

SPASAI BULLETIN

Issue No 2

June 2002



“Helping Pacific Nations”

This Bulletin provides Auditor-Generals in the SPASAI region with:

- * updates on issues of interest*
- * recent developments affecting Audit Offices*
- * emerging matters*
- * generally “newsworthy” items.*

The SAIs are encouraged to contribute to this publication as it will be beneficial to all SAIs as a forum of information exchange and provide an understanding of the issues faced by SAIs in the region. Auditor Generals 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.

The SPASAI Bulletin is released twice a year, in June and December.

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FIJI

National Accounts

The OAG is currently conducting the audit of the accounts of the various ministries and departments for the period ending 31 December 2001 and will issue the Audit Reports to Parliament on 30 September 2002.

Public Accounts Committee (PAC)

The Fiji Labour Party is challenging the Government in the composition of the Cabinet as the provision in the Constitution covering the formation of a multi-party cabinet has been ignored. It has also challenged the legality of the appointment of the Chairman of the PAC and FLP members of the PAC have refused to attend the scheduled meetings. As a result, there have not been any deliberations on the Auditor-General's Reports that were submitted to Parliament after the general election in 2001.

Environmental Audit

Initial plans to send a senior audit officer to undertake a fellowship in environmental auditing for a period of nine months with the Office of the Auditor General of Canada commencing in September was suspended. This is because the Sustainable Development Bill which provides the mandate to the Auditor General for conduct of environmental audit is still pending before Parliament and yet to be passed. This plan will be reviewed after the Bill has been passed by Parliament.

This however has not deterred the Fiji SAI from pursuing other means to ensure that its environment audit section gets off the ground. It has already appointed an officer to take charge of this unit and serving officers who are interested in joining the group have been interviewed. The Fiji SAI will also be sending a delegate to the next meeting of the Regional Working Group on Environmental Auditing to be held in Melbourne on the 17 and 18 July 2002.

Job Evaluation Exercise

The Fiji civil service will undergo a Job Evaluation Exercise in the latter half of 2002 following the government's decision to reactivate the Public Service Reform project which was suspended by the People's Coalition Government in 1999. In its submission to the Job Evaluation Exercise, the OAG has proposed the strengthening of the powers of the Auditor General to include performance auditing and the audits of all commercial statutory authorities and government commercial companies.

KIRIBATI

Government Annual Account

Kiribati SAI has just recently completed the Audit Report for the Government Annual Account for the year ended 31 December 2000. The report was presented to the Honorable Speaker for tabling in Parliament in the May 2002 session. However, prior to the submission of the Audit Report a lot of interest and concern was raised from the Management Letters sent out during the current audit of the Annual Account on irregularities uncovered in the Annual Account. As a consequence the office was requested to do a presentation on accountability and related issues during a workshop conducted for senior government officials. In addition there is a current major review on Government accounting procedures that incorporated contents of the Management Letters. Timeliness of reports is still a major issue especially the delay in the submission of accounts by the auditees. This is particularly true with the Government Annual Account. However, Government owned companies and Statutory Corporations are also not timely in the submission of their accounts. From the 27 Government owned companies and Statutory Corporations, only 5 have submitted their accounts on time. The remaining 22 have been reminded of their over-due accounts but they have yet to respond.

Staff Shortage

Currently the office is experiencing major shortage in staff especially at the senior level due to lack of qualified personnel and also due to four of its senior staff currently on study leave doing degree courses at USP and Australian universities. As part of strengthening its audit procedures and improving the quality of audit reports, Kiribati SAI fully supports further training for its staff.

However, a negative impact on the office is the vacancies created by these staffs, which are very difficult to fill.

Lack of Computers

In addition to shortage of staff, Kiribati SAI is also experiencing difficulties due to lack of computers. The computers they have are currently outdated and most are no longer operating. Though funding from Government has been sought (in 2001), this has yet to be fulfilled. This is one major obstacle where the Auditor General's budget is controlled by Treasury and as such has to compete with other ministries for funding. The office would certainly appreciate if any agency would donate or sponsor their request for computers.

NEW ZEALAND

Update - Regional Working Group on Environmental Auditing

As reported in the December 2001 issue of the SPASAI Bulletin, the New Zealand Office of the Controller and Auditor General has been working towards the establishment of an ACAG/SPASAI Regional Working Group on Environmental Auditing.

