2013. The key speakers were Guam’s Governor, Mr Eddie Baza Calvo, Ms Judith Won Pat, the Speaker of the 32nd Guam Legislature, outgoing Chairman of PASAI, Mr François Monti, the President of New Caledonia’s Court of Accounts, Ms Mary Kendall, Deputy Inspector General of the Department of the Interior, Office of Inspector General (OIG) of the United States, and Mr Gene Dodaro, Comptroller General of the United States General Accounting Office (US GAO).

We thank Ms Flores-Brooks for effectively undertaking the role of Chair of PASAI over the year and for her kind hosting of the 2013 Congress.





PASAI Governing Board meeting, Auckland February 2014

4.3 PASAI Governing Board Members 2013/14

Chairperson	Ms Doris Flores-Brooks	Public Auditor, Guam
Secretary-General	Mrs Lyn Provost	Controller and Auditor-General, New Zealand
Immediate Past Chairperson	Mr François Monti currently represented by Jean-Yves Marquet	President de la Chamber territoriale des Comptes, New Caledonia
Next Congress Chairperson	Mr Fuimaono Camillo Afele	Controller and Auditor-General, Samoa
Melanesian Representative	Mr Robert Cohen	Acting Auditor-General, Solomon Islands
Polynesian Representative	Mr Allen Parker	Director of Audit, Cook Islands
Micronesian Representative	Mr Junior Patrick	Auditor General, Republic of the Marshall Islands
Executive Director (ex-officio)	Mr Eroni Vatuloka	PASAI Secretariat

4.4 9th and 10th Governing Board Meetings

The Governing Board meetings were held in Guam on 9 September 2013, and in Auckland on 11 and 12 February 2014. The meetings focused on the draft PASAI Strategic Plan 2014–2024.

The Governing Board considered the PASAI Review 2013, the draft annual report, and audited financial statements, the review of the PASAI per diem policy, and the location of the Secretariat. The Governing Board also reviewed the status of PASAI's programs, including projects and budget for the next financial year.

4.5 Beijing INCOSAI 2013

The 21st INCOSAI was held in Beijing, China on 21–25 October 2013. The delegates agreed that effective national governance is fundamental for maintaining stable economic development and social progress. The Congress discussed two issues of global importance:

- Theme I: National audit and national governance
- Theme II: The role of SAIs in safeguarding long-term sustainability of finance policies.

PASAI was represented by the SAIs of Fiji, Kiribati, New Zealand, Samoa, Solomon Islands and Tonga, and the PASAI Secretariat.

PASAI delegates at the 21st INCOSAI, Beijing October 2013





4.6 Symposium on Public Financial

Management Reform in the Pacific region

A symposium on Public Financial Management (PFM) Reform in the Pacific region was held in Suva, Fiji on 14 February 2014. It was attended by 25 participants including officials from the Ministries of Finance of Fiji, Tonga, Samoa, Solomon Islands and Vanuatu; regional bodies; development partners; and other stakeholders. The five island states shared the status of the PFM reforms in their countries, especially their experiences and the challenges. Participants discussed the way forward for these reforms, in particular how to respond to the challenges they face.

4.7 UNDP Workshop for Parliamentarians

Samoa Workshop. The Office of the Legislative Assembly (OCLA) and United Nations Development Programme (UNDP) Pacific

Centre, under the framework of the Samoa Parliamentary Support Project (SPSP) jointly coordinated a workshop on 'Financial Oversight', which was held in Apia, Samoa on 13 and 14 November 2013. The SPSP is a four-year project being implemented by the UNDP in partnership with OCLA and it is jointly resourced by the Australia Department of Foreign Affairs and Trade (DFAT), UNDP and the Government of Samoa.

Republic of Marshall Islands Workshop. The UNDP also conducted a similar 'Financial Oversight' workshop for the members of the Public Accounts Committee (PAC) of the Republic of the Marshall Islands (RMI) on 23—24 June 2014. The facilitators included Tony Prescott and Mohammed Mozeem of UNDP; Eroni Vatuloka, Executive Director of PASAI; Rob Oakeshott, former Chair of the Australian Commonwealth PAC; and Joses Tuhonuku former Chair of the Solomon Islands PAC. The workshop was attended by the RMI PAC, parliamentarians and senior officials of government.

4.8 PAC meetings

PASAI's Executive Director met with the PACs of Solomon Islands (November 2013); Fiji (December 2013); Cook Islands (March 2014); Tonga (Chairman only) (March 2014); and Tuvalu (April 2014), while undertaking other PASAI activities in these countries. The feedback for PASAI was positive, although some stakeholders had never heard of PASAI prior to the meetings.

The PACs appreciated the work that PASAI has been involved in the region and they look forward to PASAI working in collaboration with PFTAC and government accountants to enhance financial accountability in the region.

4.9 Achievements against performance targets

A summary of the achievements against the performance targets of regional cooperation and coordination is provided in Table 5.

