



South African Auditor-General visits Wellington

On 16 January 2017, the Office of the Auditor-General of New Zealand was privileged to welcome Thembekile Kimi Makwetu, Auditor-General of South Africa and Chair of the INTOSAI Capacity Building Committee. This visit provided an excellent opportunity for Greg Schollum, Deputy Auditor-General of New Zealand and Kimi to share experiences and challenges in their own SAIs, and also to discuss the other things they are both doing to support the broader INTOSAI community. Discussions focused on New Zealand's work in developing a new strategy, our contracting-out model, our audit committee, and how we use an external auditor to perform our internal audit function.

New Zealand has made a large commitment to PASAI through its role as Secretary-General so Tiofilusi Tiueti, Chief Executive of PASAI was also invited to participate in the discussions. This presented an invaluable opportunity to showcase PASAI's work particularly in the context of Kimi's role as chair of the CBC.

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Photo (left to right): Sarah Markley, Thembekile Kimi Makwetu, Greg Schollum and Tiofilusi Tiueti meeting at the Office of the Auditor-General New Zealand.

PASAI-focused discussions were centred on the PASAI Strategic Plan priorities and the current areas of focus, such as the completion of SAI PMF assessments and the development of PASAI's future focus areas using the information from these assessments. There was also a discussion on the challenges to achieve professionalisation in the context of small island nations.

Talks also extended to other capacity-building activities that PASAI is involved in, such as building twinning relationships both with larger developed SAIs and south-south arrangements; support received through IDI programmes, including the SDG preparedness co-operative audit currently in progress; and programmes that are being developed to assist PASAI SAI's in the much-needed area of quality assurance.

Kimi noted that the contribution of PASAI internationally was significant and particularly congratulated PASAI on its monthly bulletin, which in his view, was very well received in the international arena. Kimi also appreciated the challenges to achieve independence faced by many in our region and congratulated PASAI on the achievements in recent months with new legislation passed in Tuvalu and Kiribati. It was noted how pleasing it is to see the PASAI Independence Toolkit bearing fruit in our region and also contributing to work completed around the globe.

Kimi's visit coincided with accompanying his son around New Zealand while playing for South Africa in the Under-19 Cricket World Cup. We were able to add to Kimi's sporting experiences in New Zealand by arranging a visit to the New Zealand Rugby Union head office, which shares a building with the Office of the Auditor-General. Tiofilusi and Kimi had a chance to see historic memorabilia, including the World Cup and Bledisloe Cup, which are both currently held by New Zealand.



Photo left: Thembekile Kimi Makwetu

Photo below: Sarah Markley and Greg Schollum





Head of Internal Audit Tuvalu
with GIZ Technical Advisor

Internal Audit in the Pacific Region

In December 2016, a group of Internal Auditors (IA) and External Auditors (EA) from seven Pacific Countries got together to network and learn about the unique and important work each profession contributes to the government and public

sectors of their nations. PASAI and PFTAC (Pacific Financial and Technical Assistance Centre) arranged the workshop, with the training and co-ordination led by A'eau Agnes Aruwafu from PASAI, Chita Marzan from PFTAC and Sue Morrison, an independent Internal Audit/PFM consultant engaged at the time by PASAI to assist with designing and co-facilitating this workshop. The objective of this workshop was to build a network between external and internal auditors to contribute to strengthening public financial management (PFM) of Pacific governments. During this workshop one objective that was emphasised was for external and internal auditors to work more closely together to achieve efficient and effective audit services within the public sector. Since this workshop Sue Morrison has been engaged as an independent consultant in several of these Pacific countries to further strengthen internal audits and also follow up on the co-ordination efforts between external and internal auditors.

Sue is currently on assignment in the small island nation of Tuvalu as the Internal Audit Technical Adviser with the DFAT/GIZ Climate Finance Readiness for the Pacific Programme, also supported by SPC, Pacific Islands Forum Secretariat, and PFTAC. Tuvalu is one of several Pacific countries that are meeting the challenges of capacity building in climate change, finance and planning. This means having robust audit functions, both government Internal Audit and SAI's, working together to meet the public financial management accountability criteria for access to global climate change finance.

Sue Morrison has been instrumental in establishing a network with Heads of Internal Audit in the Pacific Region between PNG, Solomon Islands, Vanuatu, Fiji and Tuvalu. This network will be used to share issues of mutual concern, provide guidance, advice and ideas. It is envisioned that a network of internal auditors across the Pacific, with leadership and input from the experienced Heads of Internal Audit, will help support and encourage internal audit work. Early indications of support have been received from Fiji for professional development opportunities.

