



Pacific Association of
Supreme Audit Institutions



SUBREGIONAL AUDIT SUPPORT PROGRAMME – ROUND 3

FINAL REPORT





SUBREGIONAL AUDIT SUPPORT PROGRAMME – ROUND 3

FOREWORD

This report updates PASAI members and partners on the sub-regional Audit Support (SAS) programme and includes the SAS committee's overview and the consultants' final report for Round 3.

From Round 3 of the programme there were real achievements in Tuvalu and Kiribati. For a number of reasons Nauru was unable to participate in round 3 and alternative forms of assistance will be pursued.

I would like to acknowledge the achievement of both the secondees and the two SAIs. I also thank the two ADB consultants for their good work.

Turning to the future, the SAS committee has welcomed the Solomon Islands to the programme and round 4 is already underway. Round 4 is focused on the embedded development and each SAI has identified their key outcomes. Round 5 will focus on sustainable institutional strengthening.

I wish to express our sincere appreciation to ADB for their support of this programme as we endeavour to build sustainable and strong audit institutions in Tuvalu, Kiribati and the Solomon Islands.

Finally my thanks to the SAS Committee and PASAI Secretariat for their leadership and support.



Lyn Provost
Secretary-General of PASAI and Controller and Auditor-General of New Zealand

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1. Overview by PASAI and SAS Committee

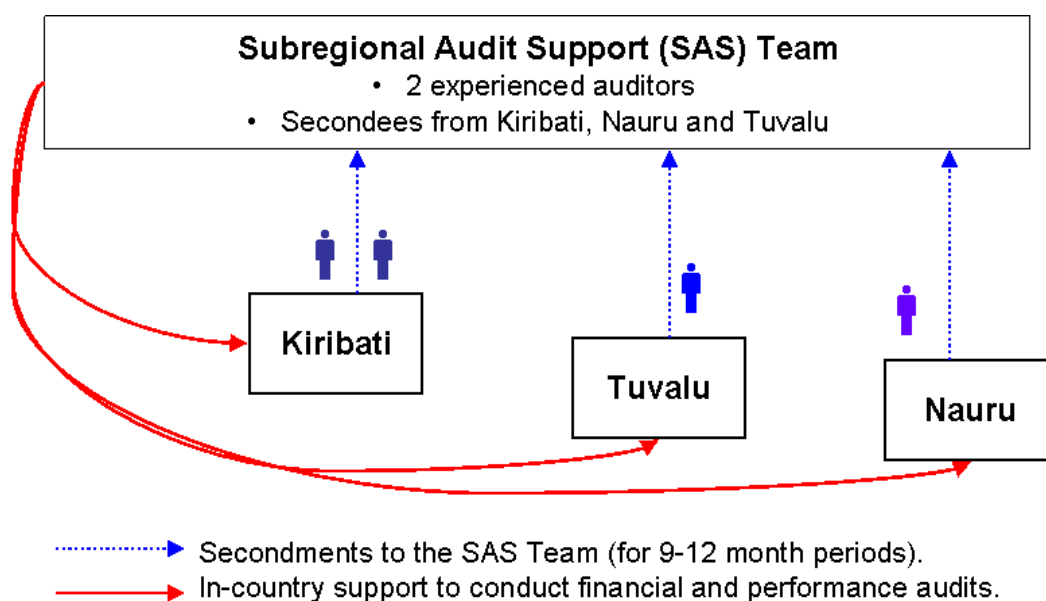
1.1 Background of SAS program

The Supreme Audit Institutions (SAIs) in Kiribati, Nauru, and Tuvalu are at different development stages, but face similar challenges in the areas of human resource capacity and the efficacy of their audit methodologies and systems. Common challenges include the small number (non-existence) of trained and qualified personnel, the disproportionate effects of staff turnover or absences, difficulties in attracting and retaining staff and weak Public Financial Management (PFM) systems. These issues mean that public accounts are often not prepared for audits to be conducted and in cases where public accounts are produced, they are not audited to high standards in a timely manner.

Forum leaders have long recognised that the serious challenges facing Pacific island countries could be met through sharing scarce resource and aligning policies to strengthen national capacities to support their people. In 2005, the *Pacific Plan for Strengthening Regional Cooperation and Integration* formed the basis for further development of Pacific public auditing through the development of the Pacific Regional Audit Initiative (PRAI).

