



VANUATU NATIONAL AUDIT OFFICE



Annual Report 2021

Contents

Contents	1
Foreword – Auditor General.....	3
1. Strategic Framework of the National Audit Office	6
1.1 About the National Audit Office	6
1.1.1 Our role.....	6
1.1.2 Our work.....	6
1.1.3 The outcomes of our work	7
1.1.4 Our clients.....	7
1.2 Our Strategic Framework	7
1.2.1 Overview.....	7
1.2.2 Our Strategic Goals and objectives.....	9
1.2.3 Our Way of Working – Supreme Audit Institution Guidelines	9
1.2.4 Our Corporate Structure.....	14
2. Our 2021 Performance	15
2.1 Our Audit Work.....	15
2.1.1 Key Achievements	15
2.1.2 Audit Work Details.....	16
2.1.3 Challenges.....	18
2.2 Our Human Resources.....	19
2.2.1 Overview.....	19
2.2.2 Statistics.....	20
2.2.3 Staff Development.....	20
2.3 VNAO Progress against corporate objectives.....	22
2.4 Our progress in context	30
2.4.1 Progress related to NSDP.....	30
2.4.2 Report Against Budget Narrative.....	31
2.4.3 Policy Development.....	33
2.4.4 Legislative Framework and Conventions.....	33
2.4.5 Risks/challenges.....	34
2.5 Our Finances	35
2.5.1 Financial Statements and Development Projects.....	35
2.6 Other Issues.....	36

Vanuatu National Audit Office – Annual Report 2021

2.6.1 Right to Information	36
2.6.2 Complaints	36
2.6.3 Fraud control	36
2.6.4 Statutory or Non-Statutory bodies and International Obligations.....	36
2.6.5 Non-Applicable Sections.....	36
3.Conclusion	37
Contact Officer.....	37
Appendix 1 – VNAO 2017-2021 Strategic Plan Visual Overview	38
Appendix 2 VNAO Corporate Structure.....	39
Appendix 3: Audits Completed in 2021	40
Appendix 4: Status of Audit of Financial Statements of State Agencies	42
Appendix 5 Budget Narrative of the Audit Office.....	45
Appendix 6.1 Audit Office Financial Statements	50
Appendix 6.2 Governance for Growth (GFG) Grant Assistance Financial Statements.	67
Endnotes.....	80

Foreword – Auditor General

Dear Honorable Minister Johnny Rasou Koanapo MP,

I have the honor in submitting to you the 2021 Annual Report of the Office of Auditor-General. This report has been prepared in accordance with following the requirements and guidelines of the Expenditure Review and Audit Act, the Public Finance and Economic Management Act 1998, the Public Service Act 1998 and the 2020 Annual Report guidelines specified by the Public Service Commission.

During the year 2021, the Office has made considerable progress towards our corporate objectives and towards fulfilling our important role in the country.

Key achievements for the year include:

- The completion of 73 audits and significant reduction in audit arrears;
- The initiation of a performance audit of the National Sustainable Development Plan;
- The installation of and training in new audit software systems, Team Mate Plus;
- Plans to establish an office in Luganville, Santo; and
- The development and finalization of our 2022-2026 Corporate Plan, which included:
 - Extensive stakeholder consultations,
 - Development of new strategic goals, objectives and monitoring and evaluation system, and
 - Development of new key policies governing Audit processes and HRM.

These accomplishments were attained in spite of the many challenges that were faced in 2021, by our office and by the whole public and private sector in Vanuatu. These included the COVID-19 global pandemic and the usual challenges related to budget limitations, climate-related natural disasters, and the country's economic and social development. The table below summarizes the major challenges faced, key progress made, and the way forward for our Office.



Caleb Sandy, Auditor General
Caleb Sandy

Main Issues	Major Accomplishments	Way Forward
<i>Reputation and Leadership.</i>	The Office continues to work towards meeting the international SAI standards Auditor General of Vanuatu was appointed as the representative of Melanesia to the PASAI Board.	The 2022-2026 strategic plan, the new corporate structure, and the new National Audit Office Bill will enable the Office to function at the intended level.
<i>Independence of the OAG remains an issue, pending the passing of the Constitutional Amendment and the National Audit Office Bill.</i>	Working with State Law and technical advisors, the Constitutional Amendment and the National Audit Office Bill have been finalized.	The OAG will continue to advocate for independence through the passing of the Constitutional Amendment and the National Audit Office Bill.
<i>Completing the work</i>	In spite of being severely under resourced,	Once the proposal for

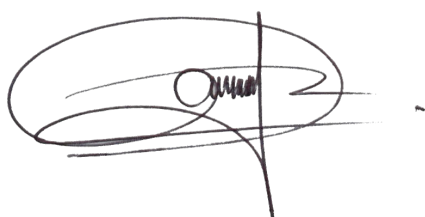
<i>under existing budget constraints</i> continues to present a challenge for the OAG, resulting in inadequate resources for staffing and office operation.	<p>the Office successfully:</p> <ul style="list-style-type: none"> - Completed the 2015, 2016, and 2017 financial statements of Government - Carried out 5 compliance audits and 68 financial audits. - Completed the first compliance audit of a foreign mission - Produced the 1st audited financial statements for VNAO – 2020 - Developed plans for the 2022 opening of a Santo office, consistent with the Government's decentralization policy - Prepared a full proposal for restructuring for PSC review. 	restructuring has been accepted, the 2023 budget can be based on a more realistic assessment of the resources needed for effective operation of the OAG.
<i>Systematic planning and tracking</i> are a challenge, especially given the multiple national and international standards the Office needs to comply with.	<p>The 2022-2026 Corporate Plan has been fully developed, along with an enhanced system of monitoring and evaluation</p> <p>The Plan is fully aligned with the UN SDGs, the NSDP, PASAI and INTOSAI standards, and Public Finance Management Road map</p> <p>A full Human Resource Strategy has been developed, including a Professional Development Policy for the Audit office and a fully updated CBPMS including continued training of Audit staff on changes to the standards.</p>	Over the next 5 years, the OAG will focus on implementing each of the goals of the plan, and will be able to systematically track the progress.
<i>Audit arrears</i> continue to be a challenge, especially in light of insufficient budget for staff, lack of OAG enforcement authority, and clients' lack of compliance with submission dates of financial statements.	The new National Audit Office Bill addresses the necessary enforcement authority, and the proposal for restructuring requests of additional staff, to be incorporated in the next budget. The OAG also continues to work with its clients to raise awareness of the importance of timely and accurate submission of statements and effective implementation of recommendations.	Once the National Audit Office Bill is approved by Parliament and the restructuring proposal and the new budget are in place, the OAG will be in the position of completing current audits on time and rectifying the audit arrears over the next strategic plan period
<i>Human Resource Management</i> , especially chronic understaffing remains an issue.	<p>High retention rate of specialized audit staff.</p> <p>Recruitment of new, more diverse staff. Staff are fully engaged with the Office. Staff are fully vaccinated.</p>	Moving forward, the focus will be on recruiting additional staff, retaining existing staff, and developing all staff to meet set standards.
<i>Capacity Development</i>	The OAG has taken major steps to ensure	The OAG will continue to

in the OAG is an <i>issue</i> , especially given the specialized knowledge needed for financial, compliance and performance audits.	continuous staff training in the key areas of quality control, quality assurance, and the specialized audit areas, with the assistance of development partners, the Pacific Association of Supreme Audit Institutions (PASAI), and the International Organization of Supreme Audit Institutions (INTOSAI).	focus on staff capacity development, guided by international standards for Supreme Audit Institutions, and supported by INTOSAI training and funding and other support from its development partners, including Governance for Growth.
<i>Information Technology.</i>	With funding support from GFG, the Audit office upgraded its computer hardware. The Office has installed an updated edition of Team Mate Plus, a specialized auditing software package and has trained all audit staff, along with Team Mate champions. Team Mate Plus is web based and cloud based.	New features of Team Mate Plus will allow the Office to fully integrate Quality Control and will also allow for tracking time and productivity. Team Mate Plus enables remote user access.

This 2021 Annual Report includes the following major components:

- *The Strategic Framework* for the Vanuatu National Audit Office (VNAO) – our role, our mission, vision, values, and competencies, the 2016-2021 strategic plan, and our corporate structure
- *Our 2021 Performance* – our progress against our corporate objectives, our audit work, our human resources, our progress in context, our finances, and other issues.

The OAG expresses its appreciation to its dedicated staff, to the Ministry of Finance and Economic Management, the Parliamentary Public Accounts Committee, and to all its clients and stakeholders for their ongoing support of its work to ensure “good governance” through improved transparency, accountability and efficiency in managing and using public resources.



Caleb Sandy Auditor-General
20th October 2022

1.Strategic Framework of the National Audit Office

1.1 About the National Audit Office

1.1.1 Our role

The *Vanuatu People's Plan 2030* envisions a peaceful, just and inclusive society, supported by responsive and capable state institutions delivering quality public services to all citizensⁱ. The National Audit Office aims to contribute to realizing this vision through promoting accountability and good governance in public administration. It also aims to contribute to Society Pillar 6 of the Plan: A dynamic public sector with good governance principles and strong institutions delivering the support and services expected by all citizens of Vanuatuⁱⁱ.

A strong, independent, and effective National Audit Office ensures “good governance” through improving transparency, accountability and efficiency in managing and using public resources. By ensuring good governance, the National Audit Office promotes trust in our democratic government and promotes value for money in the public sector.



Visit of the Public Accounts committee in 2020 to the Audit Office

1.1.2 Our work

The VNAO ensures good governance by carrying out a variety of public sector audits, including financial, compliance, and performance audits, along with investigations, in order to:

- Certify that money collected by government is spent in accordance with the wishes of Parliament;
- Independently review and appraise *all* systems of control throughout the public sector;
- Determine compliance with procedures, policies, regulations and legislations;

- Provide reassurance to Parliament that their policies are being carried out effectively, in particular by controlling risk and facilitating good practice in managing risks;
- Recommend improvements in control, performance and productivity;
- Review the value for money provided by all organizations within the public sector;
- Save money by identifying waste and inefficiency;
- Advise on better ways of achieving the Government's objectives; and
- Help to ensure that assets and interests are safeguarded from fraud.

All components of our work are aligned with the SDGs, the Vanuatu's National Sustainable Development Plan, especially Society Pillar 6, the Vanuatu Public Management Reform Roadmap, and the Performance Management Framework for Supreme Audit Institutions.

1.1.3 The outcomes of our work

In carrying out our work, we aim to accomplish the following outcomes:

- improving financial management and reporting in the public sector
- maintaining public confidence in government accountability, transparency, and reporting
- providing recommendations to our clients on how to improve their delivery of public services
- giving parliament independent assurance over public sector performance

1.1.4 Our clients

Following Section 25 (5) of the Constitution, the function of the Auditor-General is to audit and report to Parliament and the Government on the Public accounts of Vanuatu. In 2021, our audit clients include 15 Constitutional Agencies, 13 Ministries, 52 Departments, 9 Local Authorities, 23 Statutory Bodies, 7 Wholly owned State Subsidiaries, and 6 Government Services under External Management. The Office also carries out a large number of compliance audits, investigations, and audits of donor projects. Most of the audits of donor projects are outsourced but closely monitored by the Audit office.

1.2 Our Strategic Framework

1.2.1 Overview

Our 2017-2021 Corporate Plan includes our vision, mission, values, competencies, and our strategic goals and objectives, along with our monitoring and evaluation framework. The complete plan can be accessed on our website <https://nao.gov.vu/> and a full visual overview is provided in Appendix 1.