In January 2018, Tuvalu's Head of Internal Audit and the Auditor-General Mr Eli Lopati were pleased to sign a Co-operation Protocol, agreeing to share information and engage on issues of mutual interest and training. This will be an important relationship in demonstrating climate finance readiness by strengthening public sector audit.

PASAI is keen to continue networking with Sue Morrison to continue our regional efforts to strengthen PFM by external and internal auditors working more closely together.



Head of Internal Audit, IA Advisor and Auditor
General of Tuvalu

FSM Public Audit Offices releases a Fraud Awareness Video

Article submitted by FSM Public Auditor – Office of Pohnpei State

The Office of the Federated States of Micronesia Public Auditor (FSM OPA) and the Office of Pohnpei State Public Auditor (Pohnpei OPA) combined forces to execute the Fraud Awareness Flexible Funding project. The project is co-ordinated through the Office of the Commonwealth Ombudsman (OCO), and funded by the Australian Department of Foreign Affairs and Trade (DFAT) as part of the Pacific Governance and Anti-Corruption programme. FSM's objective is to raise public awareness through their community outreach programme by educating the entire community, inclusive of government departments, on the impact of fraud, corruption and suspicious activities. The OPA's aim is to empower the community to be able to identify and correctly report these activities supporting the prevention of fraud and corruption.



Promotional materials including, t-shirts, posters, bumper stickers and lanyards have been received and distributed amongst five offices by FSM OPA and Pohnpei OPA. New office signage has also been installed at both FSM OPA and Pohnpei OPA giving the offices more visibility, with the signage for Chuuk, Yap and Kosrae to be shipped and installed imminently.

As part of their Flexible Funding Project by the Office of Commonwealth Ombudsman (OCO), FSM OPA's have worked together to produce a video to increase public awareness and education of the Public Auditor's value and benefits. The video discusses the role of Auditors in matters relating to fraud, corruption and abuse of public resources, and provides a guideline on citizens' responsibility to identify and report on the waste and mismanagement of public funds and related resources.

The awareness and education video can now be found on PASAI's website <https://www.pasai.org/news-blog/2018/2/4/video-launch-paddling-together-for-a-fraud-free-fsm> or <https://www.pasai.org/anti-corruption-websites/> including PASAI's social media Facebook, LinkedIn and Twitter.



PASAI visit to Queensland Audit Office (QAO)

Queensland's Auditor-General, Brendan Worrall met with PASAI's Director of Technical Assistance, A'eau Agnes Tuiai-Aruwafu this month. They discussed Queensland Audit Office (QAO) and PASAI's ongoing efforts in sharing expertise between Pacific nations to improve the quality of public sector auditing.

QAO is hosting this year's Regional Working Group on Environmental Audit (RWGEA) meeting which is a working group of INTOSAI that focuses on building capacity in Pacific and Australian public



audit offices to undertake environmental audits. The meeting will be held from 15-17 May 2018 in Brisbane and will be attended by PASAI Secretariat, Auditors from PASAI member countries and NZ/Australian Federal and State Audit offices. It will be a great opportunity to share knowledge and experience and for PASAI Pacific member countries to meet and collaborate with their twinning Australian Audit Offices.



ACAG and NSW Audit Office Hosts IMPACT Conference



**Need more information?
Contact the IMPACT Event Team.**

impact2018@audit.nsw.gov.au

+61 2 9275 7100

www.impactconference2018.com

The Australian Council of Auditors-General (ACAG) host a Conference called 'IMPACT' every two years and New South Wales Auditor-General, Margaret Crawford will host this

year's conference. IMPACT stands for International Meeting of Performance Audit Critical Thinkers and is Australia's largest and most respected performance audit conference.

From the hosts:

IMPACT 2018 is a conference for big thinkers who need to understand how the public sector is changing. Performance auditors, internal auditors, governance officers, programme evaluators, management consultants, academics and public sector managers will all be stimulated and challenged by our speakers and panel discussions. With invaluable opportunities for professional learning, networking and career-building, IMPACT 2018 promises to be an unmissable event.

Across two days, leading Australian and international experts will share their insights on the biggest challenges facing the industry today including: changing government landscapes, big data, automation, citizen-centred auditing and cybersecurity threats.

The conference will be held in Sydney, Australia from 19 - 20 March, 2018. PASAI members are invited to spend two days with hosts ACAG and leading thinkers, to discover future government direction and the future of performance audit. A special discount has been applied to tickets for PASAI members at the following link:

<https://www.eventbrite.com.au/e/impact-2018-tickets-37476554383?discount=IMPACT-PASAI>

Full details can be found on the conference event website and places are strictly limited, so register now.