The PRAI’s overarching objective is to raise Pacific public auditing to uniformly high standards and one of the key capacity building programmes for the Secretariat is the sub-regional audit support (SAS) programme. This SAS programme approach was developed as in Figure 1 below and was introduced in July 2009. This included a SAS team that rotated in each participating country to conduct the audit of public accounts. The SAS team is made up of secondees from each participating country and supported by Asian Development Bank (ADB) consultants on a 9-12 month rotation in each country. The SAS team helped complete financial audits, train SAI personnel, and improve harmonisation and information sharing.

Figure 1: The Sub-regional Audit Support Approach



A summary of the SAS programmes completed since 2009 is as follows:

SAS Team	SAS programme period	Kiribati	Tuvalu	Nauru
Round 1 2 x ADB Consultants Kiribati: 2 x secondees Tuvalu: 1 x secondee Nauru: 1 x secondee	July 2009 to April 2010 (9 months)	<ul style="list-style-type: none"> Telecommunication Services Kiribati Limited – 31 Mar 2007 and 2008 Kiribati Provident Fund – 31 Dec 2006 	<ul style="list-style-type: none"> Tuvalu Whole of Government - 31 Dec 2008 	<ul style="list-style-type: none"> Ronphos Limited – 30 June 2006 Central Utilities (limited scope) – 30 June 2006, 2007, 2008
Round 2 2 x ADB Consultants Kiribati: 2 x secondees Tuvalu: 1 x secondee Nauru: 1 x secondee	June 2011 – March 2012 (9 months)	<ul style="list-style-type: none"> Kiribati Provident Fund Kiribati Utilities Board 	<ul style="list-style-type: none"> Tuvalu Whole of Government Accounts 	<ul style="list-style-type: none"> Nauru public utilities
Round 3 2 x ADB Consultants Kiribati: 2 x secondees Tuvalu: 1 x secondee Nauru: 1 x secondee	August 2013 to November 2013 (4 months)	<ul style="list-style-type: none"> Kiribati Oil Company - 2012 	<ul style="list-style-type: none"> Falekaupule Trust Fund - 2012 	<ul style="list-style-type: none"> No in-country visit due to extreme shortage of accommodation. However PASAI TSA visited Nauru

During Round 1 and Round 2 the ADB administered the SAS programme, however in Round 3 the following administrative changes were made:

- (i) a formal Memorandum of Understanding (MOU) was established which refined the roles and responsibilities of the PASAI Secretariat to take a more active role in administering this programme. These arrangements have proved to be beneficial to the overall success of the program; and
- (ii) the SAS program was shortened to 6 weeks spent in each country.



5th SAS Committee Meeting, April 2013, Auckland NZ -PASAI Secretariat Office

Seated L-R – Ag/Director of Nauru, AG Kiribati, PASAI Secretary-General

Standing L-R – PASAI Technical Support Advisor, Ag/AG Tuvalu, PASAI Executive Director, PASAI Legal Advisor

This final report submitted by the ADB Consultants seeks to provide an overview of the achievements, challenges and summarise lessons learned from Round 3. This final report is the work of the ADB Consultant's and does not express the SAS Committee and PASAI's view on the SAS program to date.

In May 2014, the SAS Committee and PASAI held a meeting in May 2014 to prepare for Round 4 and also reviewed in detail this final report. The results of these discussions is summarised in the next section "Reflection on Round 3".



SAS Planning Meeting, August 2013, Auckland NZ -PASAI Secretariat Office
Standing L-R: PASAI staff - Capacity Building Advisor, Executive Director, Administrative Assistant
Seated L-R: SAS Coordinator, SAS Audit Expert, PASAI Technical Support Advisor

1.2 Reflections on Round 3

Under the new MOU reporting lines and program management protocol was refined. This proved to be very useful and also helped each party understand their roles and responsibilities. Compared to previous years the PASAI secretariat were more engaged and provided a much needed program management role which assisted both ADB and the SAS team throughout round 3. As a result, the SAS program round 3, progressed with little or no major issues or problems.

The SAS Committee reflected back on the last three rounds of the SAS program and would like to acknowledge the achievement of the following important elements of the SAS program:

1. Increased capacity of secondees
2. Learnings developed within each SAI, from the SAS team
3. The audits of the Whole of government accounts for Tuvalu and Kiribati are up to date

The objectives of the SAS are being met and this is a positive achievement, however as we look forward to round 4 there is a moving hierarchy of outcomes. The SAS program is not only to evaluate capability of secondees but is moving towards to embedded development of SAIs. This means the focus for round 4 and onwards is to also strengthen institutional capacity and achieve sustainable capacity development.