Regional Workshop

In order to further the establishment of this group we have begun planning for a two-day workshop on Environmental Auditing in 2002. The idea of the workshop is based upon positive feedback from within the ACAG and SPASAI region. The Office of Auditor General of Victoria in Melbourne, Australia, has offered to host the two day workshop and a date has been set for 16 and 17 July 2002. The aims of the workshop are to:

- confirm the standing of the Group;
- give Audit Offices the opportunity to present the environmental audit work they have undertaken;
- exchange knowledge, experience and difficulties faced by practitioners;
- develop and formally endorse the objectives and role of the Group;
- develop and consolidate networks between Offices; and
- discuss potential areas for joint or coordinated environmental audits

A preliminary programme of topics for discussion includes

- background on the work of the INTOSAI environmental working group and how the regional working group fits into the picture;
- bio-security risk management;
- air quality control, including a site visit;
- environmental issues and regulatory (financial and compliance) audits; and
- a guest speaker presentation.

The contacts for the ACAG/SPASAI working group on environmental auditing are Martyn Pinckard (e-mail: martyn.pinckard@oag.govt.nz) and Gareth Ellis (e-mail: gareth.ellis@oag.govt.nz). Please contact Martyn or Gareth if you have any questions about the Group.

Martyn and Gareth will be sending out a more detailed programme to ACAG/SPASAI members in due course.

Recent Reports Issued

The New Zealand Office of the Controller and Auditor General has issued the following reports since the publication of the last SPASAI Bulletin:

- Taupo District Council - Funding of the interim Establishment Board and the Lake Taupo Development Trust.
- Purchasing Primary Health Care Provided in General Practice.

- Ministry of Health: Progress in Implementing the Recommendations of the Cervical Cancer Screening Inquiry.
- Reporting Public Sector Performance - 2nd Edition.

Copies of these Reports are available on the Office's web site www.oag.govt.nz

Global Working Group Meeting

Auditors General from 11 countries met in Wellington on 14 and 15 February 2002. This was the third meeting of the group, which was set up by David Walker, Comptroller-General of the United States to share information and discuss matters of mutual interest. Since its formation, the group has set up an Intranet facility, which has contact details for participants and a discussion forum.

The major topics covered at the meetings were:

- The role of public sector auditors in dealing with terrorism;
- E-Government and joined-up government;
- cross-government performance indicators;
- relationships of public sector auditors to Houses of Representatives;
- the impact of Enron on the Accounting and auditing professions; and
- knowledge management initiatives within public audit institutions.

The group plans to meet again in the Netherlands early next year.

Kevin Brady Appointed Auditor General

On 27 February 2002 the House of Representatives appointed Kevin Brady as the Auditor General. Kevin officially took up his new role on 4 May 2002.

Kevin is the first internal appointment to the role of Auditor-General since Keith Gillies was appointed in 1970. He joined the Audit Office in 1971 and worked in the Napier, Palmerston North, Timaru and Wellington regional offices prior to being appointed to the role of Assistant Auditor General (Local Government) in 1990. He became the Deputy Auditor-General in 2000.

Kevin is a fellow of the Institute of Chartered Accountants of New Zealand (ICANZ) and has a Master of Public Policy degree from Victoria University.

PAPUA NEW GUINEA

Major Audit Investigation

Recently the Auditor-General's Office of Papua New Guinea conducted a major audit investigation into the financial management and operations of a major central government department. One of the salient features of this investigation was extensive use of Computer Assisted Audit Techniques (CAATs). The investigation team analyzed data downloaded from the audited agency's computer system using a generalized audit software in order to identify significant deviation from norms, unusual patterns in expenditure and also to quantify fairly exactly the amounts, which were not used for their intended purposes.

DOWI Special Report

On the basis of the investigation's findings, the Auditor-General prepared a special Report entitled 'Department of Works and Implementations (DOWI) - Investigations into allegations of financial mismanagement, fraud and misuse of resources'. The Report was tabled in the National Parliament of Papua New Guinea in December 2001. The report which deals in-depth with issues like financial management, management of IT, fraud and corruption, management of donor funded projects, procurement etc., has generated wide interest amongst the parliamentarians, media and international donor agencies. The DOWI audit report contains many recommendations relating to improving financial management and control, adopting best practices in IT management and improving utilization of resources. The Public Accounts Committee of the PNG National Parliament held a special inquiry on the findings of the Report in January 2002 and has ordered the concerned department to implement the recommendations made in the report.

Institutional Strengthening

The Government of Papua New Guinea has approved a project for Institutional Strengthening of the Auditor-General's Office (AGO) of PNG. The project was conceived by AGO officers and the entire project plan were developed in-house.