Our Vision

Making a difference in the lives of the people of Vanuatu, through strengthening the accountability, transparency, and integrity of government and public entities.

As part of our vision, we aim to enhance government accountability, transparency and integrity, improve compliance with laws and regulations, and increase public confidence in government.

Our Mission

To provide independent, high quality audit service, employing the highest possible standards in financial management and reporting, promoting the proper conduct of public business, and advocating for beneficial change in the provision of public services.

Our mission is implemented by providing assurance to Parliament and the public on:

- (a) The accuracy and completeness of the public accounts – we do this through conducting *financial* audits;

- (b) Whether the financial transactions of the Government and public bodies comply with the applicable law and accounting requirements – we do this through conducting *compliance* audits;
- (c) Whether the systems and controls for public financial management by the Government and public bodies are adequate and appropriate – we do this through conducting *compliance* audits;
- (d) Whether the financial affairs of the Government and public bodies are managed with integrity, including whether public officials and office holders have discharged their statutory and ethical duties to Parliament and the public in a transparent and fair manner – in addition to other audits, we do this through conducting *investigations*;
- (e) Whether those responsible for managing public resources made the best use of those resources with due regard for value for money – we do this through conducting *performance* audits.

We have worked and continue to work on realizing our mission through promoting and protecting our independence, through applying the high standards provided by the International Association of Supreme Audit Institutions (INTOSAI) in all our work, through providing audit-based recommendations and trainings to public entities, through providing our expert insight in public service planning and assessment, and through publicly sharing the results of our work.

Our Values

The VNAO core values include: integrity, independence, professionalism and transparency. These values form the foundation of our culture, shape decision-making and professional conduct, and determine the reputation of the Office.

Integrity - Our interactions with stakeholders and clients must demonstrate honesty, fairness, objectivity, and truthfulness. In performing audits, we are committed to being transparent, accountable and not unduly influenced by the interests of others.

Independence - In carrying out VNAO audits, we collect data, conduct analyses, draw conclusions, raise issues and form audit opinions in an independent manner, without being affected by influences that compromise our professional judgment, avoiding self-interest and conflicts of interest, and maintaining impartiality.

Professionalism - The VNAO aims to meet the highest globally accepted standards of professional SAIs. The Office is committed to ongoing professional development at all levels, to continuous quality review of its auditing process, to continuous quality improvement, and to being fully accountable for its audit results.

Transparency - For any institution in the democratic system of government, it must have the public's confidence. To value this confidence, we intend to be open in our entire work and communicate our audit results in a transparent manner.

Our Competencies

In order to effectively carry out the work of the VNAO, the Office has adopted a detailed Competency-Based Performance Management System (CBPMS), which aims to guide staff recruitment and development, and enhance and hold staff accountable for quality performance. The system is modelled after INTOSAI standardsⁱⁱⁱ and is organized around 4 key competencies:

- Lead by example in ethics, accountability, diversity and leadership;
- Work effectively with stakeholders, demonstrating understanding and communication effectiveness;
- Work in a professional manner, applying and maintaining international SAI standards, and striving for excellence;

- Contribute to the value and benefits of the VNAO.

For our new 2022-2026 plan, the CBPMS has been expanded to include the latest INTOSAI standards^{iv}, consisting of 3 sets of audit competencies, corresponding to the different kinds of audits carried out by the VNAO – financial, compliance and performance audits. Human Resource Capacity Development International (HCDI) through Dr. Astrid Kersten assisted the Audit office in 2021 to develop the 2022 – 2026 Corporate plan.

1.2.2 Our Strategic Goals and objectives

The 2017-2021 Corporate Plan includes 5 strategic goals, along with a series of strategic objectives.

Strategic Goal 1: Strengthen VNAO mandate and independence

- Objective 1. Advocate for legal changes
- Objective 2. Increase public awareness of independence

Strategic Goal 2: Strengthen NAO structure, capacity and resources

- Objective 1. Implement new VNAO structure and policies
- Objective 2. Implement Competency-Based Performance Management System
- Objective 3. Implement human resource development (HRD) goals and strategy
- Objective 4. Recruit and retain high quality VNAO staff
- Objective 5. Optimize Management of People, Finances, and Assets Office of the Auditor-General

Strategic Goal 3: Strengthen Audit Quality, Timing & Impact

- Objective 1. Ensure ISSAI compliance
- Objective 2. Eliminate audit arrears
- Objective 3. Conduct regular reviews
- Objective 4. Enhance audit follow-up
- Objective 5. Initiate performance audits

Strategic Goal 4: Strengthen stakeholder communication

- Objective 1. Regular communication with stakeholders
- Objective 2. Enhance media reporting & use of website
- Objective 3. Enhance client communication & satisfaction

Strategic Goal 5: Strengthen Internal Governance & Ethics

- Objective 1. Implement control standards
- Objective 2. Enforce VNAO Ethics Code

1.2.3 Our Way of Working – Supreme Audit Institution Guidelines

The Office of the Auditor-General is known as a *Supreme Audit Institution* (or SAI) in the international auditing community. The term SAI describes a country's Government Auditor.

The Vanuatu Office of the Auditor-General is part of the *International Organization of Supreme Audit Institutions (INTOSAI)* which operates as an umbrella organization for the external government audit community. INTOSAI provides an institutionalized framework for SAIs to promote the development and



Consultant Dr. Kersten handing over the 2022-2026 Corporate Plan to Auditor General Caleb Sandy

transfer of knowledge, improve government auditing worldwide and enhance professional capacity, standing and influence of its members within their respective countries.

The regional chapter of the INTOSAI is the *Pacific Association for Supreme Audit Institutions (PASAI)*. The Office collaborates with and seeks to maintain the standards of both PASAI and INTOSAI in carrying out its mission and vision.

Key components of the international standards include the ISSAIs, the ISSAI principles, the SAI performance management framework (PMF), and the Competency Framework. Each of these is discussed briefly below.



The 2021 Annual General Meeting of PASAI in session

The ISSAIs

The *International Standards for Supreme Audit Institutions (ISSAIs)* are a collection of professional standards and best practice guidelines for public sector auditors, officially authorized and endorsed by INTOSAI. ISSAIs state the basic prerequisites for the proper functioning and professional conduct of SAIs and the fundamental principles in auditing of public entities. There are four levels of ISSAI standards:

Level 1: Founding Principles The founding principles are based on the Lima Declaration of Guidelines on Auditing Precepts, which calls for independent government auditing. Independence is a foundational standard, which must be anchored in a country's legislation.

Level 2: Prerequisites for the functioning of SAIs: The Mexico Declaration on the SAI independence provides INTOSAI with the guidelines and good practices related to SAI independence. The Mexico Declaration includes 10 principles:

1. The existence of an appropriate and effective constitutional/statutory/legal framework and the de facto application provisions of this framework

2. The independence of SAI heads and members of collegial institutions, including security of tenure and legal immunity in the normal discharge of their duties
3. A sufficiently broad mandate and full discretion, in the discharge of SAI functions
4. Unrestricted access to information
5. The rights and obligation to report on their work
6. The freedom to decide the content and timing of audit reports and to publish and disseminate them
7. The existence of effective follow-up mechanisms on SAI recommendations
8. Financial and managerial/administrative autonomy and the availability of appropriate human, material and monetary resources^v

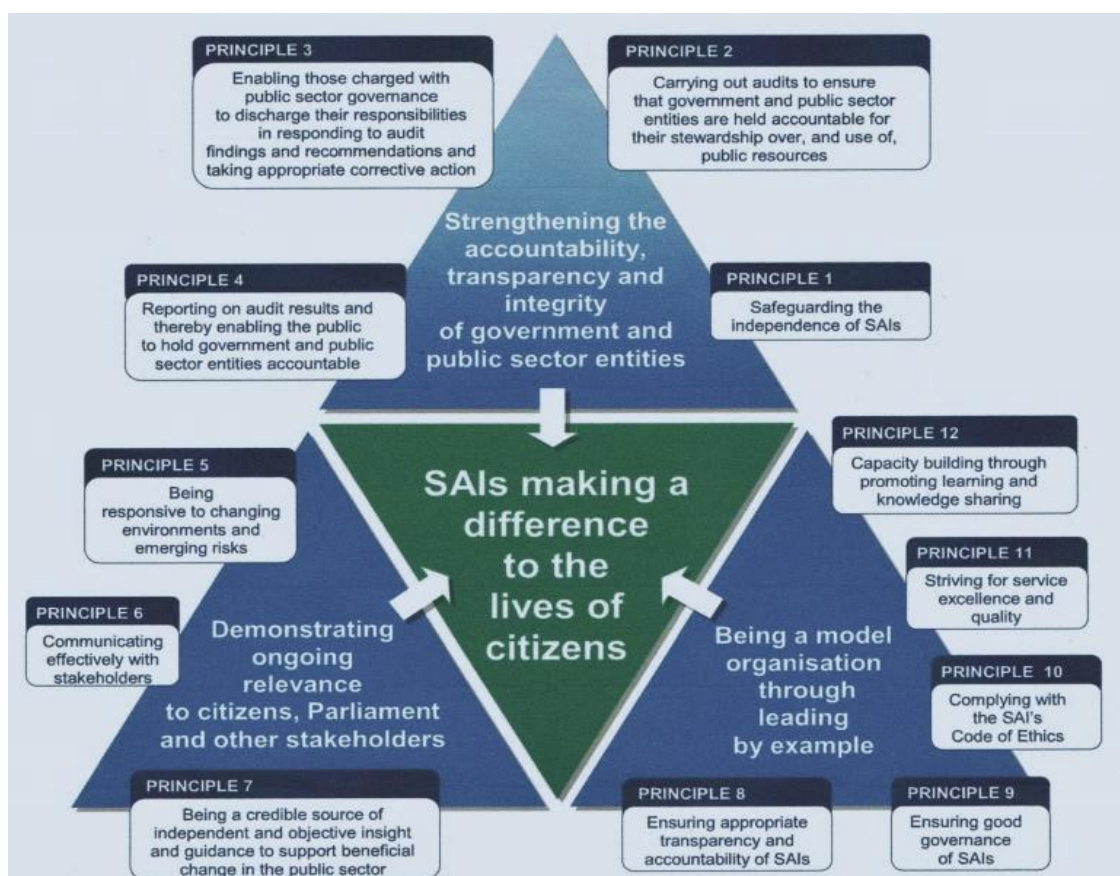
These principles shape ISSAI standards of the Values and benefits of SAIs – making a difference to the life of citizens; Principles of transparency and accountability; Principles of transparency – Good Practices; Code of Ethics; and Quality Control for SAIs.

Level 3: Fundamental auditing principles sets out the auditing principles for public sector auditing, financial auditing, performance auditing and compliance auditing

Level 4: Auditing guidelines provides detailed auditing guidelines for public sector auditing, financial auditing, performance auditing, compliance auditing and other specific subjects.