INTOSAI ‘Engaging with Stakeholders’ Workshop

Article submitted by SAI Vanuatu

From 27 November - 8 December 2017, SAI Cambodia hosted the INTOSAI Development Initiative (IDI) sponsored workshop on “Engaging with Stakeholders” programme. The two-week workshop saw participants from Supreme Audit Institutions (SAIs) from the Asian (ASOSAI) and Pacific (PASAI) regions, coalesce in sharing knowledge and ideas through discussions; and using other communication tools to develop a communication strategy for stakeholders. The programme included key communication mechanisms that were suitable to each SAI and forwarding innovative ideas in new approaches— all stemming from striving to enhance and improve SAI-stakeholder engagement.

At the opening ceremony, the Auditor-General of Cambodia in his opening remarks referred to the importance of communication and communicating the role of SAIs to its key stakeholders.

The overarching idea was to help SAIs develop effective communication strategies that would help SAIs achieve greater audit impact and independence.

The programme was separated into two modules and each module comprised of different sessions addressing various stakeholder-engagement components including an excursion organized by SAI Cambodia. Module One covered in the first week focused on several aspects such as: Planning the Strategy, Understanding the SAI Environment and Conducting the SAI Communication Process. Module Two covered the development of the stakeholder strategy. Aspects covered were: Design Communication Plan for Each Stakeholder, Write Strategy Report, Operationalize the Strategy and lastly, Monitor and Evaluate—the latter being the desired stage.

Several Pacific Region representatives attended the workshop including two from SAI Vanuatu. Participants showed co-operation and enthusiasm at the face-to-face programme. A review segment of the workshop will take place in the second quarter of 2018.



Back Row(L–R): Mr. Fetuliai Junior Lagaia (SA), Mr. Vincent Jon Guerrero Duenas (GU), Mr. Desmond Leslie Wildin (CI), Mr. Mio Sega (PG), Mr. Peiauni Tagaloa (TU), Ms. Pilista Lorraine Iliganoa Leota (SA), Mr. Jovi Abel (VU)

Middle row: (L–R) Ms. Nicolette Mayleen Tarileo (VU), Ms. Mitolomoa Houma (TO), Ms. Popua Vavau Mafi (TO); (R–L) Ms. Moeata Vaomua IOAPO (TU), Ms. Michelle Vuvung Konjib (PG)

PASAI Countries:

SA – Samoa

GU – Guam

CI – Cook Islands

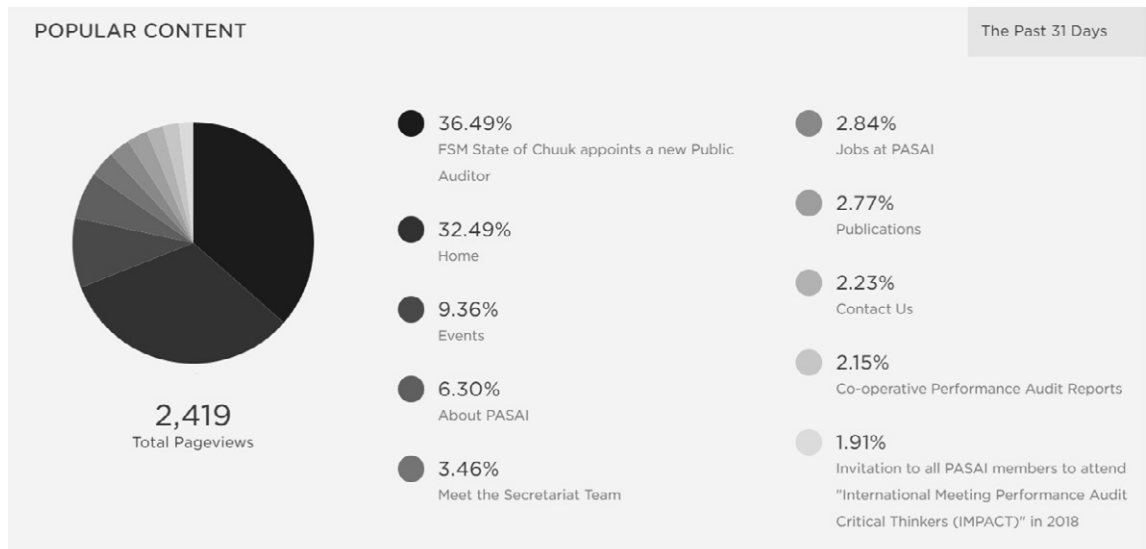
PG – Papua New Guinea

TU – Tuvalu

VU – Vanuatu

TO – Tonga

PASAI Website analytics – January 2018



Website Analysis

- The most popular content for the month was the appointment of the New Chuuk State Public Auditor.
- Our home page was the next most popular website page visited, followed by our events page.
- The beginning of the month and the new year saw the highest number of visits per day, reaching a high of around 122 visits.



