



*“Pacific Auditors Working
Together”*

Pacific Association of
Supreme Audit Institutions (PASAI)

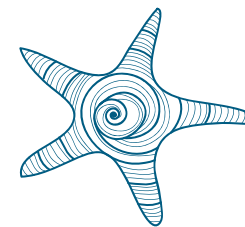
ANNUAL REPORT

for year ended 30 June 2015

OUR PARTNERS



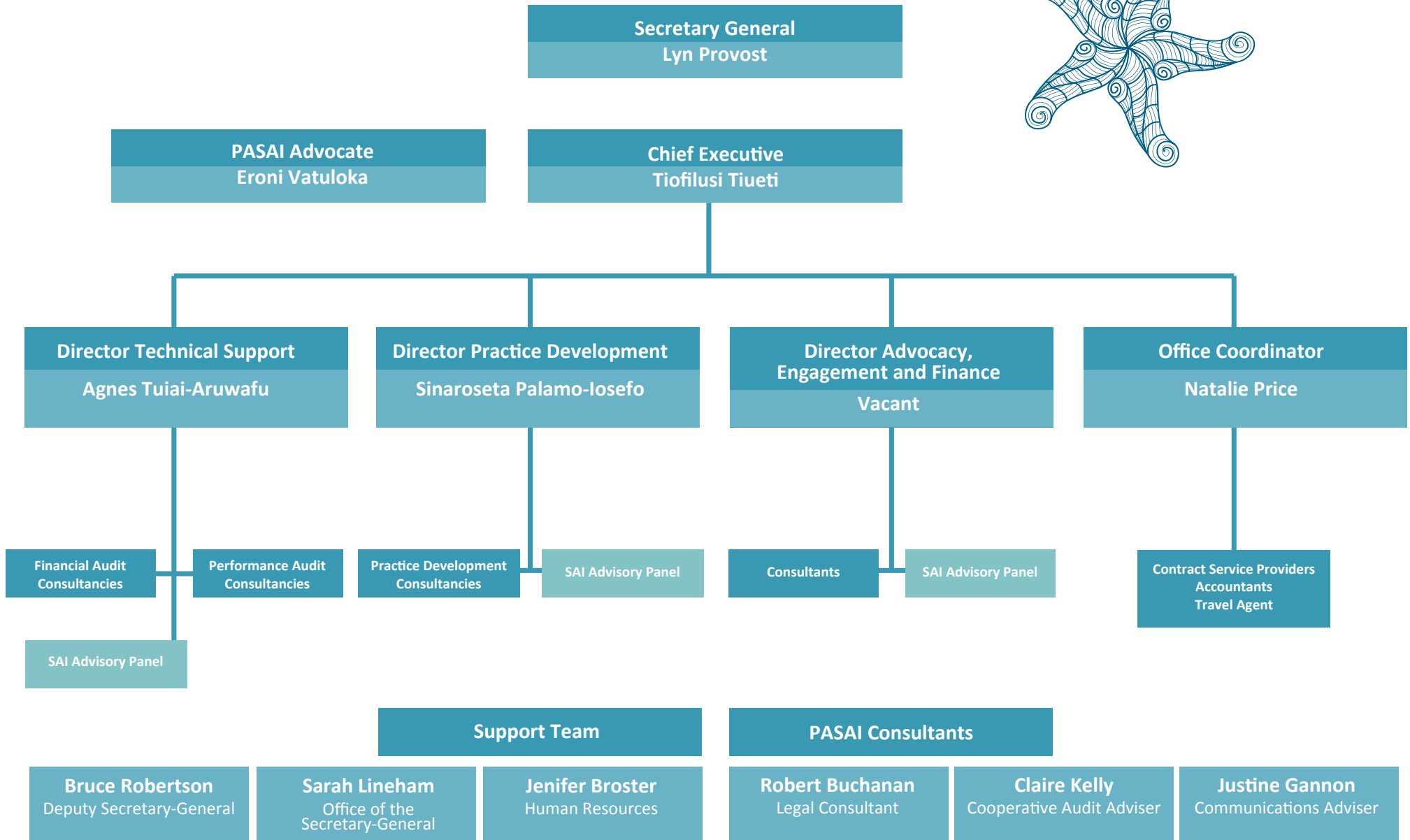
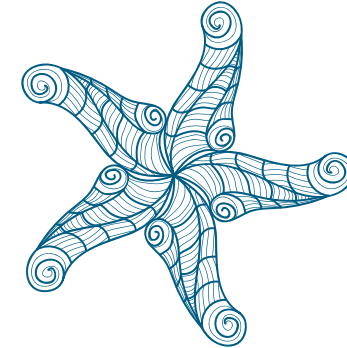
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THE SECRETARIAT TEAM



SECRETARY-GENERAL'S MESSAGE



This year we have seen the benefits of putting the PASAI Strategic Plan 2014–2024 into practice. Initially we focused on strategic priority five — a PASAI Secretariat capable of supporting Pacific SAIs — and this led to some changes.

We welcomed a new Chief Executive of the PASAI Secretariat, Tiofilusi Tiueti. Tio brings a wealth of experience, which is serving him well in his new position. Tio joined the Secretariat after two years working for the World Bank in Washington DC. He has also worked for the Government of Tonga's Ministry of Finance and National Planning, and was Deputy Auditor-General of Tonga from 1996 to 2008. He has made a strong start, and we look forward to continuing our work together with Tio and the team.

Our restructure saw the appointments of Agnes Tui'ai-Aruwafu as Director, Technical Support, Sina Palamo-Iosefo, as Director Practice Development, and Natalie Price as Office Coordinator. These people are familiar faces in the PASAI Secretariat and are now all permanent employees.

I would particularly like to acknowledge and thank Eroni Vatuloka whose contract as Executive Director of PASAI expired during the year. In his five years as Executive Director of PASAI, Eroni made a significant contribution to strengthening capacity and capability in the Pacific SAIs. He was instrumental in establishing PASAI, and in driving the implementation of the Pacific Regional Audit Initiative. Eroni's association with PASAI will continue as he has accepted a part-time post as PASAI Advocate from his home in Fiji. I wish him and his family well.

I would also like to acknowledge the contribution of Bruce

Robertson, Deputy Secretary-General. In August 2015 Bruce resigned from the Office of the Auditor-General New Zealand to pursue other opportunities. He will be missed for his commitment to PASAI, and for the experience, skills and energy he invested into supporting and developing auditing in the Pacific. We wish him well.

From a funding perspective, it has been a challenging year. Significant time and resources were invested into securing funding to ensure the first five years of our 10-year strategic plan can be successfully implemented. 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. PASAI appreciates the support provided by IDI and the access to the resources of INTOSAI.

Finally, I thank all the Governing Board members for their contributions to PASAI during the year. I would particularly like to thank Fuimaono Camillo Afele for his skilled chairing and leadership skills. I look forward to our continued work together to implement PASAI's strategic plan and to improve transparency and accountability of government for the people of the Pacific.

Lyn Provost
Secretary-General



“ We are grateful for the ongoing support of our major funding partners. ”

REPORT FROM THE CHIEF EXECUTIVE

I am pleased to submit this annual report for the year ended 30 June 2015, the first year of implementation of the PASAI Strategic Plan 2014–2024.

At the outset, I must acknowledge the leadership of my predecessor, Eroni Vatuloka, who has successfully navigated the PASAI Secretariat from its origin five years ago, sailing assertively on a challenging but stimulating course. Eroni and the Secretariat team laid a solid foundation to direct PASAI. The achievements of this first year of the strategic plan are testament to Eroni's professional leadership and management skills. Fortunately, in his role as PASAI Advocate, Eroni is still around to provide guidance and advice in my first year of office.

I also extend my gratitude to the Secretary-General, Lyn Provost, and the staff from her office, the PASAI consultants, and the Secretariat staff for welcoming me to the PASAI family. It is a significant loss to see Bruce Robertson leaving the team as his wealth of experience and vast institutional knowledge on PASAI matters at national, regional, and global levels have benefitted the organisation greatly.

The end of the first year of the PASAI strategic plan saw the successful signing of two grant agreements with long-term development partners, the Australian

Department of Foreign Affairs and Trade and the New Zealand Ministry of Foreign Affairs and Trade, providing financial resources to propel PASAI's mission.

PASAI's programs have continued to increase the capacities of auditors and allowed more quality audits (financial and performance) to be completed to international standards with positive feedback from citizens. A robust approach to measuring the impact of these programs will start soon.

I have a dynamic team at the Secretariat who are dedicated to implementing the PASAI strategic plan; however, continuing support of all our stakeholders is needed. I am confident that the spirit of partnership and collaboration will sustain PASAI in year ahead.

