



*"Pacific Auditors Working  
Together"*

# PRESS RELEASE

**Pacific Association of Supreme Audit Institutions**

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## Study Released on Improving Governance of Public Sector Operations in the Pacific Region

**Auckland, 17 August, 2012:** The extent, nature and quality of the accountability and transparency of government auditing operations in 20 countries in the Pacific region is the subject of a new study released today by the Pacific Association of Supreme Audit Institutions (PASAI), the official association of government audit offices and similar bodies in the region.

This 2011 study is much broader and more detailed than an original study undertaken in 2009. It provides a useful benchmark for future follow-up work. The study consisted of a questionnaire completed by the heads of government auditing bodies in 20 countries and separate in-depth studies of six countries.

This latest look at the state of accountability and transparency in government operations across the Pacific found many instances of good practice that could be usefully adopted by other states. Nonetheless as PASAI Executive Director, Eroni Vatuloka, points out 'the picture of accountability and transparency is still mixed in the region, with much work to be done to deliver a clear view for the public at large of how public resources are being used'.

'Some of the lessons we have learned from the study include the importance of the auditing institution's independence, the need for strong commitment from government to the public auditing function and the provision of adequate resourcing,' he said.

The focus for the questionnaire and in-depth studies was based on international benchmarks identified specifically for this project. In all, nine benchmarks were identified that fell into three broad areas. These were, benchmarks affecting the government auditing institution and its work; those affecting the public sector more broadly and those affecting wider civil society and how it interacts with the government and the auditing institution.

Mr Vatuloka said that one particularly important finding, among many, in the study was that little progress can be expected in improved accountability and transparency while governance institutions continue to lack popular respect and support. To this end, the study calls for close collaboration and public support from all elements of civil society that advocate for strong auditing/governance mechanisms in the Pacific.

'This group includes the business sector, multilateral and bilateral aid donors, relevant Non-Government Organisations, academia and the media', Mr Vatuloka commented.

***Detail of the other findings and recommendations along with background on the study can be found in the attached information summary.'***

The full report can be found on the PASAI website at [www.pasai.org](http://www.pasai.org)

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The Pacific Association of Supreme Audit Institutions (PASAI) is the official association of supreme audit institutions (government audit offices and similar organisations, known as SAs) in the Pacific region. PASAI promotes transparent, accountable, effective, and efficient use of public sector resources in the Pacific. It contributes to that goal by helping its member SAs improve the quality of public sector auditing in the Pacific to uniformly high standards. PASAI is supported by the Asian Development Bank, the Governments of Australia and New Zealand, the International Association of Supreme Audit Institutions Development Initiative, and the World Bank. Further information on PASAI can be found at [www.pasai.org](http://www.pasai.org).



## Accountability and Transparency Report 2011

### Background

PASAI is the umbrella organisation for public sector auditing institutions (known as supreme audit institutions or SAIs) in the Pacific region.

The goal of the project was to produce a report showing the state of accountability and transparency in public sector administration across the Pacific region. This is to be used to inform regional governments of the significance of good accountability and transparency practice and to advocate on the importance of government auditing institutions and the use of the related governance tools.

The study was designed as a learning tool to identify good practices in the field and to promote these across jurisdictions. It was not intended to provide a basis for comparison of accountability and transparency performance between jurisdictions. The findings from the study will provide a benchmark for future follow-up work. The study was based on a range of international and regional benchmarks and good practice principles. These were drawn from the International Organisation of Supreme Audit Institutions (INTOSAI), the International Monetary Fund, the World Bank and the Pacific Islands Forum amongst others. It also looked at measures such as the Transparency International Global Corruption index and the Public Expenditure and Financial Accountability (known as the "PEFA") Indicators.

Nine focus areas were identified as the basis for the study. These fell into the three broad categories of - benchmarks affecting the SAI and its work; those affecting the public sector more broadly and those affecting wider civil society and how it interacts with the government and the SAI.

There were two components to the project; a questionnaire completed by 20 or 80% of PASAI's members and an in-depth study of six jurisdictions selected from across the region. These were the Federated States of Micronesia, Guam, New Caledonia, Samoa, Solomon Islands, and Tonga.