Table 5 Achievements against performance targets

Strategic Goal A — Assist regional co-operation and co-ordination		
Design summary	Performance targets	Achievements
Establish enhanced PASAI Secretariat	PASAI Governing Board and Secretary-General appointed by August 2009. Enhanced PASAI Secretariat established by August 2009.	The Governing Board and Secretary-General were appointed in August 2009 during the PASAI Congress in Palau. The Board membership has changed each year since 2009 in keeping with the PASAI Charter. The PASAI Secretariat was opened for business in Auckland, New Zealand on 18 January 2010.
Support regional co-ordination	Support for three PASAI Congresses and (four) PASAI Governing Board meetings, as well as participation in regional and international meetings.	Five Congresses have been completed: Palau, August 2009; Kiribati, July 2010; Tonga, August 2011; New Caledonia, October 2012; Guam, September 2013. A sixth Congress will be held in Samoa on 19–22 August 2014. Ten meetings of the Governing Board have been completed: Palau, August 2009; Papua New Guinea, November 2009; Fiji, July 2010; New Zealand, February 2011; Tonga, August 2011; New Zealand, February 2012; New Caledonia, October 2012; New Zealand, February 2013; Guam, September 2013; New Zealand, February 2014. An eleventh meeting is being organised, to be held in Samoa on 18 August 2014. PASAI was represented at: 21st INCOSAI in Beijing, China in October, 2013; <i>Professionalisation of Public Sector Auditors</i> in Pretoria, South Africa in February 2014; PFM Symposium held in Suva, Fiji in February 2014; ACAG WGEA meeting held in Canberra, Australia in April 2014; <i>Oversight Roles of PAC</i> workshops held in Samoa in November 2013 and Marshall Islands in June 2014.
Prepare strategies for common methodologies	Strategy and plan for moving toward common audit methodologies prepared by March 2010.	The strategy and plan for moving towards common audit methodologies were developed and approved at the Palau Congress in 2009. The production of five manuals and four training materials started after the two capacity building conferences in June and November 2010. All manuals and training materials have been produced to date.
Prepare programs for co-operative audits and peer reviews	Rolling program for co-operative audits and peer reviews approved by August 2009 and updated annually.	A program of co-operative performance audits was approved at the Palau Congress and audits started in October 2009. A peer review proposal is included under the PASAI long-term strategy.
Establish PASAI website	PASAI website operational by September 2009.	An enhanced PASAI website (www.pasai.org) was launched on 15 October 2010. The website is updated on a regular basis.

5. BUILD AND SUSTAIN PUBLIC AUDITING CAPACITY

5.1 Overview

To help PASAI members complete audits to uniformly high standards, capacity development projects focus on:

- a. preparing guidance and training materials
- b. developing generic competencies and delivering structured training programs
- c. supporting the attainment of professional qualifications
- d. supporting peer reviews and institutional strengthening designs
- e. supporting improved contract management
- f. providing management and operational support
- g. facilitating secondments and attachments.

5.2 Manuals and training materials

Training programs have been carried out using the manuals and training materials developed in the past years. All training materials for Tier 1, 2, 3 and 4 have been finalised and will be available for distribution to all PASAI members.

Financial Audit Manual

In August 2013 at the PASAI Congress in Guam, the PASAI Financial Audit Manual (FAM) was presented to all PASAI members. It is based on the AFROSAI-E Regularity Audit Manual. The Guidance Notes to the PASAI FAM were developed to assist with the implementation of the AFROSAI-E Regularity Audit Manual and to link between the PASAI training programs and other in-house training.

5.3 Structured training programs

Training

A workshop titled Tier 2: Intermediate Government Auditing Skills and the Communicating Effectively was held in the current financial year. The Tier 2 training was a result of a specific request from the Fiji Office of the Auditor-General. Most of the 26 participants were from SAI Fiji, except two participant from the SAI Tonga and the SAI Vanuatu.

A Communicating Effectively workshop was held in Honiara Solomon Islands on 4–8 November 2013. Eighteen participants from 10 SAIs took part in the workshop.

As at 30 June 2014, 245 participants from 19 SAIs in the region have attended trainings and workshops delivered by PASAI over the last three years. Table 6 shows the number of participants at each workshop.

Table 6 Number of participants who attended PASAI Training

Participating SAI	Tier 1	Tier 2	Tier 3	Tier 4	CE	IFRS	SMOG	Total
American Samoa	0	1	-	1	1	1	1	5
Cook Islands	2	4	3	2	3	1	1	16
Fiji	7	33	7	5	6	6	2	66
FSM-National	1	3	3	3	4		2	16
FSM-Kosrae	1	0		1	2		1	5
FSM-Pohnpei	2	2	1	2	2	2	1	12
FSM-Yap	1	1	2	-	1	1		6
Guam	2	6	2	1	2		2	15
Kiribati	3	5	3	3	3	2	1	20
Marshall Islands	1	1	2	1	1		1	7
Nauru	2	2	1	1	-		1	7
Northern Marianas	0	1	-	1	-			2
Palau	1	2	1	1	2		1	8
Papua New Guinea	5	5	5	6	9	3	3	36
Samoa	6	8	3	5	6	2	1	31
Solomon Islands	1	4	2	1	6	1	2	17
Tonga	4	9	3	3	7	2	1	29
Tuvalu	2	1	2	2	3	1	1	12
Vanuatu	2	3	1	-	-	2	1	9
Total	43	91	41	39	58	24	23	319
Participants who attended more than 1 training								74
TOTAL								245

At its meeting in February 2012, the Governing Board approved a policy to ensure that the knowledge gained from training is transferred to the SAIs by the participants. This policy required participants in PASAI training to prepare an action plan based on what they have learnt from the training and to implement the action plan in their SAI. The action plan is expected to be implemented within 12 months of the training. After the action plan is implemented, an accomplishment report must be submitted to the PASAI Secretariat detailing the results.

The PASAI Secretariat continued to follow up accomplishment reports from participants. Some participants have successfully achieved their goals as set out in their action plans, while others did not.. Some success stories from post-training action plans include:

- establishment of a performance audit unit as a result of a SAI's new proposed organisational structure being approved by Cabinet
- adoption of some concepts introduced in the training as part of a SAI's audit methodology
- weekly training undertaken within a SAI using PASAI training materials
- staff who have attended PASAI training have demonstrated improvement in presentation skills
- methodologies and strategies to motivate and retain their employees have been implemented
- a time management system has been developed and implemented with staff productivity and performance being monitored
- an internship program was introduced to a SAI's recruitment process for new graduates to address a capacity issue and to attract graduates to work for the SAI.
- Individual Development Plans (IDP) have been developed for all staff in a SAI, motivating them to formally set goals, identify capabilities and skills required and identify training opportunities for continuing professional development.

5.4 Certification

IPAA accepted PASAI's Tier 1 and Tier 2 training as prerequisites for this program. In April 2013, the Secretariat submitted relevant information about requirements for this program to heads of SAIs. Only two SAIs indicated interest in participating in the program. The SAIs communicated directly with IPAA regarding participation. However, there was insufficient interest in the program for it to be delivered.

5.5 INTOSAI Initiatives

As PASAI is a member of INTOSAI, PASAI members also participated in capacity building programs facilitated by the IDI and other INTOSAI regional organisations.