Tiofilusi Tiueti
Chief Executive

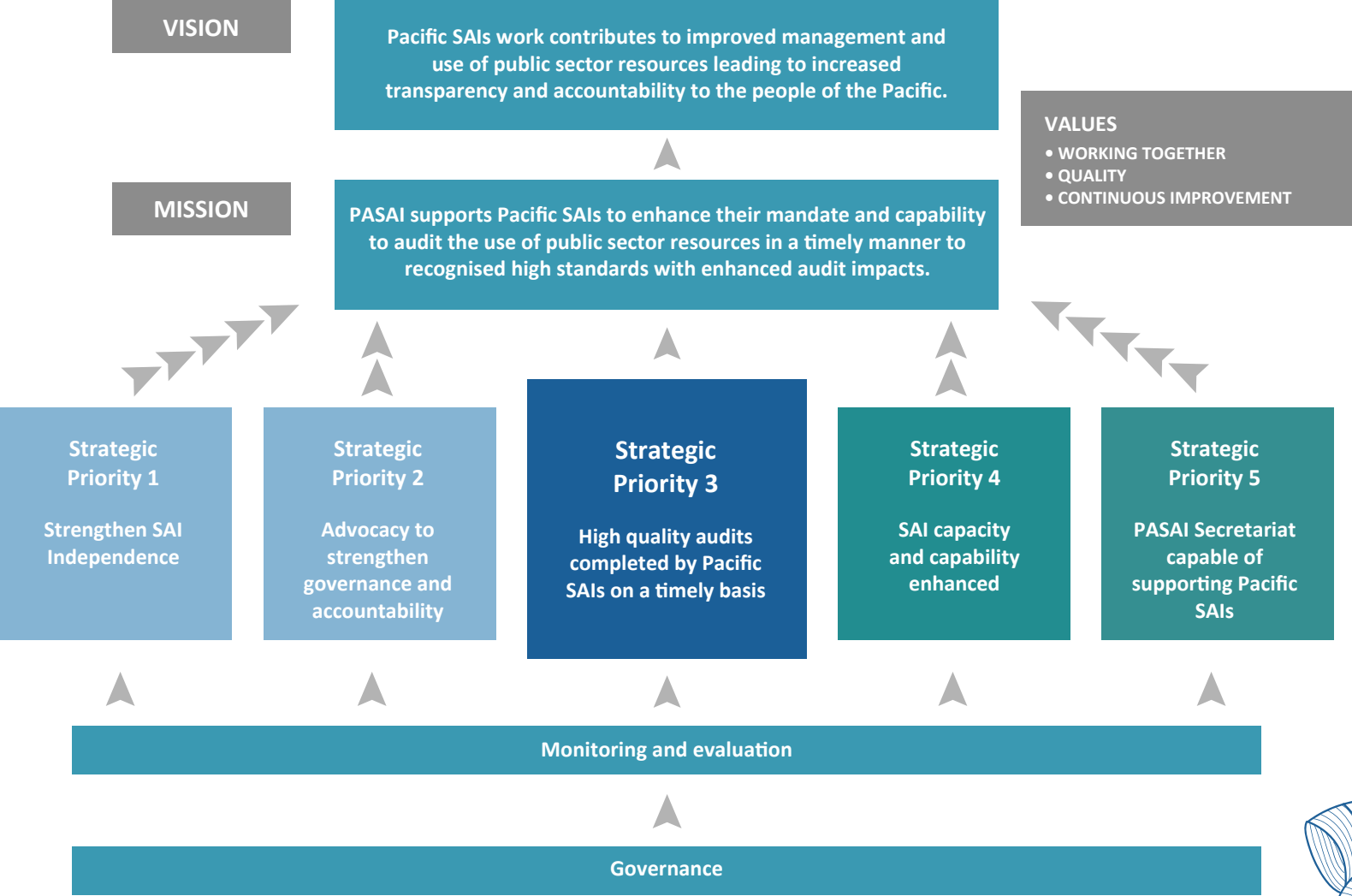


“

I have a dynamic team at the Secretariat who are dedicated to implementing the PASAI Strategic Plan 2014–2024

”

VISION, MISSION, VALUES



OUR MEMBERS



NAURU



FSM-YAP



AMERICAN SAMOA



FRENCH POLYNESIA

We had 26 members on
30 June 2015.



PALAU



SOLOMON ISLANDS



AUSTRALIA



GUAM



NEW CALEDONIA



PAPUA NEW GUINEA



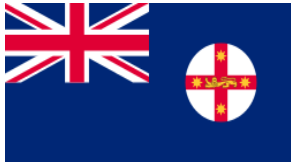
TONGA



COOK ISLANDS



KIRIBATI



NEW SOUTH WALES



FSM-PHONPEI



TUVALU



FSM-NATIONAL



FSM-KOSRAE



NEW ZEALAND



QUEENSLAND



VANUATU



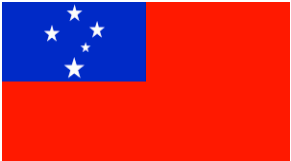
FIJI



MARSHALL ISLANDS



CNMI



SAMOA



VICTORIA

ACTIVITIES UNDERTAKEN AGAINST EACH STRATEGIC PRIORITY

This year was the first year of implementing the *PASAI Strategic Plan 2014–2024*.

At 30 June 2015, 31 of the 38 planned activities were carried out. The seven activities that were not yet carried out are either still in progress or delayed to future years. The completed activities involved all 26 SAIs with total participation of 207 staff, of which 48% were male and 52% were female. About 67% of the activities were undertaken to achieve strategic priorities 3 and 4. The activities can be categorised as capability (22%); practice management (16%); management, funding and reporting (16%); and public financial management (13%) were areas activities performed during the year. The highlights achieved during the year are shown in Table 1.

TABLE 1: SUMMARY OF ACTUAL AGAINST PLANNED ACTIVITIES BY STRATEGIC PRIORITIES 2014–2015

STRATEGIC PRIORITIES	EVENTS/ACTIVITIES			PARTICIPATION					
	Planned no. of events/ activities	Actual no. of events/ activities	% of total actual	No. of SAIs	Total	Male	%	Female	%
1: Strengthen SAI Independence	1	2	7%						
2: Advocacy to strengthen transparency and accountability	7	3	10%						
3: High-quality audits completed by Pacific SAIs on a timely basis	11	11	35%	13	59	29	49	30	51
4: SAI capacity and capability enhanced	11	10	32%	14	148	71	48	77	52
5: PASAI Secretariat capable of supporting SAIs	8	5	16%						
Total	38	31	100%						

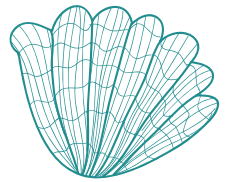


SP 1: STRENGTHEN SAI INDEPENDENCE

PASAI will encourage and support its 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.

During the year, heads of SAIs were asked to self-assess their independence and legal framework (Domain B of the SAI Performance Management Framework (PMF)) to help develop an independence resource kit for SAIs. A report about these assessments was presented to the PASAI Governing Board that, together with development partners, endorsed a proposal to engage a consultant to compile the kit. The independence resource kit will be finalised in 2015/2016 after the 2015 Accountability and Transparency Report is complete. The Governing Board agreed that the 2015 accountability and transparency study should examine SAIs' financial and operational independence as a central theme of the report. Development partners and stakeholders were also been asked to share their database of experts on independence, especially in the Pacific region, to be included in the kit. Only one stakeholder has shared this information to date.

Meanwhile the Secretariat, through its consultants, continues to provide ad hoc support to SAIs on legislation and independence issues as they request advice.



SP 2: ADVOCACY TO STRENGTHEN GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY

Increased regional cooperation among SAIs and engaging with stakeholders and development partners are critical to PASAI advocating to strengthen governance, transparency and accountability.

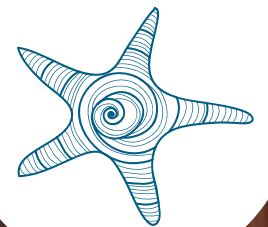
In February, the Governing Board endorsed the 2015 accountability and transparency study to examine three key areas: SAI financial and operational independence, SAI involvement in budget scrutiny, and SAIs role in promoting ethical behaviour and good governance. Work started on the study in May 2015 and was ongoing in June 2015. The study includes a questionnaire for all PASAI members (excluding New Zealand and Australian members) and in-depth study visits to selected SAIs (Cook Islands, Fiji, Kiribati, New Caledonia, Republic of Marshall Islands, Tuvalu and Vanuatu). The team consisted of four consultants, two of whom are funded by the Asian Development Bank. The draft final report will be presented to the Congress in October 2015.