The ISSAI Principles

In assessing the work of SAIs, there are 12 principles that are used to evaluate the value and benefits of SAIs^{vi}. As shown in the visual^{vii} below, these principles are:



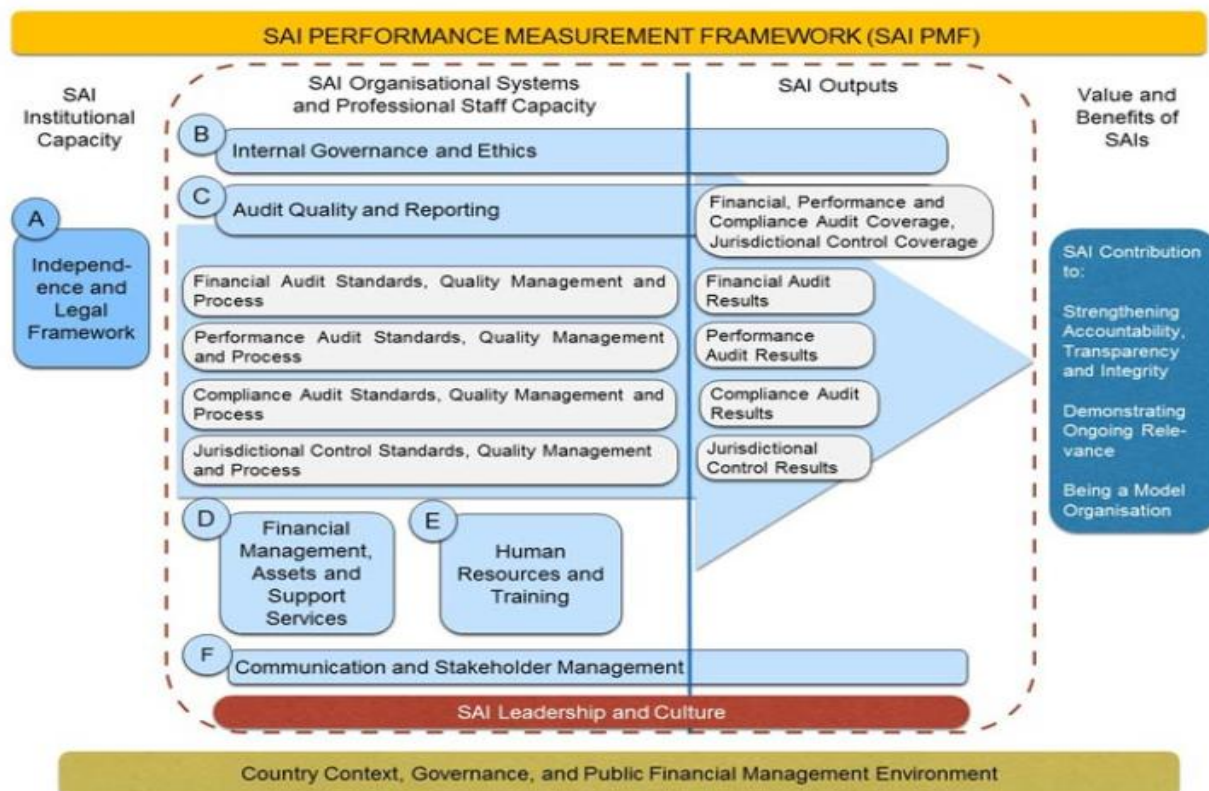
1. Safeguarding the independence of SAIs
2. Carrying out audits to ensure that government and public sector entities are held accountable for their stewardship over, and use of, public resources
3. Enabling those charged with public sector governance to discharge their responsibilities in responding to audit findings and recommendations and taking appropriate corrective action
4. Reporting on audit results and thereby enabling the public to hold government and public sector entities accountable
5. Being responsive to changing environments and emerging risks
6. Communicating effectively with stakeholders
7. Being a credible source of independent and objective insight and guidance to support beneficial change in the public sector
8. Ensuring appropriate transparency and accountability of SAIs
9. Ensuring good governance of SAIs
10. Complying with the SAI's Code of Ethics
11. Striving for service excellence and quality
12. Capacity building through promoting learning and knowledge sharing

The SAI Performance Management Framework

In addition to the ISSAIs and ISSAI principles, INTOSAI has also developed a performance management framework (PMF). This guides the planning, operation and evaluation of SAIs^{viii} and is used as the basis for peer evaluation of SAIs.

The performance management framework consists of 6 interrelated components, governing the institutional capacity, organizational systems and staff capacity, the outputs of the organization, and its value and benefits. All of these in turn are of course shaped by the country context, governance, and public

financial management environment.



- A. *Independence and legal framework* – these components shape the institutional capacity of the SAI, and is governed by the legal agreements and standards for SAIs;
- B. *Internal governance and ethics* – this section deals with the ethical standards and codes of the organization and its system of internal governance;
- C. *Audit quality and reporting* – this includes the standards, quality management and process for financial audits, performance audits and compliance audits^{ix}
- D. *Financial management, assets, and support services* – this refers to the way in which the organization manages its own finances, assets and support services
- E. *Human resources and training* – this cover the management and training of the VNAO staff, whether they are professional auditors or other staff
- F. *Communication and Stakeholder Management* – this covers communication and relationship development of the organization with the general public, with government, with clients, and with other stakeholders

The PMF is used both for internal guidance and for external assessment and aligns with the key performance indicators (KPIs) and the regular SAI-PMF peer evaluation carried out on the VNAO. As explained in the previous section, scores range from 0 to 4, reflecting different levels of effective functioning. In the latest peer evaluation, carried out in 2019, the VNAO received scores between 0 and 2. For the 2022-2026 strategic plan, the office has set a goal of receiving a level 3 score in all areas in the next evaluation which will happen in 2025.

The INTOSAI Competency Framework

The last important component is the INTOSAI competency framework. The 2021 version of the INTOSAI competency framework consists of 4 cross-cutting competencies and 4 sets of competencies applicable only to audit staff and specific to financial, compliance, performance and jurisdictional audits^x.

The VNAO used the INTOSAI framework to develop its own competency -based performance management system (CBPMS). This system was first developed at the beginning of the last strategic plan and has been further expanded and updated as part of this strategic plan. The CBPMS follows the INTOSAI systems, using the 4 crosscutting competencies applicable to all staff, and 3 sets of audit specific competencies^{xi}. The CBPMS provides the basis for all HR systems within the VNAO, especially staff development and performance assessment.

1.2.4 Our Corporate Structure

The current corporate structure of the VNAO was approved in 2017. As shown in the visual provided in Appendix 2, the structure allows for an Auditor General, 4 Audit Managers (Financial Audit, Compliance, Audit, Performance Audit, and Investigations). It also includes 5 Auditors, 1 Auditor/IT Manager, 6 Assistant Auditors, an Office Manager, a Driver and a Receptionist. Of the 20 allocated positions, 3 were vacant during the 2021 year, due to recruitment and retention challenges, which will be discussed further in the Human Resource section.

As part of developing its new corporate plan, the VNAO underwent a systematic assessment of its human resource capacity and needs, and submitted a revised corporate structure to the PSC. Additional details on the corporate structure and the staffing of the structure are provided in part 2 of this report.



Participants to the 2021 Stakeholder Planning Workshop



2. Our 2021 Performance

Vanuatu National Audit Office – Annual Report 2021

This section of the report will describe our 2021 performance in detail. It will include:

1. Our audit work
2. Our human resources
3. Our finances
4. Our progress towards our corporate objectives
5. Our progress in context
6. Other issues

2.1 Our Audit Work

The National Audit Office delivers its value through a range of products. The range and quality of audit products has developed substantially and will continue to develop over time. Its work is public sector auditing, which can be described as a systematic, independent process of objectively obtaining, evaluating and analyzing evidences, to ensure that financial statements provide a fair and accurate representation of the records and transactions in the entity, to verify that financial processes comply with laws and regulations, and to assess the economy, efficiency and effectiveness of the way in which funds are spent.



Auditors on the job @ Sanma – Reviewing disbursement of emergency relief to TC Harold affected areas.

The VNAO carries out 3 different types of audits:

Financial Audits, Compliance Audits, Performance Audits, along with investigations, each with its own purpose and process.

A financial audit involves evaluating and analyzing an entity's financial reports and financial processes to provide assurances on their financial statement to interested parties. A compliance audit is focused on reviewing and assessing an entity's adherence to regulatory requirements. A performance audit seeks to assess whether an organization, a project, or a program is achieving economy, efficiency and effectiveness in the employment of available resources.

Investigations are undertaken on specific topics that have a public interest. They can be instigated by the head of a State Agency and the decision to proceed with an investigation is at the discretion of the Auditor-General.

In addition to delivering audits, the Office supports skills transfer and capacity development through reviewing the effectiveness of financial systems and methods, by recommending improvements in systems and methods, by providing follow-up on recommendations, and by carrying out trainings in relevant areas.

2.1.1 Key Achievements

During 2021, and over the past 5 years, the VNAO has made considerable progress in the quality and quantity of its audit work, process and methodology. Key achievements included:

- For 2021, completion of 73 (2020: 38) audits and investigations including the audit of the 2015, 2016 and 2017 financial statements of government
- Development and implementation of detailed audit plans, including a 5-year plan for 2022-2026
- Increased capacity in carrying out the audit work

- Increased localization of audit capacity
- The VNAO undertook the first compliance audit of a local authority
- Increased specialized competencies in financial and compliance audits, along with investigations
- Building on earlier training in performance audits and the learning from the INTOSAI regional cooperative performance audit on Fraud and Corruption, initiated performance audits of NSDP, including the SDGs
- With support from PASAI and INTOSAI, continued upgrade of manuals, guidelines and checklists - in 2021, this included Financial Statement of Government Audit manual, Audit manual for-profit State-owned entities using the International Financial Reporting Standard (IFRS), and performance audit guidelines for audit of SDGs
- Systematic training of all its audit staff
- Enhanced audit technology, including the use of Team Mate Plus
- Increased quality and quantity of communication with clients and stakeholders
- Training of clients in the importance and process of VNAO audits
- Work with outsourced partners to ensure quality control and quality assurance of completed audits

2.1.2 Audit Work Details

Quantity

Following Section 25 (5) of the Constitution, the function of the Auditor-General shall be to audit and report to Parliament and the Government on the Public accounts of Vanuatu. This covers *financial audits* of the Vanuatu Whole of Government Consolidated accounts, 15 Constitutional Agencies, 13 Ministries, and 52 Departments. It also includes audits of 6 Commissions, 12 Grant bodies, 6 Provincial and 3 Municipal Councils, 23 Statutory Bodies, 7 State Owned Enterprises, and 6 Government services under external management.

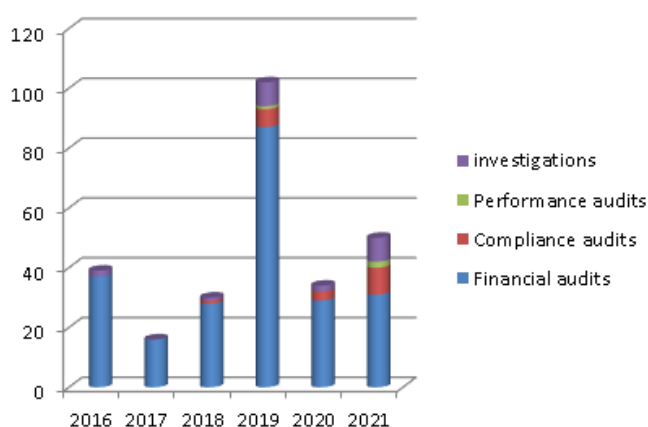
The Office also carries out a large number of *compliance audits, investigations, and audits of donor projects*.

Currently, most of the work of the VNAO consists financial audits, followed by compliance audits, and then investigations. A list of audits completed during the 2022 financial year is provided in Appendix 3. In 2021, a total of 73 audits were completed, 67 financial audits and 6 compliances. Of the 73 audits, 55 were outsourced or subcontracted.

In line with the Right to Information Act, any person or organization wishing to access these completed audits is entitled to request the report from the State agency or program that had been audited.