The institutional strengthening project (ISP) will be implemented within the overall framework of the AGO Corporate Plan, which was developed recently. Accordingly, the overall goal of the ISP will be to strengthen the institutional capacities of Auditor-General's Office of Papua New Guinea (AGOPNG); to enable it to play its constitutional role more efficiently and effectively.

This project is being funded by the Asian Development Bank under the public reform program in Papua New Guinea and it will be implemented during 2002-2005. The institutional strengthening project will have five major components:

- *Component I:* Improvements in the AGO processes and practices
- *Component II:* Development of the AGO's human capital – integrated audit training and development program for the AGO staff
- *Component III:* Modernization of the AGO's technology infrastructure
- *Component IV:* External reforms and enhancing the AGO's external relations
- *Component V:* Change and project management for the ISP

According to the plan, AGO staff will receive training in modern auditing methodologies and techniques including Information Systems audit; use of Computer Assisted Audit Techniques (CAATs); value-for-money (VFM) auditing and fraud investigation. AGO's technology infrastructure will be upgraded by establishing a Local Area Network (LAN), installing an automated audit management and automated work papers software system and establishing on-line links with the Department of Finance for on-line auditing of government financial transactions. The project also aims at enhancing AGO's relations with its major stakeholders by developing policies, protocols and procedures for maintaining on-going relationships with major stakeholders like the Public Accounts Committee and the National Executive Council.

Computer crime and its prevention

(Ashok Ghosh, M.Sc., MBA (Technology Management), APNGIA, CISA, CIA, CFE, AACIS)

Computer crime or cyber crime is an emerging concern because computer processing can circumvent traditional security and control techniques. Particular security concerns result from the proliferation of microcomputers, local area and wide area networking, on-line systems and above all e-commerce because all these technologies allow more access to an organization's information systems and dramatically increase the number of potential attack sources, both internal and external.

(The paper was presented at the Joint Annual Conference of the Papua New Guinea Institute of Accountants and the PNG Chapter of Australian Society of Practising Accountants held in December 2001. For an abridged version of the paper, please contact AGOPNG or the Fiji OAG.)

SOLOMON ISLANDS

Resignation of Auditor General

Mr. Isaac Vula Tatapu resigned as Auditor General effective from 22nd April 2001 for personal reasons. It is believed that this may be due to health and in view of the recent situation in the Solomon Islands. He left the Office of the Auditor General after holding the position for 14 years. The Deputy Auditor General, Mr. Raphael Tepano, has also resigned in September 2000 and has taken up employment in the private sector. On 17 July 2001, Floyd Augustine Fatai was appointed as acting Auditor General until a new Auditor General is appointed. The Acting Auditor General has already submitted a report requesting de-localization of the post in the best interest of the future of the Office. That is amidst other recommendations which included the recruitment of an Advisor to the Auditor General. But this will depend on the policies of the new government and what view the Public Service Commission has on the matter.

Abandonment of AusAid Project

The AUSAID project to strengthen the Office was abandoned at the height of the social unrest in June 2000 and there is no talk of it being reactivated in the near future. The Acting Auditor General believes this will further create problems for him in his endeavor to try and get things going again.

Mr. Fatai indicated that in January 2002 that the PAC was due to sit soon on the 2002 budget. But with the recent visit of the Foreign Ministers from Australia and New Zealand, it would seem that they are in for a long battle - to get whatever aid it can lay its hands on. The government cash flow situation is so precarious that, without any budget support, it will run into problems.

TONGA

Audit Department approved as training partner of NZ Institute of Chartered Accountant

(Extract from the Tongan Chronicle, May 2002)

Approved Training Organisation (ATO)

The Government Audit Department of Tonga under the management of the Auditor-General, Dr. Pohiva Tu'i'onetoa, (FCA, CMA) has been approved as an Approved Training Organization (ATO) of the Institute of Chartered Accountants of New Zealand, effective April 22.

Marketability of Chartered Accountants

Said Dr. Tu'i'onetoa, accounting graduates who inspire to further their career as working accountants can now join the Audit Department and work there under the supervision of the Auditor General and his two deputies (who are both CAs) to attain Chartered Accountants status. It will take three years (minimum) and one will have to take two examinations. He said, that being a CA from a recognised institute such as New Zealand, "you are marketable with a competitive edge, not only in Tonga but world-wide". "Your signature that attached to a financial statement of any corporation, either as preparer or assurer, (auditor), is respected by users as reliable for their decision making". And why is that the special respect for CA?

