

SUBREGIONAL AUDIT SUPPORT PROGRAMME – ROUND 4

June 2014 – December 2014



Japan
Fund for
Poverty
Reduction



Lessons Learned Regional Report

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FOREWORD

As Chair of the SAS committee it is my pleasure to commend to you this report on round 4 of the SAS program.

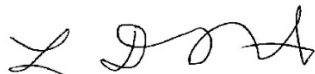
Round 4 was a particular success from the perspective of the three participating nations – Kiribati, Solomon Islands and Tuvalu. Furthermore it aligns nicely with the PASAI strategy.

The two major objectives of the programme are to complete financial audits and build the auditing capability of the three nations. The SAS committee has concluded that both objectives are important and should be retained for Round 5. We recognise that sometimes the prioritisation between the two objectives can be challenging. This is a challenge faced by us all. As Auditors-General (or equivalents) balancing the completion of audits and capability development is a constant reality.

The committee has carefully considered all the recommendations made on Round 4 and the report records our responses. These have been taken up in Round 5.

I thank everyone involved in the SAS program particularly the AGs of the three nations, the secondees from each nation, the consultants and Agnes Aruwafu who managed the program from a secretariat perspective. I also thank ADB for their funding and support, without it the program would not have succeeded.

This is a successful program and all involved should take pride in the achievements.



Lyn Provost

Chair SAS Committee
Secretary-General of PASAI and Controller and Auditor-General of New Zealand

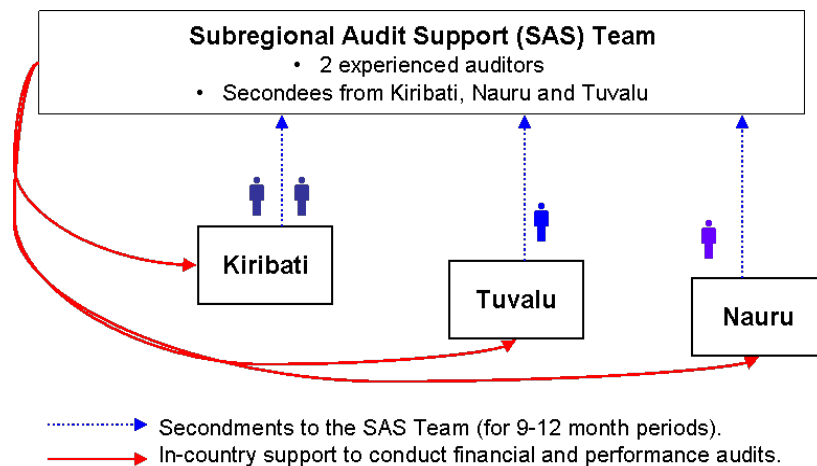
Overview by SAS Committee & PASAI

Background of SAS program

Pacific Island 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. Initially the Supreme Audit Institutions (SAIs) in Kiribati, Nauru and Tuvalu were chosen as they faced similar challenges in the areas of human resource capacity and the efficacy of their audit methodologies and audit systems. 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 to conduct the audit of public accounts. The SAS team helped complete financial audits, train SAI personnel, and improve harmonisation and information sharing.

Figure 1: The Sub-regional Audit Support Approach



The common challenges faced by these SAIs 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.

SAS Program enters a new era – Round 4

During the Round 3 phase and planning for Round 4 it was noted that Whole of Government accounts or public accounts are generally being done and the audits are up to date in these countries. However the audits of state owned enterprises or entities controlled by the government were not being audited in a timely manner. Therefore the Heads of SAIs aimed to focus on the backlog of these type of audits.

Furthermore another major change in the SAS program was the exclusion of Nauru SAI in Round 4. The PASAI Governing Board received a report about Nauru SAI and decided, together with the members of the SAS committee that the SAS program in its current form did not provide the required assistance to meet the specific capacity needs of Nauru SAI. Instead, the PASAI Governing Board acknowledged the request by Nauru for technical assistance and has incorporated this into operational plan of the PASAI 10 year Strategic plan.

PASAI Secretariat circulated an expression of interest to all other SAIs who may benefit from joining this SAS program and the Office of the Auditor General in Solomon Islands was interested to participate. The SAS committee accepted the inclusion of Solomon Islands and a revised Memorandum of Understanding was signed at the 7th SAS Committee Meeting held at PASAI Secretariat Office in NZ on 26-27 May 2015 before fourth round commenced in June 2015.



PHOTO: *Signing of the revised Memorandum of Understanding.* **Seated L-R:** Eli Lopati, Auditor General of Tuvalu, Matareta Raiman, Auditor General of Kiribati, Robert Cohen, Auditor General of Solomon Islands. **Standing L-R:** Robert Buchanan, PASAI Legal Advisor, Eroni Vatuloka PASAI Executive Director

A summary of the SAS programmes completed since 2009 with the support of ADB 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 to assess the state of play
SAS Team	SAS programme period	Kiribati	Tuvalu	Solomon Islands
Round 4 2 x ADB consultants Kiribati: 2 x secondees Tuvalu: 1 x secondee Solomon Islands: 1 x secondee	June 2014 to Dec 2014 (7 months)	<ul style="list-style-type: none"> Kiribati Shipping Services Limited 2012 and 2013 	<ul style="list-style-type: none"> Falekaupule Trust Fund – 2013 	<ul style="list-style-type: none"> Audit of Controls Honiara City Council

Throughout the program and as stipulated in the Memorandum of Understanding the ADB consultants provided regular situation reports to PASAI Secretariat and submitted an overall detailed country report at the end of each country visit which was circulated to the SAS committee. Furthermore during the PASAI Congress in Samoa the SAS Committee held their 8th SAS Committee meeting in Apia to discuss the progress of the program and the overall country report for Solomon Islands. The PASAI Secretariat conducted a monitoring and evaluation assessment in each country towards the end of each phase and this helped corroborate the findings in each country report as well as this final report.

In April 2015 at the 9th SAS Committee meeting the SAS members reviewed this final overall report submitted by the ADB consultants and were able to reflect on the achievements and

recommendations raised which are summarised in the following two sections of this overview.

Reflections on Round 4

The Committee reviewed the overall report for round 4 and agreed that the processes and outcomes were highly successful compared to earlier rounds of the SAS programme; and the planning of rounds 3 and 4 were particularly effective.