Professionalisation workshop

The Capacity Building Advisor represented PASAI at the Professionalisation workshop hosted by AFROSAI-E, in South Africa on 17–19 February 2014. Participants shared experiences and explored ideas on professionalising public sector accounting and auditing in Africa. Discussions during the workshop acknowledged that professionalisation will work only if organisations create the necessary circumstances, there is a professional accountancy institute, and there is an appropriate education and training infrastructure in place.

The professionalisation initiative will be a challenging one for PASAI to take forward as a region, including taking into account the three different government models under which our members operate. At a country level, professionalisation is possible with concrete commitment from the government, the SAI and relevant organisations within the country. Regionally, this can be achieved by strong commitment from Pacific leaders and coordination with agencies that strive to improve public financial management in the Pacific.

SAI Performance Measurement Framework Workshop

The SAI PMF is a global initiative delivered and managed by IDI. The SAI PMF provides SAIs with a framework for voluntary assessments of their performance against the ISSAIs and other established international good practices for public auditing. The PMF is designed to help communicate the value and benefits of SAIs to citizens as well as assist SAIs with managing, measuring and monitoring their performance over time. Additionally, the PMF shows areas SAIs need to improve and strengthen. It is a voluntary tool; SAIs are not obligated to use it. Twenty-five participants attended a workshop on 28 April to 2 May 2014. There were two parts to the workshop: an introduction to IDI SAI PMF and training for trainers. At the completion of the workshop, participants received certificates certifying them as assessors and trainers of the SAI PMF tool. These participants will be added to the database of trainers maintained by the IDI. The workshop was a timely event for PASAI members as they prepare for the implementation of the new PASAI Strategic Plan 2014–2024.

Australasian Council of Auditors-General – PASAI Regional Working Group on Environmental Auditing

A meeting of PASAI Regional Working Group on Environmental Auditing (RWGEA), was held in Canberra, Australia on 20–22 May 2014. Representatives from four SAIs and PASAI Secretariat attended the meeting. The main themes for the meeting were waste management, water management and climate change adaptation. Meeting delegates presented about their experiences in performance audits their offices have carried out on the theme-related topics. SAIs reported on the results of environmental audits carried out as part of the PASAI's CPA program. They also presented on their experiences and the impacts their audit findings had on public administration within their countries. The meeting was an important forum for members to share their experiences and best practices in performance audits on environmental issues. The meeting also provided a valuable experience for some representatives from SAIs participating in a RWGEA meeting for the first time.



INTOSAI WGEA Training on Environment Auditing

During the ACAG-PASAI RWGEA meeting in Canberra, details of the training on environment auditing to be held at the International Centre for Environment Audit & Sustainable Development (iCED) in Jaipur, India on 14–27 November 2014 were presented. The training will be conducted with the cooperation of SAI India and the INTOSAI WGEA.

Seven staff from Cook Islands, Fiji, National Public Auditor's Office of the Federated States of Micronesia (FSM), State Kosrae, State Pohnpei, and Tuvalu have registered for the training. It provides a good opportunity for PASAI members to strengthen their capabilities to contribute to improving accountability and governance in the area of environment and sustainable development in their countries.

ISSAI Implementation Initiative

The ISSAI Implementation Initiative, also known as the 3i project, is another global initiative implemented by IDI. PASAI is taking part in this project, which supports the implementation of a comprehensive set of ISSAIs.

Fourteen SAIs from PASAI signed a statement of commitment to achieve the objectives set out for this project. To create capacity for the implementation of ISSAIs, staff from SAIs participated in the ISSAI Certification program. PASAI now has a pool of ISSAI facilitators: twelve for financial audits, nine for performance audit and six for compliance audit. The contact details for ISSAI facilitators are at www.pasai.org. A web-based portal has been developed for understanding and knowledge sharing on 3i products and activities. The portal has many features at <http://www.idicommunity.org/3i/>.

E-learning course on risk-based approach to financial auditing

IDI, in cooperation with the United Nations Institute for Training and Research (UNITAR), delivered an E-learning course on Risk-Based Approach to Financial Auditing (RBAFA) using UNITAR's e-learning platform. The program was aimed at enhancing awareness of ISSAIs pertaining to financial audits, with particular emphasis on providing training to financial auditors in using tools for adopting RBAFA. The course spans over six to seven weeks and was offered to the INTOSAI community twice. A total of twenty-nine participants from Fiji, FSM-National, FSM-Pohnpei, Kiribati, New Caledonia, Samoa, Tonga and Vanuatu successfully completed the course.

E-learning course on Information Technology Audit

IDI, in cooperation with the INTOSAI Working Group on IT Audit (WGITA), is offering this global capacity development program to English-speaking members of the INTOSAI community. Ten participants from Fiji, FSM Pohnpei, Samoa and Tuvalu are taking part in this e-learning course. The program activities span from 2014 to 2016 to: promote IT audit systems and practices in line with INTOSAI standards, address capacity building needs, and provide disseminate professional guidance.

INTOSAI Database of Experts

The INTOSAI Database of Experts and Specialists promotes capacity building among SAIs by assisting to identify professionals from different SAIs with expertise in specific auditing fields. SAIs can contact these experts for knowledge sharing. Currently, 75 experts are registered in the database with experience covering auditing fields such as financial, performance, environment, information technology, public works, and internal control. PASAI members are invited to register qualified professionals in government audit, retired, or currently working.