At the end of round 3, the SAS Committee has identified this changing need and already has implemented some changes to the SAS program as follows:

1. Strengthening Institution capacity – Nauru, Department of Audit

The PASAI Technical Support Advisor (TSA) visited Nauru, during SAS program round 3, to review and assess the status of the Department of Audit (NDOA) Nauru. During this visit, the PASAI TSA observed the following issues:

- the NDOA has not been able to conduct any audits as the Government has not produced any financial statements for audit since FY1998;
- audit staff of the NDOA are unqualified and inexperienced; and
- the NDOA, in its current state, is in urgent need of a fulltime Technical Advisor to assist the Ag/Director of Audit, with specialised expertise to capacity build and strengthen the NDOA to a level that is of a high uniform standard and is sustainable.

The SAS committee and the PASAI Governing Board were briefed and after further discussions with NDOA it was considered that the SAS program did not fulfil the long term needs of NDOA and a more significant form of technical support will be provided by PASAI. In the PASAI Strategic Plan and Operational Plan for 2015-20124, a provision for longer term sustainable capacity for NDOA was included.

2. Implementing recommendations from Round 3

The SAS Committee agreed to the recommendations from round 3 (included in this report) and have implemented the following:

Recommendation 1:

The SAS Committee discussed this with ADB and agreed that although the objectives of the SAS program are listed, it doesn't mean that one objective has a priority over the other. However to emphasise the importance of capacity building, this objective has been listed as a second objective and the MOU has been amended accordingly.

Recommendation 2

The SAS Committee have ensured that the secondees allocated to the SAS program have minimum qualifications and/or audit experience.

Recommendation 3

The schedule for round 4 has been developed so that the ADB consultants are in-country before the secondees arrive. Although this was not practical for the Solomon Islands phase, the ADB consultants were briefed on the requirements of all AGs of the participating SAIs.

The SAS Committee and PASAI would like to acknowledge the support of ADB for this Sub-regional Audit Support Program.

We look forward to another successful fourth round of the SAS program.

SAS Committee & PASAI Secretariat
June 2014

**SAS Program Round 3 – FINAL DESTINATION
KIRIBATI NATIONAL AUDIT OFFICE (KNAO)**



***Photo: Seated L-R: SAS Audit Expert, AG Kiribati, Deputy AG Kiribati
Standing L-R: Secondee Nauru, 1st Secondee KNAO, Secondee Tuvalu,
PASAI Technical Support Advisor, 2nd Secondee KNAO***

ADB CONSULTANTS FINAL REPORT

2. Introduction

This report covers progress made during Round 3 of the Sub-regional Audit Support (SAS) Program, during which time the SAS team visited Tuvalu (August and September 2013) and Kiribati (October and November 2013). Both visits lasted approximately seven weeks. The team was unable to visit Nauru as planned because of a lack of available accommodation.

Before the SAS team visited Tuvalu, the SAS Program Co-ordinator and the SAS Audit Expert spent three days in Auckland discussing the Program with key PASAI representatives and conducting some initial planning for the Tuvalu phase.

Tuvalu

The work in Tuvalu focussed on the audit of the Falekaupule Trust Fund (FTF)¹ for the financial years 2008 to 2012. In addition to the training and mentoring associated with this audit, the SAS Consultants also assisted the Tuvalu Audit Office with performance auditing, operational planning and the budget setting process.

Kiribati

In Kiribati the main audit focus was on the Kiribati Oil Company's (KOIL) 2012 financial statements. The SAS Consultants also supported the Office in a review of the Government's financial information system (Attaché), reviewed performance audits, delivered short information sessions on various specified topics to all staff and facilitated a workshop for senior managers on the implications of the new State Owned Enterprises Act 2012.

Nauru

Although the team was not able to visit Nauru (due to reasons beyond the control of the SAS team) the PASAI Technical Support Advisor (TSA) travelled to Nauru in October 2013 for one week to carry out on-site Technical support at the Nauru Department of Audit (NDOA).