The status of audit of financial statements of the Agencies of the State is also monitored and an update of this is outlined in Appendix 4. As mentioned, in line with the Right to Information Act, any person or organization wishing to get a

copy of the audited financial statement is entitled to request the copy of the report from the State agency or program that had been audited. Over the last strategic plan period, the Office successfully trained all its staff in performance auditing and carried out its first *performance audits from 2020 following* the first INTOSAI regional cooperative performance audit on Fraud and Corruption. The work of performance auditing will increase substantially over the next 5 years. In 2021, the VNAO began a performance audit of the NSDP, including the SDGs reviewing the preparation of the Government in implementing the NSDP. The



Vanuatu National Audit Office – Annual Report 2021

Office is supported in the field of performance audit by a PASAI nominated technical advisor, funded through Governance for Growth (GFG) program.

The chart shows the relative proportion of financial, compliance and performance audits, along with investigations completed over the past 5 years.

In terms of numbers and types of audits, the table below shows the distribution of completed audits and investigations by year^{xii}.

	2017	2018	2019	2020	2021
Compliance Audit		1	7	3	5
Financial Audits	16	31	96	33	68
Performance Audits			1		0
Investigations		1	5	2	0
	16	33	109	38	73

Section 24 (1) of the Expenditure Review & Audit Act allows for the Auditor-General to outsource a minimum of 20% of its audit work to external audit service providers, while retaining the responsibility for quality assurance. The Office only contracts out financial audits, typically of donor funded projects, statutory bodies, and local authorities. The table below shows the number and percentages of in-house vs. contracted audits for the last plan period.

	2017	2018	2019	2020	2021
Contracted audits	14	16	94	32	55
In-house Audits	2	17	15	6	18
Percentage Contracted	87%	48%	86%	84%	75%

NB: The current Act allows for not more than 20% to be outsourced

Over the next 5 years, the Office plans to substantially increase the number of audits and the audit coverage following its mandate. The resulting audit load numbers are shown in the table to the right.

Addressing *audit arrears* is another strategic priority for the next plan period. At the end of 2021, there were 188 audits in arrears. The Office plans to reduce this number by 15% every year, leaving 13 audits in arrears at the end of 2026.

Vanuatu National Audit Office Number of In-house Audits from 2022 to 2026					
Year	Compliance Audit	Financial Audit	Performance Audit	Investigation	Total
2022	11	25	5	0	41
2023	16	30	6	0	52
2024	17	41	4	0	62
2025	16	41	11	4	72
2026	16	41	11	4	72
Total	76	178	37	8	299

Quality and Standards

As is for all National Audit Institutions, the Vanuatu National Audit Office continue provide high quality products and services that meet stakeholder expectations in the most efficient and cost-effective manner. Quality is embedded in all areas of activities of the Audit Office and the extent to which it complies to quality assurance and quality control requirements is dependent on the resources available.

Quality control is critical to ensure quality throughout the conduct of the audit. However, timeliness of the quality control process is very important to ensure high quality audit, and to also ensure that the risk of an

incorrect opinion by the Auditor General is reduced. In contrast to Quality control, Quality assurance focuses on the operational aspect of the Quality control system and the person conducting the assessment must be independent of the audit under review. While the organization structure is yet to provide for a dedicated person for QA, currently the Managers are responsible for it.

The International Organization of Supreme Audit Institutions (INTOSAI) has developed International Standards for Supreme Audit Institutions (ISSAIs) which *inter alia*, guide and support the Office in its auditing services, in addition to IPSAS and IFRS. The Office also uses the resources provided by PASAI and AFROSAI. To guide the audit work, the Office developed, adopted and used 3 main types of resources that provide audit guidance and standards:

- *Audit Manuals* provide guidelines for each of the 3 different types of audits carried out by the VNAO and describe the work and processes needed to fulfill the Office's mandate.
- *Audit Guidelines*: are provided for areas outside of the main mandate of the VNAO and offer a basis for developing techniques and documentation necessary to undertake specialist audit work.
- *Documentation and Check Lists*: The first provides *pro forma* examples of the type of standard documentation needed for the VNAO work, while the Check Lists are used to undertake specific audit tasks.

The Office will continue to work on upgrading its ability to comply with ISSAI standards, welcoming the ongoing support from PASAI and INTOSAI. A particular instrument to be applied in this area is the new version of the INTOSAI Financial Audit ISSAI Compliance Assessment Tool (iCAT) and Guidance ^{xiii}..

The work of the VNAO is carried out using Team Mate Plus, an advanced audit software system that has revolutionized the audit process and is used by organizations worldwide. All staff is fully trained in Team Mate, the two managers and two Auditors are trained as Team Mate champions, and the Office has now upgraded to Team Mate Plus. Further training and development in this area is planned, including fully incorporating the audit manuals and guidelines into Team Mate Plus, and using its Quality Control and time tracking features. Given that the audits are all registered on Team Mate, the status of an audit can be easily determined including whether the audit procedures for an audit is complete and whether an audit had been reviewed.

2.1.3 Challenges

There are 6 major challenges that the Office faces in the area of audit quality and reporting.

The first challenge is a longstanding, large number of audits in arrears. While the Office has made considerable progress in reducing the arrears, more work is needed.

The second challenge – and the major cause for the arrears - is that many of the clients do not submit their financial statements in a timely fashion, and this is reflected in Appendix 4 Status of audit of financial statements. This results not only in audit arrears, but also in uneven and unpredictable workflow of the Audit office, and in reducing the impact of the audit reports. The Office has provided client organizations with training on financial reporting during the last plan and this will continue in the new plan with assistance from the Department of Treasury and Finance.

The Public Finance Management Roadmap provides guidelines for timely submission and some progress has been made in this area. The new Audit Bill requires that financial statements of the Government be submitted within 6 months after the closing of the financial year, and allows the Office to institute penalties

for late submission of reports, information, or other actions. The new Bill also stipulates that all audits must be completed within 4 months after the report has been received.

The third challenge is that currently audit tabling and audit follow-ups are assigned to the Public Accounts Committee (PAC), and therefore not within the control of the Office. PAC could not meet frequently during 2021 due to a legal challenge on the appointment process of PAC members. As a result, both tabling and follow-up was severely delayed. Recent amendments to the Standing orders of Parliament would ensure effective follow up on issues raised in the audit reports and in every meeting of the PAC, the Audit office is also given the opportunity to give an update of its work and matters that would require assistance of the PAC.

The fourth challenge is understaffing of the Office. In order to carry out not only the number of audits needed, but also to meet the standards of quality and timeliness, considerable expansion of the VNAO structure is needed to accommodate the number of audits planned. The new corporate plan and the corporate structure revision submission to the PSC addresses this issue.

The fifth challenge is the need for ongoing development of staff capacity in the Office. As was noted in the 2019 external review, major progress has been made in this area over the past 5 years, including new leadership, the addition of new auditors and assistant auditors, and extensive staff training in audit specialties, audit technology, and audit processes. The Office has benefitted greatly in this area from the support of INTOSAI, PASAI and GFG, and the ongoing staff development, further detailed in the Human Resources section of this report describes this process, but more work is still needed, especially in the areas of quality assurance and quality control.

The last challenge is the need for the Office to track and subsequently enhance audit productivity for the audit staff. Currently, there are no systematic records that track audit details, such as actual audit duration, labor hours, cost, interactions and so on. For the next corporate plan, the Office will use Team Mate to systematically collect, track, record and analyze these data, and will use these to develop productivity goals for the staff.

2.2 Our Human Resources

The VNAO greatly values its human resources. This section of the report will provide basic HR statistics, as specified in the PSC Annual Report Guidelines.

2.2.1 Overview

As was shown in the progress table in section 2.1 of this report, the VNAO has successfully achieved most of its



Above: Staff of the Office of the Auditor General
Sitting Left to Right: Elsie Willy, Caleb Sandy, Elsie Daniel, & Shirley Manaroto

Middle row, Standing Left to Right: Judith lauma, Marinette Charley, Sandra Garae, Anita Narai, Joy Meten, Pricilla Bongnembu, & Tracy Tosso.

Back row: Standing Left to Right: Calvin Amos, Benjamin Tasale, Daniella Remy, Franco Tabisap, Jullian Bakeo, & Sailas Nimoho.

objectives under its Strategic Goal 2: *Strengthen NAO structure, capacity and resources.*

The only barrier to full accomplishment is that the VNAO still has not been granted independence. Therefore, even though the Office has developed its own Staff Manual, CBPMS, job descriptions, and HR Strategy, all fully aligned with the international and regional SAI standards, they cannot be implemented. The Office is still subject to the general rules and processes of the Public Service Commission (PSC).

Over the past 4 years, the Office has been able to attract and retain quality staff, but 3 positions still remain vacant and there is a dire need for additional highly specialized, qualified and trained audit staff.

The new corporate plan contains a detailed HR strategy, HR goals, and a new HR development policy, including a career progression path. Information on employment statistics and employee development is provided in the next 2 sub-sections. As part of the new corporate structure submission to the PSC, the Office will also be requesting a review of the position classifications.

2.2.2 Statistics

During 2021, there were 20 *positions* allocated to the VNAO in its corporate structure. Of those:

- *Total positions and vacancies:*
 - 17 positions were filled, 3 positions were vacant
 - Two Auditors were appointed to act on 2 of the 3 vacant posts as from 1st October 2021.
- *Employment Status:* Of the 17 positions, 16 are full-time, permanent appointments and 1 – the Auditor General is a contract employee. The Office also employed one intern.
- *Gender:* Of the 17 employees, 5 are male and 12 are female
- *Equity:* The Audit office supports equity and inclusiveness in its employment practices. Gender balance was addressed through increasing male staff from 1 staff in 2017 and 2018, to 2 staff in 2019 to 5 staff in 2020.
- *Language:* Of the 17 employees, 14 are Anglophones and 3 are bilingual – Francophone and Anglophone
- *Geographic Distribution:* All employees are stationed in the Port Vila VNAO office. Some travel out occasionally for audits on the provinces. Once the Santo office is established, it will have 4 staff.
- *Retirements, redundancies, or cessations:* None
- *Disciplinary case or terminations:* None
- *Study leave:* - In October of 2021, an auditor was awarded a Chinese Government funded scholarship to complete a Master's degree program in Audit with Nanjing Audit University – the only University globally to offer this advanced audit program. She is now on study leave and will return in July 2023.
- *Leave Accrual* data is reported in the financial statement of the VNAO.