PASAI continued to advocate Public Financial Management (PFM) improvements to strengthen governance, transparency and accountability in the region. The Tonga Public Financial Management (PFM) Reform Roadmap stocktake meeting was held in Fiji with representatives from the PASAI Secretariat, the Pacific Financial Technical Assistance Centre (PFTAC), the Pacific Islands Centre for Public

Administration (PICPA), some development partners and senior officials from key ministries of the Government of Tonga. A preliminary work plan was agreed for a series of audit trainings for Tonga SAI as part of implementing the Tonga PFM Reform Roadmap.

PASAI has also planned joint missions with UNDP. UNDP focuses its attention on (i) signing or ratifying the UN Convention Against Corruption (UNCAC), and (ii) strengthening parliaments in the region. PASAI members that have yet to sign or ratify the UNCAC will benefit from the program. In 2015/16, PASAI expects UNDP to organise these joint missions for countries that recently completed their general elections, which include which include Cook Islands, Federated States of Micronesia, Fiji, Solomon Islands and Tonga. UNDP will support all members that are eligible to participate, as it has done over the last two years in Marshall Islands, Samoa and Kiribati.

PASAI will use these joint missions to encourage improvement in PFM systems and to hold meetings with the Ministries of Finance to encourage discussion. The key points from these missions will be shared with PASAI members so that their Ministries of Finance and legislatures can consider how whole-of-government accounts are compiled and scrutinised.



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



The core of the new strategic plan is to promote high-quality audits by Pacific SAIs that comply with international and national accounting and auditing standards and practices.

The status of government accounts or whole-of-government accounts or financial statement government accounts (FSGs) for the 2014 financial year (June, September, December 2014), was that 50% of the SAIs that conduct these audits in the South Pacific region are two years behind in completing their audits, with one SAI 15 years behind. In the North Pacific region, most SAIs contract out these audits, but 33% are behind.

The focus for the new financial year is to consider approaches, programs and activities to address the issues relating to the untimely completion of audits and to enhance the completion of high-quality audits.

Many of the programs completed under this strategic priority were continuing and completing existing programs under the Pacific Regional Audit Initiative (PRAI).

SUB-REGIONAL AUDIT SUPPORT PROGRAM

The Sub-regional Audit Support (SAS) program is primarily funded by the ADB, but PASAI's inputs are funded through the strategic plan's funding.

The SAS Committee met on the completion of Round 4.

The committee discussed how to embed the learnings from previous rounds and considered how sustainable the program is for both Round 5 and beyond. Accordingly, the approach for Round 5 was slightly changed; Round 5 is scheduled to start in August 2015.

Nauru SAI participated in the SAS program until 2014 when the Governing Board agreed the SAI required specific assistance. Early in 2015 the draft accounts for 2013/14 for Nauru were produced. Nauru SAI requested support from PASAI for financial auditor training for conducting a whole-of-Government (WOG) financial statements audit. PASAI is planning for capacity intervention in October–November 2015.

PASAI FINANCIAL AUDIT MANUAL

The PASAI Financial Audit Manual has been updated and Guidance Notes have been added including new materials, templates and other resources to assist auditors with conducting ISSAI-compliant financial statement audits. The 2nd edition of the Financial Audit Manual will be released at the 2015 PASAI Congress in October.



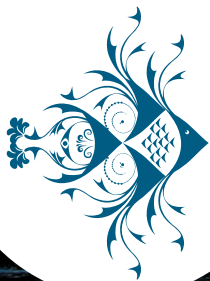
COOPERATIVE AUDITS

PASAI is developing an international reputation for its regional cooperative performance audits. Three cooperative audits were finalised during 2014/15: climate change adaptation and disaster risk reduction, foreign aid funded projects, and public debt management. In total, 76 staff from 16 SAIs have taken part in all PASAI's cooperative performance audits, including those on solid waste management, access to safe drinking water, and sustainable fisheries.

CLIMATE CHANGE ADAPTATION AND DISASTER RISK REDUCTION

The countries of the Pacific are among the most vulnerable to the effects of climate change. This cooperative performance audit examined the administrative arrangements that underpin individual Pacific Island state responses to the challenges of climate change and disaster risk reduction.

Ten SAIs from eight Pacific Island states participated and eight reported publically on the findings of their individual audits: Cook Islands, Federated States of Micronesia (FSM), the FSM State of Kosrae, the FSM State of Pohnpei, Fiji, Palau, Samoa and Tuvalu. The key findings formed the basis of the regional overview report. The regional report concluded that the audited Pacific Island states are not well placed to respond effectively to the threats and challenges arising from climate change.



FOREIGN AID FUNDED PROJECTS

The cooperative financial audit on foreign aid funded projects was based on a risk-based approach to financial audits. Twelve participants from Cook Islands, Fiji, Kiribati, Samoa, Tuvalu, and Tonga were part of the program. The PASAI Secretariat has included the lessons learnt from this audit in the Guidance Notes of the 2nd Edition of the PASAI Financial Audit Manual. As a result of this cooperative audit, further training on the risk-based approach to financial audits was conducted for the Tonga SAI. Tonga, Tuvalu and Kiribati SAIs also were involved in a coordinated audit of the World Bank Group Pacific Aviation Investment Program.

PUBLIC DEBT MANAGEMENT

The regional report for this cooperative audit will be finalised when audit reports for all participating SAIs are made public. The final draft will be presented to the PASAI Governing Board by December 2015.

PROCUREMENT

The Governing Board agreed the topic for the next cooperative audit program will be procurement'. This will be a joint IDI/PASAI cooperative audit and a design meeting outlined the approach to be used when the audit starts in November 2015. Participating SAIs will use applicable ISSAIs, and will be selected by the IDI and the PASAI Secretariat.

SP 4: SAI CAPACITY AND CAPABILITY ENHANCED

The ongoing capacity building of SAIs and of their staff is crucial to achieve the transparent, accountable, effective and efficient use of public sector resources in the Pacific region. PASAI supports SAIs to strengthen their capacity to complete their work to improved quality standards during the year.

SAI STRATEGIC PLANS

Eleven SAIs have a strategic plan in place: Cook Islands (2015–2020); Fiji (2015–2018); Federated States of Micronesia (FSM) National (2014–2016); Guam (2014–2018); Kiribati (2016–2019); Republic of Marshall Islands (2014–2019); Nauru (2013–2020); Papua New Guinea (2012–2016) Solomon Islands (2011–2015); Tonga (2014–2017) and Tuvalu (2015–2018). PASAI supported one SAI to develop its strategic plan. On request, PASAI can help member SAIs to develop a strategic plan and onsite assistance has been scheduled for two SAIs in 2016.

PASAI's will develop a program of individualised support for SAIs to continue implementing the Strategic and Management Operational (SMO) Guidelines to meet the standards required by the SAI PMF. The Governing Board has endorsed further work in this area, which will build on the initial impact of the SMO Guidelines.

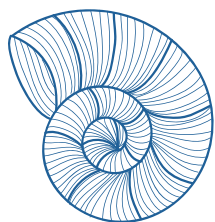
SAI PERFORMANCE MEASUREMENT FRAMEWORK

PASAI members embraced the INTOSAI SAI Performance Measurement Framework (PMF), a tool that assists SAIs measure their performance. Due to the detailed nature of the PMF, only two SAIs have used to tool to self-assess their performance. Work is being undertaken to determine an approach to allow all SAIs to use this tool with ease. It was a great honour for PASAI to be asked to develop SAI PMF lite for the international community.

PASAI TRAINING

PASAI delivered three Tier trainings for auditors at the graduate, intermediate and supervisory level. The training was hosted by Papua New Guinea, Kiribati and Federated States of Micronesia—National. Sixty-one auditors from ten SAIs participated. PASAI also learnt more about the host SAIs and the challenges faced in delivering their audit functions.

In collaboration with the Pacific Financial Technical Assistance Centre (PFTAC), a workshop on International Financial Reporting Standards (IFRSs) brought together public sector accountants and auditors, including participants from Ministries of Finance across the Pacific.



STAFF EXCHANGE PROGRAMS

PASAI is running pilot staff exchange program funded by the UNDP, which included technical support from PASAI funded under the Strategic Plan 2014–2024.

IDI AND OTHER TRAININGS

PASAI members also take part in capacity development programs facilitated by the INTOSAI Development Initiatives (IDI) or other INTOSAI working groups. The following training programs were offered this year and 37 auditors from 10 SAIs participated:

- Introduction to Environment Audit
- ISSAI Compliance Assessment Tools (iCATs) review workshop for ISSAI implementation
- eLearning Product Development meeting
- IDI Global Program on Specialised Audits – Information Technology (IT) Audits
- PASAI TeamMate Virtual Group.
- Online International Computer Driving Licence (ICDL) training.