In particular the Committee noted the following key achievements:

- secondees learnt both audit skills and built confidence in conducting audits, discussing audit matters and issues with auditees at exit meetings, and interacting with auditors/auditees from different countries and cultures.
- there was a shift from focusing not only on secondees but to also develop other officers in the SAI. Every country had training sessions for secondees and all staff and this has been embedded in each SAI through ongoing practice and passing this on through on the job training.
- the ADB consultants for round 3 and round 4 worked well with Heads of SAI and staff during all phases of the program compared to previous consultants

Upon reflection, the objectives of the SAS program were met and this is a positive achievement for all parties involved.

The SAS program has shifted from completing audits to capacity building secondees, embedding learnings within SAIs and is looking forward to the future of sustainable learning for the SAI. On this note, the Committee in reviewing the recommendations from Round 4 has focussed the approach for Round 5 to strengthening institutional capacity of SAIs to achieve sustainability of capacity should the SAS programme come to an end.

SAS Committee responses to recommendations from Round 4

The SAS Committee discussed the recommendations raised in the round 4 report and the responses are provided in the context of the development of the new approach for round 5:

Recommendations 1 - 12	SAS Committee Responses
<p>Recommendation 1 The SAS team should receive full time training from the consultants prior to the start of the first visit. This would likely take between one to two weeks and it would seem logical to hold the training in Fiji before departing to the first country. This would ensure that all secondees have had relevant formal training prior to the commencement of the first visit. It would also mean</p>	<p>Noted and will be considered in the development of Round 5.</p>

Recommendations 1 - 12	SAS Committee Responses
<p>the team had a chance to get to know each other before arriving in the first country and could then hit-the-ground running upon arrival.</p> <p>The contract in place with the SAS consultants should also ensure that adequate time is allowed for full preparation of the necessary material with assistance from PASAI.</p>	
<p>Recommendation 2 It was intended that the SAS consultants would arrive in country at the start of each visit a few days before the arrival of the rest of the team. Due to flight timings this was not possible in Kiribati or Tuvalu. However, there would be some benefit in making sure this happens in any future SAS round. The first few days after arrival involve meetings with local senior management, evaluating the readiness of the suggested audit and the preparation of the visit programme plan. During this time it is difficult to ensure that secondees are fully engaged.</p>	<p>This is incompatible with recommendation 1. The committee emphasises that local secondees of participating SAIs should be involved in all steps throughout the program.</p>
<p>Recommendation 3 As with all auditing the time that an audit takes is partly contingent on the cooperation of the audited entity, but assuming good cooperation visits lasting seven weeks are about right for a small/medium sized audit to be taken to the draft management letter stage by the SAS team..</p>	<p>Noted</p>
<p>Recommendation 4 Prior to the arrival of the rest of the team, local secondees should perform some of the initial audit steps to ensure little time is wasted on arrival. This could include issuing the engagement letter, issuing bank and lawyer confirmation request letters, making arrangements for the audit entry meeting and ensuring draft financial statements are ready for audit. Guidance could be provided by consultants and/or PASAI electronically as required.</p>	<p>Agreed</p>
<p>Recommendation 5 In selecting the audits to be completed by the SAS team, consideration should be given to the time allotted for the SAS visit as well choosing an audit from which</p>	<p>This is the prerogative and judgement of the Heads of SAI. It is preferred the Heads of SAI determine the capability required</p>

Recommendations 1 - 12	SAS Committee Responses
<p>secondees will get most benefit. In addition, only audits where draft financial statements are immediately available should be selected.</p>	<p>and to ensure a draft financial statement is available.</p>
<p>Recommendation 6 To ensure that secondees receive their DSAs on time, ADB should either:</p> <ul style="list-style-type: none"> - Pay the full DSA in advance of each of the visits; - Accept electronic receipts, from the secondees email address, with acknowledgement from the SAS programme co-ordinator if required, as proof that first payments have been received. 	<p>ADB responded and have noted that there is no easy way to address this and will continue to work on this.</p>
<p>Recommendation 7 Given that even the best hotel accommodation available in Kiribati and Tuvalu is relatively basic, secondee hotel thresholds should be increased to allow secondees to stay in the best hotel accommodation possible during visits to Kiribati and Tuvalu.</p>	<p>Noted and ADB have also noted to provide suitable accommodation for consultants and participants noting the constraints in countries visited during this program</p>
<p>Recommendation 8 If possible, consultants should be contracted who have previous experience of the SAS programme.</p>	<p>Noted</p>
<p>Recommendation 9 The Auditor General in Kiribati should continue to liaise with donors to put in place a long term package of technical assistance to develop the capacity of the staff and support them in their day-to-day work. PASAI and ADB should consider how they can assist in encouraging such support.</p>	<p>Head of SAI, Kiribati agrees to seek bilateral-aid to provide this support. In addition to this support for implementation of an electronic audit tool</p>
<p>Recommendation 10 The SAS Governing Board should consider holding a post-programme workshop, say three months after the end of the Programme, with all the secondees. During this workshop secondees could present what they have learned, give feedback on how they feel the programme could be improved, discuss how they have implemented what they have learned and develop personal development plans to ensure they continue to develop their professional skills going forward..</p>	<p>Noted and will be considered as part of the design for Round 5 on whether it is appropriate or not</p>
<p>Recommendation 11 During any potential future SAS rounds, past secondees should be asked to prepare and present</p>	<p>This is already happening and in place but needs to be continued</p>

Recommendations 1 - 12	SAS Committee Responses
<p>specific training presentations to new secondees during the course of the visits. This will help to reinforce what they have learned and enhance their presentation skills. It would also help to develop a culture of in-house training that needs to be adopted if participating SAIs are going to get the full benefit of the Programme.</p>	
<p>Recommendation 12 SAS Programme objectives should be amended so that the primary objective is to build capacity of the secondees and other SAI staff.</p>	<p>Disagree The Committee strongly believe that the primary objective of the SAS programme is to complete audits and improving capacity which is an integral part of this process. This program accomplishes something and at the same time something is achieved.</p>

The SAS Committee are satisfied that consideration of these recommendations and the responses provided has helped in the new design and long term approach for Round 5 to focus on sustainable learnings.