Table 7 Achievements against performance targets

Strategic Goal B — Build and sustain public auditing capacity		
Design summary	Performance targets	Achievements
Develop generic competencies and deliver structured training program	Generic set of competencies and job descriptions confirmed by (September 2009).	Generic set of competencies and job descriptions completed in 2009.
	PASAI Governing Board endorses structured training program by (December 2009).	Governing Board endorsed the structured training program in PNG, in November 2009.
	Guidance materials/manuals prepared (by June 2010), covering financial and performance audits, investigations, operations and peer review.	Manuals and guidelines for Human Resource Management, Reporting, Quality Assurance, Performance Audit, Financial Audit and Strategic Management and Operations have been produced. Work on guidance materials for investigations and peer reviews have yet to start.
	For each structured training program, regional training courses for 200 participants conducted by (December 2012). (Note: later modified to having four training programs conducted in each fiscal year).	Tier 2 was conducted for SAI Fiji as a result of a request from the Auditor-General. 20 participants and 6 coordinators attended including, 2 participants from SAI Tonga and SAI Vanuatu. A <i>Communicating Effectively</i> workshop was conducted, attended by 18 participants from 10 SAIs.
Support attainment of professional accountancy qualifications	Barriers to professional qualifications reduced by December 2012.	The Institute of Public Administration Australia (IPAA) proposed a certification process, but there was lack of interest as it was considered unaffordable by the PASAI Governing Board. Other options are being pursued.
Support improved contract management	Contracting out model prepared by (March 2012) and contract management support provided to (21) SAIs by (December 2012).	The contract management guidelines are included in the Strategic Management and Operational Guidelines (SMOG). Management support is being provided.
Provide management and operational support	Management and operational support provide to (21) SAIs by (December 2012).	Management and operational support is provided to SAIs on ad hoc basis.
Provide technical support	Technical support provided to (21) SAIs by (December 2012).	The Technical Support Advisor is in place to assist SAIs in implementing the guidance materials and training programs.
Co-ordinate and support peer reviews	Peer reviews supported for (12) SAIs by (December 2012).	PASAI will allow SAIs to adopt all manuals before it can conduct a meaningful peer review of the SAIs.

6. CONDUCT COOPERATIVE AUDITS

6.1 Background to cooperative audits

Cooperative audits involve multiple audit institutions working together on the same audit for two purposes:

- to raise the auditing capacity of individual SAIs
- to produce individual national reports.

The regional report is used to identify common regional issues that regional governments, the Pacific Island Forum, development partners and other stakeholders may wish to address through regional cooperation.

The Sub-regional Audit Support (SAS) program for the SAIs of Kiribati, Nauru and Tuvalu enables these SAIs to audit their public accounts to uniformly high standards in a timely manner, while developing the auditing capacity of the participating SAIs and their staff.

6.2 5th Cooperative Performance Audit — Public Debt Management

At the 8th Governing Board Meeting it was agreed the Public Debt Management CPA program should start with the overall objective to assess whether public debt management is effective and efficient to achieve long-term sustainability and financial stability.

A planning meeting was held on 22–26 July 2013 in Nadi Fiji, following IDI guidelines on auditing of public debt management and audit teams identified relevant audit objectives and criteria. All audit teams submitted a draft audit work plans or design matrix. PASAI provided onsite support to FSM Kosrae, Pohnpei and National.

A reporting meeting was held in March 2014 to provide capacity and assistance to the audit teams to refine their draft audit reports to ensure they complied with ISSAI reporting requirements and report writing good practice.



6.3 Cooperative Financial Audits — Foreign-aided projects

The PASAI Secretariat and IDI conducted a cooperative financial project on foreign-aided projects with a planning meeting held in March 2014. The approach used was similar to the CPA approach in that participating SAs come together at the planning and reporting stages during the audit to obtain maximum guidance from experts and enhance learning from one another. A joint reporting meeting will be held in October 2014. The risk-based approach taught during this workshop was based on IDI's e-learning modules on risk-based approaches to financial auditing and IDI's Financial Audit Handbook. The planning meeting highlighted the need for this type of training in the future.

6.4 Sub-regional Audit Support Program

The objective of the SAS program is to enable the public accounts of Kiribati, Nauru and Tuvalu to be audited to uniformly high standards in a timely manner through increasing skills in the audit offices. The program involves CFAs of specified entities in the three countries with the SAS team visiting each country and completing each audit in a period of six weeks.

In April 2013, the SAS Committee comprising of the Heads of SAI from Kiribati, Nauru and Tuvalu, Secretary-General and the Executive Director held a meeting to discuss the third round of the SAS program and to sign a memorandum of understanding (MOU) to enhance the governance arrangements for the program that includes PASAI in a project management capacity. The MOU clarifies the roles and responsibilities of all parties involved in the SAS program to ensure the necessary support arrangements are in place for the effective, efficient and safe implementation of the program.

The third round of the program commenced on 5 August and ran until 27 November 2013, but the SAS team could not travel to Nauru due to an extreme accommodation shortage.

A summary of the achievements against performance targets of cooperative audits is provided in Table 8.

Table 8 Achievements against performance targets

<i>Strategic Goal C – Cooperative audits</i>		
Design summary	Performance targets	Achievements to date
Conduct co-operative financial audits	Conduct 4 co-operative financial audits involving an average of 6 SAIs by December 2012.	The planning meeting for the first ISSAI-based co-operative financial audit commenced during the year and will be completed in 2014–15.
Conduct co-operative performance audits	Conduct 5 co-operative performance audits involving an average of 8 SAIs by December 2012.	PASAI has completed 5 co-operative performance audits to date. Each audit has involved 10 SAIs, and more than 35 auditors have received training and on-the-job experience in performance auditing. A range of performance audit skills have been gained by individual auditors and there is a demonstrable improvement in SAI capacity to carry out performance audits in the PASAI region. Some SAIs have conducted numerous other performance audits of their own.
Undertake sub-regional audit support program	By December 2012, audits of public accounts of participating sub-regional countries are completed and presented to public accounts committees (PACs).	Three rounds of the SAS program have been completed. The first was from August 2009 to April 2010, the second was from June 2011 to March 2012, and a third in 2013. Audits were completed for 11 entities from Kiribati, Nauru and Tuvalu and the following important elements of the SAS program were achieved: <ol style="list-style-type: none"> 1. increased capacity of secondees 2. learnings developed within each SAI from the SAS Team 3. audits of WOG accounts.

7. DEVELOP COMMUNICATIONS AND ADVOCATE TRANSPARENCY AND ACCOUNTABILITY

7.1 Communicating Effectively workshop

The third Communicating Effectively workshop was held in Honiara, Solomon Islands on 4–8 November 2013. The workshop was attended by 18 participants from 10 SAIs as follows: Cook Islands, Fiji, FSM National, FSM Pohnpei, Marshall Islands, PNG, Samoa, Solomon Islands, Tonga and Tuvalu. The main focus of the workshop was to ensure that auditors can communicating audit results effectively to the users of audit reports.