2.1 SAS Team

The Consultants on this Round of the SAS program were John Hawley (Programme Co-ordinator) and Kevin Hughes (Audit Expert). The four Secondees were:

- Kataneti Romatoa – Kiribati National Audit Office;
- Lucas Paul – Kiribati National Audit Office;

¹ The Purpose of the FTF is to supplement the income of the island communities by:

- Assisting the acquisition of skills and self-reliance in the communities through local training;
- Enable the communities to acquire, maintain and improve community assets and resources in order to further self-education and self-reliance
- Funding community projects that improve the living conditions of the communities
- Increasing the ability to generate revenue within the community for the good of the community

- Jessaulenko Jeremiah – Nauru Department of Audit; and
- Lauti Bici – Tuvalu Audit Office.

2.2 This Report

The purpose of this report for PASAI and ADB is to:

- present to what extent the work on this round of the Program had met SAS Program objectives;
- provide feedback on some lessons learned during the last few months; and
- provide recommendations on possible future capacity building activities.

The detailed country reports on the visits to Tuvalu and Kiribati are attached as annexes to this report for PASAI only. These reports, which were provided to PASAI at the conclusion of each Phase, give detailed descriptions of work performed as well as specific challenges faced and progress made by the SAS team during the country visits.

The report was co-authored by Kevin Hughes and John Hawley.

2.3 Acknowledgements

The Consultants take this opportunity to acknowledge the following:

- ADB – for allowing us the privilege to work with the Tuvalu and Kiribati SAIs and for the overall and day-to-day administrative support provided by Mr Hayden Everett in Sydney and Ms Zeny Ribano in Manila;
- PASAI Secretariat – for its ongoing support of the SAS team over the last four months;
- the Auditors-General of Tuvalu and Kiribati - for their enthusiasm and commitment to the work of the SAS team;
- the SAS team members - for their willingness to be stay committed to the Program for the four months and for their friendship over the period; and
- the FTF Secretariat and the staff of KOIL - for their support during the audits.

As the Program Coordinator, I take the opportunity to thank Kevin Hughes for his work, and his knowledge, enthusiasm and positive attitude to the Program. His friendly personality greatly contributed to the team's well-being for what was a lengthy period of time for six strangers to work together. His experience and knowledge has assisted with the team members' professional development.

John Hawley

SAS Round 3 Program Coordinator

14 January 2013

3. Progress Made Against Objectives

3.1 SAS Program Objectives

The specific objectives of the SAS program (SAS 1 to 5) and their link with the overall objectives of the Pacific Regional Audit Initiative (PRAI) are shown in the table below.

	Assist regional cooperation and coordination	Build and sustain public auditing capacity	Conduct cooperative audits	Develop communications and advocate transparency
SAS 1 - Progressively complete audits of the public accounts of each participating country, including audits of entities owned or controlled by the government of a particular country, and audits of development projects			✓	
SAS 2 - Design and implement audit plans that meet the particular needs of each participating country as identified by the Head of each SAI			✓	
SAS 3 - Implement the programme in each participating jurisdiction in the manner that strengthens in country PFM capacity and accountability mechanisms				✓
SAS 4 - Strengthen the capacity of each participating SAI through the seconding of staff to the SAS team and also through the team's in country work with the hosting SAI and its staff		✓		
SAS 5 - Strengthen cooperation between the participating SAIs both during the implementation of the programme and through the development of lasting relationships	✓		✓	

3.2 Round 3 Achievements

To assist with assessing progress against these objectives, the objectives were turned into outcomes where possible² – the difference being that objectives show what has to be done and an outcome shows what success would look like if the objectives were achieved. The focus is on whether the intended result had been achieved. In Program terms, this allows for the Program manager to determine how to measure program progress over the life of the Program when designing the Program.

Note: Determining how to measure the progress of a program in achieving its outcomes at the outset in the development of a program is becoming common practice around the world. The PASAI Secretariat may wish to consider the benefits of Program Logic (Theory of Change) and how it can be used to establish a monitoring and evaluation strategy for all its programs.

² Some objectives were turned into outputs where it is delivering a tangible product such as an audit report

The SAS team's contribution to the achievements of the SAS Program objectives is shown in terms of outcomes (and outputs where they are such) below.

SAS 1 - Progressively complete audits of the public accounts of each participating country, including audits of entities owned or controlled by the government of a particular country, and audits of development projects.

Output: Audits of the public accounts of each participating country, including audits of entities owned or controlled by the government of a particular country, and audits of development projects have been completed progressively.

Tuvalu - Partly achieved.

