



### New Audit Act 2017 for the Kiribati Audit Office

A new Audit Act 2017 for the Kiribati Audit Office (KAO), formerly known as the Kiribati National Audit Office (KNAO), was passed by Parliament in its August 2017 session. His Excellency Te Beretitenti assented the Act on October 11, 2017 and the Honorable Minister of Finance and Economic Development issued a commencement date of October 12, 2017.

The Office of the Attorney-General with the assistance of the Auditor-General and PASAI consultant for the “*Independence Resource Kit*” (<https://www.pasai.org/introduction>) drafted the Act, which contains provisions that are recognized as international best practices.

The new provisions, amongst others, include:

- i) the creation of an Audit Board with six members (who will be formerly appointed by the Hon. Minister of Finance and Economic Development and sworn in by a Single Magistrate on Monday, 15 January, 2018) to provide guidance to the work of the KAO;

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Photo above: Participants from Kiribati Parliament and KAO at the sessions discussing the new Audit Act 2017.

- ii) the inclusion of other types of audits as practiced in developed jurisdictions namely performance, environmental and IT audits, which were absent in the existing four pieces of governing legislation covering specific auditable entities;
- iii) the power to instigate legal recovery actions on fraudulent cases and impose a fine and penalty;
- iv) as prompted by the Mexico Declaration (<http://www.intosai.org/issai-executive-summaries/view/article/issai-10-the-mexico-declaration-on-sai-independence.html>) the Auditor-General is to report on the operations of the KAO against the accountability annual work plan and the result/achievements of its audits to Parliament through the Board;
- v) the Auditor-General is expected to complete the audits and produce the audit reports within 3 months from the date of receipt of the financial statements;
- vi) the power to obtain timely, unfettered, direct and free access to relevant documents and information however the Auditor-General is required to preserve the confidentiality of privileged documents;
- vii) the requirement for the KAO to apply ISSAIs in their audits.

The Audit Board amongst other things will review the accountability annual work plan of the KAO and evaluate the performance against these plans. However, it is emphasized in the Act that the Board will not in any way interfere with the role, functions and independence of the Auditor-General as guaranteed by the Constitution.

The provisions of the new Act will enhance the work of the KAO and assist Parliament in the evaluation of government Ministries' and State Owned Enterprises' programmes, with expected impacts in improved good governance, transparency and accountability.

"One of the added benefits to the Kiribati Audit Office as a result of this new Act, is the increase in transparency. The performance of every Government Office will be assessed by the Auditors, and the Audit Office will be assessed by an approved oversight body, which is now the KAO Audit Board. The establishment of the Audit Board was fully supported by Cabinet so that there will be no exception in the monitoring process. This was seen as the first step to promote good governance," says Auditor-General Matereta Raiman.



Photo right: Auditor-General, Matereta Raiman presenting about the Audit Act 2017.



## Timeliness of completion of audit reports

Regarding the timeliness of the audit reports, the year 2017 is the third year in a row the KAO has lodged the Whole of Government (WOG) audit report to Parliament in its December sessions:

- 1) WOG annual accounts 2014 - lodged in June 2015 by the Accountant-General, audit completed in December 2015 – however there was no December session so it was lodged in Parliament at the next session in April 2016.
- 2) WOG annual accounts 2015 - received in June 2016, audit completed and lodged to Parliament in December 2016.
- 3) WOG annual accounts 2016 - received in June 2017, audit completed and lodged to Parliament in December 2017.

In respect of the State Owned Enterprises (SOEs), the year 2017 also marked a great achievement by the following:

- i) Eleven out of 17 fully functional SOEs had been audited on their financial statements for the year 2016 and were lodged in 2017 Parliament sessions;
- ii) Three financial statements remain at the end of 2017 one of which will be completed in January 2018 while the two will still remain due to the absence of their company files;
- iii) Three SOEs have yet to lodge their 2015 and 2016 financial statements;
- iv) Aside from the above 17 there are still three SOEs that have not lodged their financial statements since 2013 thus it is uncertain whether they are still functional or if financial statements are forthcoming or not.