We would like to acknowledge the support of ADB for this Sub-regional Audit Support Program and look forward to another successful fifth round of the SAS program.

SAS Committee & PASAI Secretariat

9th SAS Committee Meeting
15-16 April 2015
PASAI Secretariat Office
Parnell, New Zealand

PHOTO:

SOLOMON ISLANDS

The SAS secondees and
ADB consultants in
Solomon Islands



PHOTO:

TUVALU

SAS secondees, ADB
Consultant, PASAI
Executive Director,
Tuvalu Auditor General &
Tuvalu Staff



PHOTO: SAS secondees are presented with Certificates of participation
in the 4th SAS Round. Congratulations all! Well done!

ADB Consultant's Final Report

Background

This report covers activities and achievements for Round 4 of the Sub-regional Audit Support (SAS) Programme, during which time the SAS team visited the Solomon Islands (June and July 2014), Kiribati (September and October 2014) and Tuvalu (November and December 2014). The three visits each lasted between six and seven weeks.

Before the SAS team arrived for the first visit in the Solomon Islands, the SAS Programme Co-ordinator and the SAS Audit Expert spent two days in Auckland discussing the Programme with key PASAI representatives, preliminary planning of detailed activities and preparing some initial secondee training materials. Immediately prior to the arrival of the SAS consultants in New Zealand the SAS committee had met and agreed detailed objectives for each country visit.

The work of the SAS team in the Solomon Islands focussed on an audit of Honiara City Council (HCC). HCC had not produced financial statements for periods from 2011 to date and the audit work focussed on reviewing the control systems in place, identifying areas of weakness and making recommendations on how the Council's systems and controls could be improved in order to establish a solid foundation for future financial reporting at HCC. Other activities conducted during the visit included delivering a series of training sessions to the secondees and additional training for all staff of the Office of the Auditor General (OAG) as well as providing a discussion paper on how the office could better track and follow up on audit recommendations made in prior periods.

In Kiribati, the main audit focus was on Kiribati Shipping Services Limited (KSSL) for the 2012 and 2013 financial years. The SAS consultants also supported the Kiribati National Audit Office (KNAO) by delivering training sessions to all staff and in preparing templates for the recording and reporting on progress made on audit recommendations made in prior periods. Assistance was also provided to KNAO to complete some of the activities started during the previous round of the SAS programme (audit of Kiribati Oil Company and systems review of the central government accounting system).

In Tuvalu the SAS team worked on the audit of the Falekaupule Trust Fund (FTF) for the financial year 2013. This followed on from the previous SAS round when the team worked on the audit of FTF for the years 2009 to 2012. Training was also given to all audit staff and templates provided to the Office of the Auditor General (Tuvalu) for recording and following up audit recommendations made in prior periods.

The SAS Team

The consultants on this Round of the SAS programme were Kevin Hughes (Programme Co-ordinator) and Shawn Reynolds (Public Sector Audit Expert). The four Secondees were:

- Kirata Biti – Kiribati National Audit Office;
- Reviniti Rekenibai – Kiribati National Audit Office;
- Johnson Lobo – Office of the Auditor General (Solomon Islands); and
- Iefata Keli – Office of the Auditor General (Tuvalu)



From Left to Right: Reviniti, Kevin, Shawn, Iefata, Johnson, Kirata

Methodology

Secondee Development

SAS consultants were conscious of the concerns raised during previous rounds that the SAS objectives to complete audits while at the same time to develop the capacity of secondees have the potential to come into conflict. The approach taken during this round, as agreed with PASAI and with the individual Auditors Generals (AGs), was to put the primary focus on developing the capacity of secondees (and other local SAI staff). This approach is logical; the improved capacity of staff will allow participating SAIs to improve their output into the future and not just for the period of the SAS visits.

The approach to training the secondees had two aspects. Firstly, consultants delivered a series of focussed training sessions to the secondees regularly during this round. These sessions covered general training on how to conduct an ISSAI compliant audit with core trainings on audit planning, audit execution and audit reporting as well as more focussed training on

topics identified based on questionnaires completed by the secondees at the end of each visit as well as through team discussions as the round progressed.

Secondly, secondees were given a chance during the three visits to apply what they had learned. As secondees completed their work, SAS consultants coached them through the audit process through verbal discussion and review/feedback on their written work.

Measuring capacity development in a clear and defined manner can sometimes prove difficult. To achieve this the secondees were given a questionnaire at the start of the round and at the end of each visit to measure their relative confidence levels in working on each stage of the audit process.

In addition to the work with the SAS secondees, in order to provide local SAI staff with extra technical audit skills, a series of training courses were held during each visit with all SAI office staff. To ensure that these courses focussed on areas most relevant to their day-to-day work, all staff were asked to suggest areas for potential training at the start of each visit.

Reporting

Planned SAS team activities were documented in Programme Plans prepared during the first week of each visit. Each plan was discussed and agreed with the local AG and PASAI prior to finalisation. These plans then focussed the SAS activities during the rest of the visits.

During each visit the SAS team provided PASAI with a weekly progress report showing work completed against plan and any challenges encountered during the week.

SAS consultants also held regular meetings with the local AGs during the course of the visits as a way of keeping them informed of progress made as well as to discuss any new audit issues identified. There were also regular, less formal, discussions between SAS consultants and local office staff.

This Report

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

- present to what extent the work on this round of the programme met SAS programme objectives;
- provide feedback on lessons learned for any future potential SAS rounds; and
- provide recommendations on possible future capacity building activities.

The detailed country reports for each of the visits are attached as annexes to this report. These reports, which were agreed with 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. Much of this detail will not be repeated in the body of this report.

At the end of each visit a representative of PASAI visited the local offices to meet with the Heads of SAI, secondees, consultants and local office staff and assist with providing training. These visits served as an independent evaluation of the programme and confirm the consistency of the information included in the country reports and overall reports submitted by the ADB consultants.

Acknowledgements

The SAS consultants take this opportunity to acknowledge the following:

- ADB – for allowing us the privilege to work with the three 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 few months;
- The Auditors-General of the Solomon Islands, Kiribati and Tuvalu and their staff - for their enthusiasm and commitment to the work of the SAS team;
- the SAS team members - for their enthusiasm to learn, willingness to stay committed to the programme for the six months and for their friendship over the period; and
- staff at HCC, KSSL and FTF - for their support during the audits.