Dr. Tu'i'onetoa said, "they trust that the officer has maintained the highest code of ethics of the Institute and had went through the rigorous training to obtained professional competence and professional experience needed for an accountant". The Auditor-General believes that this is a landmark event for the country as a whole. He said that one of the drawbacks for overseas investors to invest in Tonga is the perception that they cannot trust the financial statements produced by the business partners in Tonga. "They simply concluded that Tonga people and businesses here do not know how to keep proper and reliable financial records".

In a sense, he said, this claim has merit. However, the progress made by the Audit Department to achieve the ATO status is a very significant development for the future economic development of the country. "It is not an easy thing to achieve this status", he said. "We are the first in this country to be approved by the institute but not after several times of unsuccessful trials".

On the other hand, the Auditor General believes, there is always a prejudice against a small island and their laissez faire attitude. "However, after attaining a Fellow Chartered Accountant status (FCA) in year 2000, "I thought we had a fair chance if we apply again", he said.

Dr, Tu'i'onetoa is the only Tongan in the Kingdom to attain the FCA status. He said that the application process started late last year and after having to provide several further responses they have had the approval. "We are very grateful for the Institute", he said. The Auditor-General got his CA after working for two years and went through the examination process at the Audit Office of New Zealand. His two deputies, Messrs Sefita Tangi and Tiofilusi Tiueti had to return to Australia and New Zealand to complete the CA requirements. "It is a very expensive process", he said. What we achieve today will reduce the cost of training of accountants in term of money and time but at the same time same quality of accountants are trained and more numbers will be trained.

As for new graduates leaving school, they can use the Audit Department as a training ground to obtain their full membership status as New Zealand Chartered Accountants. After that, they are free to continue on their career in Audit Department or move elsewhere, here in Tonga or overseas, but they now get a marketable qualification, said Dr. Tu'i'onetoa. "I believe this will help to improve the economy as Accounting is commonly referred to as the language of business. Another advantage is that I believe I can make arrangement for young accounting graduates who are working in other organisations either in government or private business that I can make the supervision from time to time to ensure they achieve the required standard of performance in order to obtain their CA status.'

TUVALU

Mr. Lotoala Metia was appointed for a second term on 18 February 2002 as Auditor General, after 5 years in the administration cadre. He was the first local to be appointed as Auditor General on 9 March 1990 and left in July 1997 to fill in a permanent secretary position.

VANUATU

Auditors Training

In February, Mrs. Nirose Silas, an Audit Training Specialist, graduate of LTRTP, conducted an in-house 10 days workshop for auditors on 'Audit programming and Documentation'. All auditors in the Office participated in the workshop.

15th Un/Intosai Seminar on the role of SAI in Audit of Agriculture.

Julie-Ann Sumbetovi from OAG-Vanuatu, and Holland Thomas from OAG-Papua New Guinea represented SPASAI in the 15th INTOSAI/UN seminar held in Vienna, Austria in May 2002.

Summary of the Seminar.

Agriculture is important to all countries regardless of its contribution to the Gross Domestic Product of the country concerned. The Seminar was fully aware that, in many countries, agriculture is also very important to the economy as well as an essential source of feeding the population. In other countries agriculture is heavily subsidised and in others, it attracts limited government expenditure but still has important social and environmental consequences. This means that SAIs operate in radically different environments. However, the Seminar recognized that many audit issues were common to those SAIs present.

The work of Seminar delegates was based on the firm foundation of four in-depth keynote presentations from the European Court of Auditors, Austria, United States of America and Columbia. Those covered respectively:

- The audit of agriculture illustrated by audits of cereals and milk quota
- The scope and methods of agricultural auditing
- Auditing agriculture and food safety programmes; and
- The value added achieved by government audit.

The delegates were divided into four (4) working groups to pursue issues in the following themes

- Implementation of recommendations and follow-up of audit results;
- Co-ordination with other audit authorities
- Expanding the scope of audit beyond the financial audit; and
- Improving audit methodologies

For detail discussion on these themes, please contact the Vanuatu OAG or Fiji OAG.

VICTORIA

Autumn (April To June) 2002 Parliamentary Reporting Program

The Victorian Audit Office autumn 2002 reporting program comprises 5 performance audit reports and a sixth report outlining the results of several special reviews and the December 2001 financial statement audit round (mainly educational institutions).

