# Independent Review

## of the

## Pacific Regional Audit Initiative 2008–2012

Conducted by the Independent Evaluation Department of the

Asian Development Bank in connection with the

Technical Assistance Performance Evaluation Report for the

Strengthening Governance and Accountability in the Pacific Project (RETAs 6360/6499)

**Final Report, April 2013**

## ABBREVIATIONS

| | | |
|---|---|---|
| ADB | – | Asian Development Bank |
| AusAID | – | Australian Agency for International Development |
| CPA | – | Country Performance Assessment |
| IED | – | Independent Evaluation Department of ADB |
| INTOSAI | – | International Organisation of Supreme Audit Institutions |
| ISA | – | International Standards of Auditing |
| ISSAI | – | International Standards of Supreme Audit Institutions issued by INTOSAI |
| NZMFAT | – | New Zealand Ministry of Foreign Affairs and Trade |
| NZ SAI | – | New Zealand Supreme Audit Institution |
| PAC | – | Public Accounts Committee |
| PIF | – | Pacific Islands Forum |
| PRAI | – | Pacific Regional Audit Initiative |
| PASAI | – | Pacific Association of Supreme Audit Institutions |
| PEFA | – | Public Expenditure and Financial Accountability |
| PFM | – | Public Financial Management |
| PFMA | – | Pacific Financial Managers Association |
| PFTAC | – | Pacific Financial Technical Assistance Centre |
| PICPA | – | Pacific Islands Centre for Public Administration |
| SAI | – | Supreme Audit Institution |
| SAS | – | Subregional Audit Support |
| SPASAI | – | South Pacific Association of Supreme Audit Institutions (fore-runner to PASAI) |
| TPER | – | ADB Technical Assistance Performance Evaluation Report |
| UNDP | – | United Nations Development Program |

**NOTE**
In this report, "$" refers to US dollars.

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# EXECUTIVE SUMMARY

**Background**

This independent review of the initial phase of the Pacific Regional Audit Initiative (PRAI) was undertaken by the Independent Evaluation Department of the Asian Development Bank (ADB) at the request of and in coordination with the Australian Agency for International Development (AusAID), the New Zealand Ministry of Foreign Affairs and Trade (NZMFAT), the Pacific Department of ADB, the Pacific Islands Forum (PIF), and the Pacific Association of Supreme Audit Institutions (PASAI).

The review was undertaken as part of a larger Technical Assistance Performance Evaluation Report (TPER) on the Strengthening Governance and Accountability in the Pacific project. Comments on early drafts of the review were received from AusAID, NZMFAT, PASAI and ADB.

The review provides input and guidance to these development partners as they consider the next phase of regional support to public audit in the Pacific.

**Pacific Public Auditing**

Earlier diagnostic assessments of supreme audit institutions (SAIs) in the Pacific found that much remained to be done to raise capacity, standards, and impacts. Longstanding constraints to SAI effectiveness include insufficient financial and human resources, uncertain mandates, weak public financial management, and limited political commitment and public understanding.

The Pacific Plan for Strengthening Regional Cooperation and Integration, adopted in 2005 by leaders of the region, called for strengthened governance through improved transparency, accountability, equity, and efficiency in the management of resources. In 2006, Pacific Leaders agreed to the development of a regional support program for audit services to improve integrity and financial scrutiny in support of the Pacific Plan. The PRAI was thereafter designed and approved in 2008, with the initial implementation period set for 2008–2012.

**The Pacific Regional Audit Initiative**

The PRAI's aim was to raise Pacific public auditing to uniformly high standards. The initiative's key underlying assumption was that raising the standards of Pacific public auditing would improve transparency and accountability in managing and using public resources, which in turn would strengthen governance and accountability in the Pacific.

The PRAI's four outputs were to strengthen regional cooperation, build audit capacity, conduct cooperative audits, and strengthen communication and advocacy. These outputs were to achieve the following outcome: *public accounts of participating countries are audited in a timely manner to uniformly high standards with enhanced audit impacts and improved audit capability*. The intended impact of PRAI was to improve transparency and accountability in the management and use of public resources.

**PRAI Performance 2008–2012**

Overall, the review assessed PRAI as generally *successful*. PRAI was highly relevant, effective (on major outputs and progress thus far), efficient, and is likely to be sustainable.

The highly relevant assessment was based on PRAI's strong alignment with regional and international priorities (at the time of design, during the PRAI period, and going forward), the sound background diagnostics undertaken in designing the initiative, and the general appropriateness of its design, although some design modifications should be considered in a future program.

The PRAI was generally effective in terms of achieving its key outputs, which was the natural focus of the initial phase. However, most SAIs are still a long way from meeting the intended outcome, for all public accounts to be audited in a timely manner to high standards and with enhanced impacts and capability. A future program should provide more targeted support to the weakest SAIs, including possible use of capacity supplementation, where clearly needed.

The PRAI is assessed as generally efficient. Use of inputs was satisfactory, with no significant problems or disruptions identified, aside from a delay in funding at the beginning of the period. No major mid-course adjustments were required. The establishment of a small PASAI Secretariat and the contracting of consultants to carry out specific tasks was an efficient arrangement and use of resources. The support provided by the New Zealand SAI to the PASAI Governing Board and Secretariat and for the various program initiatives and activities was significant and served as a key factor in the PRAI's overall success.

The review's preliminary assessment of sustainability finds the PRAI's achievements thus far, most especially enhanced regional cooperation and capacity development in performance audits, likely to be sustainable. However, there are two possible impediments to sustainability that will need to be monitored and addressed. The first is lack of adequate financial resourcing of SAIs, and the second is limited ownership and political will of governments to continued reforms and strengthening of SAIs and public financial management more generally.

The review found limited evidence on which to assess the impact of PRAI on public financial management in the Pacific. ADB country performance assessment ratings for quality of budgetary and financial management, which includes a dimension on timely audits, do not show any major improvements for most Pacific countries over the past 5 years. In the future, more frequent and detailed diagnostic assessments of SAIs will deliver better indicators and help in monitoring and tracking of impact.

Altogether, the review team recommends continued support for this initiative by development partners and offers some suggestions for improving PRAI effectiveness going forward.

**Opportunities to Improve PRAI Effectiveness**

The following suggestions and ideas are offered to assist development partners as they plan on a future PRAI program:
  (i)     The PRAI design framework should be revisited to incorporate modified impact, outcome, outputs, and components. In a new PRAI design, short-term and interim outcomes should be considered.

(ii)     Better and more frequent (e.g., annual) diagnostic assessments for SAIs, including self-assessments, are needed to improve monitoring and sharpen targeting of support. The review endorses the concept of capacity supplementation, such as secondments, in cases where it is clearly necessary, to complement capacity development.

(iii)     Future efforts should emphasize more proactive approaches to advocating transparency and accountability and to lobbying governments and legislatures to address longstanding constraints to SAI effectiveness. The PASAI Executive Director's role should shift to focus more on championing and advocacy in the region, to raise awareness and buy-in from policymakers.

(iv)     PASAI should report more regularly on transparency and accountability issues, and should consider launching a new annual flagship publication that consolidates information from all SAIs on the state and status of public auditing in the region. Such a report would help raise the profile and visibility of public auditing and PASAI and get more attention from regional leaders on the challenges facing SAIs. PASAI could use the report as an annual focus piece in important regional forums, such as the annual Finance and Economic Ministers Meeting, which PASAI should actively attend.

(v)     Consideration should be given to establishing formal, results-oriented agreements between PASAI and key partners such as the United Nations Development Program and Pacific Financial Technical Assistance Centre. The original PRAI design recognizes the importance of regional partners, but further steps can be taken to agree on and pursue joint-results approaches with key partners.

(vi)     A longer PRAI program period, possibly up to 10 years, should be considered. A longer timeframe would signal long-term commitment from donor partners and provide certainty of support to PASAI and SAIs. A longer-term program should also include periodic, independent evaluations on progress to ensure activities, outputs, and outcomes are on track.

# I.    INTRODUCTION

## A.    Background

1.    This independent review of the initial phase of the Pacific Regional Audit Initiative (PRAI) was undertaken by the Independent Evaluation Department (IED)[1] of the Asian Development Bank (ADB) at the request of and in coordination with the Australian Agency for International Development (AusAID), the New Zealand Ministry of Foreign Affairs and Trade (NZMFAT), the Pacific Department of ADB, and the Pacific Association of Supreme Audit Institutions (PASAI). The review provides input and guidance to development partners as they consider and plan for continued support to enhancing public auditing in the Pacific.

2.    The review was undertaken in late 2012 and early 2013 as a component of a larger Technical Assistance Performance Evaluation Report (TPER) on the Strengthening Governance and Accountability in the Pacific project (ADB TA6360 and TA6499). NZMFAT cofinanced the review with a contribution of US$15,000.

## B.    Public Auditing in the Pacific

3.    The Pacific Plan for Strengthening Regional Cooperation and Integration,[2] adopted in 2005 by leaders of the region, called for strengthened governance through improved transparency, accountability, equity and efficiency in the management of resources. The Pacific Plan reaffirmed a long standing recognition in the Pacific that strengthening public audit capacity and effectiveness is an essential part of improving governance and accountability.

4.    ADB and other partners have provided technical support and assistance to the Pacific region Supreme Audit Institutions (SAIs) from at least the 1980s in recognition of the role that SAIs can play in improving governance and accountability.

## C.    The Pacific Regional Audit Initiative 2008–2012

5.    The PRAI is a Pacific Plan initiative. Assessments of public audit capacity in the Pacific, including a 2002 evaluation of ADB technical assistance,[3] had found that much still remained to be done to raise standards and impacts. In particular, there was a need to:
    (i)     better diagnose the requirements of SAIs;
    (ii)    address the issues of SAI legal independence and mandate; and
    (iii)   address the issue of accounts preparation.[4]

6.    In 2006, the Pacific leaders agreed to the development of a regional support program for audit services to improve integrity and financial scrutiny in support of the Pacific Plan. Between 2006 and 2008, the PRAI was designed through a consultative process guided by the South Pacific Association of Supreme Audit Institutions[5] with support from ADB and AusAID under the

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[1]    The review team consisted of Benjamin Graham (Task Manager) and John Hawley (Consultant) with support from Agnes Anabo and Valerie Melo.
[2]    Pacific Islands Forum. 2005. *The Pacific Plan for Strengthening Regional Cooperation and Integration*. Suva.
[3]    ADB. 2002. *Technical Assistance Performance Audit Report on Strengthening Audit Capacity in the Pacific*. Manila.
[4]    The issue of accounts preparation is not a function of the SAI; however, the SAI can provide guidance from an audit perspective to assist with timely and quality information being provided in the accounts.
[5]    In 2008, the South Pacific Association of Supreme Audit Institutions changed its name to Pacific Association of Supreme Audit institutions (PASAI) to reflect the geographically wider association of SAIs. PASAI members are American Samoa; Australia; Australian states of New South Wales, Queensland, and Victoria; Cook Islands;

oversight of the Pacific Islands Forum (PIF) Secretariat. The initial implementation period was from 2008–2012, with a review of the PRAI to be undertaken in late 2012.

7. The PRAI aimed to raise Pacific public auditing to uniformly high standards. The key underlying assumption was that raising auditing standards would improve transparency and accountability in the use of resources, which in turn would strengthen governance and accountability overall in the Pacific (Figure 1).

**Figure 1: Underlying Assumptions of PRAI**

PRAI raises public audit capacity → Improves transparency and accountability in managing and using public resources → Strengthens governance and accountability in the Pacific

PRAI = Pacific Regional Audit Initiative.
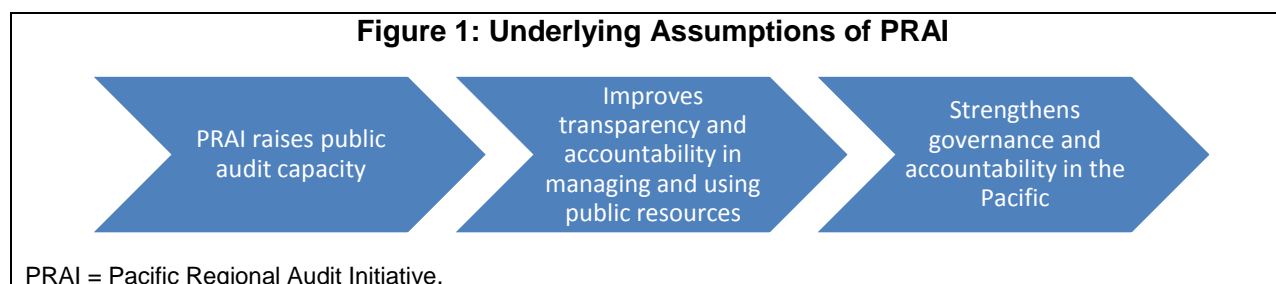
Source: PRAI Review Team.

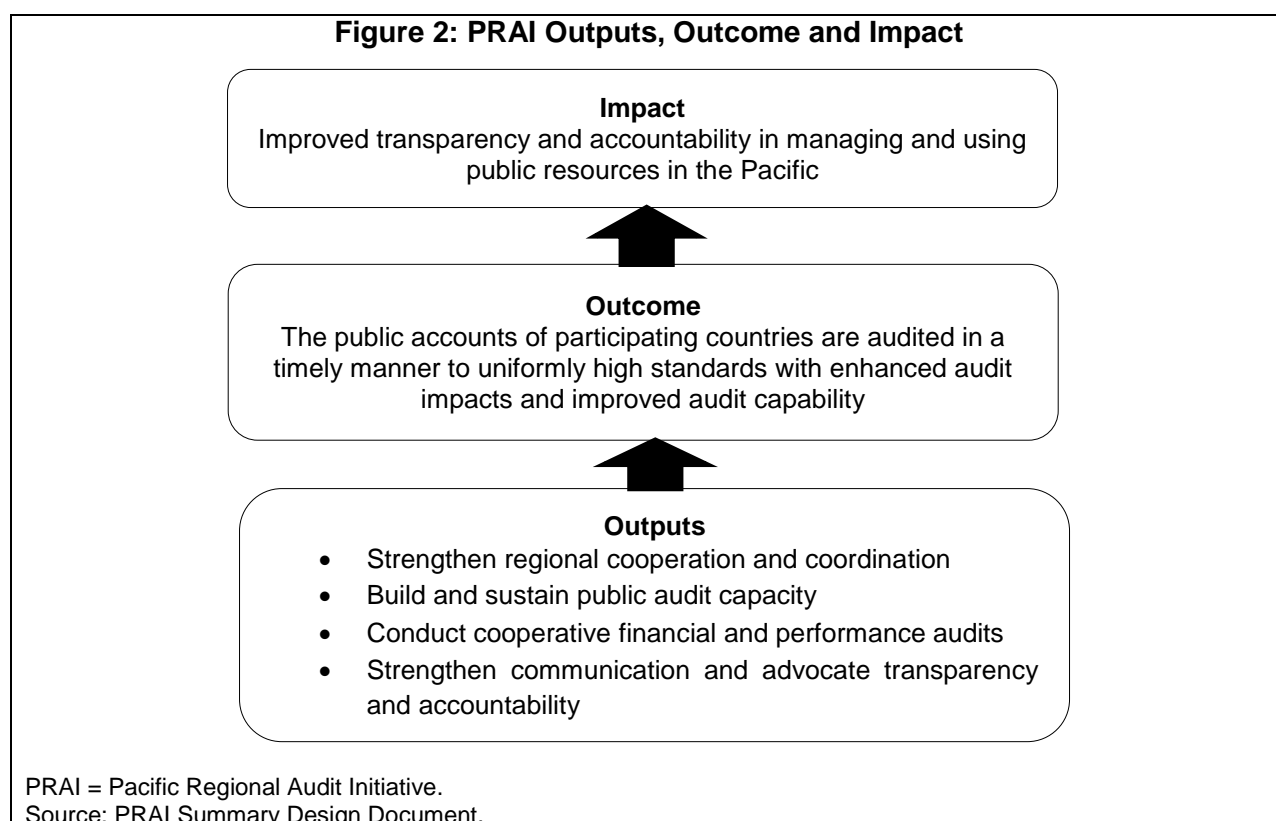8. The design of PRAI 2008–2012 is discussed throughout the report but is shown briefly in the diagram below to help understand the context in which the review was undertaken.