TECHNICAL SUPPORT UPDATE #01/2018

UK Financial Reporting Council –

“A key objective of Root Cause Analysis [RCA] is to improve audit quality by having a better understanding of how audits can improve. We expect all the firms we inspect to make continuous improvements so that, by 2019, at least 90% of FTSE 350 audits reviewed will be assessed as requiring no more than limited improvements. Effective RCA should help to achieve this.”

Quality audits is one of PASAI's key strategic priorities. Last year some PASAI member countries attended a Global IDI Regional programme on Quality Assurance (QA) in Georgia where QA tools were used and QA principles taught. PASAI is planning a regional workshop on QA later in 2018 to utilise some of these QA tools used at this programme and to also develop and design a suitable QA mechanism for our small island developing states.

The following article taken from the IFAC website is an excellent write up about root cause analysis and how this 'tool' or 'mechanism' can also help improve audit quality. Some SAIs already use RCA to an extent but perhaps this is something that PASAI may encourage more and may also include in its QA regional workshop later this year.

If any SAIs would like to provide some input in the use of RCA in their office, please email PASAI Secretariat at secretariat@pasa.org so that we can gather some of this important data and encourage sharing knowledge among our members. If you are interested in facilitating a session on RCA at our upcoming regional workshop in September 2018, please also contact us.

Root Cause Analysis Is Transforming Audit Quality

by Jonathan Batchelor, Managing Director, Europe - Middle East - Africa (EMEA), Sologic | November 6, 2017

The American satirist HL Mencken famously quipped that *“For every complex problem there is an answer that is clear, simple, and wrong.”* This could have been tailor-made for many finance-focused professions. Ask yourself, how many times have you or your teams applied the “obvious” solution to a problem only to discover, soon enough, that the solution wasn't quite the “fix all” we hoped for?

If your firm hasn't encountered Root Cause Analysis (RCA) yet, the chances are you will soon. Very soon. RCA is one of a group of classic methodologies known as structured problem solving. In its various iterations it has dominated problem solving in sectors like engineering, manufacturing, supply chain, and construction for well over a half a century. Since the turn of the 21st century, the method has become increasingly nuanced and versatile. Recently it has been adopted by many of the large international consulting firms as well as several leading tech companies, and many banking, insurance, and accountancy firms, as their primary method to uncover systemic faults and barriers to growth.

Today, we find that RCA is one of the hottest topics in the world of audit and accounting. In fact, as regulation and complexity increase across almost all professional sectors, RCA is now the go-to problem solving methodology amongst a new generation of senior professionals and strategic thinkers. This was highlighted just last year when the World Economic Forum's Survey of Firms published a report illustrating that structured problem solving was now the single most important skill required in the modern workplace, although they also highlighted that it is a skill in all too short supply.



TECHNICAL SUPPORT UPDATE #01/2018

In fact, a growing number of professional bodies are now encouraging the accountancy profession to embrace RCA as a way to improve overall audit quality and meet the expectations of stakeholders and regulators. The International Forum of Independent Audit regulators, for example, states:

“(We) view robust Root Cause Analysis and implementation of responsive actions to be fundamental to improving audit quality. It is critical that firms have processes in place that enable a timely, thorough assessment to identify recurring root cause issues—whether positive or negative—and to take appropriate actions.”

Indeed, at Sologic, we’ve heard from regulators in associated professions who state that, “if firms cannot tell us what went wrong then we’re left with two conclusions, either there is cover-up in place or, worse still, the firm still doesn’t know why it went wrong.”