The Project division is also well ahead with its 12 auditable projects. All of these audit reports were completed before the end of June 2017 for the World Bank projects as requested, and before the end of December 2017 for the other four projects.

All the audits up to 2017 have been financial audits only. However, the fiscal year 2018 looks to be a challenge for the KAO, given now its broad mandate under the Audit Act 2017 to conduct performance audit on the operations and service deliveries of government Ministries as well as SOEs.



Some of the staff of Kiribati government ministries and State Owned Enterprises discussing and clarifying the requirements of the new Kiribati Audit Act with the Auditor-General and KAO staff.



Group 1 (l-r): Shofiqul Islam, Sinaroseta Palamo-Iosefo, Catherine Mafi (Tonga), Joyce Meseputu (Solomon Islands), Edlyn Dalisay (Guam), Tracy Cheer (Cook Islands) and Aurelija Brukstute

## IDI/PASAI Quality Assurance Review of Compliance Audit of Procurement

INTOSAI Development Initiative and PASAI carried out a Quality Assurance Review (QAR) workshop on 4-9 December 2017 in Nadi, Fiji. The QAR is part of IDI and PASAI's 1st compliance co-operative procurement audit programme which included a planning meeting in November 2015, audit fieldwork conducted by 10 participating SAIs and a reporting meeting held in December 2016.

The objective of the QAR is to assess whether the published audit reports for compliance procurement audits conducted by PASAI members in their respective jurisdictions complied with the general requirements of international standards of Supreme Audit Institutions - *ISSAI 4000: Compliance Audit Standard*. The audit team leader from each SAI was invited for two days of the workshop to discuss their audit report with the reviewers, and ten SAIs were allocated into three groups as follows:

- Group 1 – Cook Islands, Guam, Solomon Islands and Tonga
- Group 2 – FSM State of Pohnpei, Papua New Guinea and Samoa
- Group 3 – Fiji, Marshall Islands and Tuvalu

The audit team leaders from Cook Islands, Fiji, FSM State of Pohnpei, Guam, Marshall Islands, Papua New Guinea, Samoa, Solomon Islands, Tonga and Tuvalu attended the workshop that was facilitated by Mr Shofiqul Islam, IDI Program Manager, Ms Aurelija Brukstute, Quality Assurance expert from Lithuania National Audit Office and Mrs Sinaroseta Palamo-Iosefo, PASAI Director of Practice Development.



Group 2 (l-r): Shofiqul Islam, Sinaroseta Palamo-Iosefo, Cardinia Joel (FSM Pohnpei), Maggi Kuli (PNG), Aurelija Brukstute and Morina Faasisila (Samoa)

This is the first co-operative compliance audit conducted by PASAI member SAIs as a separate audit. Generally, the SAIs have conducted compliance audits as part of audit procedures of a financial audit. Compliance audit as a separate audit stream has recently been recognized with the development of a specific auditing standard, ISSAI 4000, to provide guidance on the key elements of how a compliance audit is conducted. Hence, this workshop is the first of its kind in the region and has raised awareness of not only compliance audit as a separate audit but also piloting the quality assurance review process in accordance with ISSAI 4000.

The one-on-one discussions between the reviewers and audit team leaders were beneficial for the SAIs to understand the practical application of ISSAI 4000 and what is required when conducting a compliance audit. Additionally, the lessons learned from this QAR workshop highlighted areas where SAIs can focus on to improve the quality of audits. It also provided lessons that PASAI can use to focus on, in improving high quality audits.