Executive Summary

Secundee development

The main focus of the SAS consultants during this round was the development of the capacity of the four secondees. This was achieved through delivering technical audit training during formal sessions followed up with on-the-job coaching as the secondees practiced what they had learned during the three audits conducted during this round. The formal training was integrated into the audit process so that secondees were able to apply the theory and technical material in practice immediately within the audit.

The increase in the levels of skill and confidence of the secondees was obvious from the quality of their written work reviewed by the SAS consultants as well as from the quality of presentations prepared and delivered by them throughout the three visits.

This improvement in secondee capacity is evidenced by the dramatic increase in their scores as recorded in the secondee questionnaires completed during the course of the round (see Capacity Development section below). All four secondees recorded large increases in their levels of confidence in completing each stage of the audit process. This will hold them in good stead when they return to their own offices.

SAI training

During each of the three visits, SAS consultants, with some assistance from PASAI Secretariat, delivered targeted training to all local office staff. These workshops took the form of interactive half-day sessions covering subjects suggested by the local staff themselves. It is clear from the questions asked by the participants and anecdotal feedback received after the sessions that they proved extremely useful. Although limited in nature due to competing time pressure on the SAS consultants these sessions, on focussed pertinent audit topics, have increased the level of understanding of local SAI staff.

SAS Audits

Although the primary focus of the SAS consultants was on capacity development, the three audits undertaken by the SAS team were taken almost to completion (all three audits were taken as far as possible during the respective visits. Audit work was completed, audit issues were identified and documented and local SAI staff were given guidance on how the audits could be fully completed in an efficient manner). As well as assisting the local SAIs in completing some of their audit workload these audits also produced detailed recommendations for improvements in the PFM environment at each of the three auditees. If implemented by auditees, these recommendations will assist the auditee (and the relevant SAI) into the future.

Looking Forward

Although deemed to be highly successful a number of lessons have been learned during this round that should be considered in any future potential continuation of the SAS programme. These include:

- holding a preparatory training workshop with the SAS secondees in advance of the first visit;
- completing some of the audit pre-planning work in advance of the arrival of the SAS team in country;
- involving SAS secondees from previous rounds when delivering some of the training activities during each visit; and
- amending the SAS programme objectives to make clear that capacity development is the primary objective.

For detailed consideration of lessons learned see the “Looking Forward” section below.

Conclusion

It is clear that this round of the SAS programme has been a success. Audits have been completed, focussed training has been delivered to all staff from the participating SAIs and, most importantly, the four assigned secondees have developed their technical audit skills. During their time in the SAS programme all four have developed considerably; over the course of the three visits the quality of their written audit work, their understanding and application of international auditing standards and the confidence they have shown in auditing and presenting their work have clearly increased. This improvement will mean that their home offices will benefit significantly now they have returned to their home countries, and they can provide technical support to others in their offices, sharing the knowledge that they have gained.

Progress Made Against Objectives

Objectives

The specific objectives of the SAS programme (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 and accountability
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 - 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 3 - Design and implement audit plans that meet the particular needs of each participating country as identified by the Head of each SAI			✓	
SAS 4 - Implement the programme in each participating jurisdiction in the manner that strengthens in country PFM capacity and accountability mechanisms				✓
SAS 5 - Strengthen cooperation between the participating SAIs both during the implementation of the programme and through the development of lasting relationships	✓		✓	

Achievements

Progress against SAS programme objectives for each of the three visits during this round are shown in the tables below. For detailed commentary on progress against country specific objectives refer to the individual country reports provided as annexes to this report.

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.

Overall Progress: ACHIEVED.

Country	Progress
<p><i>Solomon Islands</i></p> <p>ACHIEVED</p>	<p>The individual country objective in the Solomon Islands was the completion of the systems audit of HCC. Given that financial statements had not been produced by the Council since 2010 the Acting Auditor General was keen to perform an audit to assess control systems at the Council and make recommendations for improvement.</p> <p>The audit was completed and a management letter with over sixty recommendations on how the Council Controls System could be improved was prepared. A constructive exit meeting was held with senior officers at HCC.</p>
<p><i>Kiribati</i></p> <p>ACHIEVED</p>	<p>The primary audit focus in Kiribati was on the audit of KSSL. The audit of the financial statements for 2012 and 2013 were completed and draft audit opinions prepared by the SAS team.</p> <p>The audit identified numerous audit issues and these issues were consolidated into a management letter by KNAO staff after the departure of the SAS team from Kiribati.</p> <p>Support was also given by SAS consultants to KNAO in finalising the audit opinions on the 2011 and 2012 financial statements of the Kiribati Oil Company. This audit was the focus of the SAS team in Kiribati during round three of the SAS programme.</p>
<p><i>Tuvalu</i></p> <p>ACHIEVED</p>	<p>The audit of the FTF financial statements for 2013 has been completed. An audit summary memorandum was prepared containing all audit issues identified. All audit issues were agreed with the FTF secretariat and a draft opinion was prepared (subject to final audit adjustments being processed).</p> <p>The draft management letter is currently being finalised by the Tuvaluan members of the audit team based on issues documented in the audit summary memorandum.</p>

SAS 2 - 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.

Overall Progress: ACHIEVED.

Country	Progress
<p><i>Solomon Islands</i></p> <p>ACHIEVED</p>	<p>Secondee capacity improved significantly during the visit as evidenced by the secondee questionnaires completed during the visit (see analysis in country report). This was achieved through a combination of formal training sessions and on-the-job coaching.</p> <p>Training was delivered to all OAG staff on audit planning as well as IFRS, Cash basis IPSAS and general IT controls.</p>
<p><i>Kiribati</i></p> <p>ACHIEVED</p>	<p>Secondee capacity improved significantly during the visit as evidenced by the secondee questionnaires completed during the visit (see analysis</p>

Country	Progress
	<p>in country report). This was achieved through a combination of formal training sessions and on-the-job coaching.</p> <p>Formal training was given to secondees and all KNAO staff on audit opinions, writing audit management letters, analytical review and selected IFRS.</p>
<p><i>Tuvalu</i></p> <p>ACHIEVED</p>	<p>Secondee capacity improved significantly during the visit as evidenced by the secondee questionnaires completed during the visit (see analysis in country report). This was achieved through a combination of formal training sessions and on-the-job coaching.</p> <p>Training on specific areas of the public sector auditing process was delivered to all OAG staff members. Specific topics covered included audit planning, ISSAI standards and audit opinions.</p>

SAS 3 - Design and implement audit plans that meet the particular needs of each participating country as identified by the Head of each SAI.