The questionnaire responded to by 20 SAIs was in three parts. The first explored the institution's mandate, operations and accountability. The second looked at the public financial management framework in the institution's jurisdiction. The final part considered ethics, governance and corruption control.

The in-depth studies focused on the SAI and its operations in detail and also included interviews with members, officials or representatives from the legislature, government agencies, international organisations, the private sector, civil society and the media.

### Findings and Recommendations

The key findings and recommendations of the study are set out below against each of the nine focus areas.

#### The auditing institution and its work

**Independence of the SAI:** It is good practice for the head of the audit body to be appointed, either by the legislature or by the head of state on the recommendation of the legislature, or elected by the public. Methods of appointment that operate free from any political interference and influence provide a higher level of confidence and assurance to the citizens of those jurisdictions about the independence of the audit body.

**Open budget preparation, execution and reporting:** In 80% of the jurisdictions there is a legal requirement for the publication of information before or at the time of the budget process and to present an end of year report

about the budget outcomes by a specified time. Only 30% of SAIs have a mandate to review budget controls and comment on the budget process.

The level of engagement by civil society and the private sector with the budget process generally requires strengthening.

It is good practice for budget documents to be made readily accessible at no or minimal cost to the general public and the media.

**Scrutiny role of the legislature and its committees:** The scrutiny role of the legislature in relation to government budgets and accounts varies according to the political system used in a particular jurisdiction. For example, in countries using the US-based congressional model, the focus is limited to scrutiny of the government's budget but in British-based parliamentary systems the focus is more on scrutiny of the public accounts published after the end of a financial year. The role of the SAI has similar variation.

In parliamentary systems, scrutiny of the public accounts can only be effective if accounts are provided by the government, and then audited by the SAI, in a timely way. The study found that SAIs that report directly to the public are more likely to be up to date with their audits. Those that outsource audits to private sector firms also find this time efficient.

The report recommends that SAIs encourage their legislatures to review existing relevant legislation to make provision for the timely publication of audit reports, other requirements aside.

### **Public sector transparency and accountability**

**Legal and ethical framework of public management:** Three quarters of jurisdictions have a standard of ethical practice or guidelines for the civil service. Only one directly provides guidelines on ethics and standards to the civil service.

The report recommends that SAIs encourage their governments to ensure clear standards of ethical practice apply and are available to civil servants, government officials and elected representatives.

**Control of corruption:** The study suggests that the level of corruption can be influenced by the development of transparency legislation. Anti-corruption institutions exist in 50% of jurisdictions surveyed. Political commitment to establish and adequately resource such institutions is essential to control corruption.

Of the jurisdictions surveyed, 75% of their SAIs have identified weaknesses in their public sector control systems. Less than half of the jurisdictions have conflict of interest disclosure laws for civil servants and government officials. The independence of bodies such as the SAI and the prosecutor's office is crucial.

**Public availability of information:** Access to public information was found to be fairly limited and an area requiring much work.

The report identifies that adoption of freedom of information legislation is one area of good practice requiring attention across the region.

**Corporate governance - principles and practice:** Good corporate governance in the public sector is still at the development stage in many Pacific jurisdictions. Only 25% of audit bodies have so far developed their own standards, guidelines and indicators to assess the compliance of public entities with the principles and practice of corporate governance.

The report notes that a close working relationship between the private and public sector has been identified as important to the economic health of Pacific countries, and the use of common practices of corporate governance can help this.

### **Civil society and its interface with government and the SAI**

**Community participation in civil society:** The study identified that the inclusion of civil society and non-government organisations in government decision making and public management is still developing in many jurisdictions. It judges an emerging good practice to be for governments to draw input from the private and non-

government sectors when formulating budgets, delivering services to the community and developing policies in areas that have a direct impact on the economic and social status of the country. The role of NGOs such as Transparency International was seen as important to the region in the public education on accountability and transparency in the use of public funds.

**Media freedom and independence:** The media plays an active role in the promotion of accountability and transparency in many Pacific jurisdictions.

Some 65% of audit bodies have a direct working relationship with media organisations through media releases, conferences and circulation of audit reports.

**See page 70 of the full report for the complete list of recommendations and good practice indicators.**