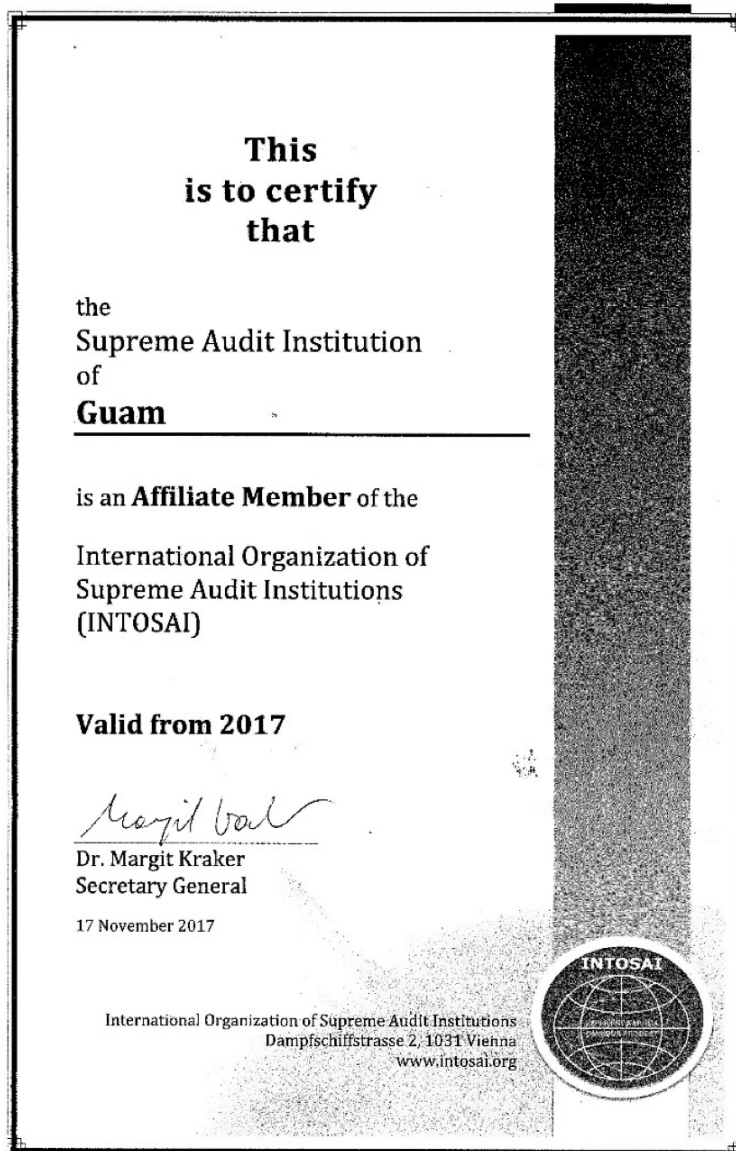


Group 3 (l-r): Shofiqul Islam, Finau Nagera (Fiji), Aurelija Brukstute, Ayako Yamaguchi-Eliou (Marshall Islands), Sinaroseta Palamo-Iosefo and Lauti Bici (Tuvalu)

# GUAM Office Granted INTOSAI Affiliate Membership

Guam Office of Public Accountability (OPA) has become the first SAI to be admitted as an Affiliate Member of INTOSAI under the revised INTOSAI Statutes' article 2 (5) and (6). In a letter dated November 21, 2017, Dr. Margit Kraker, International Organization of Supreme Audit Institutions (INTOSAI) Secretary-General and President of the Austrian Court of Audit, welcomed the Guam Office of Public Accountability (OPA) as an Affiliate Member on behalf of all INTOSAI members.

The INTOSAI Governing Board approved OPA's application for Affiliate Member status during its November 2017 meeting in Graz, Austria. Affiliate Members may participate in INTOSAI events and programmes and benefit from INTOSAI's capabilities but do not have voting privileges. OPA began pursuing INTOSAI Affiliate Membership in August 2016. This membership category includes audit organizations of overseas territories of INTOSAI member countries, such as Guam. OPA's application was first approved by the United States Comptroller-General, Gene Dodaro, in August 2016. Former PASAI Secretary-General, Lyn Provost supported and submitted OPA's application in January 2017, before final approval by the INTOSAI Governing Board. PASAI is represented at the INTOSAI Governing Board by Fuimaono Camillo Afele, Controller and Auditor-General of Samoa. The admission of Guam OPA as an Affiliate Member increases the number of PASAI membership in INTOSAI to 16.