The audit of the Falekaupule Trust Fund for the financial years 2008-2012 was not completed because the draft financial statements had not been submitted for audit prior to the departure of the SAS team. However, the SAS Consultants, in consultation with the Tuvalu Audit Office, considered that the audit was approximately 90% complete and the work could be completed by the Tuvalu Audit Office with little additional effort.

The Consultants provided the Tuvalu Audit Office with a detailed report on FTF's internal controls (based on INTOSAI Gov9100 Guidelines for Internal Control Standards) as an interim report in advance of the report on the financial statements. The Consultants had discussed the report with the FTF Secretariat prior to giving it to the Audit Office.

Kiribati – Partly achieved

In Kiribati, the audit of the Kiribati Oil Company was not completed because of delays in completing the audit planning work and the large number of audit issues. However, the SAS team has significantly contributed to completion of the audit as the KNAO (with the two team members supplemented by three KNAO auditors) will be able to complete the audit fairly quickly. The Consultants provided the Auditor-General with report on KOIL's internal controls (based on INTOSAI Gov9100 Guidelines for Internal Control Standards) as an interim report in advance of the report on the financial statements. The Consultants discussed the audit findings with the KOIL Chief Executive prior to giving it to the Audit Office.

In addition, the team worked on a limited review of the Government financial system (Attaché) which will improve the quality of the audit of the government accounts already underway.

SAS 2 - Design and implement audit plans that meet the particular needs of each participating country as identified by the Head of each SAI.

Output: Audit plans that meet the particular needs of each participating country as identified by the Head of each SAI have been designed and implemented.

Tuvalu and Kiribati - Achieved.

For both visits detailed plans were agreed with the Auditor-General in the early stages of the assignment and the SAS team briefed the Auditor-General weekly on progress achieved. This helped ensure all work performed by the SAS team supported the immediate needs of each participating country.

SAS 3 - Implement the programme in each participating jurisdiction in the manner that strengthens in country PFM capacity and accountability mechanisms.

Outcome: The participating jurisdictions' in-country PFM capacity and accountability mechanisms have been strengthened through the implementation of the Program.

Tuvalu and Kiribati - Partly achieved.

Although neither audit undertaken by the SAS team was completed prior to its departure from the respective countries, the work led to a report (with a number of recommendations) on the internal control framework existing in the respective bodies.

It will be difficult to judge the full benefits of the recommendations until later when, or if, they have been implemented by the audited bodies. However, given the positive reaction from the heads of the audited bodies, the Consultants are confident that there will be significant improvements to the PFM capacity and accountability mechanisms in place in both audited bodies. This in turn will contribute positively to each country's PFM environment more generally.

Note: This is an example where the success of this Outcome can be evaluated through the use of questionnaires or other follow-up work by the PASAI Secretariat to see if the audited bodies' PFM has improved.

SAS 4 - Strengthen the capacity of each participating SAI through the seconding of staff to the SAS team and also through the team's in country work with the hosting SAI and its staff.

Outcome: The capacity of each participating SAI has been strengthened through the seconding of staff to the SAS team and through the team's in-country work with the hosting SAI and its staff

Tuvalu, Kiribati and Nauru - Partly achieved.

The Program focused on improving the capacity of the Secondees through classroom type and on the job training, and by the Consultants supporting the Secondees through mentoring and reviewing their work.

The Consultants are confident that the Secondees have sufficient knowledge of the audit planning and execution phases of the audit to repeat this in the future. It is hard to measure the impact this will have on the overall capacity of each participating SAI although the strengthening of the capacity of individual Secondees is discussed in more detail in the "Capacity Development" section below.

The Program Coordinator also spent some time with Performance Audit teams in both countries and also spent time in Tuvalu working with the Auditor-General on the strategic and business planning process.

The SAS Consultants and the PASAI SAS Program Coordinator delivered information sessions on audit and accounting issues to all office staff while in Kiribati. This was not necessary in Tuvalu where training was being progressively carried out by the resident AusAID adviser.

Program Coordinator Note: The value of technical support being provided to an Audit Office by an in house advisor is well known but the only word of caution is that the person must have a good knowledge of the current public sector accounting issues and of Audit Office management issues generally.

SAS 5 - Strengthen cooperation between the participating SAIs both during the implementation of the programme and through the development of lasting relationships.