So, what exactly is an effective RCA and what does it deliver in terms of audit quality? At its core, RCA is a process for identifying the causes of problems or events in order to prevent them from recurring. It is based on the idea that effective management requires more than putting out fires for problems that develop, but finding a way to prevent them. RCA can also be a means of identifying good practice as part of continuous improvement and rewarding evidence-based decision making. The methodology assists audit professionals with:

- Identifying underlying causes of significant problems or successes
- Delivering solutions with immediate and lasting impact
- Helping establish best practice and greater efficiency
- Compliance with the expectations and guidelines of regulatory bodies
- Building a better reputation and experience for clients
- Instilling a deep-rooted positive problem-solving culture in your firm
- Automated reports for better transparency and compliance
- Creating a competitive edge for winning new business

Firms, however, do need to be effective in their RCA activities. Executed effectively, an RCA is an incredibly powerful, evidence-based method that uncovers a myriad of interrelated causes that provide previously hidden opportunities for solutions, both big and small. Most of these tend to be systemic and process driven, thus taking the spotlight off of individuals and thereby mitigating cultures of excessive blame—a significant source of stress, data corruption, and failures in overall quality. On the contrary, RCA done poorly will not only be ineffective in these areas, it will direct actions and valuable resources in the wrong direction. As the Institute of Chartered Accountants of England and Wales points out in their recent paper, *Improving Audit Quality*, “RCA that is not sufficiently robust may not identify the real root causes for findings. If the wrong cause is identified, the wrong remedial action will be taken.”

At Sologic we have been delivering world-class RCA training and consultancy alongside the most effective problem solving and reporting software in the marketplace for almost 20 years. As both Managing Director of Sologic (EMEA) and someone who has background as a financial director in the financial services industry, I was quick to see how RCA could be transformative in accountancy and audit. Although we’ve seen a number of new markets for RCA, we have developed a strong position with financial industry regulators and many of the leading organizations in banking, financial services, and accountancy in particular. As a result, we have adapted our training, development, and software products to meet the exacting needs of these sectors. Nowadays, our trainers really understand the audit sector and our case studies and learning materials are derived from real-life accountancy challenges.



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I feel a great benefit of RCA is that it encourages businesses to be evidence based and realistic. We know every organization has problems that come in all shapes and sizes. But it's the recurring problems that really hold them back. And as organizations become more complex, work across more sectors, and hold more data, finding and applying solutions has become a greater and greater challenge. Firms that embed an effective process and culture of RCA experience a significant improvement in areas as diverse as compliance and continual improvement, client satisfaction and employee engagement, not to mention profit and efficiency. Firms discover that structured problem solving and investigation underpin many areas that allow genuine growth.

I've seen that once RCA methods become fully embedded in firms, they tend not to stop at pure problem solving. They also help underpin corporate memory and institutional learning, providing huge efficiency savings in quality, and a reduction of repeat errors. Firms who develop an RCA culture internally provide their workforce with a skillset that will transform engagement, retention, and performance. The method delivers significant improvements in evidence-based thinking, team integration, mindset, and corporate memory.

Jonathan Batchelor is responsible for the operational and commercial activity for the business across the EMEA region. Overseeing Root Cause Analysis focused training delivery, software deployment and facilitated investigations to clients covering a broad number of sectors and geographical locations. Prior to his appointment with Sologic, Jonathan worked for a number of years within the commercial finance sector in the UK, most noticeably as founding partner of one of the East of England's largest commercial finance brokers. This was followed by a number of Director level positions focusing on training and development for the Oil & Gas and Renewable sectors. Jonathan holds a firm belief that effective Root Cause Analysis has a place across all industries and through all tiers of organisations.

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PASAI CALENDAR

- **5 – 7 February, 2018:** UNDP Technical meeting on GCCF & PRRP, Suva, Fiji.
- **6 February, 2018:** Waitangi Day, Public Holiday for NZ.
- **22 – 23 February, 2018:** 18th Governing Board meeting, Auckland, NZ.
- **5 – 9 March, 2018:** IDI Certification Planning Meeting, Oslo, Norway.
- **9 March - 10 April, 2018:** F.A.S.T.S Programme, Nauru - Fiji Secondee engaged.
- **19 – 23 March, 2018:** Tier 1 Training, Nauru.
- **27 – 28 March, 2018:** PFTAC Steering Committee, Nuku'alofa, Tonga.
- **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.
- **1 – 4 May, 2018:** 3i Programme for Tonga SAI, Nuku'alofa, Tonga.
- **15 – 17 May, 2018:** Regional 10th RWGEA Meeting, Brisbane, Australia.
- **28 – 31 May, 2018:** SAI PMF Regional Basic Training, Nadi, Fiji.
- **4 June, 2018:** Queens Birthday Public Holiday, Auckland, NZ.
- **21 – 22 June, 2018:** INTOSAI Peer Review Conference, Bratislava, Slovakia.
- **25 – 29 June, 2018:** INTOSAI Regions Co-ordination meeting, Oslo, Norway.
- **25 June – 6 July, 2018:** SAI PMF Assessment, Nauru.
- **11 - 15 June, 2018:** IDI/PASAI 6th CPA - SDG Preparedness, Joint reporting meeting (Cook Islands)