Overall Progress: ACHIEVED.

Country	Progress
<p><i>Solomon Islands</i></p> <p>ACHIEVED</p>	<p>A detailed audit plan was completed as part of the HCC audit and approved by the AG.</p>
<p><i>Kiribati</i></p> <p>ACHIEVED</p>	<p>A detailed audit plan was completed as part of the KSSL audit and approved by the AG.</p>
<p><i>Tuvalu</i></p> <p>ACHIEVED</p>	<p>A detailed audit plan was completed as part of the FTF audit and approved by the AG.</p>

SAS 4 - Implement the programme in each participating jurisdiction in the manner that strengthens in country PFM capacity and accountability mechanisms.

Overall Progress: ACHIEVED.

Country	Progress
<p><i>Solomon Islands</i></p> <p>ACHIEVED</p>	<p>A draft management letter containing over sixty recommendations was prepared by the SAS team and discussed with senior HCC officers. If implemented, these recommendations will improve the control systems in place at HCC.</p> <p>SAS consultants also made recommendations on how OAG can better record, track and follow up on audit recommendations made in prior periods. Templates for recording recommendations, documenting audit follow up work and reporting progress made were also provided.</p>

Country	Progress
<p><i>Kiribati</i></p> <p>ACHIEVED</p>	<p>The audit of KSSL identified a number of fundamental control and accounting weaknesses that were included in the draft management letter submitted to KSSL (after the departure of the SAS team from Kiribati with on-going support from the SAS consultants). These issues were also discussed with senior management at KSSL at the audit exit meeting.</p> <p>SAS consultants presented a series of recommendations on how KNAO could follow up audit recommendations made in prior periods. A number of template documents were also presented.</p>
<p><i>Tuvalu</i></p> <p>ACHIEVED</p>	<p>The audit of FTF identified a number of accounting and internal control issues. These were documented in the audit summary memorandum and are to be included in the draft management letter issued to FTF (To be completed in the coming weeks by Tuvaluan members of the SAS team with on-going support from the SAS consultants). All issues were also accepted by the FTF secretariat at the audit exit meeting.</p> <p>SAS consultants also provided OAG with a series of templates to be considered for recording, following up and reporting progress on audit recommendations made.</p>

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

Overall Progress: NOT APPLICABLE.

Country	Progress
<p><i>Solomon Islands</i></p> <p>NOT APPLICABLE</p>	<p>This is an evaluation and assessment conducted by PASAI which will be shared with SAS committee members, ADB and at the PASAI Governing Board after the completion of the SAS round.</p>
<p><i>Kiribati</i></p> <p>NOT APPLICABLE</p>	
<p><i>Tuvalu</i></p> <p>NOT APPLICABLE</p>	

Capacity Development

Initial Team Competencies

The qualifications and audit experience of each of the secondees, at the start of this SAS round, are shown in the table below.

Name	Country	Qualifications/Training	Experience
Iefata Keli	Tuvalu	Part way through BCOM in Business Studies	Newly recruited with 6 months of audit experience
Kirata Bitā	Kiribati	BCOM in Accounting and Management PASAI Tier 4 audit training, IDI PMF training, online training on risk based auditing	14 years of audit experience
Reviniti Rekenibai	Kiribati	BCOM in Accounting PASAI Tier 2 audit training	4 years of audit experience
Johnson Lobo	Solomon Islands	BCOM in Accounting, Public Administration and Management Training in forensic audit and audit supervision	2 years audit experience

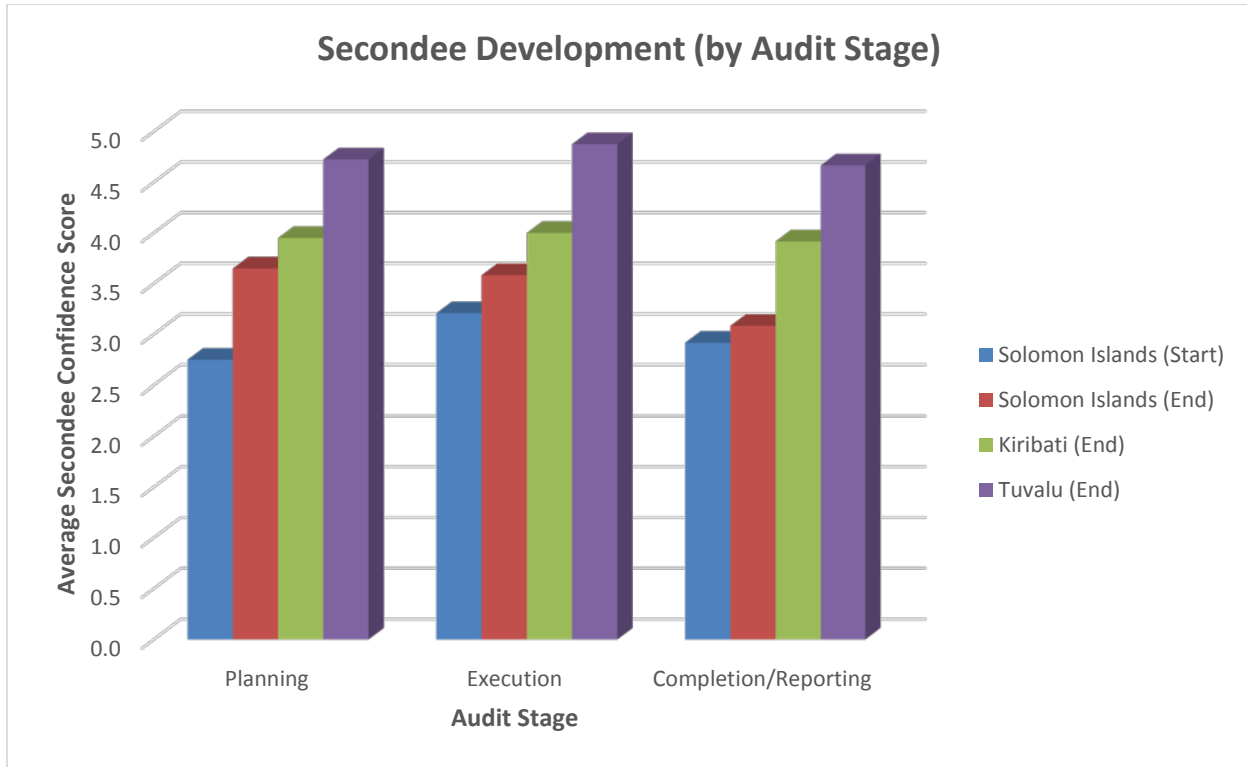
At the start of this SAS round, the secondees had varied levels of experience with one very experienced, two with moderate experience and one with quite limited experience. This variation in levels of experience proved ideal as it was possible to assign Team Leader supervision responsibilities and encourage more experienced audit secondees to practice supervisory skills, while assisting consultants when assigning tasks of varying complexity to match differing levels of audit experience within the team.