**Figure 2: PRAI Outputs, Outcome and Impact**

**Impact**
Improved transparency and accountability in managing and using public resources in the Pacific

↑

**Outcome**
The public accounts of participating countries are audited in a timely manner to uniformly high standards with enhanced audit impacts and improved audit capability

↑

**Outputs**
- Strengthen regional cooperation and coordination
- Build and sustain public audit capacity
- Conduct cooperative financial and performance audits
- Strengthen communication and advocate transparency and accountability

PRAI = Pacific Regional Audit Initiative.
Source: PRAI Summary Design Document.

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Federated States of Micronesia (FSM) states of Pohnpei, Yap, Kosrae, and Chuck; Fiji; French Polynesia; Guam; Kiribati; Nauru; New Caledonia; New Zealand; Commonwealth of Northern Mariana Islands; Palau; Papua New Guinea (PNG); Republic of the Marshall Islands; Samoa; Solomon Islands; Tonga; Tuvalu; and Vanuatu.

## D. ADB Technical Assistance

9. The ADB Strengthening Governance and Accountability in the Pacific project[6] composed of two regional technical assistance (TA) grants approved in 2006 (phase I) and 2008 (phase II) which included components to design and initiate the PRAI. The intended impact, outcomes, and outputs of the two TA are shown in Table 1.

**Table 1: Impact, Outcomes, and Outputs of ADB TA6360 and TA6499**

| TA6360 Phase I<br>(approved December 2006) | TA6499 Phase II<br>(approved November 2008) |
|---|---|
| **Impact**<br>Improved governance, transparency and accountability in managing and using public resources in the Pacific. | **Impact**<br>Improved transparency and accountability in managing and using public resources in Pacific island countries. |
| **Outcomes**<br>1. Strengthened governance and anticorruption orientation of CPSs and ADB projects<br>2. An agreed-upon design and road map for a long-term regional approach to raise Pacific public auditing to uniformly high standards | **Outcomes**<br>1. The public accounts of participating countries are audited in a timely manner to uniformly high standards, with enhanced audit impacts and improved audit capability.<br>2. Strengthened governance and anticorruption orientation of CPSs and ADB projects. |
| **Outputs**<br>Governance component:<br>1. Governance and corruption risk assessments and mitigation plans in CPSs and in ADB loans and TAs<br>2. Training on relevant ADB policies and guidelines<br><br>PRAI component:<br>1. Good practice SAI features identified<br>2. Status of issues faced by individual SAIs identified<br>3. Factors that facilitate successful SAI transformations identified<br>4. Design options for establishing a sub-regional approach to public auditing developed<br>5. Region-wide issues identified<br>6. Agreed-upon PRAI design and road map | **Outputs**<br>1. Regional cooperation and coordination strengthened.<br>2. Capacity development program designed.<br>3. Cooperative financial and performance audits initiated.<br>4. Transparency and accountability advocated<br>5. Governance and corruption risk assessments and mitigation plans in CPSs and in ADB programs and projects. |

ADB = Asian Development Bank, PASAI = Pacific Association of Supreme Audit Institution, PRAI = Pacific Regional Audit Initiative, SAI = Supreme Audit Institution, TA = technical assistance.
Source: ADB TA reports for TA6360 and TA6499.

10. The performance of Phases I and II was self-evaluated by ADB, with both phases considered to be successful. The Phase I self-evaluation highlighted the importance of a participatory approach in project design and implementation, and the value of sufficient supervision and support. The Phase II self-evaluation considered the establishment of the PASAI Secretariat, the Governing Board, charter, and other planning documents as an important foundation on which the future efforts can be based.

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[6] ADB. 2006. *Strengthening Governance and Accountability in Pacific Island Countries*. Manila; ADB. 2008. *Strengthening Governance and Accountability in Pacific Island Countries (Phase 2)*. Manila. These technical assistance grants were collectively called the Strengthening Governance and Accountability Project.

**E.      SAI Issues and Challenges**

11.      The PRAI design was developed by comparing the attributes of a good functioning SAI with a diagnosis of the capabilities of individual Pacific SAIs, which allowed it to address the collective constraints that SAIs faced. These constraints described in the PRAI design document are summarized below:

### 1.      Differing SAI Mandates

12.      There was a variety of SAI governing legislations which meant that not all SAIs had the mandate to conduct the range of audits[7] that are available. The implication was that the SAI's ability to play a role in improved governance and accountability may be constrained.

### 2.      External Relationships

13.      The lack of stakeholder understanding of SAI activities, and the purpose of audit may have implications for the support the SAI receives and the impact it can have on public administration by:
(i)      not having sufficient resources to carry out the audit function fully;
(ii)     a lack of acceptance that the audit function is only effective if there is good public financial management which enables, among other things, the provision of public accounts in a timely manner to be audited; or
(iii)    a reluctance for the legislature to accept, review, and act upon the audit report findings, and to publish the results.

### 3.      Public Auditing Capacity

14.      SAIs faced a number of internal challenges with auditing capacity:
(i)      small number of trained and qualified personnel that prevented the SAI providing a quality contemporary audit practice;
(ii)     limited access for staff to obtain professional qualifications, which hindered the SAI's ability to conduct the variety of audits required of a professional audit practice;
(iii)    high demand for accountants and auditors, which made it difficult to retain quality staff;
(iv)    inability of the SAI staff to develop new skills that would allow the full range of audit activities to be conducted;
(v)     absence of a structured career and professional development path which hindered the staff development; and
(vi)    absence of generic competencies, which hampered the development of structured capacity development programs.

15.      SAIs also applied a variety of auditing standards and methodologies that covered all parts of the audit process, which were likely to hinder a cooperative approach to some forms of auditing.

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[7]  Traditionally, the audit of financial statements of public accounts was the major audit type for SAIs. However, SAIs are involved with different types of audits (e.g., audits of performance and information technology systems), which provide a complementary view of certain aspects of public sector performance.

### 4. Managing and Conducting Audits

16. The audit management issues include incomplete audit registers, gaps in audit planning, the absence of risk-based approaches, and the challenges in managing contracted-out audits. In addition, as auditing had become more complex and varied, auditors needed readily available access to specialist resources and advice as it was difficult for individual auditors to be familiar with all accounting issues.

### 5. Public Financial Management Capacity

17. Important exogenous constraints to the effectiveness of public auditing include the lack of financial management capacity within governments and a gap in financial frameworks, both of which impact on the audit function. To have any impact, public auditing requires up-to-date financial accounts to be prepared and provided on time so that the information can be used in timely decision-making. In a large number of Pacific Island countries, the public accounts were a number of years behind, preventing the auditing of up-to-date accounts.

## F. The PASAI Capability Model

18. The PRAI design included a PASAI capability model that showed a SAI's capability at one of six levels that covered five attributes: audit types, audit management, office management, human resource management, and information and communications technology. The six capability levels are shown in Table 2, with the complete model and descriptors shown in Appendix 1.

**Table 2: PASAI Capability Model Levels**

| | |
|---|---|
| Level 5 | The SAI is contributing proactively to the public sector and to its peers. |
| Level 4 | The SAI is confident. |
| Level 3 | The SAI is functional. |
| Level 2 | The SAI is operating safely. |
| Level 1 | The SAI is established and surviving. |
| Level 0 | The SAI is not established or struggling. |

PASAI = Pacific Association of Supreme Audit Institutions, PRAI = Pacific Regional Audit Initiative, SAI = Supreme Audit Institution.
Source: PRAI Summary Design Document.

19. During the design period, SAIs were asked to self-assess their capability against the model. This provided a benchmark against which SAI progress could be assessed over time. At the time of the initial assessment, two SAIs considered that they were at level 4, eight at level 3, four at level 2, and one at level 1.

## G. How PRAI Aimed to Address Constraints

20. The PRAI design addressed these issues, within the context of enhancing regional cooperation and coordination, through the development of a series of capacity development initiatives that were grouped in four major outputs to be coordinated by an appropriately funded PASAI Secretariat and Governing Board. The PRAI outputs, output components, and purpose are summarized in Table 3.

**Table 3: PRAI Design Output Components and Purpose**

| Output | Output Component | 2008 PRAI Design Purpose |
|---|---|---|
| 1. Strengthen regional cooperation and coordination | Establish enhanced PASAI Secretariat | New institutional form with structured organization to allow the PASAI Secretariat coordinate the PRAI effort. |
| | Support regional coordination | PRAI would support regionalism approach through PASAI conferences, and PASAI's interaction with regional stakeholders. |
| | Prepare strategies for common methodologies | The strategies would provide a plan to develop common methodologies to address the variety of audit methodologies being used and to develop a performance audit methodology because of the potential to harmonize regional approaches. |
| | Prepare programs for cooperative audits and peer reviews | Cooperative audit and peer review programs and their sequencing would allow for the training for and implementation of financial and performance audits on issues relevant to Pacific Island countries using a shared methodology. |
| | Establish PASAI website | A PASAI website would allow for important information including PASAI specific and general accounting and auditing information, (for example manuals and international material) to be made available to PASAI SAIs and other stakeholders. |
| 2. Build and sustain public audit capacity | Prepare guidance and training materials | Development of best practice guidance material for a range of topics and which would provide PASAI members with technical information needed to plan and conduct audits, including cooperative audits. |
| | Develop generic competencies | Matching competencies and course design with career structures by preparing a generic set of job descriptions and competencies to help design long term training programs in conjunction with learning and training institutions. |
| | Support attainment of professional accounting qualifications | PASAI Secretariat would work with regional professional bodies to explore ways of overcoming the barriers to personnel gaining professional accounting qualifications. Secretariat would also consider the applicability of international professional qualifications (for example internal audit qualifications) to the Pacific. |
| | Prepare institutional assessments and strengthening programs | To support in depth SAI institutional and capacity assessments that would lead to institutional strengthening programs. |
| | Support improved contract management | Development of a generic model for contracting out and assuring the quality of audits completed by the private sector. PASAI Secretariat would provide advice to SAIs on contract management issues. |

| Output | Output Component | 2008 PRAI Design Purpose |
|---|---|---|
| | Provide operational and management support | Provision of advice on corporate issues such as strategic and corporate planning, records management, human resource management and funding models. |
| | Provide technical support | Provision of advice to SAIs on technical accounting and audit issues. |
| | Continue and support peer reviews | Development of peer review guidelines and establishment and provision of support to peer review teams. |
| **3. Conduct cooperative audits** | Conduct cooperative financial audits | Cooperative financial audits would include entity or sector focused financial audits on topics such as water supply projects or public debt. |
| | Conduct cooperative performance audits | Cooperative audits would include entity or sector focused performance audits on such topics as infrastructure projects or pharmaceutical purchasing and distribution. |
| | Undertake Subregional Audit Support Program | A program to enable the public accounts of Kiribati, Nauru and Tuvalu to be audited to uniformly high standards in a timely manner. The program would also strengthen country public management capacity and enhance accountability mechanisms. |
| **4. Strengthen communication and advocate transparency and accountability** | Educate stakeholders on the value of public auditing | PASAI Secretariat would develop informational material highlighting the focus and relevance of SAI's work and assist SAIs to convey this to stakeholders. |
| | Advocate enhanced transparency and accountability | PASAI Secretariat would prepare an annual report on the regional status of SAI independence, audit finding follow-up and other issues of concern to SAIs. |
| | Provide editorial and communication advice | PASAI Secretariat would provide editorial support to SAIs to improve the communication of their findings, and communication training and advice would also be provided to SAI Heads and staff. |

PASAI = Pacific Association of Supreme Audit Institutions, PRAI = Pacific Regional Audit Initiative, SAI = Supreme Audit Institution.
Source: ADB. 2008. *Pacific Regional Audit Initiative Summary Design Document 2008–2012*. Manila.

**H.      Purpose and Objectives of the Review**

21.      This review was undertaken at the request of and in coordination with AusAID, NZMFAT, the Pacific Department of ADB, and PASAI. With the completion of the initial phase of PRAI in December 2012, development partners requested an independent review whose purpose would be to:

(i)      assess the performance of the PRAI against its main objectives;

(ii)      consider institutional issues in PASAI, in as far as these issues were relevant to the PRAI objectives and to the broader issue of strengthening public audit capacity in the region; and

(iii)      provide guidance for development partners in their considerations of the next phase of PRAI and future activities to strengthen public auditing in the region.

**I.      Scope, Methodology, and Limitations**

22.      The review included four main evaluative criteria: relevance, effectiveness, efficiency and sustainability, as described in more detail in the next section. The review collected information through desk reviews, consultation with stakeholders within ADB and the PASAI community, site visits to three SAIs (Cook Islands, Samoa and Palau), and a short survey of Heads of Pacific SAIs (summarized in Appendix 3). Comments on working drafts of the review were received from AusAID, NZMFAT, PASAI and ADB.

23.      Because the review was part of a wider ADB evaluation and was conducted in a short time frame, the review team relied heavily on the perceptions of SAI Heads (as the primary clients of PRAI) and other stakeholders, and information from reports and other documentation, such as PASAI annual reports. To the extent possible, the review team tested and validated achievements against performance indicators. As the review was focused on the implementation of PRAI, it did not directly assess the performance of the PASAI Secretariat.

24.      The review was initiated in late 2012, still within the initial PRAI period, with most of the activities of PRAI having only recently been undertaken. Given this timing, the assessment of effectiveness placed emphasis on the extent to which PRAI had achieved its major activities and outputs to that point, with less emphasis on the full achievement of the PRAI outcome. Nevertheless, the review did consider the extent to which progress towards the outcome was being made.

25.      In conducting the review, the review team used a theory of change concept[8] to understand the PRAI 2008–2012 program design and to guide possible design considerations for a future initiative.

## II.      PERFORMANCE ASSESSMENT

**A.      Evaluative Criteria and Guiding Questions**

26.      The review assessed the overall performance of the initial phase of PRAI through an evaluation of relevance, efficiency, effectiveness, and sustainability. The key questions guiding

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[8]      Theory of change thinking begins with defining the desired outcome and impact and working backwards to the identifying the inputs, activities and outputs required to achieve the outcome and ultimate impact. It clarifies the linkages from activities and outputs to outcomes and impact.

the evaluation are listed below, with the longer set of original evaluation questions presented in Appendix 2.

27.    For relevance, key questions included: To what extent were proposed impacts, outcomes, and outputs consistent with the development policies and priorities of the region? Were the designs of the interventions informed by sound background diagnostics and analytical work? Were the interventions appropriate responses to identified development problems? How appropriate was the overall design of PRAI?

28.    For effectiveness, key questions included: Were the key activities and outputs achieved? What was the quality of outputs? To what extent has progress been made in the initial PRAI period towards achieving the outcome? What institutional factors in PASAI influenced (positively or negatively) the effectiveness of the PRAI?

29.    For efficiency, key questions included: How well were time, financial, and other resources used in achieving outcomes? How efficient were ADB and PASAI in managing the project and PRAI? Were mid-course adjustments required and how were they managed?

30.    For sustainability, key questions included: How likely are the achievements made thus far to be sustained? Is PASAI's institutional design appropriate for it to effectively meet the needs of its members? What sustainability challenges are SAIs experiencing and how can these be addressed?

31.    In addition to the above four criteria, the review also briefly assessed institutional issues in PASAI and made a preliminary assessment of the impact of PRAI on public financial management (PFM) in the countries.

## B.    Overall Assessment

32.    Overall, the review assessed PRAI as generally *successful*, based on the achievements made thus far, but with some qualifications and suggestions for improvement. While the intended PRAI outcome has yet to be fully achieved by all SAIs, the key activities and outputs (the focus in the initial phase of PRAI) have been largely achieved, laying the groundwork for progress towards the outcome in the coming years. PRAI was designed in a well-structured and consultative way. The initial phase established a strong, collaborative network among SAIs and their key development partners and set the stage for more enhanced cooperation, capacity building, and support for public auditing in the region going forward.

