This Bulletin provides Audit Offices in the PASAI region with:

- updates on issues of interest
- recent developments affecting SAI
- emerging matters
- general “newsworthy” items.

SAIs and development partners are encouraged to contribute to this publication as it will be beneficial to all as a forum for information exchange and provide an understanding of the issues faced by SAI in the region. Auditors-General who are members of the INTOSAI committees and working groups should also use this Bulletin to highlight the progress of the work that they are involved in.

1.0 Australian National Audit Office (ANAO)

Citizen engagement

The ANAO has decided to open all of its performance audits that are underway to input from members of the public. This decision follows the piloting of a new website function for members of the public to contribute to selected performance audits in progress in late 2012 through to early 2013. An evaluation was conducted on conclusion of the pilot and found that it was technically stable and required no additional investment, other than ongoing administration costs.

Importantly, the facility was considered to have met its purpose of promoting the use of technology to encourage more open and transparent government, and strengthening community consultation mechanisms.

The Auditor-General Ian McPhee has endorsed the facility, as it provides the office with an opportunity to gain other views about the effectiveness of agency administration and for performance audit reports to deal with those matters that are seen as being significant to stakeholders.

The Audits in Progress section of the ANAO website now features the Contribute to an Audit in Progress page that provides for members of the public to contribute information for consideration for all current performance audits, during the evidence collection stage.

Through this web-based facility, contributions are automatically and securely directed to the relevant audit team. It is not mandatory for contributors to provide their contact details with their contribution.

The law protects the confidentiality of the information gathered through this facility, and information can only be disclosed for purposes defined in the Auditor-General Act 1997. Any sensitive personal information gathered by the ANAO is also subject to the provisions of the Privacy Act 1998.

In line with confidentiality requirements, the ANAO will not discuss any confidential aspect of an ongoing performance
For further information, visit the ‘Audits in Progress’ section of the ANAO website (anao.gov.au/contribute), or check our twitter feed for notification of new audits accepting contributions.

If you would like further information please contact: webmaster@anao.gov.au or ag1@anao.gov.au by email.

2.0 Office of the Federated States of Micronesia National Public Auditor (ONPA)

Audit of the National Division of Immigration & Labor

The Office of the National Public Auditor (ONPA) announces the release of Audit Report No. 2013-04 which is entitled Audit of the FSM National Division of Immigration and Labor. For public review, digital copies are available at the ONPA official website at www.fsmopa.fm. Printed copies can also be obtained at the ONPA offices in P ali kir, Pohnpei and on Weno, Chuuk. The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States.

This audit focused primarily on Chapter 1 of Title 51 of the FSM Code (the Act) regarding “Protection of Resident Workers,” which provided the legal framework for preferential employment opportunities to residents and for hiring of non-resident workers only when necessary. The audit scope covered labor related activities from October 1, 2009 through March 30, 2012.

ONPA conduct this audit in response to the President’s request to evaluate and determine whether the Division of Immigration and Labor (DIL) has been properly enforcing the national immigration and labor laws. In particular, the President wanted to ascertain whether there is adequate enforcement of immigration and labor laws, and whether there are weaknesses in the system that may necessitate further strengthening and reforms.

The objective of the audit was to determine whether the National DIL had been implementing processes and controls:

a. To protect resident workers and give preference to them for job opportunities; and
b. To continuously assess and develop the knowledge and skills of the citizens to achieve a sustainable local workforce.

As a result of the audit, the ONPA concluded that the National DIL did not adequately practice processes and controls to implement the requirements of the law in order to protect resident workers and to give preference to residents (citizens) for employment opportunities. The ONPA findings included the following:

a. DIL’s functions as required by law to protect resident workers were not adequately implemented;
b. No labor law for the Private Sector;
c. Referral of qualified residents using a registration system required by law was not in place;
d. Non-compliance with job vacancy announcement resulted in qualified resident workers not aware of some job opportunities;
e. Absence of evaluation resulted in the continuing dependence on non-resident workers;
f. Absence of standard job classification with defined job contents and requirements could result in hiring of favored and unqualified non-resident workers;
g. Training and capacity programs not monitored whether progressively and effectively promoting sustainable Manpower; and
h. About $3 million in yearly scholarship funds were not clearly addressing the critical needed areas in the nation’s workforce.
The ONPA made several recommendations for management as follows:

**For the Secretary, Department of Justice:**
- Review Title 51 of the FSM Code and determine whether amendments are necessary in order to reflect the relevance of the Act with the present time; and
- Develop labor regulations that provide specific guidelines that will ensure compliance with the Act and delineate the labor functions between the national and state governments.