2.2.3 Staff Development

In 2021, ongoing VNAO staff development include the following programs:

- All staff continue to be fully trained in each of the 4 competency areas:
 - Lead by example in ethics, accountability, diversity and leadership;

Vanuatu National Audit Office – Annual Report 2021

- Work effectively with stakeholders, demonstrating understanding and communication effectiveness;
- Work in a professional manner, applying and maintaining international SAI standards, and striving for excellence;
- Contribute to the value and benefits of the VNAO;
- With assistance of PASAI and IDI, all audit staff were trained in new procedures for Audit of Financial statements of Government and includes iCAT audit procedures;
- All Senior Auditors attended a workshop on Understanding the audit procedures for Auditing financial statements prepared in International Financial

Reporting Standards (IFRS);

- Four audit staff were trained for a week in performance audit procedures organized by the Australasian Council of Auditors-General (ACAG);
- Three Senior staff including the Auditor General participated in a 1-day Peer Review Workshop conducted by the PASAI and IDI;
- All Audit professionals who had served more than 2 years with the Audit office are currently enrolled in the INTOSAI PESA pilot program for audit training and certification – an exciting new international initiative to standardize SAI audit training and provide formal certification. These officers will complete the course in August 2022;
- Auditor General and a Manaer are undertaking from August 2021, an 18-month long leadership training through PASAI;
- Audit staff competency development in each of the 3 key audit areas – financial audit, compliance audit and performance audit – and in quality control is reinforced, using in-house training and VNAO manuals, following established INTOSAI and PASAI guidelines;
- All audit staff were trained in XERO and Team Mate/Team Mate Plus software;
- The Two Managers and Two Auditors were trained as Team Mate Champions;
- One staff gained professional certification with the Institute of Public Accountants of Australia;
- Six staff completed professional literacy training; and
- All VNAO staff attended consultation workshops of the Department of Finance and Treasury on Policy changes and new policy initiatives on public sector financial management



Updated PFEM Act Staff training with officials of Ministry of Finance & Economic Management



2021 NSDP Performance Audit Training with assistance of Officials from Planning office

2.3 VNAO Progress against corporate objectives			
2.3 VNAO Progress against corporate objectives			
Objectives	Achievements	Progress Made/Challenges	Way Forward
Strategic Goal 1: Strengthen VNAO mandate and independence			
1. Advocate for legal changes	<p>Discussions were held with State Law and the Officials of the Ministry of Finance on the proposed amendment to the Constitution</p> <p>Consultations were held with donor governments and donor agencies on the importance of independence</p>	<p>Following the Declaration of Lima (1977), the Declaration of Mexico (2007) and the United Nations General Assembly Resolutions A/66/209 (2011) and Resolution A/69/228 (2014), the independence of an SAI is crucial to ensuring its ability to carry out its work in a free and impartial manner, thereby contributing to good governance, transparency and accountability.</p> <p>The importance of independent SAIs is underlined by the United Nations Agenda 2030's SDGs, Goal 16 for building of "effective, accountable and inclusive institutions at all levels." Target 16.6 aims at developing 'effective, accountable and transparent institutions at all levels.</p> <p>Stakeholder consultations generated increased awareness of the importance of independence and showed strong stakeholder support.</p> <p>The Constitutional Amendment and the Audit Bill have been finalized.</p> <p>Donor government and donor agency consultations on the issue of independence revealed strong support in this area</p>	<p>The Constitutional Amendment and the new Audit Bill are finalized and are hopefully, will be passed in 2022.</p>
2. Increase public awareness of independence	<p>General awareness raising on the importance of the OAG independence, using media, the VNAO website, public events and public forums</p>	<p>Educating the public on the independence of the Office will be a vital aid in establishing information and communication relationships that can assist in combatting corruption and improving public accountability, supporting NSDG SOC 6 and other goals.</p> <p>A plan has been developed for continued public awareness raising on both the importance of independence and the role of the VNAO in ensuring good governance.</p>	<p>The VNAO will continue to work on increasing public awareness</p>

2.3 VNAO Progress against corporate objectives			
2.3 VNAO Progress against corporate objectives			
Objectives	Achievements	Progress Made/Challenges	Way Forward
Strategic Goal 1: Strengthen VNAO mandate and independence			
1. Advocate for legal changes	Discussions were held with State Law and the Officials of the Ministry of Finance on the proposed amendment to the Constitution Consultations were held with donor governments and donor agencies on the importance of independence	Following the Declaration of Lima (1977), the Declaration of Mexico (2007) and the United Nations General Assembly Resolutions A/66/209 (2011) and Resolution A/69/228 (2014), the independence of an SAI is crucial to ensuring its ability to carry out its work in a free and impartial manner, thereby contributing to good governance, transparency and accountability. The importance of independent SAIs is underlined by the United Nations Agenda 2030's SDGs, Goal 16 for building of "effective, accountable and inclusive institutions at all levels." Target 16.6 aims at developing 'effective, accountable and transparent institutions at all levels. Stakeholder consultations generated increased awareness of the importance of independence and showed strong stakeholder support. The Constitutional Amendment and the Audit Bill have been finalized. Donor government and donor agency consultations on the issue of independence revealed strong support in this area	The Constitutional Amendment and the new Audit Bill are finalized and are hopefully, will be passed in 2022.
2. Increase public awareness of independence	General awareness raising on the importance of the OAG independence, using media, the VNAO website, public events and public forums	Educating the public on the independence of the Office will be a vital aid in establishing information and communication relationships that can assist in combatting corruption and improving public accountability, supporting NSDG SOC 6 and other goals. A plan has been developed for continued public awareness raising on both the importance of independence and the role of the VNAO in ensuring good governance.	The VNAO will continue to work on increasing public awareness
Strategic Goal 2: Strengthen NAO structure, capacity and resources			
Objectives	Achievements	Progress Made/Challenges	Way Forward

1. Implement new VNAO structure and policies	<p>VNAO Structure was implemented in 2018</p> <p>Policies were partially implemented</p> <p>New PSC proposal for a new organization structure has been completed and forwarded to PSC</p>	<p>In 2021, the VNAO HR manual and all job descriptions were reviewed and updated, as part of the new corporate plan. They were not fully implemented, because VNAO independence has still not been established. A new Organization structure was also completed as part of the new Corporate plan.</p>	<p>New systems and policies will be implemented immediately following independence.</p>
2. Implement Competency-Based Performance Management System (CBPMS)	<p>CBPMS has been reviewed and expanded to include audit competencies</p>	<p>The CBPM was updated in 2021 as part of the new corporate plan development, adding new sections to reflect the latest INTOSAI auditing competencies for financial, compliance and performance audits.</p>	<p>CBPMS will be implemented in full, following independence.</p>
3. Implement human resource development (HRD) goals and strategy	<p>VNAO staff training continues to be successfully implemented in all key areas</p> <p>New Professional development policy completed and subjected to PSC approval</p> <p>Support for human resource development from INTOSAI, PASAI and donors</p> <p>One staff gained key professional credentials</p> <p>VNAO staff enrolled in key PASAI audit and leadership training</p>	<p>HR development continues to be a priority for the VNAO. In addition to HR Strategy revised during the development of the new Corporate plan, the following were key success stories for the year:</p> <ul style="list-style-type: none"> ○ All staff continue to be fully trained in each of the 4 competency areas; ○ All audit staff are trained in key audit areas, along with quality control, following established INTOSAI and PASAI guidelines ○ Training of all audit staff in performance audit procedures through Australasian Council of Auditors-General (ACAG) ○ All qualified VNAO staff are enrolled in the INTOSAI PESA pilot program for audit training and certification ○ Leadership training of senior management through PASAI ○ All audit staff are trained in XERO and Team Mate/Team Mate Plus software ○ Training of audit managers in Team Mate Champion ○ One staff gained professional certification with the Institute of Public Accountants of Australia ○ Six staff were trained in professional literacy 	<p>The HR Strategy will be implemented following granting of administrative independence to the Audit Office.</p> <p>All training and development plans and activities to continue as part of the new 2022-2026 corporate plan and in line with a newly developed Professional</p>

			Development Policy.
4. Recruit and retain high quality VNAO staff	<p>Good leadership in place</p> <p>Qualified and competent audit and other staff in place</p> <p>No new recruitment in 2021</p> <p>Three current vacancies</p> <p>Retention of VNAO staff has increased significantly</p>	<p>Team Work and team effort, as one of the core values of the Office, is one of the key attributes to enhance change management efforts in our audit work and practice.</p> <p>Recruitment continues to be challenging, due to the highly specialized nature of the audit positions.</p> <p>A recruitment plan was developed as part of the new corporate plan, and includes the addition of Assistant Auditor level 1 positions, to allow for entry level recruitment and in-house training.</p>	<p>Recruitment and retention will continue to be main priorities for the VNAO</p> <p>Review of remuneration scales and classification scheduled for 2022</p>
5. Optimize management of people, finances, and assets	<p>Review and full updating of VNAO HRM manual and CBPM</p> <p>Regular performance assessments for all staff took place</p> <p>New office uniforms were acquired and distributed</p> <p>Plans for Santo Office</p> <p>Staff morale continues to be positive and high</p> <p>Staff COVID-19 vaccinations completed 1st and 2nd dose.</p>	<p><i>Technology:</i></p> <ul style="list-style-type: none"> Team Mate software was upgraded from version 12.1 to Web based Team Mate Plus (including increase in user license) As part of the restructuring the VNAO plans to have an IT manager and a data analyst. Full job descriptions were developed for both positions. <p><i>People management:</i></p> <ul style="list-style-type: none"> 021 Performance appraisals completed. A Professional development policy was completed is currently subject to PSC Approval More audit teams have been allocated in the new Organization structure developed in line with the new 2022 – 2026 corporate plan New office manager positions to lead the teams will enhance overall management and reporting <p><i>Working environment:</i></p> <ul style="list-style-type: none"> Upgrades and redesign of the office reception to meet COVID-19 protocol requirements Two key additional issues to be addressed include: additional space, especially if COVID-19 social distancing needs to be implemented, and ensuring the building is earthquake safe. <p><i>Other:</i></p>	<p>Technology to be supported through the 2 new requested positions of IT manager and data analyst.</p> <p>Office needs to be addressed through expansion or possible relocation including need for staff safety and health.</p> <p>Santo office to open in 2022</p> <p>All staff must take 1st and 2nd</p>

		<ul style="list-style-type: none"> Following the government decentralization policy, plans were approved for the opening of a VNAO office on Santo to serve the needs of clients in the northern part of the country. All VNAO staff received their 1st and 2nd dose of vaccination against Covid-19. 	COVID-19 booster shots.
Objectives	Achievements	Progress Made/Challenges	Way Forward
<i>Strategic Goal 3: Strengthen Audit Quality, Timing & Impact</i>			
1. Ensure ISSAI compliance	<p>ISSAI compliance ensured through enhanced training and control systems</p> <p>New audit guidelines for FSG audit and audit of IFRS based financial reporting.</p>	<p>Following the Corporate Plan and the recommendations of the 2019 Peer Review, the VNAO reviewed and updated all manuals, guidelines and checklists, including significant strengthening of quality control and quality assurance processes.</p> <p>This was further reinforced by extensive training in processes and control systems, and by providing all needed resources in the Office.</p> <p>PASAI is also assisting with first inhouse audit of the Audit office on financial statements prepared under IFRS. The audit is ongoing and scheduled for completion in 2022.</p>	<p>With the new structure, Quality control and Quality Assurance will be a new and separate function, following ISSAI requirements</p>
2. Eliminate audit arrears	Audit arrears were significantly reduced from 234 in 2016 to 188 in 2021	<p>The VNAO completed the of audit of 2015, 2016, and 2017 financial statements of Government and at time of writing, audit work is in progress on 2018, 2019, and 2020 FSG. The Audit office is assisted by a PASAI nominated consultant for audit of FSG. The 2018 FSG audit is a part of a staff training initiative with IDI and PASAI.</p> <p>Eliminating arrears (which stands at 188 as of end of 2021) is greatly hampered by clients failing to submit financial statements, on time or at all.</p> <p>The VNAO has worked to strengthen clients' ability to create accurate and proper financial statements in a timely fashion and significant progress has been made to reduce the audit arrears.</p> <p>The new National Audit Office Bill provides clear guidelines and strengthens the VNAO's ability to enforce timelines.</p>	<p>Reduce arrears by 15% every year of the next corporate plan period</p> <p>Continue to support clients</p> <p>Advocate for the new National Audit Office Bill.</p>
3. Enhance audit follow-up	Follow-up is assigned to PAC and not within VNAO	Currently audit follow-ups are assigned to the PAC. Not only is the work of the PAC not within the control of the Office, follow-up does not happen systematically which greatly reduces the overall effectiveness and impact of	New National Audit Office Bill will help enforce