33.    The review team recommends continued support for this initiative, but with greater targeting towards the weakest SAIs and a longer time horizon, among other recommendations (see Chapter 3).

34.    The overall assessment is based on the individual assessments and ratings for relevance, effectiveness, efficiency and sustainability, as described in the following sections.

## C.    Relevance

35.    The PRAI is assessed as *highly relevant*,[9] based on its alignment with regional and international priorities (at the time of design, during the PRAI period, and going forward), sound

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[9]    Relevance rating levels are highly relevant, relevant, less than relevant, and irrelevant.

background diagnostics, and general appropriateness of design. While the review finds the PRAI design generally appropriate to the ultimate achievement of the outcome, some design issues warrant attention going forward (as discussed in detail in Chapter 3).

### 1. Consistency with Regional Priorities

36. The PRAI was, and remains, highly consistent with regional priorities. The initiative was conceptualized in response to growing regional concern, as articulated by PIF leaders, that institutional weaknesses were undermining transparency, accountability, equity, and efficiency in the management and use of resources. The Pacific Plan called for strengthened governance, including through the strengthening of PFM and accountability via a regional audit capacity building initiative.

37. Strengthening accountability remains a high priority in the Pacific, now and going forward. Mr. Tuiloma Neroni Slade, Secretary-General, PIF, stated that, "This is an initiative that has seen good, steady progress since Leaders identified it as key to Good Governance in the Pacific Plan. The momentum has been largely achieved thanks to Forum Economic Ministers guidance and development partners' commitment to achieving tangible results. We must keep up this drive towards uniformly raising public auditing standards in the region."[10]

38. The objectives of PRAI are also aligned with those of the International Organisation of Supreme Audit Institutions (INTOSAI), which supports PASAI through several ongoing initiatives. At the 2012 PASAI Congress, Dr. Joseph Moser, Secretary-General, INTOSAI, recognized that the strategic priorities of PASAI and the PRAI perfectly fit with the INTOSAI Strategic Plan and strategic priorities.

### 2. Design Based on Sound Diagnostics

39. Significant background diagnostic work was undertaken in designing the PRAI. Detailed, SAI-specific stock takes, building on earlier SAI assessments conducted by ADB and other partners, were undertaken along with regional benchmarking of capacity through the PASAI Capability Model and other assessments. During the PRAI period, some intermittent self-diagnostics were undertaken by SAIs, including self-assessment against the Public Expenditure and Financial Accountability (PEFA) framework and the PASAI Capability Model. While some periodic self-assessment was undertaken, the review recommends (see Chapter 3) that in the future more robust and recurrent self-assessments by SAIs, with PASAI assistance, be undertaken as a means to improve monitoring of progress and needs.

### 3. Appropriateness of Program Design

40. The review found the PRAI design generally appropriate. It addressed some of the key constraints to SAI effectiveness, as identified in the initial diagnostic work. Moreover, the PRAI appropriately recognized the advantage of a regional platform for addressing common challenges facing SAIs.

41. The PRAI design was informed in a three-stage process: (i) an articulation of the attributes of a well-functioning SAI to provide a benchmark for which to assess capabilities of PASAI members; (ii) an individual diagnosis of the capabilities of all SAIs and the development

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[10] Pacific Islands Forum Secretariat. 2010. *Forum SG Hails Regional Audit Initiative Developments*. Press Statement 12 March 2010. Pacific Islands Forum Secretariat, Suva.

of a PASAI capability model to reflect the operating environment of SAIs, allowing them to identify their current capabilities against a measurable standard; and (iii) the development of a design and roadmap through an inclusive consultative process. The PRAI design was reviewed and endorsed at the Pacific Island Leaders Forum in August 2008.

42.     The review considered this a sound methodology that allowed for the development of a number of outputs that would address agreed weaknesses in public audit capacity in the Pacific. The consultation process allowed SAIs to participate in the process and agree to the benefits of sharing resources.

43.     The establishment of a Secretariat, Governing Board, Regional Institutional Strengthening Committee,[11] and the consultation process with other SAIs through the PASAI Congresses allowed the PRAI design to be developed according to the needs of the SAIs in the region and ensured that the outputs were relevant to the SAIs' identified weaknesses.

### 4.      Possible Design Limitations

### a.      Intended Impact

44.     The PRAI impact, to improve transparency and accountability in managing and using public resources, may be somewhat misaligned with the PRAI design. Broad, systemic improvement in transparency and accountability in PFM requires more than just a stronger SAI. Systemic improvement requires improvements throughout the entire system, which in turn requires concomitant improvements in the main stages, functions and linkages of the system. The public audit function is just one stage in the fiscal cycle and its effectiveness is highly dependent on other upstream and downstream functions, including provision of timely and quality public accounts (by the Executive) and legislative scrutiny of audit reports (by the Legislature).

45.     This was recognized in the original PRAI design which showed how the national efforts of the public resource accountability chain of planning, budgeting, accounting and internal audit, external auditing and reporting and scrutiny and accountability, were being supported by development partners such as the Pacific Islands Financial Managers Association, the United Nations Development Program (UNDP), Commonwealth Pacific Governance Program, all of which were consulted during the PRAI design phase. Going forward, consideration should be given to forging more formal strategic partnership agreements between PASAI and these key partners.

46.     Given that strengthening overall accountability requires strengthening all links in the chain, a more fitting impact objective would be for the PRAI to *contribute* towards (versus directly *cause*) improved transparency and accountability. If the PRAI were, in fact, to have successfully enhanced the capacity of and cooperation among SAIs, then this would (at best) only *contribute* to greater transparency and accountability in the Pacific. This is discussed further in Chapter 3.

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[11] The Regional Institutional Strengthening Committee was replaced by the Transitional Working Group, which held its first meeting in September 2008 and was established to transition to the new institutional arrangements for PASAI.

### b. International Auditing Standards

47.     Although the PRAI design document noted the difficulties faced by SAIs in "…keeping pace with changes to financial reporting and auditing standards and practices, and ensuring that audit methodologies and systems reflect these changes,"[12] training in international auditing standards was not shown as a sub-element of an output group.

48.     The need for SAI training in the implementation of international auditing standards has recently become an important requirement, as the INTOSAI members officially authorized and endorsed a complete and updated collection of professional standards and best practice guidelines for public sector auditors in 2010.[13]

49.     PASAI advised the reviewers that it provided training to Auditors-General in the International Standards of Supreme Audit Institutions (ISSAI) issued by INTOSAI in December 2012, and has adopted the African Organisation of Supreme Audit Institutions in English speaking Africa financial audit methodology. The methodology is ISSAI compliant and part of the foundation of any future PRAI will be the ISSAIs.

## D.     Effectiveness

50.     The PRAI is assessed as generally *effective[14]* in terms of achieving its key outputs (the focus of the initial phase of PRAI). But so far not all SAIs have met the intended outcome, for all public accounts to be audited in a timely manner to uniformly high standards and with enhanced impacts and capability. As stated earlier, because this review covers the initial phase of the PRAI, and with the majority of activities and outputs only recently being undertaken and achieved, the appraisal of effectiveness has focused on the achievement of outputs thus far.

51.     PRAI was generally effective in achieving its four key outputs: (i) enhance regional cooperation and coordination, (ii) build and sustain public auditing capacity, (iii) conduct cooperative financial and performance audits, and (iv) develop communication and advocate transparency and accountability. The evidence suggests strong progress on the first output and mixed but generally good progress on the rest.

52.     While outputs were largely achieved, the evidence (including from self-assessments) also shows that many SAIs remain a long way from achieving the envisioned outcome, for public accounts to be audited in a timely manner to uniformly high standards with enhanced impacts and improved capability. Nonetheless, the review concludes that this outcome is possible to be achieved in the medium term, provided that continued and more targeted support (especially to the weakest SAIs) is given. Specific assessments of output components are provided below.

### 1.     Output One: Strengthen Regional Cooperation and Coordination

53.     Output one has been largely achieved, as described in Table 4.

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[12] PRAI Summary Design document p.44.
[13] The International Standards of Supreme Audit Institutions state basic prerequisites for the proper functioning and professional conduct of supreme audit institutions and the fundamental principles in auditing of public entities.
[14] Effectiveness rating levels are: highly effective, effective, less than effective, and ineffective.

**Table 4: Strengthen Regional Cooperation and Coordination**

| Review assessment: Largely achieved. Nearly all output components have been completed or achieved. | |
|---|---|
| **Output Component** | **Progress** |
| Establish enhanced PASAI Secretariat | Executive Director and support staff consisting of a business manager, capacity development adviser and executive assistant appointed. Recruitment of a Technical Adviser should have been completed earlier in 2012 but has been delayed because of ongoing contractual discussions. PASAI Secretariat established in Auckland in January 2010 as it was not possible for it to be located in Fiji, as planned. Governance documents such as annual reports for each of the 3 years since its inception, a charter, audited financial accounts and a business plan for 2012-13 produced. |
| Support regional coordination | PASAI has held four annual PASAI Congresses; some PASAI members attend international congresses. There was high degree of communication and coordination on many initiatives and issues during PRAI period. PASAI represented at the INTOSAI Donor Steering Committee and the Regional Working Group on Environmental Auditing. |
| Prepare strategies for common methodologies | Four manuals (Human Resources Management, Quality Assurance Guidelines, Reporting Guidelines, and Performance Audit) produced and available on the website. Financial Audit Manual was still under preparation at the time of the review. However, in 2012 PASAI negotiated a Memorandum of Understanding with AFROSAI-E to use its financial manual and help with its upkeep. |
| Prepare programs for cooperative audits and peer reviews | The cooperative performance audit program prepared early in the project and is well underway with three audits completed. The cooperative financial audit program as envisaged in the PRAI design has not yet commenced. PASAI advised that the SAS program (Output three) is a cooperative financial audit and work being conducted on electronic working papers for recording financial audit work is likely to be based on common financial audit methodology. The peer review program has not commenced. PASAI Secretariat indicated that a project working group will meet in 2013 to progress this, and the timing will rely partly on giving SAIs time to adopt the manuals. |
| Establish PASAI website | PASAI Website was established in October 2010 and provides information on the Secretariat, PRAI, the resources available to members, upcoming events and reports back on recent events. |

AFROSAI-E = African Organisation of Supreme Audit Institutions in English-speaking Africa, INTOSAI = International Organisation of Supreme Audit Institutions, PASAI = Pacific Association of Supreme Audit Institutions, PRAI = Pacific Regional Audit Initiative, SAI = Supreme Audit Institution, SAS = Subregional Audit Support.
Sources: PASAI annual and other reports; *Transparency and Accountability Report*; key informant interviews.

54. **Review Observations.** The evidence suggests that the majority of the objectives of the output group have been met and that, overall, there has been significant progress in strengthening regional cooperation and coordination. Importantly, however, the production of the financial audit manual and the conduct of financial cooperative audits were not achieved. Similarly, the review team was advised that because the peer review program relied on the preparation and use of the audit manuals, it had not started. On regional cooperation, two SAI heads provided the following observations:[15]

"Through this initiative we have seen a stronger, more focused and supportive PASAI organization to meet the needs of the region. This has led to the development of more effective networking and information sharing/cooperation between SAIs. We have seen PASAI as responding to our needs through the provision of training and audit guidelines."

"The PASAI, through the PRAI, also formulated various resource manuals for the SAIs use. These initiatives became possible only through regional cooperation and

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[15] Source: SAI Heads Survey, November 2012.

coordination among SAIs via PASAI. Regional cooperation and coordination has been strengthened and SAIs are more open and receptive to build and sustain audit capacities by sharing and communicating best practices."

### 2. Output Two: Build and Sustain Public Auditing Capacity

55. Output two has been partly achieved, as described in Table 5.

#### Table 5: Build and Sustain Public Audit Capacity

| Review assessment: Partly achieved. Not all SAIs show evidence of improved overall capacity, but this does not mean that some SAIs have not achieved some attributes in the next level of the PASAI Capability Model. SAIs still need more work to achieve all the attributes to improve overall capability. | |
|---|---|
| **Output component** | **Progress** |
| Prepare guidance and training materials | Four manuals have been produced by working groups. The fifth manual on financial auditing has not been produced for a number of reasons. However, the review team was advised that the intent is to leverage off AFROSAI -E to allow the manual to be progressed in 2013. In 2012, PASAI negotiated a Memorandum of Understanding with AFROSAI-E to use its financial manual and help with its upkeep. |
| Develop generic competencies | Set of competencies and job descriptions completed in 2009. Training courses for Tier 1 (auditing fundamentals), Tier 2 (auditing intermediate), Tier 3 (supervisory), and Tier 4 (management) have been piloted and conducted with a total of 101 SAI staff trained from 17 SAIs. 15 coordinators from the region were involved. Further training courses are planned for 2013. |
| Support attainment of professional accounting qualifications | There was an overall increase in professionally qualified staff in all SAIs from 2008 to 2012 (but this growth was almost entirely in two SAIs). The review team found that the phrase "professionally qualified" typically referred to post-graduate accountancy qualifications, but in some cases this referred to non-accountancy (e.g. bachelor level university graduate) qualifications. Since 2011, PASAI has been investigating professional accounting qualifications and identifying possible certification, and has a current offering based on an Institute of Public Administration Australia standard. The review team recognized that some SAIs make their own arrangements to assist staff get qualified. |
| Prepare institutional assessments and strengthening programs | Although there have been SAI capability self-assessments and some level of capability assessment in the two transparency and accountability reports (including in 2011, an in-depth assessment of six countries), there has been no additional formal assessment of SAI capabilities or studies to determine the capacity developments of SAIs since the one conducted in 2008. |
| Support improved contract management | This will be progressed as part of a current program for SAI Heads to develop strategic management skills, and provide guidance on contract management. |
| Provide operational and management support | This will be progressed as part of a current program to develop strategic management skills for SAI Heads. The course will also provide guidance on contract management. |
| Provide technical support | Recruitment of the Technical Support Adviser was in progress at the time of the review with the position having to be re-advertised again in late 2012 with a view to filling the position in early 2013. |
| Continue and support peer reviews | Not progressed; planned for 2014/15. |

AFROSAI-E = African Organisation of Supreme Audit Institutions in English-speaking Africa, PASAI = Pacific Association of Supreme Audit Institutions, SAI = Supreme Audit Institution.

Sources: PASAI annual and other reports; *Transparency and Accountability Report*; and key informant interviews.

56. **Review Observations**. The review found some evidence of progress on the output components, such as the development of competencies and the production of training material and manuals, but delays with others. The delay in producing the financial audit manual, which had impacted on the ability to conduct cooperative financial audits, may also hinder further the peer review program progress. The Secretary-General was pleased with the way that the joint approach to regional training and cooperative audits had enhanced public auditing and management skills, and had assisted with strengthening regional cooperation and coordination

as SAI staff were able come together to share their experiences. There was also a consensus that the achievements to date in the preparation of training manuals, the conduct of training courses, and of conduct cooperative financial and performance audits provided a firm base for moving forward in any future PRAI.

57.    One SAI Head felt that it would be better if some of the training courses could be held in some other country than Fiji because of the travel time and costs involved. For example, it might be more efficient if training was held at a venue that was geographically close to five or six SAIs (e.g., Guam), and then repeated at another venue.[16] Holding training or workshops in other countries would  also increase the visibility of the work of the host audit office and PASAI (this is discussed further in para. 131).

58.    Although there was limited progress with a number of the output components, the development of most of the manuals and generic competencies should provide a good foundation for future capacity development activities. The issue of whether the improvements to audit capacity are sustainable is still a question that needs to be answered, although recently PASAI agreed to track whether the training lessons had been transferred to other staff in the SAI.

59.    There needs to be an agreed definition of professionally *qualified staff* as some SAI Heads consider this to mean degree-qualified accountants, while others consider it to mean those accountants who are members of a professional accounting body.

60.    The survey responses and key informant interviews indicated general agreement that the PRAI objective of building public audit capacity was being achieved, but that more can be achieved with continued and more focused support going forward. On training, SAI heads commented that:

> "Training conducted under PRAI and PASAI has assisted greatly in building capacity in the SAI. The SAI ensures that all officers who benefited from the PRAI pass on knowledge gained to other members of the staff during in-house and on the job training."