“
Capacity
building of
SAIs and
their staff is
crucial.
”



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

SUMMARY OF PARTICIPANTS - PASAI AND OTHER CAPACITY DEVELOPMENT PROGRAMS									
SAIS / PASAI TRAININGS	TIER 1	TIER 2	TIER 3	IFRS	ENVIRONMENT AUDITING	ICATS REVIEW WORKSHOP	ELEARNING	IT AUDIT	TEAMMATE VIRTUAL GROUP
1 COOK ISLANDS		1 *		3	1	3			2
2 FIJI			1 *	7	1	4 *		2	1
3 FSM NATIONAL	1		11 *			2			
4 GUAM									3
5 KIRIBATI		21 *		2		3			
6 KOSRAE			3						
7 NAURU	1			1					
8 PNG	11 *			4		3			4
9 POHNPEI			2					3	
10 SAMOA	3	1 *	1 *	2		3 *	1	3	
11 SOLOMON ISLANDS	1			2		2			5
12 TONGA				2					5
13 TUVALU				1	1	1 *		2	
14 VANUATU	5			2		2 *			2
	22	23	18	26	3	23	1	10	22
* FACILITATORS INCLUDED	3	4	4			4			

SP 5: PASAI SECRETARIAT CAPABLE OF SUPPORTING PACIFIC SAIS

PASAI appointed its new Secretariat team during 2015. The team includes the Chief Executive, two Directors — Practice Management and Technical Support, an Office Coordinator, and a part-time PASAI Advocate. A third Director — Advocacy/Engagement & Financing is yet to be appointed.

PASAI also appointed Bellingham Wallace as its accounting providers and also appointed travel consultant.

The five-year operational plan 2014/15–2018/19 was approved by the Governing Board in September 2014 has started to be implemented.

The funding agreements for PASAI with the New Zealand Ministry of Foreign Affairs and Trade (MFAT) and the Australian Department of Foreign Affairs and Trade (DFAT) were signed in November and December 2014 respectively. These arrangements include a Monitoring and Evaluation Framework, which forms the basis for PASAI's reporting performance to its stakeholders.

A PASAI communications strategy is being developed and will be presented to the Governing Board soon.

17TH PASAI CONGRESS, APIA, SAMOA

GOOD GOVERNANCE IS EVERYONE'S RESPONSIBILITY

Good governance sets strategies, monitors the performance of public entities and is the responsibility of everyone, not just political leaders and auditors. This sentiment was woven through the 17th Congress of PASAI in Samoa on 19–22 September 2014 with the theme The role of SAIs in the effective governance and accountability of Pacific island countries. Hosted by the Audit Office of Samoa, the Congress was attended by representatives of INTOSAI, the Auditor-General of South Africa, the Brazil Federal Court of Accounts, the National Audit Office of China, the Pacific Island Forum Secretariat, the Confederation of Asian and Pacific Accountants, the US Department of the Interior, and a number of development partners including the Australian Department of Foreign Affairs and Trade, Australian Aid (DFAT), the INTOSAI Development Initiative (IDI), the Asian Development Bank, and the World Bank Group.

PASAI members shared their individual successes, as well as the challenges they faced in their SAIs. The Congress heard that, overall, all SAIs are auditing with a greater level of competence and confidence. Challenges identified included: effective strategies; citizens' engagement; compliance with ISSAIs; progressing independence; and greater use of auditing software.



The 18th PASAI Congress 2015 was approved to be held in Port Vila, Vanuatu.

PASAI GOVERNING BOARD MEETINGS

Two Governing Board meetings held during 2014/15. The 11th Governing Board meeting was held in August 2014, Apia, Samoa and the 12th Governing Board meeting was held in February 2015, in Auckland, New Zealand

The key highlights from these meetings were:

- **Monitoring, Evaluation and Reporting Framework**
The Board approved the Monitoring, Evaluation and Reporting (MER) Framework for the PASAI Strategic Plan 2014–2024. The Secretariat will work with individual SAIs to develop a simple, efficient, balanced M&E process for SAIs that is practical, avoids survey overload, and minimises measurement requirements.
- **INTOSAI peer review proposal for PASAI**
INTOSAI has received a report from the United Nation (UN) about working

to strengthen SAIs with the framework of the UN's Post-2015 Development Agenda. Within the framework, the Austrian Court of Audit, funded by the Austrian Development Agency, wants to undertake an in-depth review of independence in one country in every INTOSAI region. An international team will assess independence and talk to parliaments and legislatures. They would like a developing country to be involved. The Austrian Court of Account and IDI will be sending a team and perhaps someone from the Pacific will also be part of the review. The PASAI Governing Board viewed the participation of a SAI from the region as an opportunity for both capacity building and an opportunity to consider applying the methodology used by the international team more widely across PASAI.

“ Good governance is the responsibility of everyone ”



FINANCIAL

AUDITED FINANCIAL REPORT

The PASAI financial statements for the year ended 30 June 2015 was signed on the 25 September 2015, with an unqualified audit opinion (Annex II).

ASSETS, LIABILITIES AND MEMBERS' FUNDS

The value of total assets at balance date was \$1,817,410, of which 96% was cash at bank. The total liabilities were \$123,198, resulting in total net assets/members' fund of \$1,694,212.

At balance date PASAI hold a cash balance of \$1,742,901 (2013/14: \$1,125,434)

FIGURE 1: COMPONENTS OF CASH BALANCE AT 30 JUNE 2015.

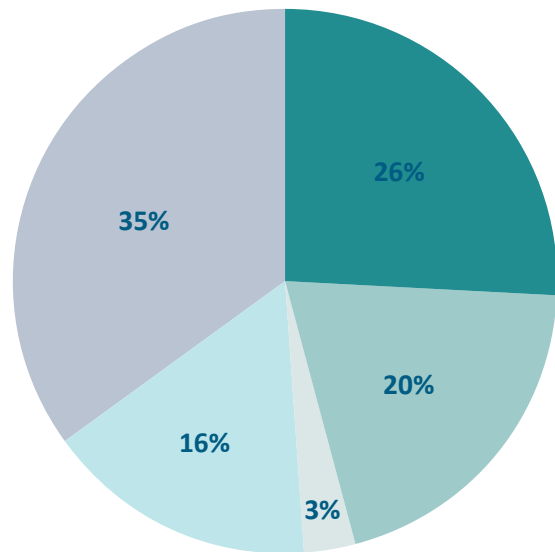


TABLE 2: SUMMARY OF FINANCIAL PERFORMANCE AND FINANCIAL POSITION 2014/15

ITEMS	ACTUAL 2014/2015 NZD('000)	BUDGET 2014/2015 NZD('000)
Revenue	1,928	1,975
Expenses	1,383	1,860
Net surplus after tax	544	106
Assets	1,817	1,184
Liabilities	123	31
Members' funds	1,694	1,150

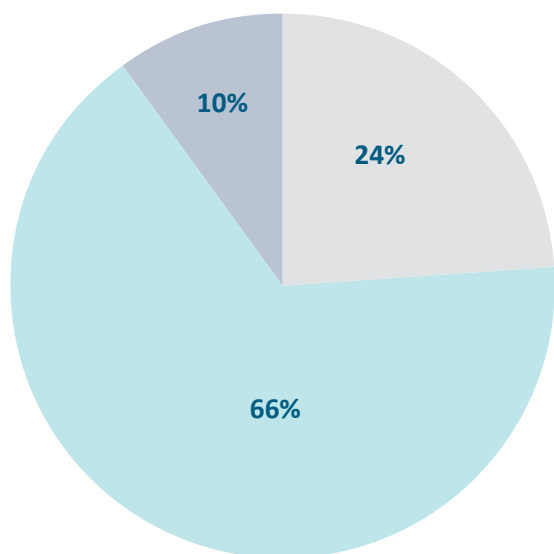
PETTY CASH	CHEQUE	SAVINGS	TERM DEPOSIT	MFAT	DFAT
0%	35%	16%	3%	20%	26%



REVENUE

The total revenue received during the 2014/15 financial year was \$1,928,355 (2013/14 \$683,523), which less than budgeted (\$1,975,090). About 98% (\$1,884,180) of the total revenue were grants received from development partners. This was due to taking into account an unspent amount from a previous grant resulting in a smaller cash grant being received, but totalling the whole agreed grant. The total funds received in 2014/15 were higher than the previous year due to new grant agreements with two development partners signed during the year.