**For the Chief of DLJ:**
- Comply with all applicable labor laws and regulations and to properly perform and implement all immigration and labor functions required by the Act; and
- Coordinate with all state Labor Offices, the Private Sector employers, the Department of Education, and all appropriate agencies to develop and assess programs that will effectively promote and maintain a sustainable local workforce including the assessment of the effectiveness of the existing training and capacity building program as well as the scholarship program.

The Management agreed with the findings and recommendations. ONPA will conduct a follow-up audit to evaluate the management’s actions to implement the audit recommendations.

*If you would like further information please contact: ONPA by phone (691)320-2862/2863*

### 3.0 Guam Office of Public Accountability (OPA)

From May to August 2013, the Guam Office of Public Accountability (OPA) issued three performance audits and its fiscal year (FY) 2012 Citizen Centric Report (CCR). The audits collectively identified over $16.6 million (M) in questioned costs and other impacts. The following are brief descriptions of each report.

#### 3.1 OPA Report No. 13-01

**Department of Revenue and Taxation Gross Receipts Tax Exemptions**

In May 2013, the audit revealed that the Department of Revenue and Taxation (DRT) has not processed gross receipts tax (GRT) forms and assessed taxes and exemptions since March 2011. This occurred because of a breakdown in DRT’s system and optical image scanner, along with the expiration/termination of the service agreement with the contracted vendor. As a result, the Government of Guam (GovGuam) is at risk of losing revenue due to possible non-reporting and under reporting of GRT. DRT has no system in place to track the number and amount of exemptions being claimed by Guam taxpayers; therefore, the financial impact on GovGuam revenue is unknown. GRT and exemption data is incomplete, possibly unreliable, and lacking necessary information for management and elected leaders to make sound decisions related to GRT. Without DRT effectively monitoring, reporting, and collecting GRT and reviewing exemptions claimed, there is no assurance that all GRT revenues are being collected and reported completely and accurately.
3.2 OPA Report No. 13-02
Guam Economic Development Authority’s Qualifying Certificate Program

In August 2013, the audit revealed: (1) the total financial impact of the Qualifying Certificate (QC) program is unknown; (2) QCs awarded to the insurance industry are more generous and are awarded regardless of the economic impact to GovGuam; (3) a tax benefit may have been granted to an ineligible QC beneficiary; and (4) tax benefits were not processed in accordance with law. These conditions occurred because: the Guam Economic Development Authority (GEDA) did not develop a reliable and complete database and did not utilize QC program statistics; part of QC’s law intent was to establish Guam as a financial/insurance center for the Pacific; GEDA did not verify whether beneficiaries met certain requirements; DRT processed applications without independent review and verification; and both GEDA and DRT were untimely in their review of beneficiary compliance to QC terms and application of tax benefits.

3.3 OPA Report No. 13-03
DRT Real Property Taxes

In August 2013, the audit identified $15.7M in unrealized, lost and forgone tax revenues, comprised of $14M from the outdated valuation system, $1.6M in escaped assessments, and $57 thousand (K) due to a lack of interface between the Department of Public Works and Department of Land Management. Additionally, the audit revealed $858K in questioned costs and other items, including: (1) tax assessments were based on a valuation system from 1993; (2) Guam’s property tax rates and property values are among the lowest in the 50 United States and District of Columbia; and (3) 1,605 real properties accounted for 9,480 escape assessments, resulting in foregone property tax revenue.

totaling $1.6M.