> "We have had one person participate in the supervising training recently. The person who attended the training found it very beneficial. The use of action plans (after the training) is a good way for participants to involve their home office."

### 3.    Output Three: Conduct Cooperative Audits[17]

61.    Output three has been largely achieved, as described in Table 6.

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[16] The review noted that the five courses planned for early 2013 will be conducted in Fiji.

[17] Cooperative audits involve multiple SAIs working together on the same audit topic with three objectives: (i) to raise the audit capacity of the SAI staff, (ii) to produce individual country reports to improve public administration, and (iii) to produce a regional report that can be used by regional governments not involved in audit and PIF development partners, and other stakeholders to address regional issues.

**Table 6: Conduct Cooperative Performance and Financial Audits**

| **Review assessment:** Largely achieved. The cooperative performance audit program has been successfully managed and implemented and the SAS program had some reasonable achievement given the difficulties facing small states. While discussions on cooperative financial audits are now taking place, there has been no major progress in designing the cooperative financial audit program or starting any audits except for those as part of the SAS Program. | |
|---|---|
| **Output component** | **Progress** |
| Conduct cooperative financial audits | Not progressed. However, PASAI advised that although the program as envisaged in the PRAI design had not commenced, the SAS program is a cooperative financial audit, and work being conducted on electronic working papers for recording financial audit work is likely to be based on common financial audit methodology. |
| Conduct cooperative performance audits | Three completed audits, involving solid waste, access to safe drinking water and management of sustainable fisheries. Fifteen SAIs were involved in one or more of the audits. A further audit of Climate Change adaptation was in progress at the time of this review. |
| Undertake Subnational Audit Support Program | Two rounds of the SAS program conducted, involving three SAIs: Kiribati, Nauru, and Tuvalu. |

PASAI = Pacific Association of Supreme Audit Institutions, PRAI = Pacific Regional Audit Initiative, SAI = Supreme Audit Institution, SAS = Subregional Audit Support.
Sources: PASAI annual and other reports; *Transparency and Accountability Report*; and key informant interviews.

62.     **Review Observations**. PASAI members considered the cooperative performance audit program *successful*, with some SAIs indicating that the audit findings had influenced government to implement the audit report recommendations. The review team found a lack of knowledge by some members of the legislatures about the cooperative performance program, which once again highlighted the need for improved communication with members and for raising the awareness of audit program and audit outcomes.

63.     The approach to the conduct of the four performance audits was successful. The program was developed in a structured way and selected audit topics that were relevant to the region as a whole. Moreover, there was already a body of knowledge on the selected topics within the INTOSAI community to guide the audit methodology.

64.     The support provided by the other SAIs to specific cooperative performance audits and to performance audits more generally[18] through capacity supplementation demonstrates the value of capacity supplementation from other SAIs as well as capacity development from PASAI.

## 4.     Output Four: Develop Communication and Advocate Transparency and Accountability

65.     Output four has been partly achieved, as described in Table 7.

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[18] The PNG SAI receives in-house performance audit support from the Australian SAI, and the Solomon Islands SAI receives similar support from an Australian funded program.

**Table 7: Strengthen Communication and Advocate Transparency and Accountability**

| Review assessment: Partly achieved. Review team discussions with government officials and legislature members in four countries revealed limited to no level of awareness of PASAI, PRAI, and the regional effort to strengthen SAIs and the public audit function. The recommendations of the PASAI *Transparency and Accountability Report* should have a future impact on the first two output comments. ||
| --- | --- |
| **Output components** | **Progress** |
| Educate stakeholders on the value of public auditing | The PASAI *Transparency and Accountability Report* noted that key officials in the six countries surveyed are aware of public auditing; no further evidence available on the level of stakeholder awareness. Limited available evidence on regional efforts to increase stakeholder understanding and appreciation of public auditing. |
| Advocate enhanced transparency and accountability | The PASAI *Transparency and Accountability Report* shows that there had been some improvements since the 2009 study in the number officials that agree that there is greater transparency; no further evidence available on whether transparency and accountability is being advocated. |
| Provide editorial and communication advice | PASAI conducted communication training in 2011. Limited evidence of other activities and initiatives to expand editorial/media coverage of transparency and accountability in the region. |

PASAI = Pacific Association of Supreme Audit Institutions, PRAI = Pacific Regional Audit Initiative, SAI = Supreme Audit Institution.
Sources: PASAI annual and other reports; *Transparency and Accountability Report*; and key informant interviews.

66.    **Review Observations**. The PASAI Secretary-General suggested that while there was some work to be done on the first two components, there had been some improvements in the third component as SAI Heads were more confident in talking about their roles with the government.

67.    The 2012 PASAI Congress endorsed the *Transparency and Accountability Report*, which was completed in early 2012 following a number of in-depth studies in selected jurisdictions. The study concluded that the picture of accountability and transparency across the region remains mixed, but identified a number of positive and emerging good practices. The Congress encouraged the use of the report in a concerted effort by PASAI and other international, regional and national institutions, to promote consistent approaches and the sharing of ideas to improve governance outcomes in the Pacific. Circulation of the *Transparency and Accountability Report* was undertaken in at least one SAI, but there was no indication that this occurred in other SAIs.

68.    The review team acknowledges the value of the report, as it clearly emphasizes the positioning of the SAI in the accountability chain, and provides a comprehensive set of recommendations for both SAIs and PASAI to implement.

69.    Given the impact that current poor financial management has on the timeliness of auditing, ways to advocate transparency and accountability might include PASAI setting targets for when audits should be completed, and for development partners and donors to more open raise and discuss their concerns on the lack of current audited public accounts with government officials. Donors, with PASAI support, can more strongly emphasize to governments the critical importance of timely and high quality audits for ensuring aid effectiveness.

70.    The review found that the performance report in the *2011–2012 PASAI Annual Report* focused primarily on the strengthening communication component and the majority of responses to the survey of SAI heads were about improved communication and did not address advocating transparency and accountability.

71.     Legislature members interviewed by the review team had a mixed knowledge of public auditing and its value, but none had any knowledge of PRAI or PASAI. Several legislature members considered that it would be useful if their legislatures were briefed regularly on value of audits, and the intent of, and progress with PRAI so that the legislature and the SAI had a shared view of the issues facing both bodies. This would need to be an ongoing exercise to target new members of legislatures possibly through the Public Accounts Committee or its equivalent.

72.     The review team considered that the *advocate transparency and accountability* section of this output did not receive sufficient emphasis in the PRAI, either through the funding allocated[19] or the development of a strategy to achieve tangible progress. The PASAI Charter provides a clear description on PASAI's mandate to advocate the interests of good governance, including transparency, accountability and the need for strong and independent SAIs, to governments and others in the Pacific region.

73.     The review team also considered that changes to this output should be made in the design of any future PRAI. These changes are discussed in Chapter 3 of the Report. On communication SAI heads offered the following comments:

> "Before the PRAI, communication among SAIs only occurred during Congress. Today, with the advancement in technology and openness of SAIs to share best practices, communication has become a common practice. In addition, the PASAI has been persistent in making sure that the cooperative audits are published such that issues are accessible to the public and the public become more informed about accountability and transparency."

> "Communication has increased with the newsletter, e.g., PRAI update and more recently a visit from the Executive Director of PASAI was well received."

74.     There was general agreement that there was scope to make the fourth output more specific and to show the importance of all partners involved in development to work together more closely through a formal grouping that included the PASAI Executive Director. This is covered in Chapter 3.

## 5.    Assessment of PRAI Outcome

75.     The review found generally limited evidence, including from available indicators from SAIs and PASAI, that public accounts of all participating countries were being audited in a timely manner to uniformly high standards with enhanced audit impacts and improved audit capability. Certainly, for several SAIs, clear progress is being made towards this outcome. But the information available suggests that for most SAIs this remains a challenge.

76.     This was perhaps to be expected for several reasons. Firstly, the time frame in which the PRAI was operating was short, given the low capability of most SAIs at the start of the PRAI period. Secondly, the timeliness of audits and their use and impact are not solely in the control of the SAI. Other factors—such as poor financial management, lack of timely auditable public accounts, and limited or no implementation of audit findings—are generally outside of a SAI's control. The delay in funding at the beginning of the PRAI period may have also been a factor.

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[19] Funding need not be significant, as PASAI could use its regional status to collectively advocate in this area.

The review, therefore, found limited overall achievement of the PRAI outcome, with details in the table below.

**Table 8: Outcome**

| The public accounts of participating countries are audited in a timely manner to uniformly high standards with enhanced audit impacts and improved audit capability. | |
| --- | --- |
| **Performance Indicator** | **Progress** |
| By the end of 2012, 70% of available public accounts and their components will have been audited to internationally accepted standards within 12 months of the end of the financial year. | Information on which to assess performance on this indicator is limited. Nevertheless, information from the 2012 Trend Improvement Survey and key informant interviews suggests that this target has not been achieved in the majority of SAIs. Moreover, a number of SAIs are still dealing with a backlog of audits from previous years. |
| Improvement by the end of 2012 of the PEFA PI-26 to an average of C rating. | The results of the 2012 Trend Improvement Survey did not provide any information about whether this improvement had occurred. |
| By the end of 2012, 80% of participating SAIs will be at level 3 or higher on the PASAI capability model. | At end of 2011, 60% of SAI considered that they were at level three or higher. The 2012 Trend Improvement Survey indicated that the target is unlikely to be met as it requires five of the eight SAIs which ranked themselves below Level 3 to improve their capability. |

PASAI = Pacific Association of Supreme Audit Institutions, PEFA PI = Public Expenditure and Financial Accountability Performance Indicator, SAI = Supreme Audit Institution.
Sources: PASAI annual and other reports; *Transparency and Accountability Report*; and key informant interviews.
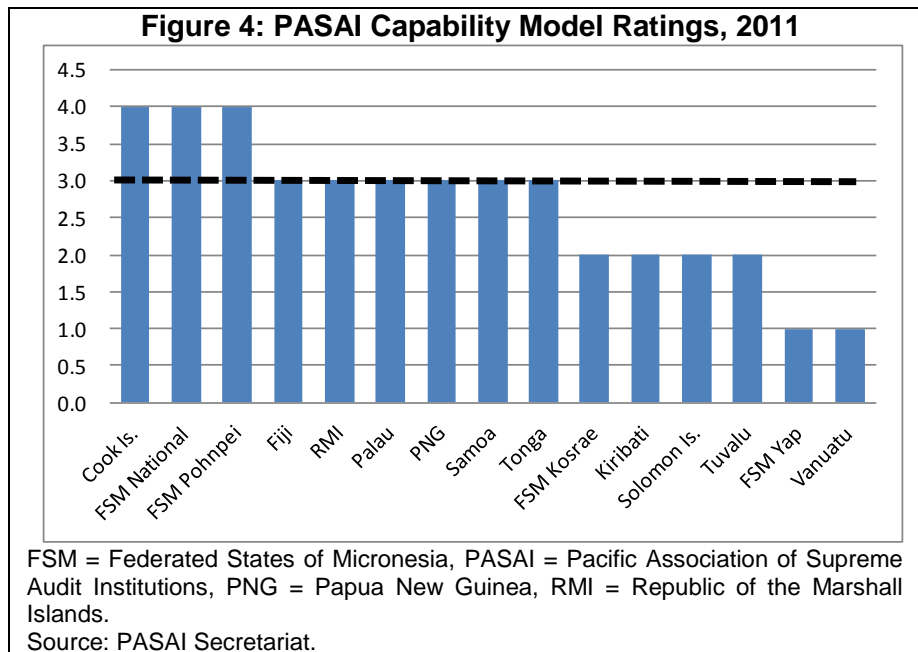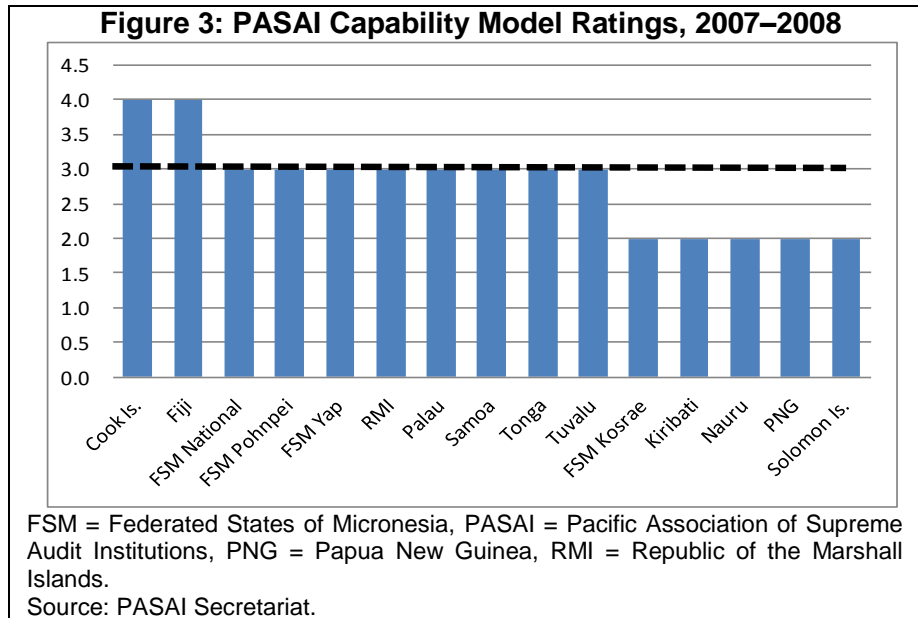
77.     In 2007–2008, 10 of the 15 SAIs, or 66%, rated themselves at level 3 or higher on the PASAI Capability Index. The PRAI aimed to raise this to 80% by 2012. As of end 2011, 9 of 15 SAIs (60%) rated themselves at level 3 or higher, as can be seen in Figures 3 and 4.[20]

78.     The PRAI design document noted that the self-assessment in 2007–2008 had been completed on a working model without the benefit of the full working model that was finalized later (and used in 2011). This could be reason that the number of SAIs that considered themselves at level 3 or higher is lower in 2011 than in 2007–2008.

79.     **Review Observations.** The Secretary-General indicated that financial management skills of government officials made the task of achieving the goal of timely quality audits difficult, and was an area that could have been emphasized more strongly in the PRAI design and during the implementation period.

80.     As a result of discussions with the PASAI Secretariat and SAI Heads, the review team considered that it was unlikely that the first two outcome indicators will have been achieved as the auditing of public accounts and the PI-26 PEFA rating rely on a number of factors other than an SAI's capability.

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[20] The tables only show ADB member countries where assessments were made. Vanuatu did not provide an assessment in 2007–2008 and Nauru did not provide an assessment in 2011.

**Figure 3: PASAI Capability Model Ratings, 2007–2008**

| | |
|---|---|

*Chart: Bar chart showing ratings by country. Cook Is. 4.0, Fiji 4.0, FSM National 3.0, FSM Pohnpei 3.0, FSM Yap 3.0, RMI 3.0, Palau 3.0, Samoa 3.0, Tonga 3.0, Tuvalu 3.0, FSM Kosrae 2.0, Kiribati 2.0, Nauru 2.0, PNG 2.0, Solomon Is. 2.0. A dashed line is drawn at 3.0. Y-axis from 0.0 to 4.5.*

FSM = Federated States of Micronesia, PASAI = Pacific Association of Supreme Audit Institutions, PNG = Papua New Guinea, RMI = Republic of the Marshall Islands.
Source: PASAI Secretariat.

**Figure 4: PASAI Capability Model Ratings, 2011**

*Chart: Bar chart showing ratings by country. Cook Is. 4.0, FSM National 4.0, FSM Pohnpei 4.0, Fiji 3.0, RMI 3.0, Palau 3.0, PNG 3.0, Samoa 3.0, Tonga 3.0, FSM Kosrae 2.0, Kiribati 2.0, Solomon Is. 2.0, Tuvalu 2.0, FSM Yap 1.0, Vanuatu 1.0. A dashed line is drawn at 3.0. Y-axis from 0.0 to 4.5.*

FSM = Federated States of Micronesia, PASAI = Pacific Association of Supreme Audit Institutions, PNG = Papua New Guinea, RMI = Republic of the Marshall Islands.
Source: PASAI Secretariat.