Outcome: Cooperation between the participating SAIs has been strengthened both during the implementation of the Program and through the development of lasting relationships. Tuvalu, Kiribati and Nauru - Achieved

There was good rapport between the audit team and staff of the respective Offices and it is clear that strong and lasting relationships between individuals have been formed. The long-term impact this will have on the overall performance of participating SAIs will be harder to judge.

4. Team Competencies and Capacity Development

4.1 Team competencies

The SAS Program MOU indicates that ADB and PASAI will prepare a set of protocols governing the secondment of personnel to the SAS Team. This included that Secondees should have general competencies of an accounting diploma or degree, work experience in an SAI, and potential for career development or advancement.

As can be seen from the table below, only one Secondee had an accounting diploma or degree and only two had previous financial statement auditing experience.

This was not a problem given the approach taken to train or refresh the team members on each part of the audit process, but may need to be addressed in any future rounds if completing audits becomes the over-riding objective and a measurable way of demonstrating the success of the Program to donors and other stakeholders.

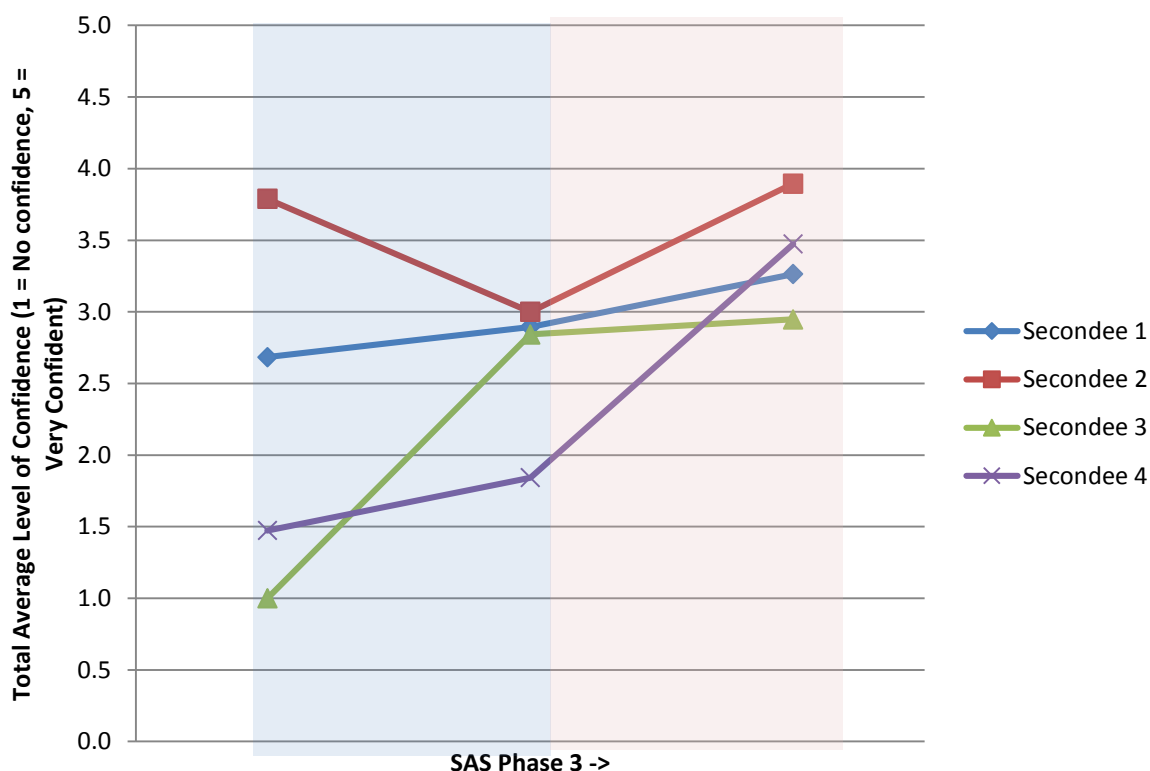
Country	Qualifications/Training	Experience
Secondee A	Degree in accounting and management IPSAS and IFRS workshop; Financial and performance audit workshop	Audit manager with nine years' experience
Secondee B	Nil Qualification Report writing, website development, computer skills in basic programming	5 years (IT audit)-no FS audit experience
Secondee C	Nil Qualification PASAI Tier 1 Training	Little experience in SAS type of auditing
Secondee D	Part way through BCom (accounting)	Two years audit experience

4.2 Capacity development

Capacity development at the SAI level is hard to measure as part of this Program. Any effect on the SAI level capacity will only be indirectly achieved through the development of the individual Secondees.