## Guam OPA Auditor Receives CPA Designation

The Office of Public Accountability (OPA) is pleased to announce that Edlyn Maninang Dalisay successfully completed the U.S. Certified Public Accountant (CPA) examination. After passing her exam in October 2017, Edlyn earned her U.S. CPA professional designation in November 2017. Edlyn earned her Bachelors of Accountancy in the Philippines at the Pamantasan ng Lungsod ng Maynila (University of the City of Manila) in April 2006. She passed the Philippine CPA examination in October 2006 and obtained the license in the same year.

Prior to joining OPA in January 2016, she worked for six years with the biggest auditing firm in the Philippines, and two years with a private group of companies. Currently at OPA, she primarily works on performance, compliance, and financial audits.

(From the Office of Public Accountability, Media Release 4 January 2018, [http://www.opaguam.org/sites/default/files/press\\_release\\_-\\_edlyn\\_cpa\\_jan\\_2018.pdf](http://www.opaguam.org/sites/default/files/press_release_-_edlyn_cpa_jan_2018.pdf))



## New Public Auditor for Chuuk



We welcome Mr. Manuel "Manny" L. San Jose Jr. to the PASAI Family, the newly appointed Public Auditor of Chuuk State, Federated States of Micronesia (FSM).

Mr. San Jose has 36 years work experience in the fields of Auditing, Finance, Accounting and Information Technology both in the private and government sectors. Prior to joining Chuuk State Public Auditor's Office, he worked for about nine years at the FSM National Public Auditor's Office where he started working as an Audit Supervisor and then held the position of Audit Consultant/Audit Manager. In the private sector he was able to work for companies in various industries like auditing, manufacturing, insurance and education (a university) where he held a number of key executive posts such as Audit Manager, Management Information Systems (MIS) Manager, Assistant Vice President for Information Technology,

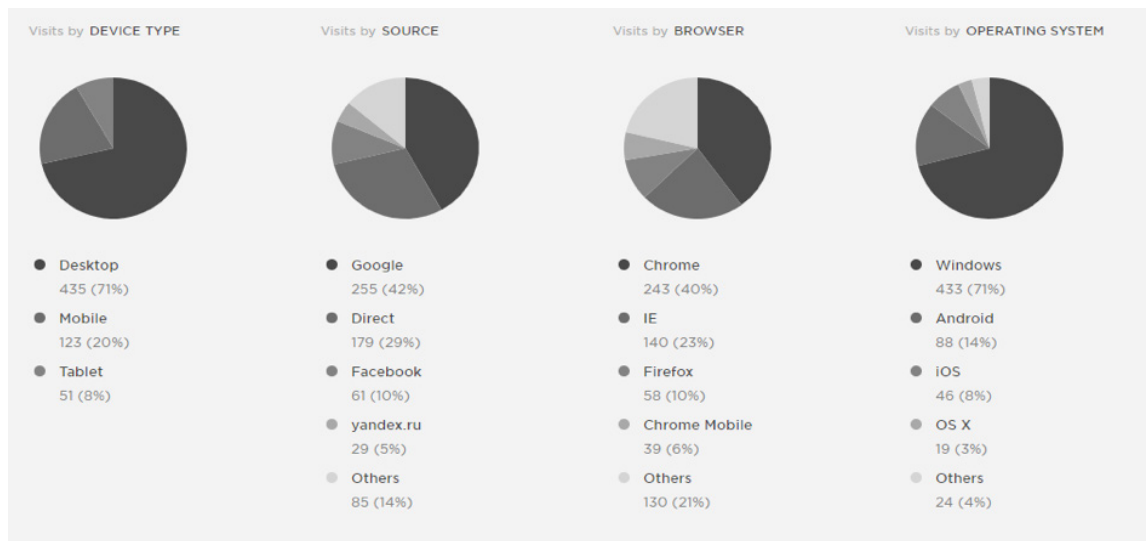
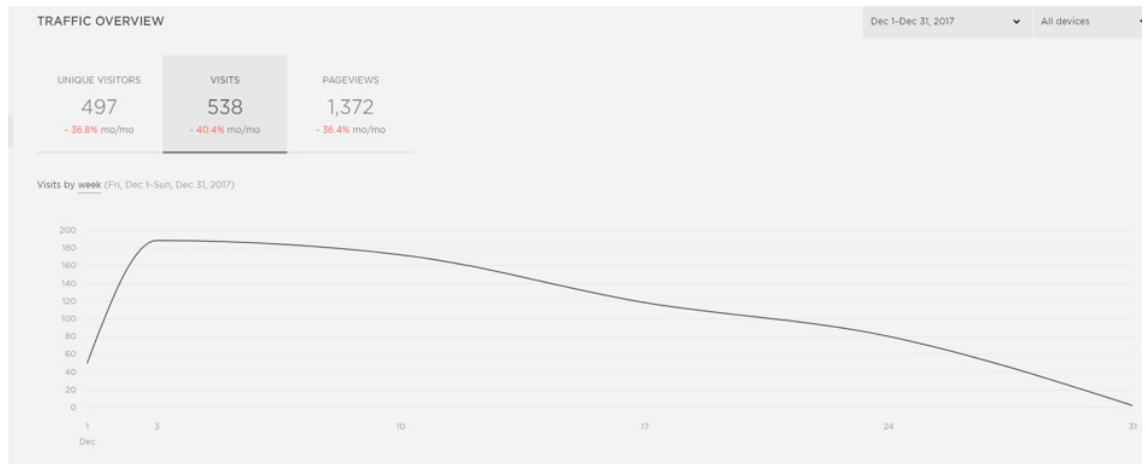
Senior Assistant Vice President for Audit, Vice President/Comptroller for Finance, and Chief Finance Officer (CFO).