81.     In relation to the SAI capability model indicator, the review team noted little progress appears to have been achieved by SAIs. Because the model requires all attributes to be achieved before an SAI can progress to another level, the review team recognized that this might not mean that there has not been progress within the level.

82.     In any future reporting against the outcome indicator, the review team considered that there might be benefit if the information was disaggregated so that strengths and weaknesses within a level can be identified more clearly, at least for internal reporting purposes.

83.     The review concludes that it is possible to achieve this outcome in the medium term (7–10 years), assuming that continued and more targeted support (especially to the weakest

SAIs) is provided. The positive overall assessment of the PRAI, at this juncture, rests heavily on this assumption.

## E. Efficiency

84.    The PRAI is assessed as generally *efficient*.[21] Use of inputs was satisfactory, with no significant problems or disruptions identified, aside from a delay in funding at the beginning of the PRAI period, which restricted some first year activities. No major mid-course adjustments were required. The establishment of a small PASAI Secretariat and the contracting of consultants to carry out specific tasks was an efficient arrangement and use of resources. The support provided by the New Zealand SAI to the PASAI Governing Board and Secretariat and for the various program initiatives and activities was significant and served as a key factor in the PRAI's overall success.

## F. Sustainability

85.    The preliminary assessment of sustainability of PRAI's achievements thus far, is *likely to be sustainable,[22]* most especially in the areas of enhanced cooperation and coordination and capacity development in performance audits. However, there are two possible impediments to sustainability that will need to be monitored throughout the life of any future PRAI.

86.    The first impediment is lack of adequate resourcing of SAIs. Several SAIs expressed uncertainty on whether progress achieved so far can be sustained given the uncertain outlook they face in terms of sustaining adequate financial and human resources. A number of SAI heads reported that their operating budgets are significantly short of what is actually required for them to fulfill their mandates.

87.    The second impediment, which is linked to SAI resourcing, is the limited ownership and political will of governments to continued reforms and strengthening of SAIs and PFM more generally. Given the limited nature of the review, it was unable to assess this but addressing the issue could become an important part of a future PRAI design through initiatives in the a*dvocate transparency and accountability* output discussed in Chapter 3.

88.    The majority of SAIs expressed confidence in the sustainability of capacity development initiatives, especially in the area of cooperative performance audits, although several SAIs indicated that given the relatively recent commencement of PRAI activities, gauging sustainability at this stage may be difficult.

89.    The review team considers that PASAI Secretariat, given its organizational structure and governance arrangements and external support, is sustainable and suitable for continued support to its clients, although there needs to be a review of how the accounting services are delivered and the role of the Executive Director in the future. This is discussed in Chapter 3.

90.    The PASAI Charter provides a sound legal and institutional framework for PASAI to continue into the future, and more integration of PASAI into the regional network (e.g., through membership in the Council of Regional Organizations in the Pacific) can strengthen its presence going forward. PASAI members' consideration of the future location of the PASAI Secretariat

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[21] Efficiency rating levels are: highly efficient, efficient, less than efficient, and inefficient.
[22] Sustainability rating levels are: highly likely, likely, less than likely, unlikely.

will need to take into account, among others factors, the impact of moving away from the direct support of a fully functioning SAI.

## G.      Additional Assessments

### 1.      PASAI Institutional Issues

91.      The review team found that institutional issues in PASAI, in as far as these issues were relevant to the PRAI objectives and to the broader issue of strengthening public audit capacity in the region, were well managed throughout the life of the project. The governance arrangements for PRAI in 2008 were a Transitional Working Group responsible for developing the PRAI, a PASAI Governing Board and an Executive Director who was responsible to the Governing Board. There was an effective consultation process during the project that involved all stakeholders—development partners, a representative Governing Board chaired by the PASAI Secretary-General, a Regional Institutional Strengthening Committee and all Heads of all PASAI SAIs. PRAI also demonstrated that good supervision and management allows a project to progress in an orderly way so that the achievements (and any non-achievements) are transparent and accepted by all stakeholders.

92.      One of the key issues in the review team's assessment of the effectiveness of PRAI was whether the PASAI organizational structure contributed positively to the implementation of the initiative. In the review team's assessment, the planning for and the establishment of an appropriately resourced, full-time Secretariat at the start of the PRAI implementation was one of the key factors for the success of the PRAI, as was the encouragement and willing support of the SAI of New Zealand, a well-established SAI, to the Secretariat and PASAI more generally. The establishment of a Governing Board was also an important element in the success of the PRAI.

93.      The PASAI Secretariat's organizational structure, consisting of an Executive Director, a business manager, a capacity development adviser and an administrative assistant, all supported by consultants, was appropriate for the period of the establishment of the Secretariat and the development of the majority of output components. However, the lack of accounting expertise within the PASAI Secretariat (which is now dealt with by the SAI of New Zealand) will need to be addressed shortly, for example, through the use of an accounting firm to undertake PASAI's accounting function.

94.      As the review was focused on the implementation of PRAI, it did not directly assess the performance of the PASAI Secretariat in terms of its management of the PRAI, coordination of the work of consultants, or the monitoring or review of its performance. However, the review team noted that the Secretariat had managed the delivery of a number of the outputs successfully and that there was general agreement that the Secretariat performed well given that PRAI was in its establishment phase and it takes time to refine roles and responsibilities.

95.      There was also a view that the contractors have not been fully integrated in the PASAI Secretariat and that as a result, the communication between the parties has, at times, been poor. This may have been partly because the roles of PASAI and ADB in managing the consultants had not been clearly articulated[23] or because of a lack of understanding that for the PASAI Secretariat business model of a few core staff supported by consultants to be

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[23] The consultants are hired by ADB and their conditions are set by ADB and PASAI is responsible for providing the operational management of the contractors. The distinction is not always clear.

successful, the consultants must feel part of the team. PASAI advised that its legal adviser had reviewed the managing arrangements for consultants in the Subregional Audit Support program, which may provide clarity for the future.

96.     The demands on the Executive Director to manage the new organization meant that the role of advocating transparency and accountability (for which the Executive Director position has an important role), has been neglected. A possible solution to this, discussed during the review, is to recruit the equivalent of a Chief Operations Officer who manages all functions of the Secretariat and the delivery of PRAI outputs. This will allow the Executive Director to shift focus to the critically important advocacy role.

97.     The PRAI design's preference was for the PASAI Secretariat to be located in a Pacific Island country. Although Fiji was selected by the PASAI Congress in 2009, the PASAI Secretariat could not be located there for a number of reasons and Auckland was selected as the alternative location. While ideally the Secretariat should be based within the region, this needs to be balanced with an assessment of whether it needs the support of a fully functioning SAI to operate effectively and efficiently. Given the importance to PASAI's organizational sustainability of a Secretariat that is operationally independent and less reliant on the work of the New Zealand SAI,[24] PASAI has organized for a review of the performance of the Secretariat to be conducted by an external reviewer. The location of the Secretariat should be reviewed periodically to ensure that its meets the ongoing needs of PASAI.

### 2.      Preliminary Assessment of PRAI Impact on PFM

98.     The ultimate objective of PRAI was to improve the management and use of public resources, or more specifically, to improve transparency and accountability in PFM. The main data source identified in the PRAI design and monitoring framework (see Appendix 4) to monitor progress towards this goal is the PEFA exercise and its indicators PI-10, PI-25, PI-26, and PI-28. However, recent (official) PEFA indicators are not available for the vast majority of the countries.

99.     The only other data source that provides a periodic assessment of the quality of PFM in the countries is the annual ADB Country Performance Assessment (CPA) exercise, which includes a rating on the quality of budgetary and financial management (Figure 5). This criterion assesses the extent to which there is (i) a comprehensive and credible budget, linked to policy priorities; (ii) effective financial management systems to ensure that the budget is implemented in a controlled and predictable way; and (iii) timely and accurate accounting and fiscal reporting, including timely and audited public accounts and effective arrangements for follow up. The sub-criteria are weighted equally in the overall rating for this CPA dimension.[25]

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[24] The New Zealand SAI advised that its input has been significantly above that originally anticipated.
[25] CPA subcriteria ratings are not disclosed.

**Figure 5: CPA Ratings on Quality of Budgetary and Financial Management, 2006–2011**
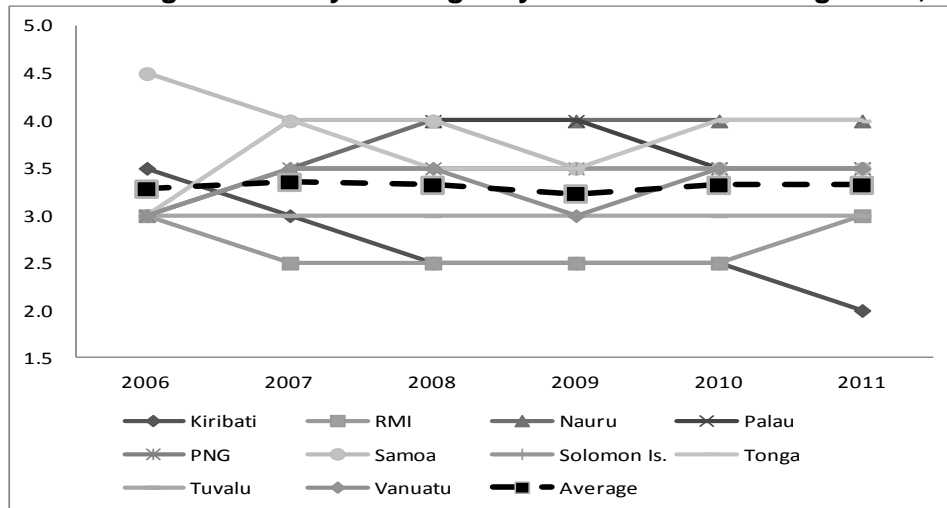


CPA = Country Performance Assessment, RMI = Republic of the Marshall Islands, PNG = Papua New Guinea.
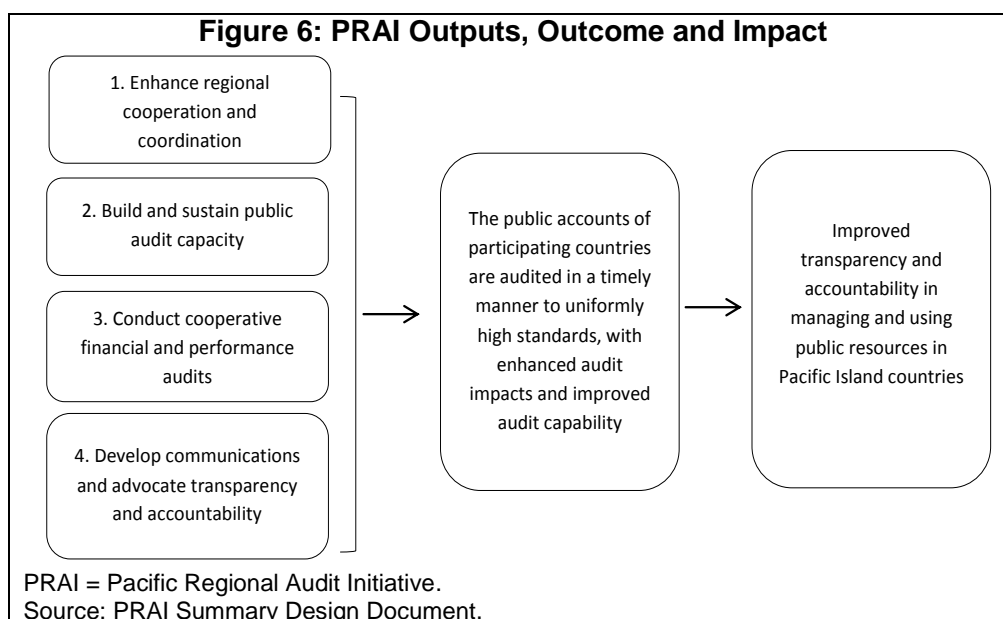Source: ADB Country Performance Assessment reports.

## III.   OPPORTUNITIES TO IMPROVE PRAI EFFECTIVENESS

### A.   Purpose

100.    This review was undertaken to assist development partners in their consideration of continued support to PRAI from 2013 and beyond. This chapter presents ideas and opportunities to strengthen the effectiveness of PRAI and to align its design with what it can realistically achieve. Given the limitations in time and scope of the review, the review team was unable to conduct a rigorous analysis of the issues and can only suggest future opportunities from the examination of documentation, discussions with stakeholders and the survey of SAI Heads.

### B.   PRAI Theory of Change: Critical Assumptions and Factors

101.    The review assessed PRAI's underlying theory of change to understand how it intended to achieve its desired outcome and impact. The theory of change underpinning the PRAI relied upon several critical assumptions. PRAI assumed that the key activities and outputs of enhancing cooperation, building capacity, conducting cooperative audits, developing communications, and advocating transparency would collectively enable (or even *cause*) SAIs to strengthen their overall effectiveness, in terms of the timeliness, quantity/coverage, quality, and impact of their audit work (Figure 6). This was to be measured by improved audit coverage and PEFA and PASAI Capability Model ratings.

**Figure 6: PRAI Outputs, Outcome and Impact**

| | | |
|---|---|---|
| 1. Enhance regional cooperation and coordination | | |
| 2. Build and sustain public audit capacity | The public accounts of participating countries are audited in a timely manner to uniformly high standards, with enhanced audit impacts and improved audit capability | Improved transparency and accountability in managing and using public resources in Pacific Island countries |
| 3. Conduct cooperative financial and performance audits | | |
| 4. Develop communications and advocate transparency and accountability | | |

PRAI = Pacific Regional Audit Initiative.
Source: PRAI Summary Design Document.

102.    While a few SAIs have shown progress towards the intended outcome, many have shown only limited (or no) progress thus far.