FIGURE 1 - FUND RECEIVED BY DEVELOPMENT PARTNERS 2014/2015



ASIAN DEVELOPMENT BANK	INTOSAI DEVELOPMENT INITIATIVE	AUSTRALIA DEPARTMENT OF FOREIGN AFFAIRS AND TRADE	NEW ZEALAND MINISTRY OF FOREIGN AFFAIRS AND TRADE
0%	10%	66%	24%

EXPENDITURE

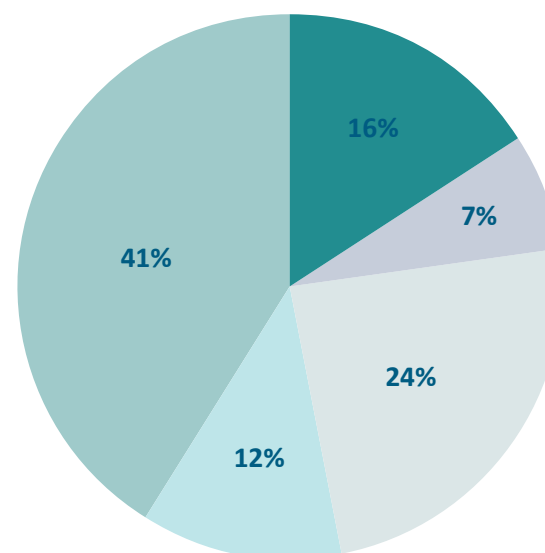
The total expenses incurred during the financial year totalled \$1,383,278 (2013/2014 \$1,799,912), which was less than (27%) budgeted (\$1,860,446). Personnel costs comprised 41% of the total actual spending with 24% on program expenses while 12% was spent on consultancies.

NET SURPLUS

The net surplus from operation was \$544,005, which was more than the \$105,524 budgeted surplus. The lower spending during the year contributed to the net surplus.

FIGURE 2 - EXPENDITURE BY MAJOR ITEMS 2014/2015

PERSONNEL	SECRETARIAT OPERATIONAL	SECRETARIAT TRAVEL	PROGRAM	CONSULTANCY
41%	16%	7%	24%	12%



OUR RELEVANCE AND IMPACT

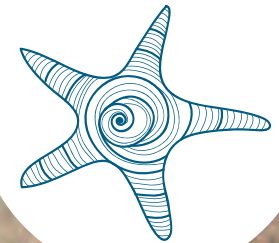
Overall, PASAI's activities had a significant and sustainable developmental impact on SAIs in the region.

On completion of the first year of a 10-year strategic plan, PASAI's program continued to develop SAIs. For example, PASAI implemented follow-up procedures to measure the outcome of trainings provided to the SAIs. 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. FSM State of Pohnpei Office of the Public Auditor has incorporated the performance audit concept of 'lines of enquiry' to enhance their existing audit processes.
- b. PASAI training materials are being used by SAI Solomon Islands for weekly staff training and staff who attended PASAI training demonstrated improved presentation skills.
- c. The SAI Tuvalu was successful with a proposal to Parliament to establish a Performance Audit Unit within the SAI. The new unit is included in the office's new organisational structure, which enables the SAI to conduct any performance audit necessary, using the methodology learnt from PASAI training and cooperative performance audits.
- d. The SAI Vanuatu established a time management system to assist staff. Project progress can be tracked and staff are working to meet deadlines. Overall, staff time management has improved.

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



MONITORING AND EVALUATION FRAMEWORK

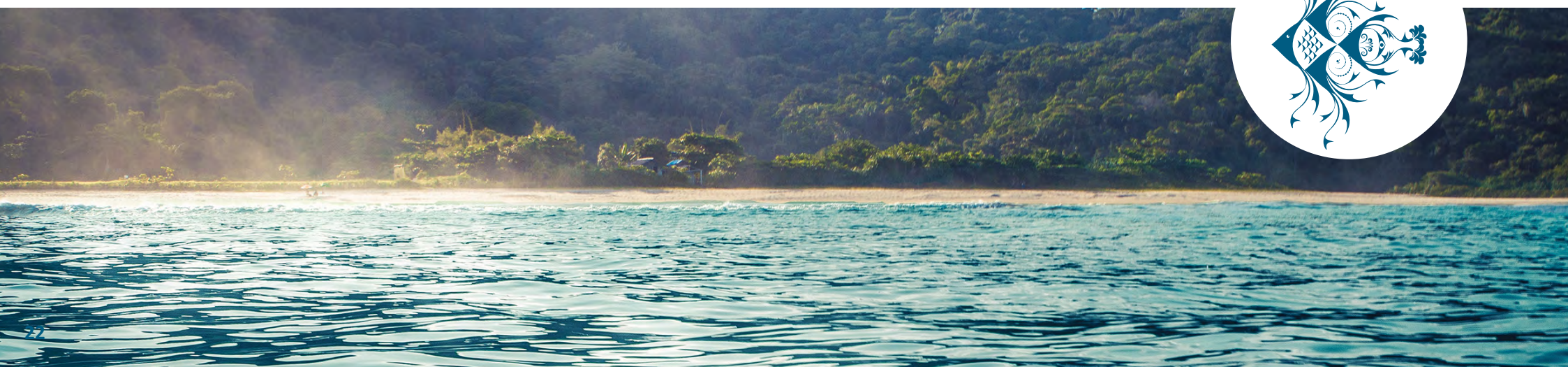
The PASAI Monitoring, Evaluation and Reporting (MER) framework was developed during 2014/15. The MER framework is a fundamental component of the PASAI Strategic Plan 2014–2024 to ensure that PASAI is on track to achieve its vision. The MER framework was developed through consultation and collaboration with PASAI development partners and stakeholders. The MER framework 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.



CAPACITY DEVELOPMENT

- SAI Cook Islands strategic planning workshop, Rarotonga, Cook Islands, 15–16 July 2014.
- IDI Global Programme on Specialised Audits — Information Technology Audits, 2 June 2014–12 June 2015
- International Financial Reporting Standards and International Public Sector Accounting Standards Workshop, Suva, Fiji, 21–26 July 2014.
- Public Expenditure Framework Assessment (PEFA) self-assessment training, Nuku'alofa, Tonga 13 August 2014.
- Risk-based approach to financial audits (RBAFA) for the Tonga Audit Office, Nuku'alofa, Tonga, 14–19 September 2014.
- Tier 1: Fundamentals of Government Auditing training, Port Moresby, PNG, 3–7 November 2014.
- INTOSAI WGEA Training on Environment Auditing, Jaipur, India 14–27 November 2014
- iCAT (ISSAI Compliance Assessment Tool) review workshop, Nadi, Fiji, 24–28 November 2014.
- IDI planning and prioritisation meeting, Oslo, Norway, 1–3 December 2014.
- Tonga PFM Reform Roadmap Support Program, Suva, Fiji 9–10 December 2014.
- Career Path Training—Tier 2 training—Intermediate Government Auditing Skills, Tarawa, Kiribati, 17–20 March 2015.
- INTOSAI Development Initiative (IDI) Enhancing eLearning Capacity Program — Product development meeting to develop e-learning handbook, New Delhi, India, 13–24 April 2015.
- Tier 3: Supervisory Roles in Government Auditing training, State of Pohnpei, Federated States of Micronesia (FSM), 13–18 May 2015.
- Risk-based financial audit training workshop PASAI & the World Bank, Nuku'alofa, Tonga, 18–22 May 2015.
- Tonga PFM Reform Roadmap Support Program — Stocktake meeting, Suva, Fiji, 20 June, 2015.
- IDI/PASAI cooperative audit on public procurement design planning meeting, Oslo, Norway, 22 June – 4 July 2015.



ANNEX I — PERFORMANCE ACHIEVEMENT 2014–2015

TARGETED ACTION	DIMENSIONS	ACTIVITIES ACHIEVED	SAIS INVOLVED
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.			
1A2 Support SAIs to access expertise to address independence issues	Training & Support	The self-assessment report on SAIs independence and legal framework (Domain B of SAI PMF) for development of resource kit was endorsed by the Governing Board and development partners.	All
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	The third Accountability and Transparency project 2015 was endorsed by the Governing Board.	All
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	A stakeholder shared database of experts on public financial management.	
2B2 Actions taken to advocate for PFM system improvements to improve governance and reduce corruption	Public Financial Management	Planned joint missions with UNDP to support convention against corruption, strengthen parliaments, and encourage improvement in PFM systems in the region.	
Objective D: SAIs advocate for improvements in the public financial management systems adopted by their countries.			
D2 Work with stakeholders to improve timeliness & scrutiny of Whole of Government and Financial Statements of Governments (WOG/FSGs) audit reports.	Advocacy	Planned joint missions in 2B2 above include the Ministries of Finance.	