3.4 FY 2012 OPA CCR

In August 2013, the Guam OPA also issued its fiscal year (FY) 2012 Citizen Centric Report (CCR) pursuant to Public Law 30-127. OPA’s FY 2012 CCR includes its mission and goals, its progress in FY 2012, its future challenges and outlook, as well as GovGuam’s finances. This is the fourth CCR released by OPA since 2010. The CCR initiative is one of the recommendations and good practice indicators from the Pacific Association of Supreme Audit Institutions (PASAI)’s “Accountability and Transparency in the Pacific Region 2011” report. Every GovGuam agency is required to publish a CCR on its website and electronically submit the CCR to the Speaker of the Legislature and the Public Auditor no later than 60 calendar days, after the independent audit report for a government entity has been released by the OPA for each fiscal year. OPA will also post the CCR on its website.

These reports can be read in its entirety on the Guam OPA website at http://www.guamopa.org. For more information, please contact Joy Bulatao at jbulatao@guamopa.org.
4.0 Office of the Auditor-General New Zealand (OAG)

Public auditing capacity in the Pacific is being boosted as part of the New Zealand SAI’s commitment to the Pacific Association of Supreme Audit Institutions (PASAI). New Zealand’s Auditor-General, Lyn Provost, who is Secretary-General of PASAI, started the initiative by hosting the Chief Auditor of Samoa, Fuimaono Camillo Afele, and five of his staff in her office in Wellington. The secondment programme will also involve New Zealand staff being seconded to the Samoa Audit Office.

New Zealand has a particularly close relationship with Samoa. Twinning arrangements between Pacific audit offices, Australian audit offices, and the New Zealand SAI have been agreed as part of a broader programme to complement PASAI’s other capacity-building activities. The New Zealand SAI has committed to supporting Samoa as part of these arrangements.

From February to May 2013, New Zealand staff provided coaching, mentoring, and training to senior Samoa Audit Office staff, and the Chief Auditor shadowed the Controller and Auditor-General for a two-week period. The Samoan staff had the opportunity to observe and learn about the New Zealand approach to public auditing, and to compare and contrast this to their own way of working. The practical experience gave the Samoan staff useful insights. Evaluating and discussing differences helped to extend their auditing skills and knowledge.

The focus of the arrangements is now on enhancing and sustaining the learning that took place. In September and October 2013, two New Zealand staff will visit Samoa to provide on-site training and assistance in performance auditing and carrying out whole-of-government audits.

The Samoa Audit Office has also engaged experts in other focus areas to build on the knowledge gained from the New Zealand secondment programme. Improving the quality of public sector auditing in Samoa will have benefits for the Samoan people and is expected to contribute to improved transparency and accountability in managing and using public resources in the Pacific region.

If you would like further information please contact: enquiry@oag.govt.nz by email.

5.0 Pacific Association of Supreme Audit Institutions (PASAI)

5.1 16th PASAI Congress

The 16th PASAI Congress held in Tamuning, Guam on 10-13 September 2013 was attended by all 25 member SAIs in the region together with representatives of the SAI of China, the US Department of Interior (DOI), the United Nations Development Program (UNDP) and a number of development partners including AusAid, INTOSAI Development Initiative (IDI), the NZ Ministry of Foreign Affairs and Trade and the World Bank.

During this Congress there was overwhelming support for PASAI to continue its operations and this was reflected in the endorsement of a long term strategy for the next 10 years by all member SAIs.
5.2 Sub-Regional Audit Support (SAS) Program—3rd Round

The SAS program’s objective is to enable the public accounts of the countries involved in the SAS program to be audited to uniformly high standards and in a timely manner while developing the auditing capacity of each participating SAI and its staff.

The third round of the SAS Program commenced at the Tuvalu Audit Office on 9 August 2013 until 25 September 2013. The SAS team is made up of four secondees from the Nauru Department of Audit, Kiribati National Audit Office and Tuvalu Audit Office supported by two ADB funded consultants.