103.    There are numerous factors that determine a SAI's effectiveness, as identified in earlier assessments. The most critical *core* constraints affecting the weakest-performing SAIs in the region are insufficient financial and human resources. Many SAIs continue to be significantly under-resourced, in terms of basic operational funding and minimal number of qualified staff. In retrospect, the PRAI activities and outputs may not have sufficiently addressed these core constraints.
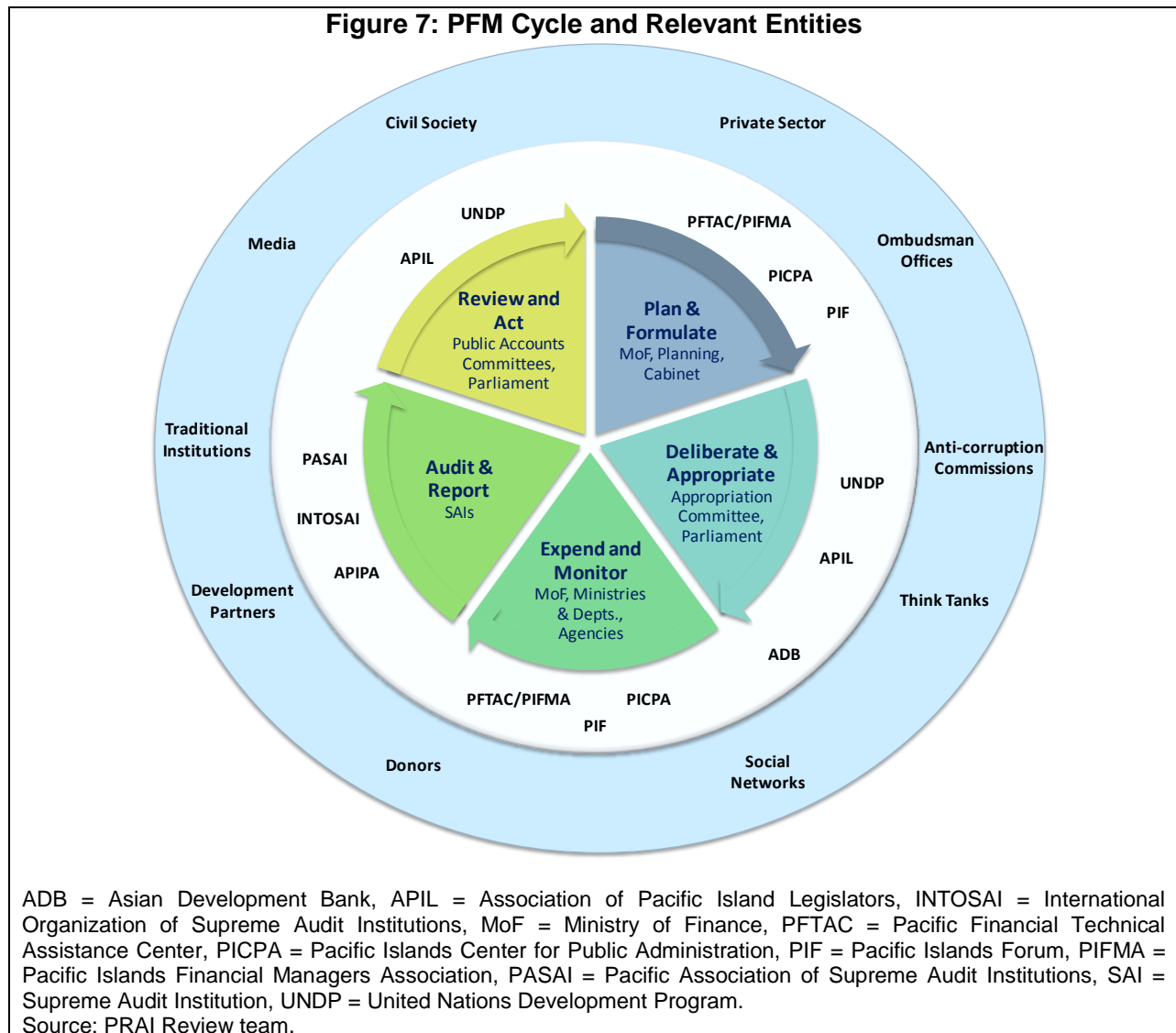
104.    A future PRAI design should focus more sharply on (i) quantifying minimal levels of financial and human resources necessary for each SAI to fulfill its legal mandate, (ii) assisting each SAI attain these minimal levels, including more proactive lobbying and advocacy with government leaders, and (iii) providing information to development partners and donors to help them to encourage Forum Governments to provide greater financial and other support to enable Forum commitments to be adequately carried out.

105.    SAIs operate in different contexts, thus, assisting them to attain sufficient levels of financial and human resources will necessitate different strategies and approaches. For several SAIs, it is now abundantly clear that the likelihood of attaining and maintaining a minimal number of qualified local audit staff or acquiring assets to assist with SAI organizational development is low. In these exceptional cases, alternative options such as capacity supplementation, outsourcing (using the PASAI guidelines for contracting out audits), and financial support provided directly to the SAI to assist it, for example, with the procurement of information technology systems or time-recording systems, development and maintenance of websites should be considered. A future PRAI design should reflect this.

106.    The second key underlying assumption of the PRAI theory of change holds that more effective SAIs will cause public resource management—more specifically PFM—to be more transparent and accountable. As discussed in Chapter 2, a more realistic assumption would be for this to be a *contributory* versus a *causal* linkage. PFM is essentially a dynamic, multi-

dimensional system; it is composed of different parts, players, and processes, with different types and forms of linkages between and/or among them.

107.    Figure 7 illustrates this dynamic system and the context of PFM in the Pacific.

**Figure 7: PFM Cycle and Relevant Entities**



ADB = Asian Development Bank, APIL = Association of Pacific Island Legislators, INTOSAI = International Organization of Supreme Audit Institutions, MoF = Ministry of Finance, PFTAC = Pacific Financial Technical Assistance Center, PICPA = Pacific Islands Center for Public Administration, PIF = Pacific Islands Forum, PIFMA = Pacific Islands Financial Managers Association, PASAI = Pacific Association of Supreme Audit Institutions, SAI = Supreme Audit Institution, UNDP = United Nations Development Program.
Source: PRAI Review team.

108.    The center circle depicts a generic fiscal cycle, with its five main stages and the key players involved therein:

(i)     *Plan and Formulate*: planning and formulation of budgets, as typically carried out by planning and finance ministries and the Cabinet;

(ii)    *Deliberate and Appropriate*: deliberation and appropriation of budgets, as typically carried out by parliamentary committees;

(iii)   *Expend and Monitor*: expenditure and monitoring of financial resources, as carried out by governments and their component units and affiliates;

(iv)    *Audit and Report*: auditing and reporting of findings, as carried out by audit institutions; and

(v)     *Review and Act*: review of audits and acting upon findings and recommendations, as typically carried out by public accounts and other parliamentary committees.

109.    The middle circle depicts what has emerged in the Pacific as a generally loose constellation of regional partners, each involved in supporting one or more parts, players, or processes of the inner (PFM) circle. These regional partners include the Pacific Financial Technical Assistance Centre (PFTAC), Pacific Islands Centre for Public Administration, ADB, UNDP, Association of Pacific Island Legislatures, Association of Pacific Island Public Auditors, PASAI, INTOSAI, and numerous others not shown here. Finally, the outer circle depicts the broad enabling environment and the key players, including hard and soft institutions that influence PFM.

110.    The intended impact of the PRAI was to improve transparency and accountability in the use of public resources in the Pacific. This essentially means that the PRAI, a relatively short-term intervention with a somewhat narrow focus on just one part of PFM, aimed to bring out a *systemic* improvement in PFM. In most Pacific counties, bringing about systemic improvements in transparency and accountability will require much more integrated approaches over much longer time periods. In recognition that bringing about systemic improvements in transparency and accountability will require much more integrated approaches over much longer time periods,[26] a future PRAI design should take a more integrated and linked-up approach, working to the extent possible with other parts and partners in the PFM cycle.
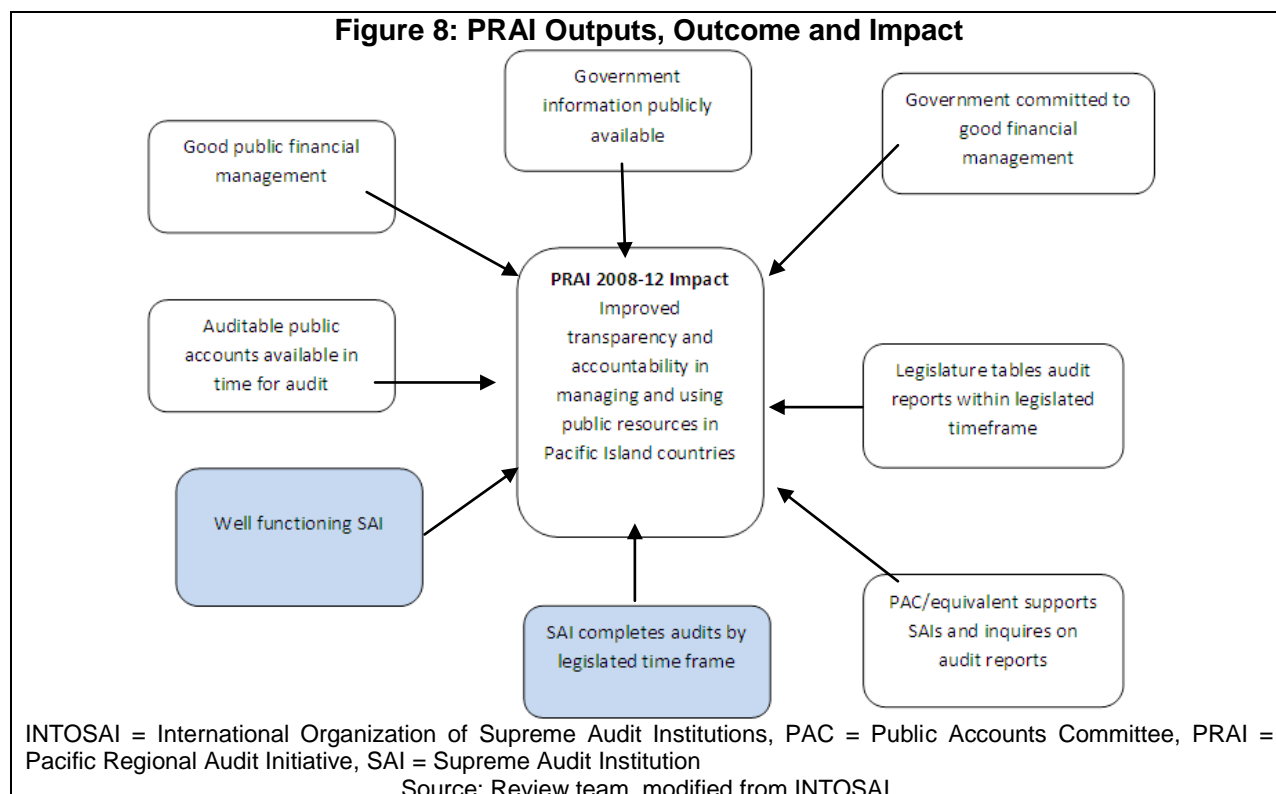
## C.    Ideas and Opportunities Going Forward

### 1.    Revisiting PRAI Impact and Outcome

111.    As discussed, the PRAI impact does not reflect the fact that it is not possible for SAIs, alone, to improve transparency and accountability. The figure below shows the critical factors, including a well-functioning SAI that completes audits in a timely way, to be considered in improving transparency and accountability.

112.    The PRAI design should be revisited so that it realistically shows what it can help to achieve. For example, the impact could be changed significantly to show the *Timely completion of the full range of quality audits to accepted auditing standards*, or amended to show that SAIs can only *contribute* to improved transparency and accountability in managing and using public resources in Pacific Island countries. A consequential change to the outcome from the significant impact change mentioned above could show that SAIs are fully capable of completing the mandated number and types of audits and presenting them to the legislature by the legislated (or agreed) date.

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[26] This point is echoed in recent IED evaluations covering ADB Support for Enhancing Good Governance in the Pacific (2011) and ADB Support to Fragile and Conflict-Affected Situations (2010).

**Figure 8: PRAI Outputs, Outcome and Impact**

INTOSAI = International Organization of Supreme Audit Institutions, PAC = Public Accounts Committee, PRAI = Pacific Regional Audit Initiative, SAI = Supreme Audit Institution

Source: Review team, modified from INTOSAI.

113.    PASAI advised that such changes may be seen as a watering down of what is an aspirational impact because of SAIs' potential to play more of a role in the PFM system in the future. However, the review team considers that the current impact's achievability should be re-examined during the design of a new PRAI as it may lead to expectations that are difficult to achieve by PRAI alone.

## 2.    Changes to Outputs and Components

114.    Most of the PRAI outputs and output components will need to be changed to recognize the previous achievements (and non-achievements) over the last 4 years. For example, generic competencies have been developed and could now be excluded from the outputs. Support attainment of professional accounting qualifications could be expanded to describe the type of qualifications (e.g., internal audit or risk management qualifications) to be supported across the whole audit spectrum given that performance auditors do not necessarily need accountancy qualifications, and training on the accounting standards[27] could be included as one of the output components.

115.    Given the importance of educating stakeholders about the value of public auditing and advocating enhanced transparency and accountability, a greater emphasis should be placed on it in any new PRAI. One way to deal with this is to show it as a separate output by subsuming the *Communication* part of the original output into the *Build and sustain public audit capacity* output. Enhancing transparency and accountability is dealt with in more detail later in the Chapter.

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[27] A number of Heads of SAIs have raised the need for formal training on the accounting standards.

### 3. Possible Short-term and Interim Outcomes

116. In program design terms there is a 'leap of faith' from the present four outputs (strengthen regional cooperation and coordination, build and sustain public audit capacity, conduct cooperative audits and develop communication and advocate transparency and accountability) to the outcome of auditing accounts in a timely manner. There is a similar gap from the outcome to the impact of improved transparency and accountability. The review team considers that the next PRAI should develop some short- and medium-term outcomes to provide the link between the outputs to the final outcome, and to allow the measurement of PRAI to be conducted in a more phased way.

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**Recommendations**

PASAI should review its program design with a view to:
(i) updating its outputs to reflect progress to date and new requirements;
(ii) assessing whether the current outcomes and impact are still appropriate; and
(iii) developing a series of short- and medium-term outcomes that will link the outputs more clearly to the final outcome and allow performance indicators to be developed.

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### 4. Better Assessment and Targeting of SAI Development Needs

117. Comprehensive assessments of the development needs of individual SAIs early in the period would allow PASAI to provide more targeted assistance to weaker SAIs (following the Subregional Audit Support approach). Such assessments would focus on both the internal and external constraints faced by SAIs, and might lead to a consideration of capacity supplementation, as already occurs, for example, in the Solomon Islands, Vanuatu and Papua New Guinea (through bilateral programs) as well as capacity development as a more appropriate way of dealing with some SAI's development needs.

118. Examination of the issues facing SAIs described in the PRAI design document of 2009 and in the 2012 Trend of Improvements Survey report show that the most common constraints have not changed. Internally, SAIs still have funding shortfalls, inadequately qualified staff, difficulties in retaining staff and poor financial auditing methodology, among other common issues. In the next phase of PRAI, SAIs should carry out some self-analysis to identify their mandates, audit engagements and their resourcing and funding so that they can conduct and conclude their audits.

119. The review team considers that one way that this examination could be done is by SAIs self-assessing their needs against International Standards of Supreme Audit Institutions (ISSAI 20 and ISSAI 21)[28] and the PASAI Capability Model attributes using a survey developed by PASAI. The other part of the self-assessment could be more free-ranging where SAIs could discuss the need for assistance, such as to develop an IT audit capability or the establishment of a website.

120. The recent SAI Heads responses in the Trend of Improvements Survey and the review team's survey provided some specific needs. For example, the Heads of SAI of Tuvalu and Kiribati expressed interest in training on ISSAIs, and the Head of the Cook Island SAI sought

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[28] ISSAI 20 '…advances principles of transparency and accountability for SAIs to assist them in leading by example in their own governance and practices' and ISSAI 21 provides '…examples of practices of SAIs relating to transparency and accountability.'

technical advice on specific areas, for example the auditing of International Financial Reporting Standards financial statements.

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**Recommendation**

PASAI should assist SAIs conduct more rigorous self-assessments of their individual development needs to strengthen targeting of assistance to SAIs.

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### 5. Capacity Supplementation

121. The current PRAI design is focused on capacity development where activities, such as training or performance audit review points, are centralized so that the experiences can be shared regionally. As mentioned earlier in the report, this had helped improve regional cooperation, SAI staff appreciation of issues in other SAIs and the development of the PASAI brand.

122. The review endorses the concept of capacity supplementation through, for example, staff secondments from other SAIs. SAIs could also be encouraged to seek specialist advice from other sectors to supplement deficiencies in its own workforce, and to add quality and credibility to its work.

123. As mentioned earlier, the review team is aware that capacity supplementation already occurs with a number of SAIs receiving bilateral assistance to develop their skills in particular areas with long term on-site advisers from recruitment of overseas specialist or other SAIs. This support is received either at no cost to the SAI, usually in the form of contractors from aid programs.[29] In response to the recent Trend of Improvements Survey the Head of the Northern Mariana Islands SAI expressed an interest in having an on-site audit supervisor to provide on-the-job training on all phases of an audit.

124. The review team acknowledges the benefit of capacity supplementation but considers, given the number of regional development partners available to provide bilateral assistance to SAIs, that it would be useful for SAIs to ensure that the assistance was visible within PASAI and, where possible, was consistent and aligned with PRAI objectives.

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**Recommendations**

In developing the next phase, PASAI, informed by the review of SAIs' assessment of needs, should consider a mix of capacity development activities for all PASAI members and a capacity supplementation program targeted for individual SAIs.

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### 6. Advocating Transparency and Accountability and Possible Restructure

125. Most of the constraints facing SAIs—e.g., limited mandate, inadequate resourcing, poor PFM and public accounts not being provided on time, legislatures not tabling audit reports within the legislated time frame, and PAC or equivalents not inquiring or following up on audit findings—could be resolved by governments and the legislatures. Therefore, there is a strong need for greater advocacy and lobbying of governments and legislatures to address these constraints.