TARGETED ACTION	DIMENSIONS	ACTIVITIES ACHIEVED	SAIS INVOLVED
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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	A PASAI Secretariat database under development and includes information on status of SAI audits of FSG/WOG.	All
3A2 SAIs recognised as supporting Ministry of Finance initiatives for timely completion of FSG/WOG for audit	Public Financial Management	Secretariat attended Tonga PFM Roadmap stocktaking meeting to develop training schedules for Tonga Audit Office.	Tonga
		Discussed with Nauru Audit Office PASAI technical support.	Nauru
3A3 Timely audits of FSG/WOG are completed and audit findings reported	Audit Delivery	A Director Technical Support appointed and tasked to monitor status of member countries FSG/WOG audits.	All

Objective B: SAIs produce high quality financial audits in accordance with national/international standard.

3B1 Financial Audit Manual aligned to current ISSAIs as a result of annual review	Training & Support	A new MOU with AFROSAI-E regarding Financial Audit Manual was signed.	
3B3 Cooperative financial audits undertaken	Audit Delivery	The cooperative financial audits on foreign aid projects were completed.	4
		The Secretariat participated in a planning design of IDI/PASAI cooperative procurement workshop.	
3B4 Sub-regional Audit Support (SAS) program to progress arrears and raise capacity	Capability	The Round 4 of the SAS program in the Solomon Islands, Kiribati and Tuvalu was completed.	3
		The SAS Committee approved the new approach of SAS Round 5 of the program.	3
3B5 Financial auditor training	Capability	A discussion was held with USP to conduct further accounting standards training during USP in-country visits.	
		PASAI was in discussion with Dr Rika on programmes to be supported by European Union's 11th European Development Fund (EDF). Pacific Aviation Investment Program (PAIP) World Bank and PASAI trialled risk-based approach to financial audits.	3

TARGETED ACTION	DIMENSIONS	ACTIVITIES ACHIEVED	SAIS INVOLVED
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Objective C: SAIs produce high quality performance audits (PA) of government and regional programmes.

3C3 Cooperative performance audits every 3 years	Capability	<p>The Secretariat considered the INTOSAI WGEA action plan to assist in identifying relevant topics for future cooperative performance audits.</p> <p>The regional report on the Cooperative Performance Audit on Climate Change Adaptation and Disaster Risk Reduction was completed and issued.</p>	
3C4 2 or more SAI coordinated performance audits completed every year.	Audit Delivery	SAIs staff attended INTOSAI environment auditing training.	

Objective D: Each SAI is audited annually to set an example to public entities in the Pacific.

3D1 SAIs own financial statements are audited and recommendations actioned.	Practice Management		
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STRATEGIC PRIORITY 4: SAI CAPACITY AND CAPABILITY ENHANCE.

Objective A: SAIs develop and implement their own comprehensive and realistic strategic plans.

4A1 SAIs develop comprehensive strategic plans	Practice Management	PASAI provided onsite support to one SAI on developing its strategic plan.	1
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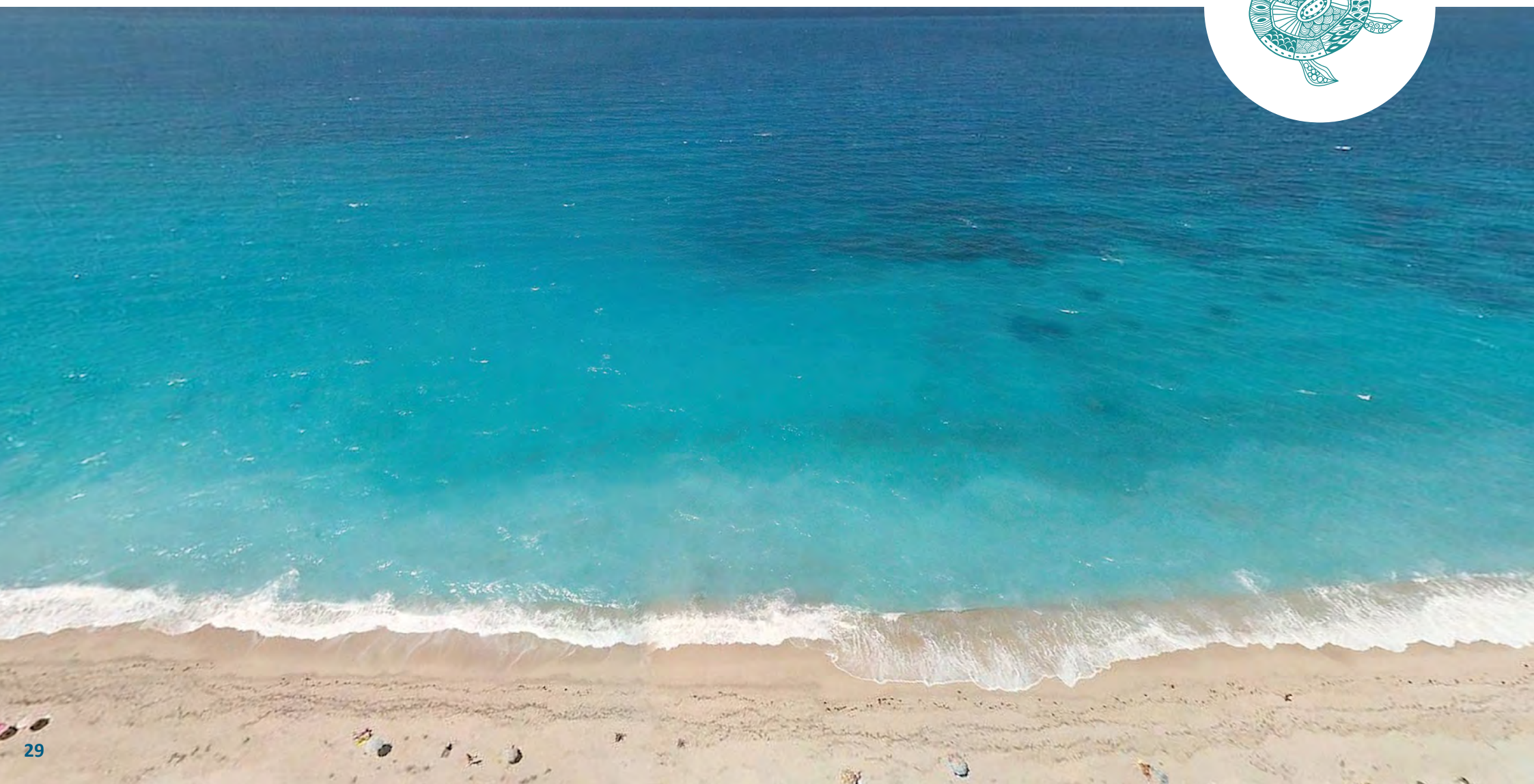
Objective B: SAIs adopt and apply the INTOSAI performance measurement framework (PMF).

4B1 SAIs develop performance measurement framework (INTOSAI model)	Practice Management	Two SAIs used the INTOSAI SAI PMF model as their performance measurement framework. The Secretariat, in coordination with IDI, planned a SAI PMF review workshop to consider developing a SAI PMF 'lite'.	
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TARGETED ACTION	DIMENSIONS	ACTIVITIES ACHIEVED	SAIS INVOLVED
Objective C: Partnerships and 'twinning' arrangements are developed between SAIs within PASAI and globally.			
Assist to develop twinning arrangements & reports impact annually	Advocacy	The Secretariat discussed a way forward with ACAG on the twinning program for PASAI members. Funding approved for the pilot staff exchange program between SAI Kiribati and Fiji commencing late June 2015.	All 2
Objective D: SAIs plan for and use PASAI training resources and programmes.			
4D3 All relevant staff complete ISSAI and Tier training	Capability	Tier 1, Tier 2, and Tier 3 trainings were held. A review workshop of SAI's status on implementing ISSAIs was held. The ISSAI Compliance Assessment Tools (iCATs) were used. The Secretariat maintained a database of participants for all training delivered.	PNG, Kiribati, and Pohnpei
4D4 All staff requiring current accounting skills complete accounting IFRS/IPSAS training	Capability	An IFRS/IPSAS workshop was conducted in partnership with PFTAC.	
4D8 SAIs improve audit delivery by identifying and implementing information system needs including audit software	Practice Management	E-learning course on IT Audit was held and a planning and reporting meeting was held for the IT Audit program. Handbook on eLearning developed. TeamMate Users Forum in Melbourne, Australia on the invitation of TeamMate Australia. A PASAI Teammate Virtual Group has been established for members who have implemented or contemplating on implementing Teammate. PASAI signed the agreement with ICDL Asia to be an Accredited Test Centre for all PASAI members.	5 7 All

TARGETED ACTION	DIMENSIONS	ACTIVITIES ACHIEVED	SAIS INVOLVED
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	The new PASAI Secretariat team was appointed and recruited. Service providers for Accounting and Travel were also contracted.	
5A2 PASAI staff training and development plan developed and implemented	Training & Support	Secretariat staff attended various regional and international meetings and workshops in relation to audit.	
Objective B: Adequate funding is available to implement the PASAI strategy.			
5B1 Funding strategy approved, implemented and monitored	Management, Funding & Reporting		
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	The five-year operational plan and the operational plan for 2014/15 were approved and are being implemented.	
5C2 Revised PMF to measure PASAI performance	Management, Funding & Reporting	A Monitoring and Evaluation Framework was developed as basis for PASAI reporting performance to its stakeholders	
5C3 Develop regional communications strategy & implement	Management, Funding & Reporting	The communication strategy is under development.	