Mr. San Jose, a cum laude graduate, has a bachelor degree in Commercial Science majoring in Accounting and a Master's degree in Business Administration (MBA).

Mr. San Jose has earned six professional certifications for himself to enhance his knowledge and skills in auditing, risk management, auditing and information technology, and investigation. He possesses the following professional certifications:

1. Certified Public Accountant (CPA-Phils)
2. Certified Internal Auditor (CIA)
3. Certified Information Systems Auditor (CISA)
4. Certified Government Auditing Professional (CGAP)
5. Certification in Risk Management Assurance (CRMA)
6. Certified Forensic Investigation Professional (CFIP)

# PASAI Website analytics - December 2017



## Other interesting things to note for December 2017 were:

71% of people visited our website from desktops.  
 20% of people visited our website from mobile phones.  
 8% of people visited our website from a tablet.

42% of traffic came through a Google search  
 29% of traffic came directly to our website  
 10% of traffic came through Facebook





# TECHNICAL SUPPORT UPDATE #12 2017

For this final Technical Update for 2017 I am sharing a great article by Steven Cain of CIPFA which highlights and reflects on the last 20 years of public sector standard setting. In our PASAI region there are a few countries that have adopted this financial reporting framework which is encouraging moving from cash basis to accruals. It is hoped as the Public Financial Management of Pacific developing countries improves that compliance with IPSAS or IFRS and moving from cash to accruals, becomes a normality in the future. This allows government to have a clearer picture of their financial position so that they can make informed decisions to better the quality of life for their citizens, an objective of Supreme Audit Institutions (SAIs).

~ A'eau Agnes Tuai-Aruwafu, Director of Technical Support.

## Twenty Years of International Public Sector Standard Setting

By Steven Cain, Technical Manager Financial Reporting and Auditing Standards, CIPFA | December 20, 2017

2017 was a landmark year for international standard setting for public sector financial reporting. International Public Sector Accounting Standards Board (IPSASB) is the only international standard setter that caters for public sector financial reporting. It has the sole function of developing and promoting International Public Sector Accounting Standards (IPSAS) in order to advance public financial management worldwide. IPSASB has recently marked the 20th year of IPSAS standard setting and development.

It all began in 1986 as the IFAC Public Sector Committee, formed to cover all matters relating to the public sector. In the late 1990s, it began the IPSAS program that was to become its defining feature.