Participants practised presentation and oral communication skills and considered alternative report formats by reviewing various reports from different participating SAIs.

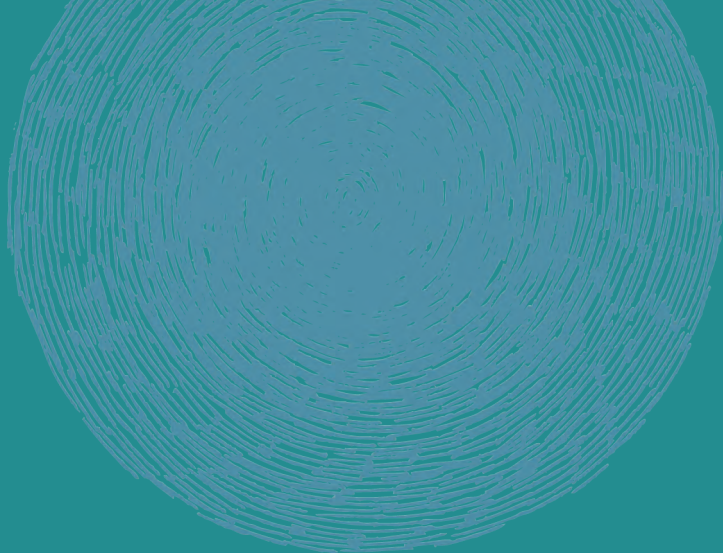
7.2 PASAI bulletins and media releases

The PASAI Secretariat produced and circulated its bulletins and media updates of PASAI activities to the PIF Secretariat for inclusion in its media releases. Media organisations in the region and internationally were also provided with the same media releases.

A summary of the sub-outputs and performance targets in PRAI and PASAI achievements to date are provided in Table 9.

Table 9 Achievements against performance targets

<i>Strategic Output D: Develop communications and advocate transparency and accountability</i>		
Design summary	Performance targets	Achievements to date
Educate stakeholders on the value of public auditing	Brochure on the value of public auditing prepared and disseminated by June 2010. At least (six) media articles published widely each year on public auditing from 2010 to December 2012.	PASAI has yet to produce a brochure but has produced media articles following the Congresses (five) and the SAS meetings (three). It has also produced articles for other media outlets regionally and internationally.
Advocate enhanced transparency and accountability	PASAI report on regional accountability and transparency issues (covering the regional status of SAI independence, audit finding follow-up, and other issues of concern) released annually from 2009 to 2012.	PASAI has produced a 2011 Accountability and Transparency report available from the PASAI website. This report is in addition to the first Accountability and Transparency report produced in 2009/10. The next accountability project will be conducted in 2014/15.
Provide editorial and communications advice	Three communications training courses for 80 participants conducted by December 2012. Editorial support provided on [80] SAI reports by December 2012.	Three communications workshops were conducted in November 2011, September 2012 and November 2013. The training covered amongst other things, the Reporting Guidelines and Quality Assurance Guidelines. Editorial support will be part of other work that the Communications Advisor will be responsible for under the PASAI Strategic Plan 2014/2024.



Part C

Financial statements



**Pacific Association of Supreme Audit
Institutions Incorporated**

Financial Statements

For the Year Ended 30 June 2014

Pacific Association of Supreme Audit Institutions Incorporated

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Pacific Association of Supreme Audit Institutions Incorporated

Directory For the year ended 30 June 2014

Nature of Business Facilitation of support to audit offices in the Pacific in order to improve quality and build capacity.

Address PASAI Secretariat
1st floor, 46 Parnell Road
PO Box 37276
Parnell
Auckland 1151

www.pasai.org

Auditor CST Nexia Audit
Level 3
Nexia Centre
22 Amersham Way
Manukau City 2104
New Zealand

Bankers Westpac Bank
46 Parnell Rd
Auckland
New Zealand

Pacific Association of Supreme Audit Institutions Incorporated

Directory (Continued) For the year ended 30 June 2014

Office Holders

Chairperson


Francois Monti
President of the Chamber of Accounts
New Caledonia (to 10 September 2013)

Doris Flores Brooks
Public Auditor
Guam

Secretary-General: Lyn Provost
Controller and Auditor-General
New Zealand

Governing Board: Doris Flores Brooks – Guam (Chair)
Francois Monti – New Caledonia (Past Chair)
Fuimaono Camillo Afele – Samoa (Host of
next Congress)
Edward Ronia (to December 2013)/Robert
Cohen – Solomon Islands (Melanesian rep)
Junior Patrick – Marshall Islands (Micronesian
rep)
Allen Parker – Cook Islands (Polynesian rep)
Lyn Provost – New Zealand (Secretary-
General and other Rep)

Executive Director: Eroni Vatuloka

PASAI Members	
	American Samoa
	Australian National Audit Office
	Cook Islands
	Federated States of Micronesia
	Fiji Islands
	French Polynesia
	Guam
	Kiribati
	Kosrae
	Marshall Islands
	Nauru
	New Caledonia
	New South Wales State Audit Office

PASAI Members	
	New Zealand
	Northern Mariana Islands
	Palau
	Papua New Guinea
	Pohnpei
	Queensland State Audit Office
	Samoa
	Solomon Islands
	Tonga
	Tuvalu
	Vanuatu
	Victoria State Audit Office
	Yap

Pacific Association of Supreme Audit Institutions Incorporated

**Statement of Responsibility
For the year ended 30 June 2014**

The Governing Board is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The independent external auditors, CST Nexia Audit, have audited the financial statements and their report appears on page 7.

The Governing Board is also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability and integrity of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the financial records. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Governing Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Governing Board to indicate that the association will not remain a going concern in the foreseeable future.

In the opinion of the Governing Board:

- the statement of financial performance is drawn up so as to give a true and fair view of the surplus of the association for the financial year ended 30 June 2014
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the organisation as at 30 June 2014, and
- there are reasonable grounds to believe the association will be able to pay its debts as and when they fall due.