It is clear to both Consultants that each Secondee has benefited from participating in the SAS program. Although the level of this benefit is difficult to quantify, the Consultants are confident that the two Secondees with little prior experience in financial auditing had benefited from the formal training, the implementation of elements of the planning process and testing, and the mentoring that accompanied the whole program. The other two Secondees benefited from the Program as it reinforced their existing skills and from the mentoring that went with the whole Program.

The four Secondees were asked to complete a questionnaire at the start of the Tuvalu phase, the end of the Tuvalu phase and at the end of the Kiribati phase. The questionnaire attempted to measure the level of confidence of each of the Secondees on each stage of the audit process. The graph below shows the average individual confidence level for each of the Secondees at each stage of the Program.



The most significant improvement in confidence are in Secondees 3 and 4 (those with least previous audit experience) and a smaller, but noticeable, improvement in confidence of Secondees 1 and 2 (those with most previous audit experience).

Overall, the questionnaire results provide evidence that all four Secondees have personally benefited from the SAS program. This will inevitably have a positive effect on the overall capacity of their respective offices.

5. Looking Forward and Lessons Learned

5.1 Program Objectives

In the Consultant's view there was a conflict between main objectives of the SAS program to train and mentor the Secondees so that they develop their skills and are able perform audits effectively in their own country, and the specific Audit Offices' objectives which required the SAS team to complete audits within the time allotted.

A number of times during this phase the SAS Consultants had to decide between addressing specific training needs and the need to complete the audits in a timely manner. Given that two of the Secondees had little or no financial statement audit experience, the Consultants decided to focus on the training needs. If the focus is to remain on completing audits, then the options to achieve this include seconding staff to the SAS team who are experienced in auditing or outsourcing the audits to external bodies.

Recommendation 1

It is recommended that PASAI and SAS Program Committee consider whether there are conflicting program and SAI objectives and, if there are, agree which objectives are to become the priority.

5.2 Diverse and Distinct SAI Needs

There was a difference in Program focus in Kiribati compared with Tuvalu. The Tuvalu Audit Office has had a resident AusAID advisor for a number of years and, as such, there was no need for the SAS Consultants to deliver training or to mentor non-Secondees.

The situation was different in Kiribati National Audit Office where there is no resident advisor and the Office sought SAS Consultants' assistance in providing information sessions to Office staff.

Both Offices received support to complete performance audit reports. These outputs could be delivered because the SAS Consultants happened to have the necessary experience although this was not part of the original project terms of reference.

5.3 Barriers to Completion of Audits

Availability of financial statements and time

In Tuvalu the main barrier to completion of the assigned audit was the unavailability of draft financial statements. In future Rounds of the Program, it would be useful for the relevant SAI to have received the financial statements and disseminated them to the SAS team prior to their arrival. It would also be helpful if some preliminary audit steps, such as sending the audit engagement letter and sending confirmation letters to banks, were completed prior to the commencement of the SAS visit.

In Kiribati, where draft financial statements were available on arrival in the country, the main barrier was the fact that the planning had to be done from scratch with the new team and

the number of accounting issues encountered. If the Phase had been say for ten weeks (as happened in Round One) the audit would have been closer to completion. However, experience has shown that a ten week visit is too long an assignment for the Secondees and Consultants.

There may be a number of options to allow for more time to complete the audits – the most obvious one is for the planning phase to be conducted before the end of the financial year, and the audit execution and reporting phases being done after the end of the financial year. This may mean two five-week visits split by a short break to allow team members to return home and visit their families. This would be more costly but it would allow for a natural split between the audit planning and execution/reporting phases of the audit.

Secondee experience

The level of experience of the SAS team Secondees was mixed. One member of the team had significant experience in financial statement audit, one had some experience and two had little or no experience. In Kiribati, three Office members were seconded to the team – their level of experience was also mixed.

This meant that, although all team members benefited from the training focus of the audit, work progressed at a slower pace than would have been the case had all team members been experienced financial statement auditors.

Recommendation 2

It is recommended that the PASAI Secretariat and SAS Program Committee reconsider whether there is a need for Secondees to have a certain level of competencies before they can be included on the Team.

Phase Planning

In the first few days of each Phase, the SAS Consultants had to plan the work program for future weeks and keep the Secondees gainfully employed while the Consultants completed the planning.