In 1997, the Committee developed the first accrual basis IPSAS. By 2003, some 20 accrual IPSAS had been issued, as well as a single standard on cash basis financial reporting for those jurisdictions that were not yet ready to implement accrual-basis reporting.

Initially, the IPSAS addressed areas where the differences between public and private sectors were not very significant. They were developed by referencing the International Accounting Standards (IAS), issued by the International Accounting Standards Board, which have now been subsumed within International Financial Reporting Standards (IFRS). The IAS' main feature was that they used language that was less commercial and more appropriate to the public sector context.

However, from the start of the IPSAS project, it was clear that standards that cover public sector specific issues would be helpful, and indeed necessary. Formally reconstituted as the International Public Sector Accounting Standards Board, between 2004 and 2007 consultations were progressed relating to:

- assets that were not held to generate cash income;
- revenue (such as taxes and transfers) that does not arise from commercial exchanges;
- accounting for heritage assets; and
- accounting for government programs providing social benefits.



## TECHNICAL SUPPORT UPDATE #12 2017

Although only some of these consultations resulted in standards, they attracted considerable interest and helped establish IPSASB as a thought leader in financial reporting matters.

At the same time, there were significant developments in private sector IFRS, and for a while IPSASB needed to play “catch-up” in updating its IPSAS standards to reflect new thinking and improvements. This had a particular benefit when the IPSASB formalized and made public its approach to maintaining alignment with IFRS when appropriate, and developing public sector-specific material in other cases.

Once the initial catch-up was complete, IPSASB progressed another major project: developing a conceptual framework setting out the foundational standard setting on general purpose public sector financial reporting. This addressed a number of problem areas in earlier standard-setting consultations, and laid the groundwork for IPSASB to address the key remaining public sector issues for which standards had not yet been developed. Each of these were, by their nature, quite difficult. But the recent and current IPSASB program includes projects on:

- Social Benefits
- Revenue & Non-Exchange Expenditure
- Heritage
- Financial Instruments (including public sector specific instruments)
- Public Sector Measurement; and
- Infrastructure Assets

As a champion of improved public financial management, the Chartered Institute of Public Finance and Accountancy (CIPFA) has supported these initiatives throughout. Along with members of other UK-based institutes, CIPFA members have been members and leaders of the IPSASB. IPSASB's current Chair, Ian Carruthers, is also CIPFA's Policy and Technical Director. In addition, CIPFA International's Chair, Ian Ball, is a former chair of IFAC Public Sector Committee.

So Happy Birthday the IPSAS! We're greatly looking forward to collaborating with you over the next 20 years to strengthen public financial management across the world.

[Source: http://www.ifac.org/global-knowledge-gateway/business-reporting/discussion/twenty-years-international-public-sector?utm\\_medium=email&utm\\_source=transactional&utm\\_campaign=GKG\\_Latest](http://www.ifac.org/global-knowledge-gateway/business-reporting/discussion/twenty-years-international-public-sector?utm_medium=email&utm_source=transactional&utm_campaign=GKG_Latest)

# PASAI CALENDAR

## THE NEXT SIX MONTHS

- **29 January, 2018:** Auckland Anniversary Day, Public holiday, Auckland, NZ.
- **6 February, 2018:** Waitangi Day, Public holiday for NZ.
- **22 – 23 February, 2018:** 18th Governing Board meeting, Auckland, NZ.
- **5 – 9 March, 2018:** FASTS Programme begins, Nauru.
- **19 – 23 March, 2018:** Tier 1 training, Nauru.
- **30 March – 2 April, 2018:** Easter Weekend, Public holiday, Auckland, NZ.
- **23 – 27 April, 2018:** Strategic Planning workshop, Tonga.
- **25 April, 2018:** ANZAC Day, Public holiday, Auckland, NZ.
- **25 – 29 May, 2018:** SAI PMF, Nauru.
- **July 2018 (dates and venue TBC),** 6th CPA SDG Programme, Joint Reporting meeting.