	control	audits.	follow up mechanism of VNAO and in line with international best practices.
4. Initiate performance audits	Performance audit training completed Building on the learning from the INTOSAI regional cooperative performance audit on Fraud and Corruption, the next 3 performance audits were started	<p>Performance audits conducted include:</p> <ul style="list-style-type: none"> Performance audit of the government preparation to implement NSDP, including the SDGs. Passport Program, and Gender Policy <p>Two Technical Assistants (TA) funded through the GFG program assisted with Performance audit and audit of NSDP. The TA for Performance audit was nominated by the Queensland Audit office (QAO) through the Twinning arrangement with QAO. The TA for audit on NSDP was nominated by PASAI.</p>	<p>Performance audits will increase substantially over the next 5 year</p> <p>Risk will be undertaken to determine the performance topics for the next 5 years</p>
Objectives	Achievements	Progress Made/Challenges	Way Forward
Strategic Goal 4: Strengthen stakeholder communication			
1. Regular communication with stakeholders	<p>Awareness sessions in rural areas were initiated</p> <p>May courtesy visit from PAC to VNAO</p> <p>Consultations with stakeholders as part of new corporate plan</p> <p>VNAO website and FB page</p>	<p>Key 2021 accomplishments have included"</p> <ul style="list-style-type: none"> Extensive stakeholder meetings were held as part of the development of the 2022-2026 plan, which included clients, donor agencies and governments, partner organizations and others Effective maintenance and use of VNAO website and FB page Participation in key government planning and consultation meetings Continued training of client organizations in financial reporting Continued meetings with donor governments and agencies Continued Involvement in the PMF Roadmap implementation Continued VNAO participation in public and public service events Annual stakeholder planning day Annual Local Authorities workshop on role of VNAO Annual staff retreat and quarterly staff meetings Commenced awareness to rural communities (Ambae and Hog harbor) 	<p>Stakeholder communication is a key part of the new corporate plan</p> <p>Implement the Stakeholder Engagement Strategy.</p>

		<ul style="list-style-type: none"> PAC members met VNAO staff and were introduced to VNAO process and technology. PAC Chairman acknowledged the value and work of VNAO 	
2. Enhance media reporting & use of website	VNAO website is operating and regularly updated	<p>The VNAO website https://nao.gov.vu/about/about-vnao has informative sections about the office, about the work and process of the VNAO, its publications and reports</p> <p>For 2022, the VNAO plans to publish its completed reports on the website, pending approval by Parliament – the approval process has been slow and lacking. This will be improved following the passage of the Audit Bill.</p>	The new corporate plan includes enhanced media reporting and use of website
3. Enhance client communication & satisfaction	Stakeholder ratings of audits were very positive.	<p>As part of the corporate plan consultations, stakeholders were asked about VNAO audit. Overall, 85 % or more indicated that the audits were accurate, high quality and participatory, provided value to their organization, and helped the organization to perform better. More than 2/3rds felt that the work of the Office has some or major impact. Timeliness was felt to be a major issue with around half reporting that the audits were not timely, and some reporting that the process was not always transparent.</p>	The new corporate plan includes client communication
Objectives	Achievements	Progress Made/Challenges	Way Forward
Strategic Goal 5: Strengthen Internal Governance & Ethics			
1. Implement control standards	<p>The VNAO has continued to implement its internal Code of Ethics and parts of its CBPMS.</p> <p>Quality Control has been integrated in all audit processes.</p> <p>Senior staff have been trained in Quality Assurance as a function separate from QC.</p> <p>Outsourced audits are now subjected to QA reviews.</p>	<p>ISSAI 20 on Transparency and Accountability provides 8 guiding principles, which include objective and transparent audit standards and processes, high standards of integrity and ethics for staff, and control of accountability and transparency in outsourcing.</p> <p>The AG leadership of the VNAO has strengthened internal governance and ethics through implementing a set of internal and external controls.</p> <p>The VNAO Office has adopted and follows the guidance from the new 2021 PASAI Quality Assurance Manual.</p> <p>Because the independence of the VNAO is still not in place, the full control system cannot yet be implemented – e.g., the VNAO has to use PSC standards as opposed to its own CBPM standards, and a full implementation of the SAI PMF framework is not yet possible.</p> <p>Pending the acceptance of the new structure, Quality Assurance will be transferred from an external technical advisor to new dedicated QA positions</p>	VNAO will continue to review the outsourcing process and build relations with outsourcing firms.

		(Audit Director positions).	
2. Enforce VNAO Ethics Code	<p>The VNAO Code of Ethics was instituted in 2018 and was updated in 2021. Regular training in the ethics code was carried out</p>	<p>The VNAO Code of Ethics is based on the INTOSAI Code, and Ethics is included in the CBPMS. The Office conducts regular ethics training for its staff and this will be further developed through the next plan, including a regular review of ethical issues in audits.</p> <p>The INTOSAINT ethics training is required for Vanuatu but due to Covid-19, the training was postponed.</p>	<p>INTOSAINT training will happen after borders open.</p>

2.4 Our progress in context

2.4.1 Progress related to NSDP



Vanuatu's long-term development vision was set out in the Vanuatu National Sustainable Development Plan (NSDP). *The Vanuatu People's Plan 2030* envisions a peaceful, just and inclusive society, supported by responsive and capable state institutions delivering quality public services to all citizens¹⁴. The VNAO aims to contribute to realizing this vision through promoting accountability and good governance in public sector administration.

It also aims to contribute specifically to Society Pillar 6 of the Plan: A dynamic public sector with good governance principles and strong institutions delivering the support and services expected by all citizens of Vanuatu¹⁵.

Pillar 6 of the People's Plan corresponds to SDG Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. Also, as noted in the UNSDG document on *Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions*¹⁶, "...institutions and bodies that are established to combat corruption, increase accountability and promote transparency, such as SAIs, are fundamental not just for the realization of SDG 16, but for *all* SDGs.

Even though the Office is not mentioned specifically in the plan or the plan's Monitoring and Evaluation Framework¹⁷, the active engagement of SAIs was explicitly recognized in the General Assembly's December 2014 Res/66/209 resolution" (emphasis added). Through audits and consistent with their mandates and priorities, SAIs can contribute to tracking and monitoring progress while also identifying opportunities for improvement. As part of this tracking and monitoring process, the Audit office is currently auditing the preparation of the Government in implementing the NSDP.



Participants to the 2022 - 2026 Corporate Plan Development Workshop

2.4.2 Report Against Budget Narrative

The 2021 Budget narrative for the Audit office is set out on Appendix 5

The progress of some of performance measures have already been recorded in various sections of this report while the Audit office is required to ensure progress report on the remaining measures must be reported. Following is the progress report on service targets that require reporting as well:

- (a) Under Planning, Policy and Standards
- (b) Under Audit Operations
- (c) Under Corporate Services

The 3 tables below provide an update on the progress of the Audit office in achieving the service targets for its three Activity program.

2.4.2.1 Activity CEAA: Planning, Policy & Standards

Description	Quality	Progress
All external reporting requirements are met: <ul style="list-style-type: none"> - As required under the Parliamentary Standing Orders, the Expenditure Review and Audit Act, the Ombudsman's Act, the Public Service Act, or other external parties including INTOSAI and PASAI. - Donor acquittal reports issued within required time line. 	100%	Remains a challenge.
Compliance with new standing orders in relation to roles and responsibilities of the Public Accounts Committee (PAC).	100%	Achieved.
Regular briefings to the Public Accounts Committee.	4	Only 3 meetings were held due to legal challenge on the appointments of the Committee members.
Regular public sector event to share results of the Whole of Government Audit and other audit engagements (at the discretion of the Auditor-General). Formal feedback on the event shows an overall 'satisfactory' or better result.	Satisfactory or better	Achieved.
Submission of the National Audit Office Annual report to Parliament/Parliamentary Committee by the due date.	100%	Achieved.
ISSAI compliance – National Audit Office achieve 100% of interventions set out by the ISSAI compliance roadmap.	100%	Achieved.
National Audit Office website updated at least monthly.	12	Achieved.
Undertake peer review over quality of audits (sample) completed for the prior year.	100%	Remains a challenge.
Adequate number of staff recruited to fill all vacant positions (2 vacancies in the current structure and 3 to be added to the structure)	5 Vacancy	3 vacant positions remained.
Implement 2021 approved National Audit Office Bill	1	Remains a challenge.

2.4.2.2 Activity CEAB: Audit Operations

Description	Quality	Progress
All management reports are finalised within 4 weeks of the audit opinion being issued.	100%	Remains a challenge.

Vanuatu National Audit Office – Annual Report 2021

Description	Quality	Progress
All audits undertaken in Team Mate and finalised within 8 weeks of the audit opinion being issued.	100%	Remains a challenge.
Ensure cyclical internal peer review undertaken annually showing 100% compliance consistent with ISSAI roadmap.	80%	Remains a challenge.
Annual audit work plan is being consulted upon with PAC and completed each year.	1	Achieved. .
Annual audit plan targets are reached each year which includes: <ul style="list-style-type: none"> - Audits to be completed with client agreed timeline. - Other non-audit targets are achieved. - Training events for audit staff being met. - Training events for public sector being attended to. - Awareness activities with stakeholders delivered within schedule. 	80%	Remains a challenge.
Audit recommendations: <ul style="list-style-type: none"> - Communicated to the senior management and responsible officers - Follow up of audit recommendations completed annually (updated in Audit Software - Team Central) - Action taken by clients to address recommendations raised in the management report 	100% all audits communicated and followed up annually. 50% of recommendations raised are making progress	All management letters are finalized with management letter comments. Follow up on progress of recommendations remains a challenge.
Increase in the number of audit opinions issued by the National Audit Office (excluding contracted audits) from prior year. Up to date with audit of local authorities and audit of NSDP.	100%	Increase in number of audit opinions remains a challenge. Audit of local authorities and NSDP remains a challenge.
Contracted audits are completed in a timely basis: <ul style="list-style-type: none"> - Quotes for tenders are assessed and contracted within 4 weeks of the terms of reference being sent out to Chartered Accounting firms. - Contracted audits are completed by the due date set out by the Terms of Reference (or other date if renegotiated). - Contracted TM audit files are finalised within 2 weeks from the date the audit opinion was issued. 	80% of timeframes are met	Remains a challenge.
Engagement with stakeholders	80%	Achieved.

2.4.2.3 Activity CEAC: Corporate Services

Description	Quality	Progress
Expenditure is within budget limits and timely submission of annual budget proposals.	100%	Achieved.
The Office's IT and technical systems are kept up to date and fully operational.	75%	Achieved.

Description	Quality	Progress
Equipment and assets safeguards and maintained.	80%	Achieved.
Staff attendance sheets and work outputs updated.	100%	Achieved.
Staff performance appraisal reports completed.	100%	Achieved.
Audit Staff complete and sign-off on code of ethics and independence forms prior to each audit engagement being undertaken.	100%	Achieved.
Staff recruitments procedure completed.	100%	No recruitment. As of end of 2021, 3 vacant positions remained.
On time completion of financial statements for the Audit office.	100%	Achieved – refer to Appendix 6 of this report.

2.4.3 Policy Development

As has been detailed in other sections of the report, the VNAO continues to adapt to changes internationally to audit guidelines and manuals and had developed a new Professional Development policy subject to PSC approval.

2.4.4 Legislative Framework and Conventions

The OAG Mandate and Independence

The Office of the Auditor-General is currently governed by the Constitution and the Expenditure Review and Audit Act 1998 [CAP.241] (Act 3/98). Section 25 of the Constitution, which covers Public Finance, has three paragraphs covering the Auditor-General:

“(4) Parliament shall provide for the office of Auditor-General who shall be appointed by the Public Service Commission on its own goal.