Signed on behalf of the Governing Board by:

Doris Flores Brooks

Public Auditor, Guam, Chair PASAI

Date: 8/18/14

Lyn Provost

Controller and Auditor-General of New Zealand

Date: 18/8/14

Eroni Vatuloka

Executive Director

Date: 18/8/14

INDEPENDENT AUDITORS' REPORT

To the Members of Pacific Association of Supreme Audit Institutions Incorporated

We have audited the financial statements on pages 8 to 21 which comprise the Statement of Financial Position as at 30 June 2014, the Statement of Financial Performance and Statement of Movements in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Governing Board's Responsibility for the Financial Statements

The Governing Board is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Governing Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institution's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pacific Association of Supreme Audit Institutions Incorporated'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 statements.

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

The firm has no other relationship with, or interests in, Pacific Association of Supreme Audit Institutions Incorporated.

Opinion

In our opinion, the financial statements on pages 8 to 21 present fairly, in all material respects, the financial position of Pacific Association of Supreme Audit Institutions Incorporated as at 30 June 2014, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.

CST Nexia Audit

CST Nexia Audit
Chartered Accountants
Manukau City

18 August 2014

CST Nexia Audit

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PO Box 76 261, Manukau City 2241, Auckland, New Zealand.
p +64 9 262 2595, f +64 9 262 2606
team@nexianz.co.nz, www.nexianz.co.nz

Independent member of Nexia International



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Pacific Association of Supreme Audit Institutions Incorporated

Statement of Financial Performance For the year ended 30 June 2014

		2013/14 Actual \$NZ	2013/14 Budget \$NZ	2012/13 Actual \$NZ
	Notes			
Revenue				
Membership subscriptions		2,600	3,000	2,600
Development partner contributions	3	642,985	840,000	1,119,284
Interest		30,708	32,000	53,941
Other Income	4	10,060	8,000	13,428
Total Revenue		686,353	883,000	1,189,253
Expenditure				
Personnel Expenses	5	564,332	520,000	459,906
Program Participant Costs		743,373	963,000	1,161,823
Secretariat Operational Expenses Contractor and Consultant Expenses	7	376,114	363,000	265,222
Bank Fees		36,029	33,000	283,338
Bad Debts		4,400	6,000	4,734
Doubtful Debts		0	36,000	0
Foreign Exchange (Gains)/Losses		0	(36,000)	35,862
Depreciation	9	2,830	1,000	882
Reorganisation of the Secretariat	10	42,663	41,000	41,129
Total Expenditure		1,802,742	2,027,000	2,252,896
Tax Expense		7,568	9,000	17,816
Surplus/(Deficit) for Year		(1,123,957)	(1,153,000)	(1,081,459)

The accompanying notes form part of these financial statements. The above information must be read subject to the Independent Auditors' Report on page 7.

Pacific Association of Supreme Audit Institutions Incorporated

Statement of Movements in Equity For the year ended 30 June 2014

	Notes	2013/14 Actual \$NZ	2013/14 Budget \$NZ	2012/13 Actual \$NZ
General Funds at start of year		2,274,164	2,274,000	3,355,623
Surplus/(Deficit) for Year		(1,123,957)	(1,153,000)	(1,081,459)
Total Recognised Revenues & Expenses for the year		(1,123,957)	(1,153,000)	(1,081,459)
General Funds at end of year		1,150,207	1,121,000	2,274,164

The accompanying notes form part of these financial statements. The above information must be read subject to the Independent Auditors' Report on page 7.

Pacific Association of Supreme Audit Institutions Incorporated


Statement of Financial Position As at 30 June 2014

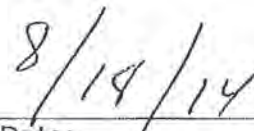
		2013/14 Actual \$NZ	2013/14 Budget \$NZ	2012/13 Actual \$NZ
	Notes			
General Funds		1,150,207	1,121,000	2,274,164
Equity		1,150,207	1,121,000	2,274,164
<i>Represented by:</i>				
Current Assets				
Cash and Bank		1,125,434	977,000	2,120,275
Accounts Receivable	6	904	12,000	8,081
Prepayments		35,299	124,000	162,607
Total Current Assets		1,161,637	1,113,000	2,290,963
Current Liabilities				
Trade Creditors and Accruals		19,592	10,000	50,423
Employee Entitlements		30,273	23,000	23,251
Income in Advance	4	0	0	7,763
Total Current Liabilities		49,865	33,000	81,437
Non-current Assets				
Property, Plant and Equipment	9	38,435	41,000	64,638
Total Non-current Assets		38,435	41,000	64,638
Non-current Liabilities				
Income in Advance	4	0	0	0
Total Non-current Liabilities		0	0	0
Net Assets		1,150,207	1,121,000	2,274,164

The accompanying notes form part of these financial statements. The above information must be read subject to the Independent Auditors' Report on page 7.

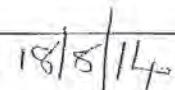
Pacific Association of Supreme Audit Institutions Incorporated


Statement of Financial Position (Continued)
As at 30 June 2014



Doris Flores Brooks
Public Auditor, Guam, Chair PASAI


Date:


Lyn Provost
Controller and Auditor-General of New Zealand


Date:


Eroni Vatuloka
Executive Director


Date:

Pacific Association of Supreme Audit Institutions Incorporated

Statement of Accounting Policies For the year ended 30 June 2014

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The financial statements are for the Pacific Association of Supreme Audit Institutions (PASAI). PASAI's goal is to support Pacific SAIs to enhance their mandate and capability to audit the use of public sector resources in a timely manner to recognised high standards with enhanced audit impacts. PASAI contributes to this goal working with SAIs in the Pacific to achieve the five strategic priorities set out in the PASAI Strategic Plan 2014 to 2024 which was adopted in February 2014.

At the 2008 PASAI Congress in Rarotonga, Cook Islands, members agreed to change the name of the Association to PASAI from SPASAI (South Pacific Association of Supreme Audit Institutions). PASAI established an incorporated society, Pacific Association of Supreme Audit Institutions Incorporated (PASAI Inc), as a legal entity through which PASAI can operate in New Zealand to provide legal capacity to manage the Pacific Regional Audit Initiative (PRAI) which was PASAI's first strategic plan, operate a secretariat, employ staff and engage consultants. PASAI Inc was incorporated under the New Zealand Incorporated Societies Act 1908 on 18 November 2009. Prior to this PASAI was constituted under the 1988 Establishment Agreement of SPASAI.