Secondee Development

The primary focus on this SAS round was on developing the skills and confidence of the secondees on conducting ISSAI compliant audits. This objective is crucial to the success of the programme as it will allow auditors to improve their audit work into the future and will, ultimately, improve the output of participating SAIs.

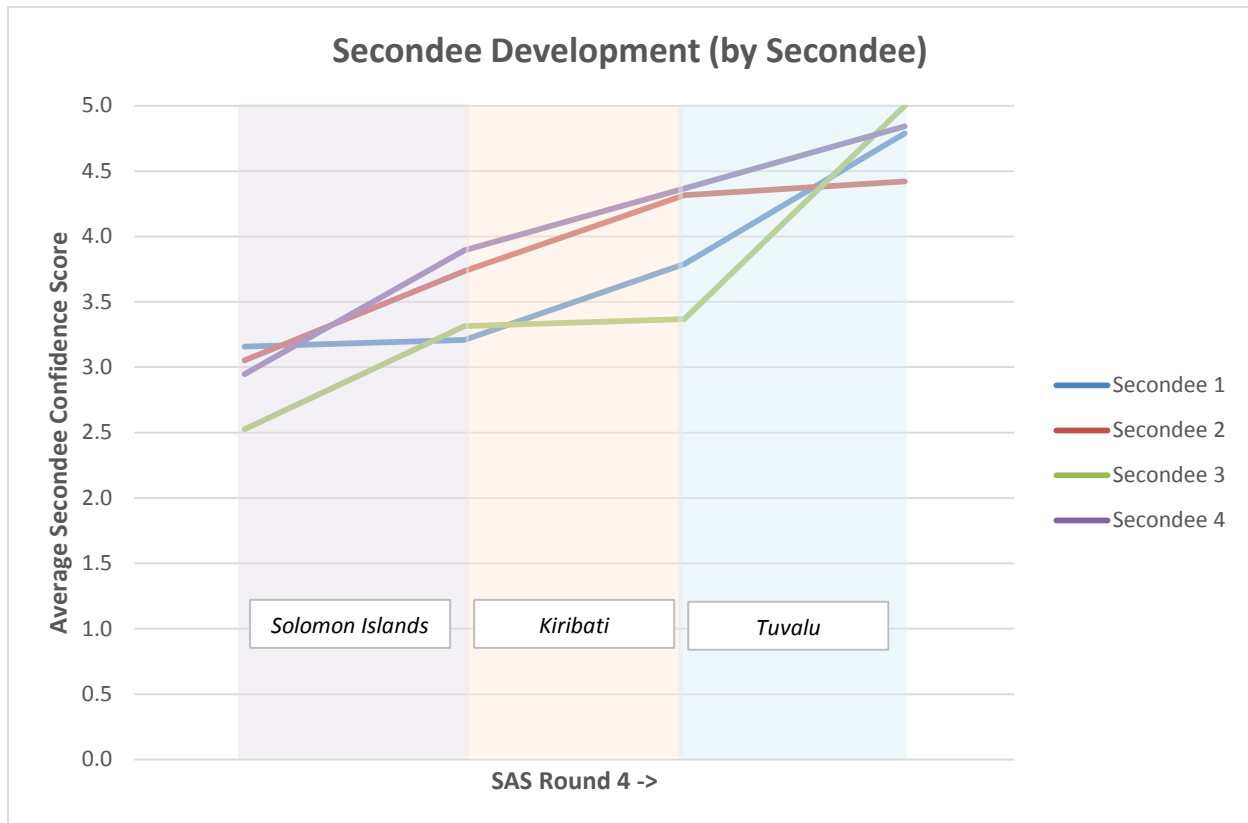
At the start of the programme secondees were asked to complete a short questionnaire so that the consultants could measure their skillsets and plan training inputs. This process was repeated at the end of each visit to track secondee progress and to identify the specific training

needs of the secondees as the round progressed. One of the key questions asked to Secondees was to grade their level of confidence on various aspects of the audit process. This was done on a five point scale, 1 represented having no confidence and 5 represented being very confident. The graph below shows the average confidence levels of the secondees as the round progressed:



The results of the questionnaires during this round are extremely positive. The averages over all three main audit phases have improved considerably. During the first visit the increases in confidence were mainly in the audit planning and execution phases of the audit with most improvement in completion/reporting being noticed during the latter two visits. This is as expected; the systems audit of HCC in the Solomon Islands did not include the audit of financial statements and so secondees did not have the chance to work on performing many aspects of standard completion steps and drafting audit opinions. They did get this chance and Kiribati and Tuvalu and this is reflected in increases in their respective confidence levels.

The graph below shows average confidence levels of each of the secondees as the round progressed.



The positive results from the secondee questionnaire data are supported by the impressions of the consultants. All four secondees have visibly increased their level of technical skill and confidence in conducting ISSAI compliant audits during the course of the three visits. In addition there was a clear understanding by the secondees by the end of the programme of the rationale of a modern risk-based audit approach and how to implement it with their auditees. 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.