ANNEX II — FINANCIAL ACHIEVEMENT 2014–2015



**Pacific Association of Supreme Audit Institutions
(PASAI) Incorporated**

Financial Statements

for the year ended 30 June 2015

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated
Index to Financial Statements

Business Profile	1
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Statement of Financial Performance	6
Statement of Expenses	7
Statement of Movements in Equity	9
Statement of Financial Position	10
Notes to Accompany Financial Statements	11

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

Business Profile as at 30 June 2015

Nature of Business	Facilitation of support to audit offices in the Pacific in order to improve quality and build capacity
Business Address	56 Parnell Road Parnell Auckland
Postal Address	PASAI Secretariat PO Box 37 276 Parnell Auckland 1151
IRD Number	103-852-250
Office Holders	Chairperson: Fuimaono Camillo Afele, Controller & Auditor-General, Samoa Secretary - General: Lyn Provost, Controller & Auditor-General, New Zealand Governing Board: Doris Flores Brooks, Public Auditor, Guam John Path, Auditor-General, Vanuatu Atunaisa Nadakuitavuki, Deputy Auditor-General, Fiji Allen Parker, Director of Audit, Cook Islands Junior Patrick, Auditor-General, Marshall Islands Jean-Yves Marquet, President de la Chambre, New Caledonia Chief Executive: Tiofilusi Tiueti
PASAI Members	American Samoa Australia Cook Islands Federated States of Micronesia (National Office) Fiji Islands French Polynesia Guam Kiribati Kosrae Marshall Islands Nauru New Caledonia New South Wales

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

Business Profile

as at 30 June 2015 (continued)

PASAI Members (cont.)	New Zealand Northern Mariana Islands Palau Papua New Guinea Pohnpei Queensland Samoa Solomon Islands Tonga Tuvalu Vanuatu Victoria Yap
Auditor	CST Nexia Audit Level 3 Nexia Centre 22 Amersham Way Manukau City 2104
Bankers	Westpac New Zealand Limited
Accountants	Bellingham Wallace Limited 470 Parnell Road, Parnell Auckland 09 309 7851

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

**Statement of Responsibility
for the year ended 30 June 2015**

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 four.

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 2015
- 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 2015, 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:

Cabele Date: 25/9/15
Fulmaono Camillo Afele
Controller and Auditor-General, Samoa

L P O J Date: 25/9/15
Lyn Provost
Controller and Auditor-General, New Zealand

Tiofilusi Tiueta Date: 25/9/2015
Tiofilusi Tiueta
Chief Executive

INDEPENDENT AUDITOR'S REPORT

To the members of Pacific Association of Supreme Audit Institutions Incorporated

Report on the Financial Statements

We have audited the financial statements of Pacific Association of Supreme Audit Institutions Incorporated on pages 6 to 17, which comprise the Statement of Financial Position as at 30 June 2015, and the Statement of Financial Performance, Statement of Expenses and Statement of Movement 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.

Auditor's 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 entity's preparation and fair presentation of the financial statements 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 statements.

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

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

CST Nexia Audit

Level 3, Nexia Centre, 22 Amersham Way.
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



CST Nexia Limited and CST Nexia Audit are both independent firms of chartered accountants using the Nexia International trade mark under licence. The firms are affiliated with, but independent from, Nexia International, a worldwide network of independent accounting and consulting firms. Nexia International does not provide services to clients and therefore does not accept responsibility or liability for its members' actions.

INDEPENDENT AUDITOR'S REPORT Continued

Opinion

In our opinion, the financial statements on pages 6 to 17 present fairly, in all material respects, the financial position of Pacific Association of Supreme Audit Institutions Incorporated as at 30 June 2015, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.

147 Nexia Audit

**CST Nexia Audit
Chartered Accountants
Manukau City**

25 September 2015

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

**Statement of Financial Performance
for the year ended 30 June 2015**

	2015 \$	<i>Budget</i> 2015 \$	2014 \$
Revenue			
Member Contributions	2,600	2,600	2,600
Development Partner Contributions	1,884,180	1,937,000	642,985
	<u>1,886,780</u>	<u>1,939,600</u>	<u>645,585</u>
Other Income			
Interest Received	16,696	36,610	30,708
Other Income	7,285	-	10,060
Foreign Currency Gains (Losses)	17,594	(1,120)	(2,830)
	<u>41,575</u>	<u>35,490</u>	<u>37,938</u>
	1,928,355	1,975,090	683,523
Expenses			
Personnel Expenses	568,925	696,013	565,954
Consultancy Expenses	172,054	407,750	3,306
Program Expenses	324,292	273,404	743,373
Secretariat Travel Expenses	97,933	166,876	172,685
Secretariat Operational Expenses	220,074	316,403	314,594
	<u>1,383,278</u>	<u>1,860,446</u>	<u>1,799,912</u>
Net Surplus (Deficit) Before Tax	<u>545,077</u>	<u>114,644</u>	<u>(1,116,389)</u>
Income Tax Expense	1,072	9,120	7,568
Net Surplus (Deficit) After Tax	<u>544,005</u>	<u>105,524</u>	<u>(1,123,957)</u>

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

**Statement of Expenses
for the year ended 30 June 2015**

	2015 \$	<i>Budget</i> 2015 \$	2014 \$
Personnel Expenses			
Administration Fees	89,627	-	46,097
Employer Kiwisaver Contributions	3,086	-	1,331
Payroll Processing Fees	1,820	-	772
Relocation & Recruitment	19,354	-	105
Staff Training	713	2,013	1,622
Wages	454,325	694,000	516,027
Total Personnel Expenses	568,925	696,013	565,954
Consultancy Expenses			
Consultants Fees	97,589	-	-
Consultants Airfares - International	41,129	-	2,925
Consultants Accommodation - International	19,979	-	-
Consultants Ground Transport - International	272	-	49
Consultants Airfares - Domestic	1,243	-	-
Consultants Per Diem	11,842	-	332
Total Consultancy Expenses	172,054	407,750*	3,306
Program Expenses			
Participants Airfares - International	183,253	113,090	372,802
Participants Accommodation - International	61,518	74,951	156,758
Participants Per Diem	29,174	49,118	105,709
Venue Hire	9,700	8,836	31,642
Event Catering for Program	31,675	20,220	47,381
Program Miscellaneous Expenses	7,091	7,189	28,419
Participants Accommodation - Domestic	1,881	-	662
Total Program Expenses	324,292	273,404	743,373
Secretariat Travel Expenses			
Secretariat Airfares - International	55,625	96,788	95,326
Secretariat Accommodation - International	23,767	40,050	44,649
Secretariat Ground Transport - International	431	334	114
Secretariat Per Diem	17,604	21,694	29,810
Secretariat Travel - Miscellaneous Expenses	195	-	-
Secretariat Airfares - Domestic	-	1,001	484
Secretariat Accommodation - Domestic	-	334	189
Secretariat Ground Transport - Domestic	311	6,675	2,113
Total Secretariat Travel Expenses	97,933	166,876	172,685

* There is no breakdown for the consultancy expenses budget column.

These Financial Statements should be read in conjunction with the Notes to the Financial Statements and the Auditor's Report.



Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

**Statement of Expenses
for the year ended 30 June 2015 (continued)**

	2015 \$	<i>Budget</i> 2015 \$	2014 \$
Secretariat Operational Expenses			
Advertising	-	1,600	2,500
Audit Fee	10,371	13,000	10,068
Bank Fees	3,244	6,576	4,400
Cleaning	4,177	5,411	5,021
Computer Expenses	9,509	10,500	10,276
Depreciation	10,543	11,359	42,663
Electricity	3,447	3,623	3,646
Insurance	6,345	6,996	6,143
Equipment Lease	8,026	9,071	7,715
Office Expenses	8,703	7,151	11,329
Postage, Printing & Stationery	11,070	46,822	34,031
Professional Fees	38,013	-	32,723
Rent	92,525	94,022	101,078
Repairs & Maintenance	719	2,750	1,128
Reorganisation of Secretariat	3,694	87,000	33,000
Telephone	9,688	10,522	8,873
Total Secretariat Operational Expenses	220,074	316,403	314,594
Total Expenses	1,383,278	1,860,446	1,799,912

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

**Statement of Movements in Equity
for the year ended 30 June 2015**


	2015	<i>Budget</i> 2015	2014
	\$	\$	\$
Total Members' Funds at Beginning of the Year	1,150,207	1,048,216	2,274,164
Surplus/Deficit & Revaluations			
Net Surplus (Deficit) for the year	<u>544,005</u>	<u>105,524</u>	<u>(1,123,957)</u>
Total recognised revenues and expenses for the year	<u>544,005</u>	<u>105,524</u>	<u>(1,123,957)</u>
	1,694,212	1,153,740	1,150,207
Contributions/Distributions			
Contributions from members	-	-	-
Distributions to members	-	-	-
Total Members' Funds at End of Year	<u><u>1,694,212</u></u>	<u><u>1,153,740</u></u>	<u><u>1,150,207</u></u>


Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

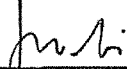
**Statement of Financial Position
as at 30 June 2015**

	Note	2015 \$	Budget 2015	2014 \$
Total Members' Funds		<u>1,694,212</u>	<u>1,153,740</u>	<u>1,150,207</u>
Non-Current Assets				
Fixed Assets	4	<u>27,892</u>	<u>26,942</u>	<u>38,435</u>
Total Non-Current Assets		<u>27,892</u>	<u>26,942</u>	<u>38,435</u>
Current Assets				
Cash at Bank		1,742,901	1,126,300	1,126,434
Sundry Debtors & Prepayments		38,415	30,000	35,299
Accounts Receivable		4,687	999	903
Tax Refund Due	6	<u>3,615</u>	-	-
Total Current Assets		<u>1,789,518</u>	<u>1,157,299</u>	<u>1,161,636</u>
Total Assets		<u>1,817,410</u>	<u>1,184,241</u>	<u>1,200,071</u>
Current Liabilities				
Accruals		80,768	19,500	40,605
Accounts Payable		39,638	11,001	9,259
UNDP Funding Reserve	12	<u>2,792</u>	-	-
Total Current Liabilities		<u>123,198</u>	<u>30,501</u>	<u>49,864</u>
Total Liabilities		<u>123,198</u>	<u>30,501</u>	<u>49,864</u>
Net Assets		<u>1,694,212</u>	<u>1,153,740</u>	<u>1,150,207</u>

For and on behalf of the Members:


 Fulmaono Camillo Afele
 Controller and Auditor-General,
 Samoa, Chairman PASAI


 Lyn Provost
 Controller and Auditor-General, New Zealand


 Tiofilusi Tiueti
 Chief Executive

Date: 25/9/2015

These Financial Statements should be read in conjunction with the Notes to the Financial Statements and the Auditor's Report.

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

1. Statement of Accounting Policies

Reporting Entity

The financial statements are for the Pacific Association of Supreme Audit Institutions (PASAI) Incorporated. 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.

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated is a non-profit organisation registered under the Incorporated Societies Act 1908.

(a) Measurement Base

These financial statements have been prepared on a historical cost basis, with the exception of certain items for which specific accounting policies are identified. The financial statements are presented in New Zealand dollars (NZ\$) and all values are rounded to the nearest NZ\$, except where otherwise indicated.

(b) 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 2014, and because 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 3 reporting entity and will be required to apply Public Benefit Entities Simple Format Reporting Standard - Accrual (PBE SFR - A). 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 2015. This means PASAI expects to transition to the new standards in preparing 30 June 2016 financial statements.

The society qualifies for differential reporting as it is not publicly accountable and as it is not classified as "large" as defined in the Framework for Differential Reporting.

The society has taken advantage of all available differential reporting exemptions.

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

Notes to and forming part of the Financial Statements for the year ended 30 June 2015 (continued)

(c) Change in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the prior year.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

Notes to and forming part of the Financial Statements for the year ended 30 June 2015 (continued)

(h) Fixed Assets

Fixed assets 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.

Depreciation has been calculated using the maximum rates permitted by the Income Tax Act 2007.

The following depreciation rates have been used:

Office Fit Out	25% (4 years)
Computer & Technology	40% (2-3 years)
Office Equipment	10% (10 years)

(i) Receivables

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

(j) 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.

(k) 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.

(l) 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.

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2015 (continued)**

(m) 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.

2. Remuneration of Auditors	2015	2014
	\$	\$
Amounts received, or due and receivable, by the auditor of the business for:		
Audit Fee	<u>10,371</u>	<u>10,068</u>

3. Development Partner Contributions	2015	2014
	\$	\$
Asian Development Bank	1,967	-
INTOSAI Development Initiative	183,882	167,850
The Department of Foreign Affairs and Trade	1,237,518	-
The Ministry of Foreign Affairs and Trade	460,813	500,000
Returned Funds	-	(24,865)
	<u>1,884,180</u>	<u>642,985</u>

Note that following completion of programs funded by IDI and World Bank funding of \$24,865 was unused and returned in the 2014 financial year.

4. Fixed Assets			Accum	
	Cost	Depn	Depn	Book Value
This Year				
Office Fit Out	129,387	134	129,387	-
Computer & Technology	67,436	6,035	62,292	5,144
Office Equipment	47,717	4,374	24,969	22,748
Total Fixed Assets	<u>244,540</u>	<u>10,543</u>	<u>216,648</u>	<u>27,892</u>
Last Year				
Office Fit Out	129,387	29,786	129,253	134
Computer & Technology	67,436	8,105	56,257	11,179
Office Equipment	47,717	4,772	20,595	27,122
Total Fixed Assets	<u>244,540</u>	<u>42,663</u>	<u>206,105</u>	<u>38,435</u>

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2015 (continued)**

5. Income Tax

Profit Reconciliation	2015	2014
	\$	\$
Operating Surplus (Deficit) before income tax	545,077	(1,116,389)
Deduct		
Non Taxable Income	1,904,139	651,141
Tax Exempt Income	1,000	1,000
Non-Taxable Dividend	6	-
	<u>(1,360,068)</u>	<u>(1,768,530)</u>
Add Back		
ICA Credits Attached to Dividends Received	137	-
Non Deductible Expenses	1,371,302	1,799,912
Taxable Income	<u>11,371</u>	<u>31,382</u>
Taxation charge @ 28%	3,183	8,787
Prior year tax refunds	1,974	1,219
	<u>1,209</u>	<u>7,568</u>
ICA Credits Attached to Dividends Received	137	-
Taxation Expense	1,072	7,568
Tax paid relating to current year		
RWT Paid	4,587	7,568
Taxation refundable	<u>(3,515)</u>	<u>-</u>

6. Events occurring after Balance Date

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

7. Commitments for Expenditure

Capital Commitments

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

	2015	2014
	\$	\$
Operating Lease Commitments		
Total lease expenditure contracted for at balance date but not provided for in the accounts:		
Payable:		
Not later than one year	51,610	93,998
Later than one year but not later than 5 years	446	53,973
	<u>52,056</u>	<u>147,971</u>
Representing:		
Non-cancellable operating leases	<u>52,056</u>	<u>147,971</u>

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

Notes to and forming part of the Financial Statements for the year ended 30 June 2015 (continued)

Lease of Land & Buildings

Property: 56 Parnell Road, Parnell, Auckland, New Zealand

Annual Rent: \$92,525

Term: Monthly lease

Rent Reviews: 2 yearly

Right of Renewal: 11 January 2016

Lease of Assets

Asset: Ricoh Copier

Monthly Rent: \$446

Term: 18 months from 20 February 2015

8. Contingent Liabilities

Bank Guarantee (Premise Lease Undertaking)

As a condition of the lease of the Secretariat premises at 56 Parnell Road, a deposit of \$41,604 has been made with PASAI's bank 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.

Make Good Provision

The premises at 56 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 application of this clause in the lease agreement is at the discretion of the landlord. The next renewal of the lease is January 2016, with an expiry date of January 2018.

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 financial statements.

9. 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.

Pacific Association of Supreme Audit Institutions (PASAI) Incorporated

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2015 (continued)**

10. 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.

11. Currency Risk

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.

12. UNDP Funding Reserve

The UNDP Funding Reserve is 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 is due to take place after balance date. The remaining 40% of funding will be received August 2015 upon submission of a final report and financial acquittals by PASAI.

13. 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.

14. Technical Assistance Grant

During the year the Asian Development Bank (ADB) provided funding of \$USD648,510 (\$NZD948,086) to support costs associated with the activities of PASAI, in particularly 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 these financial statements.

15. Prior Year Comparatives

Comparative figures in the financial statements relate to the year ended 30 June 2014. Where necessary these figures have been reclassified on a basis consistent with current disclosure for the year ended 30 June 2015.