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[29] For example, Solomon Islands SAI has had on site advisers for a number of years, and PNG has had a number of advisers in both the corporate services and auditing areas for at least 8 years from AusAID funded programs and has employed overseas staff with specialist skills.

126. The current output group of *Develop communications and advocate transparency and accountability* consists of three output components—educate stakeholders on the value of public auditing, advocate enhanced transparency and accountability, and provide editorial and communication advice.

127. As discussed earlier, the advocate transparency and accountability section of the output should receive more focus given its intention to strengthen stakeholder understanding of and support for public auditing and the importance of transparency and accountability. The 2012/2013 Business Plan provides for some communication initiatives which are still mainly concentrating on the communication part of the output. The budget for the output is five percent of the total PASAI budget and is entirely spent on training and adviser costs.

128. Chapter 3 of the PASAI Charter shows that part of PASAI's mandate is to: "Advocate the interests of good governance, including transparency and accountability and the need for strong and independent SAIs, to governments and others in the Pacific region." The review team considers that to support this section of the charter a new output group be developed focusing solely on advocating transparency and accountability to provide more impetus and resources to operationalize the intent of improving the ability of the SAI to complete its role.

129. One way to operationalize this is for PASAI and SAIs to report annually on their progress against the *Transparency and Accountability Report*, including progress in implementing its recommendations. Moreover, this review recommends that PASAI develops a new annual report which consolidates information on the state and status of public audits (including cooperative audits), progress towards PRAI goals, challenges, new developments, and related issues. Such a high visibility annual report could help PASAI and the SAIs to raise the profile of public auditing and to elicit more consistent dialogue with policymakers and leaders in the region.

130. In connection to the annual report, consideration should also be given to regular participation of PASAI in high-level regional meetings such as the annual Finance and Economic Ministers Meeting.

131. Finally, as discussed earlier, the visibility of the work of audit offices and PASAI could be increased by holding training or workshops in other countries. This would allow the host audit office to use the workshop as an opportunity to profile its work to stakeholders in its own country. It would also allow PASAI to promote itself and the PRAI to a broader audience.

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**Recommendations**
(i) The transparency and accountability output should be shown separately from communication, and be funded more appropriately given its significance;
(ii) PASAI and SAIs should report through the PASAI reporting process on their progress against the Transparency and Accountability Report, including progress in implementing the recommendations;
(iii) PASAI should report annually on the status of audited public accounts and financial report findings, progress against the PASAI Transparency and Accountability Reports, and regional issues arising from cooperative audits to a forum such as the Finance and Economic Ministers Meeting so that key stakeholders, such as donor and development parties, can raise their concerns with government officials to improve elements of PFM and public administration.

132.    This advocacy role requires the PASAI Secretariat (in particular the Executive Director with support from SAI Heads) to adopt a more proactive approach in interacting with and educating stakeholders about the value of public audit, and advocating transparency and accountability to government officials and other key regional entities. Increased advocacy of the importance of PRAI and the role of SAIs would improve PRAI visibility among PASAI member countries and donors, and could provide for more considered alignment and integration of regional and bilateral assistance to SAIs.

133.    Some of the proactive approaches that could be adopted could include:
  (i)     Briefing the legislature and other key government officials on the new PRAI and seeking their support to overcome the constraints to SAIs' ability to function effectively and the impact this has on the wider governance issues, including on achieving enhanced transparency and accountability; and
  (ii)    Briefing new legislature members on the role of audit, possibly through the PAC or its equivalent and in particular the need for government officials to implement audit recommendations.

134.    These changes may require a review of the Executive Director's duties, which presently provide an internal management focus to one that is more of a senior advocacy role dealing with senior stakeholders, and more funding to be allocated to the output.[30] It will also need a change to the structure of the PASAI Secretariat to establish an additional position, similar to a Chief Operating Officer who would manage the day to day operations of the Secretariat including the important inclusive relationships with consultants and managing the PASAI programs.

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**Recommendation**

PASAI should consider restructuring the PASAI Secretariat so the Executive Director role includes a responsibility for advocating transparency and accountability with stakeholders.

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### 7.     Strengthen Key Partnerships

135.    More needs to be done to develop formal working relationships with development partners and key regional entities so that all groups understand the linkages between financial management and the audit function, and how they can influence changes.

136.    The review team considers that in the next phase of PRAI, PASAI should start working towards more integrated, regional strategic partnership arrangements with specific key partners such as UNDP and PFTAC to strengthening the accountability system. Strategic partnership agreements with these entities, with joint results-oriented frameworks, should be considered.

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[30] The PASAI Charter, which shows the Executive Director's main duties as managing the Secretariat, supporting the Governing Board, preparing business plans, and working with development partners and others may need to be changed to reflect a more statesman-like role for the Executive Director.

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**Recommendations**

(i) A future PRAI design should take a more integrated and linked-up approach to strengthening the entire accountability system, working to the extent possible with other parts and partners in the PFM cycle, and retaining its visibility and link with the Pacific Island Forum and the Pacific Plan.

(ii) PASAI should consider establishing formal results-oriented partnership agreements with key partners such as UNDP and PFTAC to strengthening the accountability system.

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## 8. A Longer Funding Period and Intermittent Evaluations

137. With the initial 4-year PRAI implementation period ending, consideration could be given to a longer funding period to:

(i) recognize that there have been some significant achievements with PRAI and the change required in SAIs and the Pacific region will take some time given the inherent constraints that exist;

(ii) acknowledge the donor partners' commitment to the SAIs development, and

(iii) allow PASAI to plan its program and manage its Secretariat staff and consultants with a degree of certainty.

138. To provide some assurance of PRAI progress, there would need to be planned review points throughout the funding period to allow donors to assess progress against output and outcome performance indicators. For example, under a 10-year program, PASAI could conduct an evaluation/review at the 2-year mark to clarify that the processes and outputs are in place to achieve the outcomes, another one at the 5-year mark to confirm that PRAI is on track to deliver its short- and medium-term outcomes, and one at the 8-year point to confirm that outcomes have been achieved.

139. ADB and donor partners should consider independent evaluations of PRAI progress to supplement PASAI self-evaluations.

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**Recommendation**

Donor partners should consider providing a long-term commitment to the funding of PRAI with intermittent, independent evaluation of progress.

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## PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS CAPABILITY MODEL

The Pacific Association of Supreme Audit Institutions (PASAI) Capability Model considers the status of five attributes at each level:

1. Audit Types
2. Audit Management
3. Office Management
4. Human Resource Management
5. Information and Communications Technology.

### PASAI Capability Model

| Level | Attribute |
|---|---|
| Level 5 – The SAI is contributing proactively to the public sector and to its peers. | 1. **Types of Audit.** *Special auditing functions:* Contribution to the prevention of fraud and corruption across the region. *Financial statement audit:* External audit that contributes to the development of financial reporting across the region. *Performance audit:* Impact analysis that assists decision-making.<br>2. **Managing Audits.** The SAI contributes to the development of auditing, accounting, performance, forensic and environmental legislation, policies, standards and procedures for use by other SAIs, private sector firms and the public sector. The SAI can audit all public resources. Audit standards maintain parity with international standards.<br>3. **Managing the SAI.** The SAI head reports to the legislature on matters affecting the performance of the SAI as they deem necessary. Annual performance reports contain new and innovative ways of managing the SAI, which become a model for other SAIs.<br>4. **Managing Human Resources.** Staff perform at the highest levels. Innovative human resources management approaches are applied. SAI serves as a model to others.<br>5. **Information and Communications Technology Management.** Good practices are followed and automated. |
| Level 4 – The SAI is confident. | 1. **Types of Audit.** *Special auditing functions:* Propose general guidelines and good practices. *Financial statement audit:* Intensive external audit of areas of risk in financial reporting. *Performance audit:* External audit of high risk programs and services and their impact on the environment.<br>2. **Managing Audits.** The SAI reports regularly to the legislature and raises sensitive matters with it. The SAI head interacts freely with the media, business, the judiciary, the government, the public and the legislature. They have an on-going relationship with members of the legislative/the legislative committee reviewing the performance of public sector entities. They interact with other SAIs as peers in the international professional public sector audit environment. The audit methodology is based on audit standards and quality control systems are used to monitor the application of the methodology.<br>3. **Managing the SAI.** The SAI head has regular and unfettered contact with professional bodies and interacts with other SAIs as peers in the international public sector audit environment. The SAI head provides annual SAI reports (on its own performance) to the legislature, and these annual reports are available publicly.<br>4. **Managing Human Resources.** Human resources management system includes guidelines for rewarding, promoting and releasing |

| Level | Attribute |
|---|---|
| | staff. Qualified auditing and accounting staff available in number needed. Staff with special expertise in place. <br> 5. **Information and Communications Technology Management.** Electronic workflows and centrally managed information. |
| Level 3 – The SAI is functional. | 1. **Types of Audit.** *Special auditing functions:* Diagnosis of poor management controls susceptible to fraud, waste, abuse and mismanagement. *Financial statement audit:* Planned external audit of financial statements and the underlying systems and procedures. *Performance audit:* External audit of effective and efficient use of resources, and the environment. <br> 2. **Managing Audits.** The SAI reports annually to the legislature on the audit of all auditees. Audit standards are adopted and distributed to staff. Audit managers review the working papers of audit and contracted staff against audit methodology in the audit manual. The methodology is based on international and national standards. The SAI has general acceptance and recognition for its work. <br> 3. **Managing the SAI.** The SAI's staff complement fits its needs, as does its budget. The SAI has use of office equipment and an operating budget that enables it to complete its annual workload. The SAI's budget proposal is supported by plans and there is independent review of its performance. <br> 4. **Managing Human Resources.** Human resources management system includes a comprehensive training program and assessment guidelines. Majority of staff possess degrees, some with professional certification. Contract staff fills technical gaps. <br> 5. **Information and Communications Technology Management.** Systems for information technology administration, security, and data management are in place, and an information technology direction is planned. |
| Level 2 – The SAI is operating safely. | 1. **Types of Audit.** *Special auditing functions:* Forensic audits feeding into anti-corruption initiatives. *Financial statement audit:* Planned external audit of financial statements. *Performance audit:* External audit of compliance with laws and regulations, including those applying to the environment. <br> 2. **Managing Audits.** Staff members can complete audits without threats or intimidation. They have access to all required financial records and other information. The head of the SAI can report regularly to the legislature. The audit portfolio includes all public sector entities. <br> 3. **Managing the SAI.** The SAI has a reliable and predictable budget. Office equipment and data are secure. They have access to all required financial records and other information. The head of the SAI can report regularly to the legislature without fear or intimidation. <br> 4. **Managing Human Resources.** Human resources management system includes recruiting guidelines. Staffing levels are generally met with some staff having relevant certification. Audit standards training provided. <br> 5. **Information and Communications Technology Management.** Networked data management using common applications. |
| Level 1 – The SAI is established and surviving. | 1. **Types of Audit.** *Special auditing functions:* Investigation of issues of concern. *Financial statement audit:* Routine external audit of cash-based public accounts. <br> 2. **Managing Audits.** The SAI has access to whole-of-government financial records and sometimes to those of other public sector |

| Level | Attribute |
|---|---|
| | entities. The SAI audits the compliance of the public accounts/financial statements of government and other public sector entities against regulations and legislated standards. <br> 3. **Managing the SAI.** The SAI has an independent office space, staff and an annual budget. It has access to government financial records. <br> 4. **Managing Human Resources.** Human resources management system includes job descriptions. Staff resources are allocated to the SAI, and some positions are filled – however, staff numbers and qualifications fall below levels needed to fulfill mandate. <br> 5. **Information and Communications Technology Management.** Individual computer-based ad hoc processes. |
| Level 0 – The SAI is not established or struggles or functions as an internal audit unit. | 1. **Types of Audit.** *Special auditing functions:* Ad hoc response to requests. <br> 2. **Managing Audits.** The internal audit unit has a Charter and an annual budget. It completes its work in accordance with internal audit standards and issues reports to the chief executive/s of the public sector entity/ies audited. The unit has control over both the annual workplan and the standard of the reports issued. <br> 3. **Managing the SAI.** The internal audit unit has a Charter and an annual budget. It has professional staff, plans its annual workplan and maintains a quality assurance system. <br> 4. **Managing Human Resources.** An SAI may be authorized, but there are no staff performing external audit. <br> 5. **Information and Communications Technology Management.** Paper based data management filing system. |

## ORIGINAL GUIDING QUESTIONS FOR EVALUATION

| Criterion | Guiding Question |
|---|---|
| Relevance | (i) To what extent are the proposed impacts, outcomes and outputs of the PRAI consistent with the development policies and priorities of the region, of ADB and key partners (at appraisal, at completion, and in the future)? <br> (ii) Were the designs of the interventions informed by sound background diagnostics and analytical work, including analyses of political-economy issues and factors? <br> (iii) Were the interventions appropriate responses to identified development problems? <br> (iv) How appropriate were the designs of the capacity development, knowledge sharing, and regional cooperation approaches embedded in PRAI? <br> (v) How appropriate were the institutional interventions and support to PASAI? <br> (vi) Were there errors of omission in the designs of the interventions? |
| Effectiveness | (i) Were the key outcomes, as defined and measured in the DMF, achieved (or are they expected to be achieved by end 2012), under the PRAI and in terms of institutional improvements in PASAI? <br> (ii) What outputs and outcomes were not achieved and what major achievements were made (including any beyond the scope of the interventions)? <br> (iii) What was the quality of outputs? <br> (iv) What were the major factors for failure and success in achieving the intended outputs and outcomes? <br> (v) What institutional factors in PASAI influenced (positively or negatively) the effectiveness of the PRAI and what lessons and recommendations can be drawn from this going forward? |
| Efficiency | (i) How well were time, financial and other resources used in achieving outcomes? <br> (ii) How efficient were ADB and PASAI in managing the project and PRAI? <br> (iii) Were mid-course adjustments required and how were they managed? |
| Sustainability | (i) How likely are the outcomes achieved under PRAI to be sustained? <br> (ii) Are human, institutional, and financial resources sufficient to sustain the outcomes? <br> (iii) What is the likelihood that the results of capacity building initiatives will be maintained? <br> (iv) Does PASAI have the appropriate governance structure, policies, procedures, financial structures, and risk management approaches in place to ensure continued implementation of the PRAI and support to the SAIs in an effective manner? <br> (v) Is PASAI's institutional design appropriate for it to effectively meet the needs of its members now and into the future (taking into consideration the fact that its structure is influenced by the INTOSAI model)? <br> (vi) What sustainability challenges are met in maintaining required human and financial resources in the SAIs and how can these be addressed? <br> (vii) Have sufficient legal, regulatory and other policy measures been put into place in the SAIs countries to sustain reforms and achievements made? <br> (viii) How strong is the ownership and political will of governments to continued reforms and strengthening of SAIs? |

ADB = Asian Development Bank, DMF = design and monitoring framework, IED = Independent Evaluation Department, INTOSAI = International Organisation of Supreme Audit Institutions, PASAI = Pacific Association of Supreme Audit Institutions, PPER = project performance evaluation report, PRAI = Pacific Regional Audit Initiative, SAI = Supreme Audit Institution.
Source: IED PPER Guidelines, Addendum 2: Contents of a Technical Assistance Performance Evaluation Report.

**SUPREME AUDIT INSTITUTION SURVEY – SUMMARY OF RESPONSES**

1.    Part of the review methodology was to seek Heads of Supreme Audit Institutions' (SAIs) views on: whether the Pacific Regional Audit Initiative (PRAI) outputs and general objectives had been met; what the key constraints to SAI effectiveness are; and future support priorities. The questionnaire also sought information on SAI staffing and resources.

2.    Thirteen SAIs responded to the survey and their responses to the questions are summarised below. The survey was short, designed to obtain a quick response and give the review team a general feeling of SAI Head's perceptions of PRAI. The responses were not followed up by telephone for clarification.