The Office will also be tabling in Parliament its 2002-2003 work plan in the autumn session (as required by its audit legislation) as soon as the 2002-2003 appropriation Bills are passed through Parliament.

Performance Audits Completed Or In Progress

- *International students in universities* (Tabled in April) - This audit examined the management of overseas student programs in selected Victorian universities.
- *Investment attraction and facilitation* (May tabling) - This audit has examined the provision of financial assistance by the Government to industry in Victoria. It has also addressed the extent of transparency of the arrangements in place for industry assistance.
- *Nurse workforce planning* (May tabling) - the audit has assessed the adequacy of workforce planning in the health sector with particular emphasis on issues arising from difficulties experienced in the recruitment and retention of nurses in Victoria.
- *Infrastructure and asset management in Local Government* (June Tabling) - this project has examined the effectiveness of infrastructure planning and management within the local government sector of Victoria.
- *Environmental protection - air quality* (June tabling) - the audit has focused on the effectiveness of the overall monitoring and regulatory role of Victoria's Environment Protection Authority in protecting air quality in the State.

September to November 2002 Parliamentary Session

- *Community dental services* (September 2002 tabling) - this audit is examining the effectiveness and efficiency of Victoria Community Dental Program under which general adult dental services are provided across the State.
- *Public mental health services* (September 2003) - this audit seeks to identify the key issues impacting on the delivery of mental health services and to assess the effectiveness, efficiency and economy of their management.
- *Food safety and inspection* (October 2002) - the audit will investigate the management by local councils of their responsibilities under Victoria's Food Act and the processes to monitor their food safety programs.
- *Parliamentary control and management of appropriations - Control over the public purse* (October 2002) - this audit will provide Parliament with a comprehensive assessment of the current appropriation arrangements in Victoria. It will also identify opportunities for assisting Parliament in its control of the public purse.
- *Managing business risk across the Victorian public sector* (November 2002) - the audit will assess whether appropriate risk management frameworks have been adopted in the Victorian public sector and operate at both an agency and whole-of-government level to effectively identify, measure, manage and monitor key business risks.
- *Fire prevention* (November 2002) - this audit will examine the adequacy of fire prevention management by the responsible department including fire prevention measures, the effectiveness of public awareness programs, the use of fire restrictions and fire research and training.
- *Medical equipment maintenance and replacement in public hospitals* (November 2002) - the objective of this audit is to assess the effectiveness of the management, maintenance and replacement of medical equipment by public hospitals in Victoria.

Special Reviews In Progress (Report To Be Tabled In June 2002)

- Advertising and marketing by government departments
- Visiting Medical Officer arrangement at public hospitals
- Quality of governance arrangements for associated and subsidiary entities across Local Government
- State Revenue Office - management of stamp duty collections
- Operation of university subsidiary entities and joint ventures
- Referral and assistance service for victims of crime
- Review of survey information held by the State's Lands Title Office

Other special reviews focusing on compliance with legislation and the soundness of key systems and processes.

In its 2002-2003 audit plan, the Victoria Audit Office has explicitly recognized the need to provide Parliament with an assessment of the operation of the core areas of business activity in the public sector such as compliance with legislation and the soundness of key systems and processes. The following two special reviews are currently planned for completion and tabling during the period August to November 2002:-

- Payments and recoveries by public sector agencies associated with the Goods and Services Tax; and
- The management of payroll systems.

All tabled reports can be accessed on website, www.audit.vic.gov.au

Parliament's Public Accounts and Estimates Committee

The Committee has endorsed the Office's 2002-2003 budget and has provided its comments on its 2002-2003 work plan. It had recently tabled a report on Environmental Accounting and Reporting and will be reporting in June 2002 on its inquiries into valuation of Heritage, Cultural and Infrastructure Assets, Service Agreements for Community, Health and Welfare Services and a Statutory Framework for Officers of Parliament.

Victoria Audit Office recently made oral presentations and submitted formal submissions to the Committee in relation to its current inquiries into corporate governance and private sector infrastructure. The Committee has recently circulated an issues paper on corporate governance.

Internal projects

Two major IT projects are currently underway within the Office involving an upgrading of its network infrastructure and implementation of a new practice management system. The Office is also in the process of upgrading its Internet website and commissioning a risk management project (utilising external consultants) covering the operations of the Office.

SPASAI Bulletin Editor's Note

We wish to thank all SAIs who have contributed to this issue of the Bulletin. Contributions for Issue 3 is due on 30/11/02 and we hope to release this by 15 December 2002. For more information, please contact

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