Participating SAIs

Capacity development at the SAI level is hard to measure as part of this Programme. The primary effect on the level of SAI capacity will be indirectly achieved through the development of the individual secondees, who are now equipped with the technical skills and expertise to lead and support audits and provide instruction and advice to more junior members of their SAIs.

It is clear to both Consultants that each secondee has benefited tremendously from participating in the SAS programme. Although the level of this benefit is difficult to quantify, there will be a definite improvement in the quality of the audit work they produce as well as

their improved supervisory and management capabilities and these will inevitably have a positive effect on the overall quality of the work of their respective offices.

Staff Training

Although the majority of consultant time was spent training and working with the SAS secondees it was also agreed that some training would be provided to all SAI office staff during the three visits. To ensure this training was relevant for staff, all officers were asked to suggest potential areas of training. A programme of training was then agreed with the respective offices and delivered by the consultants with some assistance from PASAI Secretariat.

Training provided to each office is shown below:

- Solomon Islands
 - International Financial Reporting Standards (IFRS) - focussing on fully depreciated assets, prior period errors, donated assets and provisions/contingent liabilities;
 - Cash Basis International Public Sector Accounting Standard (IPSAS);
 - Audit planning (based on ISSAI and risk-based approach); and
 - General IT controls - delivered by Agnes Aruwafu (PASAI Technical Support Advisor).
- Kiribati
 - IFRS - focussing on government grants, inventories, offsetting debtors and creditors, and provisions/contingent liabilities;
 - Audit reports and opinions;
 - Management letters and follow up of prior period audit recommendations;
 - Audit risk assessments; and
 - Analytical review - delivered by Agnes Aruwafu (PASAI Technical Support Advisor).
- Tuvalu
 - Audit planning (two sessions);
 - Audit reports and opinions;
 - Engagement letters; and
 - Overview of ISSAIs

Most of these sessions lasted approximately three hours and were focused heavily on participation and interaction with many open discussion elements, case studies and quizzes.

It is hard to quantify the full benefit of these training courses but informal feedback from staff in the three offices was all extremely positive. The fact that all staff were asked to suggest the topics for the training also helped to ensure staff were engaged and that the training provided was relevant to their work.

Follow up of Audit Recommendations

Following up previous audit recommendations was identified as a priority for all 3 SAIs engaging with this round of the SAS programme. Due to time spent on competing priorities it was not possible for SAS consultants to assign a lot of time to this objective. However, discussions were held with staff in all three of the offices and suggested templates were provided to allow staff to track audit recommendations, document follow up work performed in the audit file and report progress made in audit management letters. It is now for the respective offices to put a full system in place to ensure that audit recommendations are fully followed up on a regular basis.

Looking Forward

Lessons Learned

Secundee Feedback

The end of round questionnaire asked the secondees to state whether their expectations during the programme were met (1 = not met at all, 5 = met completely). All four secondees scored the programme at "5".

Secondees were also asked to comment on their experiences of the SAS programme and to identify any areas where they felt the programme could be improved. All of these comments from the four secondees are shown below.

"We have covered all the areas and I have benefited a lot from our trainings/works/discussion. I only need more practice in these different areas."

"Focus more in capacity building instead of finishing the audit, or to increase the time frame from six week to seven or eight weeks, to able to complete the audit."

"SAS Programme extensively provide positive feedback to my level of skills and capacity building. I think audit assertions and risk assessment really benefit my capability because these two areas are the key foundations of identifying risk and how as auditors will link the two in order to come up with risk /issue, how to determine control. Overall in the next round of SAS I might consider drafting audit opinions will be next to look at in future."

"SAS programme can be improved by providing more induction to the secondees in order to enhance capacity building. More training will boost high level confidence to each secondee"

"Well, as I see it, this programme is good. Very good. We learned theory from trainings, applied it in the field (on job actual audit) and assistance provided when we have problems by consultants/experts."

"Well, so far so good. Excellent. Maybe concentrating more on capacity building rather than on (audit) completion."

"The SAS programme really boosted my capacity and knowledge of auditing, not only in my country but South Pacific as a whole. I really benefited from the programme by knowing the importance of audit plans, risk assessment, and audit procedures to tackle the risk."

"Get more auditors from the Pacific countries involved. Junior auditors should give the priority to attend this programme as it will really boost their capabilities of auditing in their respective countries."

Overall, it is clear that all four secondees with their experience of the SAS programme and feel they have improved their audit skills as a result of participating in the programme.

Future SAS rounds

Based on the secondee feedback above, and discussions between the SAS consultants and PASAI, a number of areas have been identified where future potential SAS rounds could be enhanced.

Visit Timings

Upon arrival in the Solomon Islands a significant amount of time had to be spent by the SAS consultants assessing the relative levels of secondee skills and preparing (and delivering) comprehensive training on the audit process. Firstly, this meant that the secondees were not fully employed for the first few days as consultants were focussed on designing and preparing relevant training materials. Secondly, this also meant that the first week or so of the Solomon Islands visit was used for secondee training rather than focussing on the audit of HCC. As it turned out the audit was completed in the remaining time but this was largely because secondee training in audit reporting was postponed until the Kiribati visit.

Recommendation 1

The SAS team should receive full time training from the consultants prior to the start of the first visit. This would likely take between one to two weeks and it would seem logical to hold the training in Fiji before departing to the first country. This would ensure that all secondees have had relevant formal training prior to the commencement of the first visit. It would also mean the team had a chance to get to know each other before arriving in the first country and could then hit-the-ground running upon arrival.

The contract in place with the SAS consultants should also ensure that adequate time is allowed for full preparation of the necessary material with assistance from PASAI.

Recommendation 2

It was intended that the SAS consultants would arrive in country at the start of each visit a few days before the arrival of the rest of the team. Due to flight timings this was not possible in Kiribati or Tuvalu. However, there would be some benefit in making sure this happens in any future SAS round. The first few days after arrival involve meetings with local senior management, evaluating the readiness of the suggested audit and the preparation of the visit programme plan. During this time it is difficult to ensure that secondees are fully engaged.

Recommendation 3

As with all auditing the time that an audit takes is partly contingent on the cooperation of the audited entity, but assuming good cooperation visits lasting seven weeks are about right for a small/medium sized audit to be taken to the draft management letter stage by the SAS team..