There would be benefit in the Consultants arriving in country a few days before the rest of the team so that the Secondees could be gainfully employed from the start of the Phase.

Recommendation 3

It is recommended that consideration to be given to the Consultants arriving in each country a few days before the rest of the SAS team so that the planning for each phase can be carried out without the presence of the Secondees

Planning for Nauru

The SAS team was unable to visit Nauru during this phase as there was no available accommodation on the island. As this situation is unlikely to change in the near future, the

accommodation should be booked now even if the rest of the Round Four Program timetable is not finalised.

For example, if the accommodation is only available in say May and June, then it should be booked. The rest of the Program can be developed either side of the Nauru Phase or at a different time completely.

Logistics

An issue raised a number of times with the ADB program administrator in Manila was the amount of time and money spent in preparing and sending original receipts, signed acknowledgements and other documents that had already been scanned and emailed to ADB and had also been certified as true copies by the SAS program coordinator.

Island countries such as Kiribati and Tuvalu are remote and communication is difficult. For example, because the postal services are not reliable, the Program Coordinator had to use firms such as TNT and DHL to deliver the original documents. In Tuvalu, the minimum cost was AUD140 and in Kiribati it was AUD75 for a few documents.

Some flexibility should be given in future to allow scanned documents to be accepted as proof of activities as the present process does not represent value for money for ADB. Although this is outside the control of the Program Administrator who is bound by the ADB Financial Controller's rules, it should be raised as a constraint to efficient operations and an example of over control preventing good administration.

The daily subsistence allowance (DSA) given to the SAS team in Tuvalu was USD135, which was reasonable given the costs in that country. However, the DSA in Kiribati was USD108 which was inadequate to cover all subsistence costs and much lower than other entities such as the UN and NZAID. In the Consultants' view, the level of DSA in Kiribati should be consistent with that of other donor agencies.

5.4 Continuity of SAS Consultants

On this Round of the Program two new Consultants were appointed. This follows on from the two previous Rounds where four separate Consultants were employed.

Given the significant amount of time spent understanding the SAS program and preparing the country work plans, there would be clear benefits in having some form of continuity in selecting Consultants for any future SAS program. This would also ensure some consistency in the approach taken in delivering the program to different groups of Secondees but obviously relies on the willingness of the Consultants to return for a second assignment.

5.5 Future Capacity Development

Capacity Development or completion of audits.

As stated above, there was a clear conflict in the objectives of this Round of the Program. On the one hand, the SAS team were tasked with completing audits while on the other they were to develop the individual skills of the Secondees to ensure sustainable development.

It is understandable that individual SAIs want to clear audit backlogs and to get their audits up to date. However, without the developed capacity to sustain this and to keep delivering quality audit output in a timely manner, clearing any backlog may be less of a priority than capacity development.

There is also a more general question over the value of spending significant resources on auditing historical financial statements (sometimes six years old) that have little or no relevance to current stakeholders and where the records are probably not available. In our view, the audit of the current year should be done with some clear statement of the inadequacy of the previous year's balances.

If the focus of support to SAIs is to be clearing backlog audits, then there are more effective ways of achieving this. Perhaps the most cost-effective way to clear audit backlogs would be simply to appoint private sector auditors and contract them to complete the required work.

SAI Support Focussing on Individual Needs

The SAS program as currently designed applies a one size fits all approach to the participating SAIs with common overall objectives. However, this does not recognise the different needs of these offices. For example, the Tuvalu Office may require support on some organisational issues such as operational planning and human resources while Kiribati may require more financial audit technical assistance and logistical support. These specific requirements should drive donor support and specific objectives should be designed for each office so that maximum value for money is achieved.

One of the objectives of the SAS program is to develop co-operation between participating SAIs. The Program undoubtedly develops personal relationships between Secondees and between Secondees and individual SAI staff which in turn may help improve inter-office co-operation particularly when the Secondees become more senior influential as they will have an alumni of SAS Program Secondees to discuss issues with.

Mentoring Required to Compliment Formal Training

SAIs in the Pacific currently have plentiful opportunities to participate in formal training exercises organised by PASAI. The benefits of such training should start having an impact on the capacity development of each SAI shortly.

However, in order for maximum benefit to be achieved and to ensure that skills learned are disseminated to all staff in SAIs it is important that technical assistance is also delivered locally

to deliver mentoring or on-the-job training in the local environment. This is the best way to embed improvement and ensure capacity is improved in a sustainable manner.