Under the current MOU signed in May 2013 by the SAS committee, PASAI’s roles in the SAS program is to provide the necessary coordination, strategic guidance, program and project planning and management services, and technical support to the SAS Committee, participating SAIs and the SAS team to enable the effective and efficient planning and implementation of the program. The Executive-Director visited Tuvalu during the last week the SAS team was in-country to monitor progress and assess the achievement of the program’s objective.

PASAI is appreciative of the continuing support from ADB to make this programme possible.

5.3 Cooperative Performance Audits

In the last few years PASAI has been involved in coordinating three cooperative performance audits. Cooperative audits involve multiple audit institutions working together on the same audit for two purposes:

- to raise the auditing capacity of individual SAIs; and
- to produce individual national reports to improve public administration in respective jurisdictions and a high quality regional report. The regional report may be used to identify common regional issues that regional governments, the Pacific Island Forum, development partners and other stakeholders may wish to address through regional cooperation.

In particular, in June 2013 the reporting meeting for the 4th cooperative performance audit on climate change adaptation was conducted and audit teams are yet to produce their report in their jurisdiction then a PASAI regional report will be produced.

The 5th cooperative performance audit on public debt commenced with the overall topic being “to assess whether public debt management is effective and efficient to achieve long term sustainability and financial stability”. A planning meeting was held in July 2013 and audit teams are now working in their own jurisdiction to conduct the audit and will come together at the reporting meeting to obtain maximum guidance from the participating program expert and enhance learning from each other. This reporting meeting is scheduled for early 2014.

Should you have any queries in relation to these programs please contact the PASAI Technical Support Advisor agnes.aruwafu@pasai.org.

5.4 Public Financial Management

PASAI Secretariat initiated the first Public Financial Management working group meeting held in August 2013 with the objective to coordinate efforts of stakeholder partners and engage public sector accountants and auditors to improve public finance management in the Pacific region. The meeting was attended by representatives from PASAI, Pacific Island Centre for Public Administration (PICPA), Public Financial and Technical Assistance Centre (PFTAC), University of the South Pacific (USP) and Pacific Island Forum Secretariat. A second meeting is being arranged to be held in December 2013 and
development partners will also be invited to attend.

PASAI Secretariat appreciates the support provided by PICPA in hosting these meetings.

5.5 Capacity Building

Career Path Training – All the skill-based trainings, Tiers 1 to 4, have been carried out with the second offering of Tier 2 also completed in May 2013. The Secretariat continues to follow up post training action plans from participants who have attended these trainings.

The training materials for Tiers 1, 3 and 4 will be finalised and copied on to CDs to be distributed to PASAI’s members for their own in-house trainings when necessary.

Accounting Standards Training - The University of the South Pacific (USP) conducted a workshop on International Financial Reporting Standards (IFRS) and equivalent International Public Sector Accounting Standards (IPSAS) in Suva, Fiji on 15-19 July 2013. 25 participants from 13 SAIs attended the training.

CAPA-SIA Meeting – Mrs Sinaroseta Palamo-Iosefo, PASAI Capacity Building Advisor, attended Confederation of Asian and Pacific Accountants (CAPA) Professional Accountancy Organisation (PAO) Development Committee meeting and forum held in Apia, Samoa on 22-23 August 2013. CAPA is a regional organisation representing professional accountancy organisations in the Asia-Pacific region.

The meeting was a great opportunity to create awareness of what PASAI is and the work it does in the region. Additionally, it was an occasion to establish networking and explore opportunities for cooperation with another regional organisation that has similar objectives for promoting good governance through improved public financial management. The main focus of the meeting was to raise the profile and create value for the accounting profession within the country and in the region.

ISSAI Implementation Initiative (3i Program) – This global program is administered by the INTOSAI Development Initiative (IDI) and one of its objectives is the certification of ISSAI facilitators. 19 auditors from the region (11 financial auditors and 8 performance auditors) who had completed the second e-learning course of the program participated in a facilitation skills workshop held in Bangkok, Thailand on 30 September to 5-12 October 2013. All 19 auditors from the region completed the program successfully.

For any clarification of any of the items in this Bulletin, please do not hesitate to contact the PASAI Secretariat by Email: enquiry@pasai.org
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