Measurement Base

The financial statements have been prepared on the historical cost basis. Reliance is placed on the fact that the Association is a going concern.

Financial Reporting Framework

In accordance with the requirements of the PASAI Charter these financial statements have been prepared in accordance with accounting standards agreed as appropriate by the PASAI Governing Board. Given the simple nature of the organisation at the present time "Old GAAP" in New Zealand is considered appropriate. Old GAAP comprises New Zealand financial reporting standards and statements of standard accounting practice that existed prior to the introduction of New Zealand equivalents to International Financial Reporting Standards. PASAI has chosen to apply Old GAAP because it meets the criteria for doing so; that is, it was applying Old GAAP at 30 June 2013, and it is neither publicly accountable nor large as defined in the External Reporting Board's Standard A1: *Application of Accounting Standards*.

The Ministry of Business, Innovation and Employment has approved a new accounting Standards Framework (including a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, PASAI is classified as a Tier 2 reporting entity and will be required to apply Public Benefit Entities Standards Reduced Disclosure Regime (PBE Standards RDR). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for not for profit entities is expected to be for reporting periods beginning on or after 1 April

Pacific Association of Supreme Audit Institutions Incorporated

Statement of Accounting Policies (Continued) **For the year ended 30 June 2014**

2015. This means PASAI expects to transition to the new standards in preparing its 30 June 2016 financial statements.

Differential Reporting

PASAI is a qualifying entity within the New Zealand Institute of Chartered Accountants differential reporting framework.

The Association qualifies for differential reporting as it is not publicly accountable and is not considered large. The Association has taken full advantage of all differential reporting exemptions.

2. PARTICULAR ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance and financial position are set out below.

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.

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.

Receivables

Accounts receivable are stated at their estimated realisable value, after providing against debts where collection is doubtful.

Income Tax

PASAI is exempt paying income tax on income generated within its circle of membership and income outside its circle of membership less than \$1,000 under New Zealand Income Tax Act 2007.

Pacific Association of Supreme Audit Institutions Incorporated

Statement of Accounting Policies (Continued) **For the year ended 30 June 2014**

Foreign Currency

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the payment or receipt.

Monetary assets and liabilities or overseas borrowings are translated at the exchange rate applicable at balance date. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance for the period, whether realised or not.

Cash and bank

Cash and bank is considered to be cash on hand and current accounts in bank, net of bank overdrafts.

Property, Plant and Equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

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 useful lives and associated depreciation rates of major asset classes have been estimated as follows:

Office Furniture and Equipment	10 years (10%)
Computer Equipment	2-3 years (40%)
Office fit out	4 years (25%)

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Employee Entitlements

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.

Goods and Services Tax (GST)

As PASAI is not registered for GST purposes, these financial statements have been prepared on a GST inclusive basis.

Changes in Accounting Policies

There have been no changes in accounting policy in the current year.

Pacific Association of Supreme Audit Institutions Incorporated

Notes to the Financial Statements For the year ended 30 June 2014

3. Development Partner Contributions

	2013/14 Actual \$NZ	2013/14 Budget \$NZ	2012/13 Actual \$NZ
INTOSAI Development Initiative (IDI)	167,850	344,000	465,816
The Australian Government's Aid program (DFAT)	0	0	43,973
The World Bank	0	(4,000)	122,114
The New Zealand Government's Aid Program (MFAT)	500,000	500,000	500,000
Returned funds	(24,865)	0	(12,619)
	642,985	840,000	1,119,284

Note that following completion of programs funded by IDI and World Bank funds amounting to \$24,865 (2013: \$12,619) that were unused were returned.

Our contract with the World Bank requires details to be provided in the audited financial statements of the funds expended during the year. Funds were expended as follows:

	2013/14 Actual \$NZ	2012/13 Actual \$NZ
World Bank expenditures		
Development of Audit guidelines and manuals		
Preparation of training materials	0	122,114
Other administrative costs	9,805	0
	9,805	122,114

These expenditures reflect the final amounts eligible under the contract and remaining funds of \$4,093 were returned to World Bank on 27 November 2013.

Pacific Association of Supreme Audit Institutions Incorporated

Notes to the Financial Statements (Continued) For the year ended 30 June 2014

4. Other Income

The initial lease agreement for the Secretariat premises at 46 Parnell Road includes an incentive payable by the landlord in recognition of the fit out costs incurred by the PASAI as the tenant. The amount of the incentive payment was agreed with the landlord during the year ended 30 June 2011 following the finalisation of the costs incurred. The total incentive payment was \$51,073. The incentive payment was recognised over the duration of the lease agreement which ended in January 2014. The incentive income has been recognised as follows:

	2013/14 Actual \$NZ	2013/14 Budget \$NZ	2012/13 Actual \$NZ
Revenue	7,763	8,000	13,348
Income in Advance - current	0	0	7,763
Income in Advance - term	0	0	0
	0	0	7,763

5. Personnel Expenses

Payroll	564,227	515,000	450,317
Relocation and Recruitment	105	5,000	9,589
	564,332	520,000	459,906

6. Accounts Receivable

General Debtors	570	10,000	42,838
Interest Receivable	264	1,000	782
Membership fees prior years	0	0	142
Membership fees outstanding current year	70	1,000	179
Less: Provision for Doubtful Debts	0	0	(35,860)
	904	12,000	8,081

Pacific Association of Supreme Audit Institutions Incorporated

Notes to the Financial Statements (Continued) For the year ended 30 June 2014

7. Secretariat Operational Expenses

	2013/14 Actual \$NZ	2013/14 Budget \$NZ	2012/13 Actual \$NZ
Internet web hosting	1,408	1,000	1,339
IT Support	8,869	7,000	6,270
Equipment lease	7,715	8,000	8,872
Cleaning	5,021	5,000	5,057
Repairs and Maintenance	1,128	2,000	1,387
Telephone	8,873	10,000	9,919
Stationary and office supplies	3,679	5,000	5,049
Accounting and auditing costs	10,068	10,000	9,775
Printing, postage and publishing costs	34,030	41,000	28,433
Advertising	2,500	3,000	0
Electricity	3,646	4,000	(1,184)
Secretariat staff travel	172,684	152,000	82,308
Rent	101,078	99,000	93,910
Staff training	1,622	2,000	1,472
Insurance	6,143	7,000	6,017
Other consumables and catering	7,650	7,000	6,599
	376,114	363,000	265,223