SAS audits

From the start, SAS consultants were conscious of time pressure in getting the audits to the draft management letter stage in the six/seven week period of the SAS visit. In order to minimise preparation time upon arrival, audit engagement letters and bank confirmation requests were prepared by the respective resident secondees in Kiribati and Tuvalu prior to the arrival of the rest of the team. This meant that little time was wasted in putting these initial arrangements in place.

The auditees chosen during this round of the SAS programme (HCC, KSSL, and FTF) proved ideal for such a training exercise. (Although no financial statements were available for HCC the detailed work on the systems of the Council was particularly beneficial and it focused on a particularly challenging area of the audit planning process and so prepared the secondees well for the rest of the programme).

The auditees were relatively small, the financial systems were fairly straight forward and the financial statements prepared relatively easy to audit. During previous rounds the SAS team performed work on the public accounts of government. Such a large exercise would prove less than ideal in terms of capacity building given that it would be almost impossible to give the secondees a chance to work on a complete audit in the time allotted and the nature of audit procedures would rapidly become repetitive and of limited training benefit.

Similarly, in Kiribati during this round it was initially suggested that the SAS team would work on the financial statements of the Kiribati Insurance Company. This would have meant significant consultant attention would have been diverted to dealing with difficult auditing and financial reporting issues (the IFRS relating to insurance contracts and other financial instruments are relatively complex) and less time would have been available to build the capacity of the secondees. It would also have been less likely that the audit would be near completion prior to the departure of the SAS team.

In Tuvalu, the audit of FTF was delayed because the financial statements for 2013 were not made available until late in the visit which reduced audit efficiency.

Recommendation 4

Prior to the arrival of the rest of the team, local secondees should perform some of the initial audit steps to ensure little time is wasted on arrival. This could include issuing the engagement letter, issuing bank and lawyer confirmation request letters, making arrangements for the audit entry meeting and ensuring draft financial statements are ready for audit. Guidance could be provided by consultants and/or PASAI electronically as required.

Recommendation 5

In selecting the audits to be completed by the SAS team, consideration should be given to the time allotted for the SAS visit as well choosing an audit from which secondees will get most benefit. In addition, only audits where draft financial statements are immediately available should be selected.

Logistics

The secondees received their Daily Subsistence Allowances (DSAs) from ADB in two parts during each of the three visits. There were delays of between one and two weeks in receiving the second payment during the visit to Kiribati (due to implementation of new ADB payment system in Manila) and Tuvalu (due to delays in couriering the original receipts to Manila from Tuvalu).

In Kiribati and Tuvalu the rooms available to the secondees under defined ADB thresholds were not the same as the rooms selected by the consultants. In Tuvalu this meant rooms available to two of the secondees were not satisfactory (the roof leaked badly each time there was rain). Moreover some secondees had better rooms allocated than others. Although, because of the personalities involved this caused no relationship problems between the team this may not be the case in the future. Given that even the best hotel accommodation available in Kiribati and Tuvalu is relatively basic, minimum standards of accommodation should be ensured as secondees are based in each location for six or more weeks.

The SAS Programme Co-ordinator had worked as the Public Sector Auditing Expert during the previous round of the Programme. This had clear benefits of continuity as he had an awareness of two of the countries visited as well as the respective offices and many of the staff.

Recommendation 6

To ensure that secondees receive their DSAs on time, ADB should either:

- ***Pay the full DSA in advance of each of the visits;***
- ***Accept electronic receipts, from the secondees email address, with acknowledgement from the SAS programme co-ordinator if required, as proof that first payments have been received.***

Recommendation 7

Given that even the best hotel accommodation available in Kiribati and Tuvalu is relatively basic, secondee hotel thresholds should be increased to allow secondees to stay in the best hotel accommodation possible during visits to Kiribati and Tuvalu

Recommendation 8

If possible, consultants should be contracted who have previous experience of the SAS programme.

Sustainability

Kiribati TA

The SAIs in the Solomon Islands and Tuvalu have both received significant, long term, technical assistance from DFAT (formerly AusAID). The benefits of having full time advisors on the ground are obvious. It is also obvious from questions asked during the office training sessions in Kiribati that staff in the KNAO would benefit significantly from the same sort of technical assistance programmes in place with the other two offices.

Recommendation 9

The Auditor General in Kiribati should continue to liaise with donors to put in place a long term package of technical assistance to develop the capacity of the staff and support them in their day-to-day work. PASAI and ADB should consider how they can assist in encouraging such support.

Future Secondee Development

Upon completion of the SAS Round there is no further SAS input to the development of the technical skills of secondees. As stated elsewhere in this report all four secondees benefitted greatly from the programme. However, for these benefits to be sustainable it is important that they practice what they have learned and continue to develop their professional skills on their future audits.

Recommendation 10

The SAS Governing Board should consider holding a post-programme workshop, say three months after the end of the Programme, with all the secondees. During this workshop secondees could present what they have learned, give feedback on how they feel the programme could be improved, discuss how they have implemented what they have learned and develop personal development plans to ensure they continue to develop their professional skills going forward..

Recommendation 11

During any potential future SAS rounds, past secondees should be asked to prepare and present specific training presentations to new secondees during the course of the visits. This will help to reinforce what they have learned and enhance their presentation skills. It would also help to develop a culture of in-house training that needs to be adopted if participating SAIs are going to get the full benefit of the Programme.

SAS objectives

In the final report prepared at the end of the last SAS round it was identified that there is the potential for two of the SAS objectives (completing audits vs. capacity building) to come into conflict. SAS visits are extremely time pressured and there is always a balance to be struck between finishing the audit and developing the secondees. Fully transferring skills and providing detailed understanding requires a relatively slow and close coaching proves that undoubtedly slows audit progress. Although the order of the SAS objectives have been changed as a result of the last report it is still not clear which one of these two objectives should take precedence. It is the view of the current SAS consultants that the overriding objective of the Programme should be building capacity. Sustainable benefits of the programme will only be achieved if improved capacity of the secondees leads to consistent improvement in the output of the respective SAIs. Completing audits during the few weeks of the SAS visit will achieve little sustainable benefit in the long term.

Recommendation 12

SAS Programme objectives should be amended so that the primary objective is to build capacity of the secondees and other SAI staff.