### 1.    Section A: Key PRAI Outputs and Objectives

**Question A1: A major objective of PRAI was to strengthen regional cooperation and coordination for public audit. In your view, has this been achieved?**

3.    The majority (69%) of SAIs considered that the objective had been largely achieved with the other 31% considering it partly achieved or not sure.

4.    Most commented that this had been largely achieved through the work on the cooperative audits and regional training activities although four SAIs considered that it was a continuing exercise and therefore the objective had only been partly achieved.

5.    One SAI considered that as a result of PRAI, the Pacific Association of Supreme Audit Institutions (PASAI) is now a stronger, more focussed and supportive organization that has led to more effective networking and information sharing/cooperation between SAIs.

**Question A2: A second objective of PRAI was to build and sustain public audit capacity. In your view, has the PRAI been helpful in building capacity in your SAI?**

6.    The majority (92%) of SAIs felt that the PRAI had been helpful in achieving the objective of building public audit capacity. The question of sustaining public audit capacity was a separate question and will be dealt with later.

7.    SAIs considered that the workshop, resource manuals and training had been helpful but some SAIs felt that the training had been wasted through their staff turnover.

**Question A3: A third objective of PRAI was to conduct cooperative audits. If your SAI participated in these cooperative audits, do you consider them beneficial in developing performance audit skills?**

8.    All SAIs that participated in the cooperative performance audit program felt that it was highly beneficial in developing performance audit skills generally or on environmental audits specifically.

9.    One SAI did not participate in the program because of staff shortages, and one SAI attended one training session as it was not sure it had anyone with the right qualifications to attend others.

10.    One SAI thought that access to other country reports would be useful.

**Question A4: A fourth objective of PRAI was to strengthen communication and advocate transparency and accountability. In your view, has this been achieved?**

11.    The majority of responses (84%) considered that the objective of strengthening communication had been achieved. One SAI considered that the Transparency and Accountability report had been useful in that it helped the SAI develop a strategy for the future and helped support submissions to the parliament on government issues and changes to the legislation.

12.    One SAI considered that there had been limited work on transparency and accountability, and wanted more knowledge on communicating audit results to stakeholders.

13.    One SAI felt that it needed to implement the results of recommendations of the Transparency and Accountability Report.

**Question A5: Are the achievements from the PRAI initiatives sustainable in your SAI?**

14.    Fifty-three percent of SAIs felt that the PRAI achievements were sustainable, the others felt that it was too early to tell given the short time PRAI had been going and needed to followed up with refresher courses. One SAI felt that the training was not sustainable as the SAI had large turnover, which if not corrected would affect the sustainability.

15.    Other comments were that partnering arrangements with other SAIs are helpful as were continued development and telephone feedback from the trainers once the courses were complete.

**2.    Section B: Staffing and Resources**

**Question B1: How many staff in your SAI hold a minimum qualification of a Bachelor-level university degree (in any field).**

16.    The consolidated results of the survey showed that 288 staff across the thirteen SAIs had university degrees although of the 288, Samoa, Papua New Guinea (PNG), and Fiji accounted for 176 of them.

**Question B2: How many staff have a professional accountancy qualification, such as a CPA or CA (or equivalent)?**

17.    The consolidated survey results show that 53 staff across the thirteen SAIs that responded to the questionnaire had professional accounting qualifications, of which 40 came from Samoa, PNG, and Fiji.

**Question B3: What minimum number of Bachelor-level and CPA/CA level staff would your SAI require to fulfil its mandate?**

18.    The responses were less useful as not all SAIs answered it with numbers and did not distinguish between degrees and professional qualifications.

**Question B4: What was the total operating budget provided by government to your SAI in 2012 (please indicate currency)?**

19.     The currency differences made it difficult to consolidate.

**Question B5: What minimum operating budget would your SAI require to fulfill its mandate?**

20.     Five SAIs were satisfied with their budgets:
  (i)  Federated States of Micronesia Pohnpei, Guam, Solomon Is.,
  (ii)  Fiji couldn't spend what it was given due to staff shortages,
  (iii)  PNG recent budget increase helped but still needed 12% increase.

21.     The following SAIs needed significant budget increases (increase %):
  (i)  Cook 33%
  (ii)  Samoa 28%
  (iii)  Vanuatu 145%
  (iv)  Palau 23%
  (v)  Kiribati 40%
  (vi)  Republic of the Marshall Islands 73%
  (vii)  Tuvalu 18%
  (viii)  Federated States of Micronesia National 14%

  **3.  Section C: Priorities Going Forward**

**Question C1: What are the key constraints to effectiveness of your SAI?**

22.     Nothing of the constraints identified were different than ones previously identified. These were as follows:
  (i)  staff shortages, difficulty attracting staff, lack of capable staff (6)
  (ii)  lack of budget control/certainty (6)
  (iii)  lack of specialist accounting expertise (2) and lack of information technology auditing expertise (1)
  (iv)  lack of independence and changes needed to the legislation (2)
  (v)  organization and operation management (1)
  (vi)  lack of follow up action by Parliament (1)

**Question C2: In the future, what types of support to SAIs should PASAI prioritize?**

23.     The activities that SAIs would like PASAI to focus on as priorities are as follows:
  (i)  technical support and standards (5)
  (ii)  on-the-job training (1)
  (iii)  information technology auditing (1)
  (iv)  staff training at all levels (2)
  (v)  customized training for individual SAIs (1)
  (vi)  educational opportunities (1)
  (vii)  peer review (1)

(viii)   capacity supplementation (1)
(ix)    increase advocacy role as regional group (2)
(x)     improve SAI websites and training around guidelines (1)
(xi)    assist with institutional strengthening (1)

**4.    Section D: Other Comments and Question D1: Do you have any other comments, concerns, observations, or suggestions regarding the PRAI, PASAI, your SAI, or any related matter(s)?**

24.    Five SAIs were explicitly supportive of PASAI's role, with one SAI seeking assurance that PASAI's role would continue into the future. Some individual SAIs commented on a range of issues including:

(i)     the idea of a workshop on accounting and auditing standards (1)
(ii)    target training to SAI needs (1)
(iii)   investigative training (1)
(iv)    introduce inspection and evaluations as form of audit (1)
(v)     the need for peer reviews (1)
(vi)    focusing on information technology developments (1)
(vii)   better ways to disseminate information provided at congress and training (1)
(viii)  assistance to the United States' affiliated areas with implementation of professional certification programs (1) and consider employing a person from US insular area to work in PASAI Secretariat (1)
(ix)    provide funding for SAI special needs for example the establishment of a website.

## PACIFIC REGIONAL AUDIT INITIATIVE DESIGN AND MONITORING FRAMEWORK

| Design Summary | Performance Target/ Indicator | Data Source/ Reporting Mechanism | Assumption (A) and Risk (R) |
|---|---|---|---|
| **Impact**<br>Improved transparency and accountability in managing and using public resources in Pacific Island countries. | Average one-step improvement by end-2012 of relevant PEFA PI:<br><br>(i) PI-10: public access to key fiscal information<br>(ii) PI-25: quality and timeliness of annual financial statements<br>(iii) PI-26: scope, nature and follow-up of external audit<br>(iv) PI-28: legislative scrutiny of external audit reports | Country PEFA PFM assessments.<br><br>PRAI status reports prepared by the PASAI Secretariat. | A: Participating jurisdictions remain committed to improving transparency and accountability.<br><br>A: PFM systems continue to improve.<br><br>R: PRAI is overly effective leading to withdrawal of participating jurisdictions. |
| **Outcome**<br>The public accounts of participating countries are audited in a timely manner to uniformly-high standards, with enhanced audit impacts and improved audit capability. | By end-2012, 70% of available public accounts and their components, will have been audited to internationally-accepted standards within 12 months of fiscal year-end.<br><br>Improvement by end-2012 of the PEFA PI-26 indicator to an average C rating.<br><br>By end-2012 80% of participating SAIs will be at level three or higher on the PASAI Capability Model. | PASAI Secretariat stocktake of audited public accounts.<br><br>PEFA PFM assessments.<br><br>PRAI status reports. | A: Continued strong commitment from participating jurisdictions to effective public auditing.<br><br>A: PASAI members continue to work collaboratively.<br><br>A: Accounting systems, standards and records continue to improve.<br><br>R: Financial reports and records are not available for audit in a timely manner. |
| **Outputs**<br>1. Strengthen regional cooperation and coordination.<br>(i) Establish Enhanced PASAI Secretariat<br>(ii) Support Regional Coordination<br>(iii) Prepare Strategies for Common | PASAI Governing Board and Secretary-General appointed by August 2009<br><br>Enhanced PASAI Secretariat established by August 2009. Support for three PASAI Congresses and [four] PASAI Governing Board meetings as well as participation in regional and international meetings. | PRAI status reports.<br><br>Minutes of PASAI Governing Board meetings.<br><br>Minutes of PASAI Congresses.<br><br>PASAI website. | A. PASAI members agree in a timely manner on new governance structures and institutional arrangements, including Secretariat location.<br><br>R: Participating jurisdictions resist a stronger PASAI Secretariat. |

| Design Summary | Performance Target/ Indicator | Data Source/ Reporting Mechanism | Assumption (A) and Risk (R) |
|---|---|---|---|
| | Strategy and plan for moving toward common audit methodologies prepared by March 2010<br><br>Rolling program for cooperative audits and peer reviews approved by August 2009 and updated annually<br><br>PASAI website operational by September 2009 | | R: Training and practical experience is not suitable to actual environments.<br><br>A: SAIs are willing to participate in the peer review<br><br>A: For cooperative audits, suitable secondees are available from participating countries.<br><br>R. Demand from jurisdictions to participate in the cooperative audits overstretches organizational and financial capacity. |
| 2. Build and Sustain Public Audit Capacity<br>(i) Prepare Guidance and Training Materials<br>(ii) Develop Generic Competencies and Deliver Structured Training Program<br>(iii) Support Attainment of Professional Accountancy Qualifications<br>(iv) Prepare Institutional Assessments and Strengthening Programs<br>(v) Support Improved Contract Management<br>(vi) Provide | Guidance materials prepared by [August 2009] on cooperative audits.<br><br>Generic set of competencies and job descriptions confirmed by [September 2009].<br><br>PASAI Governing Board endorses structured training program by [December 2009].<br><br>Guidance materials prepared by [June 2010] covering financial and performance audits, investigations, operations and peer reviews.<br><br>Per structured training program, [20] regional training courses for [200] participants conducted by [December 2012].<br><br>Barriers to professional qualifications reduced by December 2012. | PRAI status reports.<br><br>Minutes of PASAI Governing Board meetings.<br><br>Minutes of PASAI Congresses.<br><br>Evaluation reports on training program.<br>Peer review reports. | |

| Design Summary | Performance Target/ Indicator | Data Source/ Reporting Mechanism | Assumption (A) and Risk (R) |
|---|---|---|---|
| Management and Operational Support<br>(vii) Provide Technical Support<br>(viii) Coordinate and Support Peer Reviews | Institutional assessments and development plans prepared for [eight] SAIs by [December 2012].<br><br>Contracting-out model prepared by [March 2010] and contract management support provided to [21] SAIs by [December 2012].<br><br>Management and operational support provided to [21] SAIs by [December 2012].<br><br>Technical support provided to [21] SAIs by [December 2012].<br><br>Peer reviews supported for [12] SAIs by [December 2012]. | | |
| 3. Conduct Cooperative Financial and Performance Audits<br>(i) Conduct Cooperative Financial Audits<br>(ii) Conduct Cooperative Performance Audits<br>(iii) Undertake SAS Program | Conduct [four] cooperative financial audits involving an average of [six] SAIs by [December 2012].<br><br>Conduct [five] cooperative performance audits involving an average of [eight] SAIs by [December 2012].<br><br>By December 2012, audits of public accounts of participating subregional countries are completed and presented to PACs. | PRAI status reports.<br><br>Minutes of PASAI Governing Board meetings.<br><br>Minutes of PASAI Congresses. Cooperative audit reports.<br><br>Personnel capacity evaluations (self and external). | |
| 4. Strengthen Communication and Advocate Transparency and Accountability<br>(i) Educate Stakeholders on the Value of Public Auditing<br>(ii) Advocate Enhanced Transparency and | Brochure on the value of public auditing prepared and disseminated by June 2010. At least [six] media articles published widely each year on public auditing from 2010 to December 2012.<br><br>PASAI report on regional accountability and transparency issues (covering the regional status of SAI independence, audit | PRAI status reports.<br><br>Media articles.<br><br>Annual PASAI reports.<br><br>Evaluations of communications training courses. | |

| Design Summary | Performance Target/ Indicator | Data Source/ Reporting Mechanism | Assumption (A) and Risk (R) |
|---|---|---|---|
| Accountability<br>(iii) Provide Editorial and Communications Advice | finding follow-up, and other issues of concern) released annually from 2009 to 2012.<br><br>[Three] communications training courses for [80] participants conducted by [December 2012].<br><br>Editorial support provided on [80] SAI reports by December 2012. | | |

PAC = Public Accounts Committee, PASAI = Pacific Association of Supreme Audit Institutions, PEFA = public expenditure and financial accountability, PI = performance indicator, PFM = public financial management, PRAI = Pacific Regional Audit Initiative, SAI = Supreme Audit Institution, SAS = Subregional Audit Support.
Source: PRAI Design document.

**LIST OF PERSONS MET**

| Name | Title/Organization |
|---|---|
| Lyn Provost | Auditor General of New Zealand, PASAI Secretary General |
| Bruce Robertson | Assistant Auditor General of New Zealand, PASAI Deputy Secretary General |
| Sarah Lineham | Sector Manager, Local Government, New Zealand Auditor General Office |
| Eroni Vatuloka | PASAI Executive Director |
| Allen Parker | Auditor General, Cook Islands |
| Hon. Mark Brown | Minister of Finance and Economic Management, Cook Islands |
| Marie Francis | Member, Public Expenditure Review Committee, Cook Islands |
| Geoff Stoddard | Member, Public Expenditure Review Committee, Cook Islands |
| Georjean Nicholas | Member, Public Expenditure Review Committee, Cook Islands |
| Richard Neves | Secretary, Ministry of Finance and Economic Management, Cook Islands |
| Fuimaono Camilo Afele | Auditor General of Samoa |
| Hon. Niko Lee Hang, MP | Chairman of Public Accounts Committee, Parliament of Samoa |
| Iulai Lavea | CEO Ministry of Finance, Government of Samoa |
| Noumea Simi | Assistant CEO, Ministry of Finance, Government of Samoa |
| Tia David Pereira | Assistant Controller and Chief Auditor, Samoa Audit Office |
| T.V. Robeck-Fasavalu | Assistant Controller and Chief Auditor, Samoa Audit Office |
| Saturnino Tewid | Acting Public Auditor, Palau |
| Hon. Kerai Mariur | Vice President and Minister of Finance, Palau |
| Priscilla Soalablai | Chief of Finance and Accounting, Palau |
| Haruo Wilter | Ministry of Finance, Palau |
| Hon. Mark Rudimch | Senator, Palau |
| Hon. Surangel Whipps | Senator, Palau |
| Amb. Frederick Muller | RMI Ambassador to Fiji, former Chairman of Public Accounts Committee |
| Hayden Everett | Financial Sector Specialist (Public Finance), ADB |
| Simon Flores | Australian Agency for International Development (AusAID) |
| Miriam Freeman-Plume | New Zealand Ministry of Foreign Affairs and Trade |
| Raymond Prasad | Pacific Islands Forum Secretariat |
| Sanjesh Naidu | Pacific Islands Centre for Public Administration |
| Robert Buchanan | ADB/PASAI Consultant |
| Lin Weeks | ADB/PASAI Consultant |
| Claire Kelly | ADB/PASAI Consultant |
| Archana Shirsat | INTOSAI Development Initiative |
| Shofiqul Islam | INTOSAI Development Initiative |

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, CEO = Chief Executive Officer, INTOSAI = International Organization of Supreme Audit Institutions, NZAID = New Zealand, PASAI = Pacific Institute of Supreme Audit Institutions, RMI = Republic of the Marshall Islands,