8. Technical Assistance Grant

During the year the Asian Development Bank (ADB) (under Technical Assistance Grant 7794-REG: Implementing the Pacific Regional Audit Initiative co-financed by the Japan Special Fund and the Government of Australia) has supported the implementation of the Pacific Regional Audit Initiative, principally through funding the remuneration and associated expenses of consultants (including travel, per diem and other expenses) \$US279,806 with an approximate New Zealand dollar conversion of \$338,509 (2013 - \$US169,105, \$NZ214,624) and the costs associated with the Sub-regional Audit Support (SAS) program \$US69,516 with an approximate New Zealand dollar conversion of \$84,100 (2013 - \$US6,235, \$NZ7,913). The SAS program includes costs of consultants and also travel, accommodation and per diems, equipment and other expenses of the program secondees.

Pacific Association of Supreme Audit Institutions Incorporated

Notes to the Financial Statements (Continued) For the year ended 30 June 2014

These transactions have occurred directly between the Asian Development Bank and the respective consultants, secondees or other third parties and have not been recognised in these financial statements.

9. Property, Plant and Equipment

	2013/14 Actual \$NZ	2013/14 Budget \$NZ	2012/13 Actual \$NZ
Office Furniture and Equipment			
Cost	47,717	48,000	47,717
Accumulated Depreciation	20,595	21,000	15,823
Closing Balance	27,122	27,000	31,894
Computer Equipment			
Cost	67,436	68,000	50,975
Accumulated Depreciation	56,257	54,000	48,152
Closing Balance	11,179	14,000	2,823
Office Fit out			
Cost	129,387	129,000	129,387
Accumulated Depreciation	129,253	129,000	99,466
Closing Balance	134	0	29,921
Total Property, Plant and Equipment	38,435	41,000	64,638
Depreciation is made up as follows:			
Office Furniture and Equipment	4,772	5,000	4,772
Computer Equipment	29,787	6,000	4,011
Office Fit Out	8,104	30,000	32,347
	42,663	41,000	41,130

Pacific Association of Supreme Audit Institutions Incorporated

Notes to the Financial Statements (Continued) **For the year ended 30 June 2014**

10. REORGANISATION OF THE SECRETARIAT

Following the completion of the new PASAI Strategic Plan for 2014 to 2024 a review of the PASAI Secretariat has been initiated to ensure that the Secretariat has an organisational structure and capacity that is appropriate to meet the challenges of the new PASAI Strategic Plan. The final revised organisational structure will be determined by the Governing Board in August 2014 and the introduction of the any new structure will occur during the coming year.

11. FINANCIAL INSTRUMENTS

PASAI is party to financial instrument arrangements as part of its everyday operations. These financial instruments include bank balances, accounts receivable and accounts payable.

12. CREDIT RISK

In the normal course of its business, 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.

13. INTEREST RATE RISK

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

14. CURRENCY RISK

Prior to the 2010/11 year PASAI invoiced membership fees in US dollars. As a result PASAI incurred currency risk for the conversion of these foreign currency receivables to New Zealand dollars at the time of receipt or balance date. The currency risk associated with these balances was considered minimal and therefore PASAI did not hedge its foreign currency exposure. From 2010/11 year onwards membership fees have been invoiced in New Zealand dollars therefore this risk has been substantially reduced.

Pacific Association of Supreme Audit Institutions Incorporated

Notes to the Financial Statements (Continued) **For the year ended 30 June 2014**

15. FAIR VALUES

The estimated fair values of all financial assets and liabilities are equivalent to the carrying amounts disclosed in the Statement of Financial Position.

16. POST BALANCE DATE EVENTS

There were no significant post balance date events. (2013: \$Nil)

17. CONTINGENT LIABILITIES

a. Bank Guarantee – Premise Lease Undertaking

As a condition of the lease of the Secretariat premises at 46 Parnell Road a deposit of \$41,604 has been made with PASAI Inc's banker and is held by the bank on behalf of the landlord until such time as the lease expires or the landlord notifies the bank in writing that the undertaking is no longer required.

b. Make Good Provision

The premise at 46 Parnell Road have a "make good obligation" (reinstatement works), which the Association has to comply with at the end of the lease or when the lease is terminated. The application of this clause in the lease agreement is at the discretion of the landlord. The Association's next renewal date is January 2016, with an expiry date of January 2018.

c. Development Partner Contributions

The Commonwealth of Australia, through the Australian Department of Foreign Affairs and Trade (DFAT), and the New Zealand Ministry of Foreign Affairs and Trade (MFAT) with PASAI Incorporated. Any unspent funds at the expiry date of the contracts or on termination of the contracts by mutual consent have to be repaid to the funder. The ultimate outcome of the activities funded under these contracts cannot be determined with an acceptable degree of reliability at this time. The expiry date for these contracts are September 2014 (NZ MFAT) and June 2015 (DFAT).

The Governing Board believes the contract is unlikely to be terminated before its expiry date and that any unspent funds at the end of the contract will be minimal. Accordingly, no provision for any liability has been made in these financial statements.

There were no contingent liabilities other than those listed above in 2013.

Pacific Association of Supreme Audit Institutions Incorporated

Notes to the Financial Statements (Continued) For the year ended 30 June 2014

18. COMMITMENTS

There were no capital commitments at balance date (2013: \$Nil).

The Association has the following operating lease commitments (in relation to the premise and photocopier lease):

	2013/14	2012/13
	Actual	Actual
	\$NZ	\$NZ
Within next 12 months	93,998	57,510
Beyond 12 months	53,973	1,474
	<u>147,971</u>	<u>58,984</u>



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Together"*