(5) The function of the Auditor-General shall be to audit and report to Parliament and the Government on the Public Accounts of Vanuatu.

(6) The Auditor-General shall not be subject to the direction or control of any other person or body in the exercise of his function.”

The Expenditure Review and Audit Act (ERAA) is a hybrid act covering both the operation of the Public Accounts Committee to Review Public Expenditure in Part 2 and the Office of the Auditor-General in Part 3. It was passed in 1998 and amended in 2000 and 2001.

The legislative framework for the Office of the Auditor General (OAG) must be revised, especially in light of the SAI independence requirement, specified as part of a number of international agreements that the Republic of Vanuatu is a party to.

As underlined by *the Declaration of Lima (1977), the Declaration of Mexico (2007) and the United Nations General Assembly Resolutions A/66/209 (2011) and Resolution A/69/228 (2014)*, the independence of a Supreme Audit Institution is crucial to ensuring its ability to carry out its work in a free and impartial manner, thereby contributing to good governance, transparency and accountability.

The importance of independent SAIs is also underlined by the *Sustainable Development Goals (SDGs)* contained in the United Nations Agenda 2030, Goal 16 of the SDGs provides for the building of “effective,

accountable and inclusive institutions at all levels.” Target 16.6, which aims at developing ‘effective, accountable and transparent institutions at all levels,’ is of particular importance for the contribution of independent SAIs to sustainable development”¹⁸.

New Legislative Initiatives

In 2021-year, further changes were made to a Parliament ready National Audit office bill.

At time of writing, consultations are being made with State Law Office and the Ministry of Finance for the constitution amendment to be forwarded by the Council of Ministers to a special meeting of Parliament for the Amendment to the Constitution. Once the amendment is passed, it is expected that the Bill will be tabled, read and passed by Parliament in 2022.



Participants to the December 2021 Stakeholder consultation on VNAO Independence & Mandate, Hog Harbor, Santo.

2.4.5 Risks/challenges

Major challenges affecting the work of the VNAO in 2021 were mentioned earlier and include the following:

- Lack of necessary resources, in particular insufficient budget and understaffing
- Failure on the part of a number of clients to submit financial statements on time and meet their statutory obligations
- After 10+ years of advocating, the Independence of the VNAO is still pending. This affects the Office’s international reputation and standing, along with its ability to enforce necessary work processes and enforcements
- Effective recruitment of specialized audit staff remains a challenge

- VNAO is affected by COVID-19 – particular challenges have included the difficulty in providing ways for staff to work remotely, limited office space for social distancing, and international support staff and training being put on hold.

2.5 Our Finances

2.5.1 Financial Statements and Development Projects

The 2021 annual financial statements for funds under the Office of the Auditor General are provided in Appendix 6.1. for Audit Office and Appendix 6.2. for GFG Grant Assistance. The Auditor's report on these two financial statements is attached as Appendix 6.3.1 – Auditor's report on the Financial statement of the Audit Office and Appendix 6.3.2 – Auditor's report on the Financial Statement of the GFG Grant Assistance to the Audit office.

GFG Grant assistance to the Audit office is the only development assistance to the Office. Audit Offices capacity development support from INTOSAI IDI and PASAI. Audit is thankful for the development assistance from GFG and development partners.

These reports are prepared in compliance with the 2019 amendment to the Public Finance and Economic Management which requires all heads of agencies (including the Auditor General) to submit to the Ministry of Finance and Economic Management their annual financial statements of their agencies within 3 months after the end of the financial year.

The financial statement of the Audit office for year ended 31 December 2021 was prepared in accordance with the International Public Sector Accounting Standards (IPSAS) - Cash Basis and also in compliance with the INTOSAI framework of Professional Pronouncements and in particular, the ISSAI - 12 P.

The financial statements of the Audit office, as set out on Appendix 6.1, include the following:

1. Statement of Responsibility,
2. Independent Auditor's Report,
3. Statement of Cash receipts and payments,
4. Statement of Comparison of Budget and Actual, and
5. Statement of Accounting Policies and Notes to Accounts:
 - The Statement of Accounting Policies includes Policy on Reporting entity, Authorization date, Basis of preparation of financial statement, Presentation currency, Cash and cash equivalents, Property, Plant and Equipment, Budget, Changes to Accounting policies and Comparatives. T
 - The Notes to the Accounts cover: Donor Grant assistance, Employee entitlements, Revenue, Operating Expenditure, Capital Expenditure, Closing balance, Budget, Imprest Account, Creditors and payables and Statement of commitments, Debtors and receivables, and Statement of Appropriations.
 - The financial statement for the GFG Grant Assistance for 12 months ended 30 June 2021 was also
 - prepared in accordance with the IPSAS – Cash basis.

The following is included in the financial statements of the GFG grant assistance to the Audit Office, as set out on Appendix 6.2:

1. Project Background provides a brief information on the development assistance of the Australian Government to the Audit office through the GFG program,
2. Independent Auditor's Report,
3. Statement of Cash receipts and payments,
4. Statement of comparison of budget and actual, and
5. Statement of Accounting policies and Notes to Accounts.

Both statements have been audited and also comply with the requirements of the Public Finance and Economic Management Act.

In 2021, the Audit office was advised that its overall grant of AUD\$900,000 would be reduced by AUD\$ 300,000 (Vt 24 million equivalent).

2.6 Other Issues

2.6.1 Right to Information

During 2021, VNAO did not receive any requests relating to the Right to Information Act.

In line with the RTI Act, any requests for Audited financial statements or auditor's report should be made to the Head of the State Agency or Program.

2.6.2 Complaints

During 2021, there were no complaints received from clients inside or outside the public service. The VNAO sends out a client feedback form after completion of its audits. In 2021, 9 forms were sent out and to date no response has been received.

2.6.3 Fraud control

The Audit office adheres to the fraud policy of the Public Service which requires that any fraud detected by the Agency should be reported to the Public Service. In 2021 year, there were no fraud cases.

During the year, there were no assessments of fraud risk. The Audit office has in place policies to ensure no conflict of interest by a staff undertaking audit work.

2.6.4 Statutory or Non-Statutory bodies and International Obligations

- The VNAO does not have any statutory or non-statutory bodies established under it or reporting to it.

The VNAO is a member of the following International and Regional bodies: INTOSAI, PASAI, and Commonwealth Association of Auditor Generals. It complies with all its obligations as required of it by these Associations.

2.6.5 Non-Applicable Sections

- *Ombudsman*: There were no reports made by the Ombudsman pertaining to the VNAO
- *Court Decisions*: There were no court decisions made pertaining to the VNAO
- *VNAO equity initiatives* were covered in the section on human resources
- *Capital Expenditures* are included in the 2021 Financial Statement

3. Conclusion

This 2021 Annual Report has summarized and described the key activities, accomplishments, and challenges of the Vanuatu National Audit Office.

It is also completed in line with the requirements of the Expenditure Review and Audit Act, the Public Finance and Economic Management Act, and the Public Service Act.

We are thankful to our stakeholders for your support and contribution during the 2021 year. With your support, we were all able to go through the second year of COVID-19 pandemic challenge.

The Audit office is hopeful that 2022 will bring prosperity and development to our efforts and contributions to uphold the principles of good governance, transparency and accountability in public sector financial management.

Contact Officer

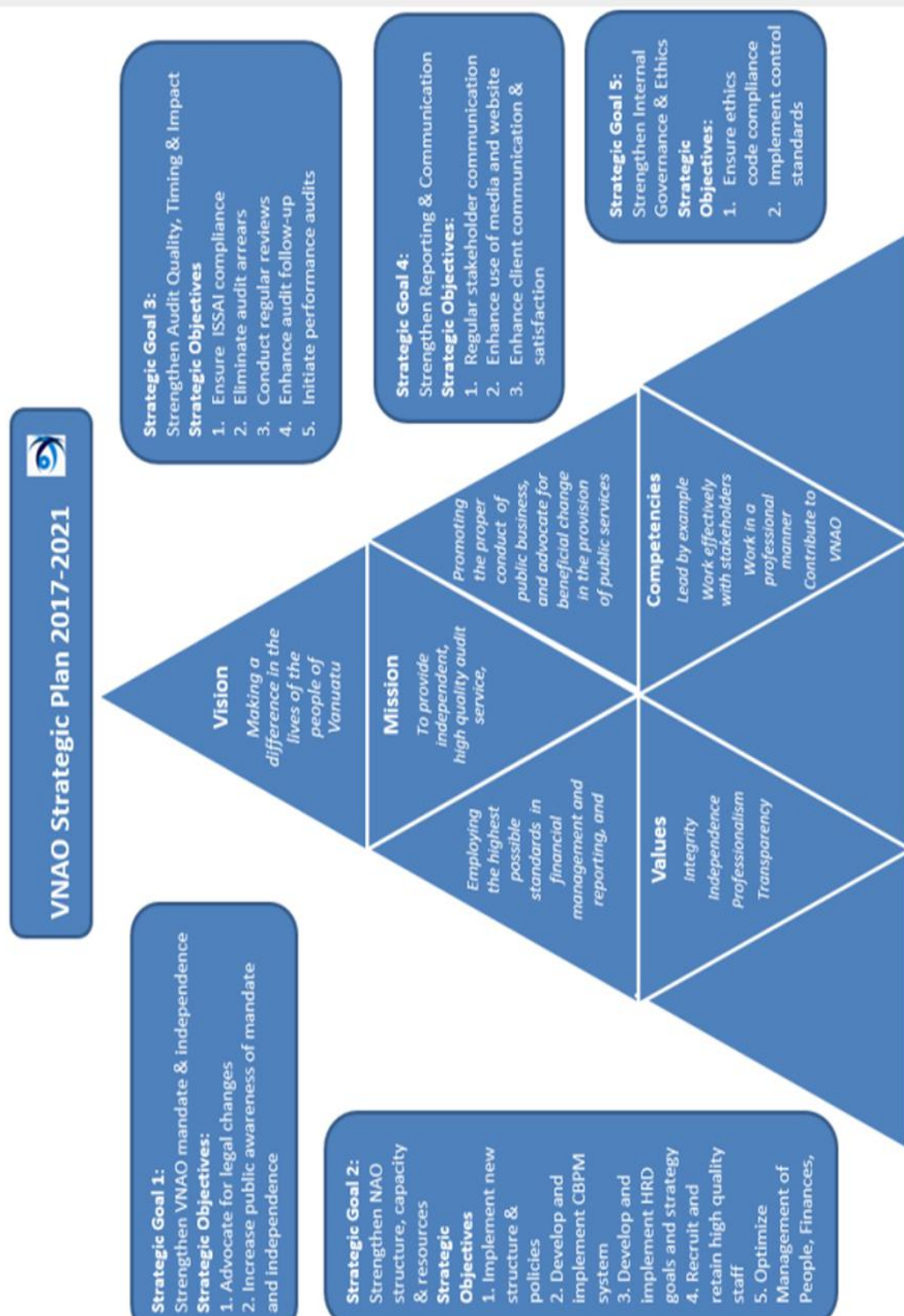
Any questions regarding this annual report should be addressed to:

Mr. Caleb Sandy, Auditor General

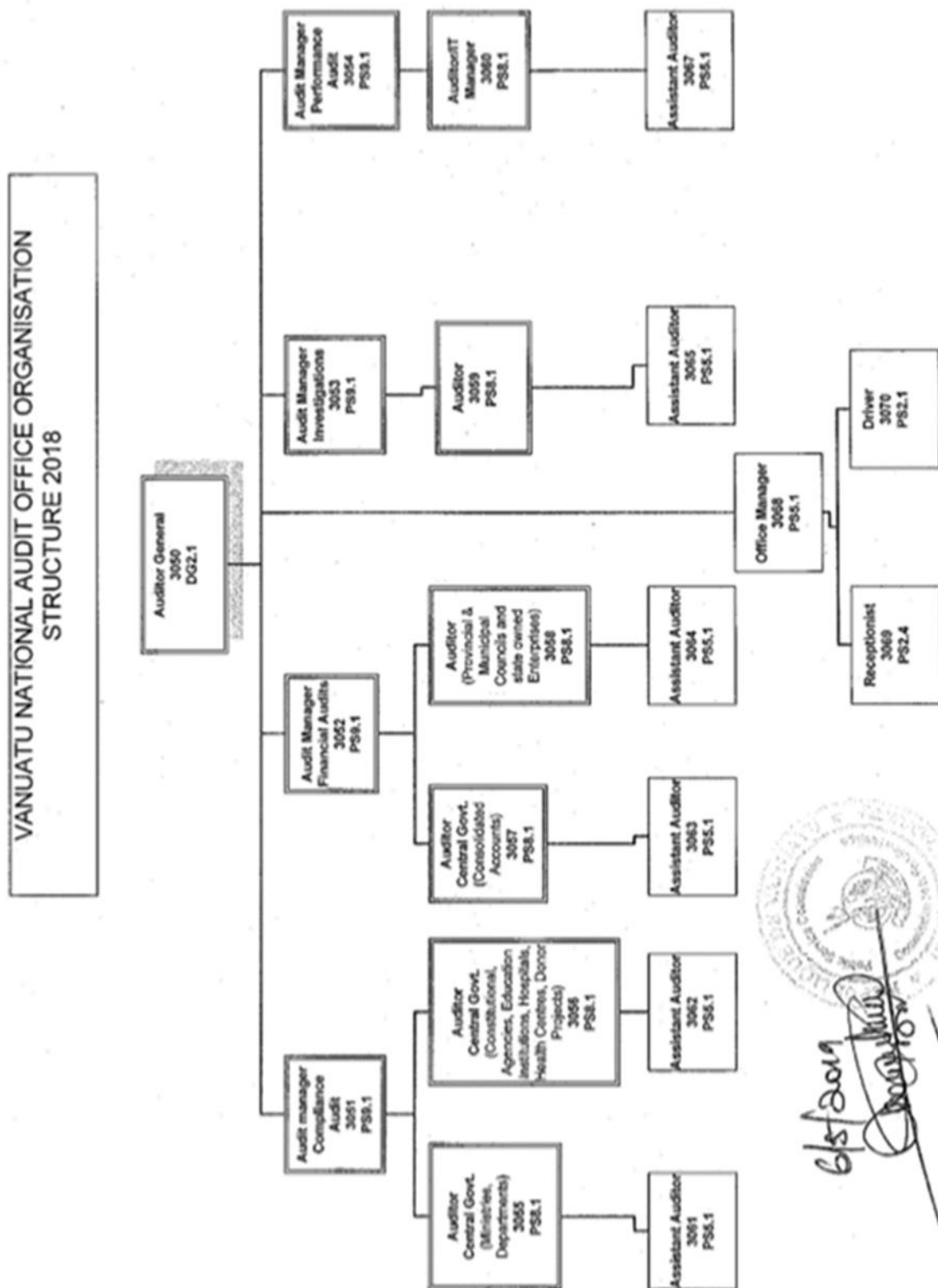
Email: csandy@vanuatu.gov.vu

Phone number: +678 33085

Appendix 1 – VNAO 2017-2021 Strategic Plan Visual Overview



Appendix 2 VNAO Corporate Structure



Appendix 3: Audits Completed in 2021			
Audit Project Name	Audited Period	Report Issue Date	
1. In House Audits			
Compliance Audits			
Donor projects under Ministry of Infrastructure and Public Utilities	1 Jan 2016 to 31 Dec 2018	10-Nov-21	
Department of External Trade	1 Jan 2018 TO 31 March 2020	18-May-21	
Department of Foreign Affairs	1 Jan 2016 TO 31 Dec 2019	18-May-21	
Malvatumauri Council of Chiefs	1 Jan 2018 TO 31 March 2020	25-Nov-21	
Ministry of Foreign Affairs, International Relations and External Trade	1 Jan 2016 TO 31 Dec 2019	15-Mar-21	
Ministry of Justice and Community Services	1 Jan 2018 TO 31 March 2020	25-Oct-21	
Financial Audits			
ADB Project on Effective coverage of vaccines	2019&2020	22-Dec-21	
Enhanced Integrated Framework - EIF Trade Policy Framework Project	2018 - 2020	27-Apr-21	
Pacific Resilience Program - World Bank project	2017 - 2020	6-Dec-21	
U.N. Environment Program - Project for Strengthening Institutional Capacity	2020	23-Aug-21	
Vanuatu Whole of Government - VWOOG	2016	28-Oct-21	
Vanuatu Whole of Government - VWOOG	2015	28-Oct-21	
Vanuatu Whole of Government - VWOOG	2017	28-Oct-21	
2. Outsourced Financial (Statement) Audits			
Asian Development Bank Projects			
Luganville Water Supply & Sanitation Project	2020	03-Sep-21	
Vanuatu Energy Access Project - VEAP	2020	21-Jan-21	
Cyclone PAM Road Recovery Project - CPRRP	2020	18-Oct-21	
Cyclone PAM Schools Recovery Project - CPSRP	2020	30-Nov-21	
Port Vila Urban Development Project - PVUDP	2018-2019	27-Jul-21	
Australian Government funded projects			
Vanuatu Education Support Program - VESP Phase II	2020	23-Nov-21	
Grant to the Prime Minister's office	2019&2020	10-Nov-21	

TC PAM Recovery & Economic Strengthening Project	2019	12-Jan-21
World Bank Projects		
Vanuatu Infrastructure Recovery Improvement Program - VIRIP	2020	23-Nov-21
Forest Carbon Partnership Facility - FCPF	2019	26-Mar-21
Forest Carbon Partnership Facility - FCPF	2020	11-Oct-21
Vanuatu Rural Electrification Project - VREP I	2019&2020	07-Sep-21
Vanuatu Rural Electrification Project - VREP II	2020	11-Oct-21
Local Authorities		
Sanma Province	2015--2019	28-Oct-21
Malampa Province	2017--2019	28-Oct-21
Shefa Province	2017--2019	19-Sep-21
Tafea Province	2016--2019	16-Jun-21
Lenakel Municipality	2016--2019	22-Sep-21
Port Vila Municipality	2017&2018	20-Jul-21
Port Vila Municipality	2019	20-Jul-21
Others		
EIF Tier 1 - Ministry of Trade	2019	01-Sep-21
European Union - GIZ	2020	15-Jul-21
Increasing Reliance to Climate Change Natural Hazards – IRCCNH	2019	04-Jun-21
National Green Energy Fund – NGEF	2020	04-Aug-21
Road for Development – R4D	2020	27-Apr-21
Utilities Regulatory Authority – URA	2020	26-Aug-21
Vanuatu Broadcasting and Television Corporation – VBTC	2020	07-Jul-21
Vanuatu National Audit Office – VNAO	2020	04-Nov-21
Vanuatu Institute of Teacher Education – VITE	2020	10-Dec-21
Vanuatu Nursing Council – VNC	2014--2019	27-May-21
Vanuatu Rural Development Bank	2020	17-May-21
In line with the Right to Information Act, any person or organization wishing to get a copy of the completed audit report should request it from the Head of the State Agency or program that had been audited.		

Appendix 4: Status of Audit of Financial Statements of State Agencies

Item	Name of Public Sector Agency	Last Audited Year	Year(s) yet to be audited
1.	Constitutional Entities		
	Government of the Republic of Vanuatu, known as Financial Statements of Government (FSG)	2017	2018, 2019, 2020 & 2021
	Office of the President of the Republic of Vanuatu	Part of FSG	Not applicable (N.A.)
	Parliament	Part of FSG	N.A.
	Judiciary	Part of FSG	N.A.
	Malvatumauri Council of Chiefs	Part of FSG	N.A.
	Electoral Commission	Part of FSG	N.A.
	Judicial Services Commission	Part of FSG	N.A.
	Police Service Commission	Part of FSG	N.A.
	Public Service Commission	Part of FSG	N.A.
	Teaching Service Commission	Part of FSG	N.A.
	State Law Office including Office of the Attorney General	Part of FSG	N.A.
	Citizenship Commission	Part of FSG	N.A.
	Office of the Public Prosecutor	Part of FSG	N.A.
	Office of the Auditor General	2021 and Part of FSG	-
	Ombudsperson's Office	Part of FSG	N.A.
	Public Solicitor's Office	Part of FSG	N.A.
2.	Government Ministries		
	Prime Minister's Office	Part of FSG	N.A.
	Ministry of Agriculture, Livestock, Fisheries, Forestry and Biosecurity	Part of FSG	N.A.
	Ministry of Climate Change and Geohazard	Part of FSG	N.A.
	Ministry of Education and Training	Part of FSG	N.A.
	Ministry of Finance and Economic Management	Part of FSG	N.A.
	Ministry of Foreign Affairs and External Trade	Part of FSG	N.A.
	Ministry of Health	Part of FSG	N.A.
	Ministry of Infrastructure and Public Utilities	Part of FSG	N.A.

	Ministry of Internal Affairs and Deputy Prime Minister's Office	Part of FSG	N.A
	Ministry of Justice and Community Services	Part of FSG	N.A
	Ministry of Lands and Natural Resources	Part of FSG	N.A
	Ministry of Trade and Industry	Part of FSG	N.A
	Ministry of Youth and Sports	Part of FSG	N.A
3.	Provincial Government Councils		
	Malampa	2019	2020 & 2021
	Penama	2015	2016 – 2021
	Sanma	2019	2020 & 2021
	Shefa	2019	2020 & 2021
	Tafea	2019	2020 & 2021
	Torba	2019	2020 & 2021
4.	Municipalities		
	Lenakel Municipality	2019	2020 & 2021
	Luganville Municipality	2019	2020 & 2021
	Port Vila Municipality	2019	2020 & 2021
5.	State Owned Enterprises		
	Air Vanuatu (Operations) Limited	2020	2021
	Airports Vanuatu Limited	2016	2017 – 2021
	National Bank of Vanuatu	2021	
	Northern Island Stevedoring Company Limited	2021	
	Vanuatu Livestock Development	2013	2014 – 2021
	Vanuatu Maritime College	2019	2020 & 2021
	Vanuatu Post Limited	2016	2017 – 2021
6.	Statutory Entities and Statutory Corporations		
	National Archives	2014	2015 – 2021
	National Culture Council and Cultural Centre	2014	2015 – 2021

	National Green Energy Fund		2020	2021
	National Housing Corporation		2012	2013 – 2021
	National Youth Authority		None	2018 – 2021
	National University of Vanuatu		2020	2021
	Office of the Maritime Regulator		None	2018 - 2021
	Reserve Bank of Vanuatu		2021	
	Telecommunications, Broadcasting, & Radio Communications Regulator		2021	
	Utility Regulatory Authority		2021	
	Vanuatu Agriculture Research and Training Centre		2019	2020 & 2021
	Vanuatu Broadcasting and Television Corporation		2021	2021
	Vanuatu Bureau of Standards		None	
	Vanuatu Chamber of Commerce and Industry		2020	2021
	Vanuatu Financial Services Commission		2021	
	Vanuatu Investment Promotion Agency		2020	2021
	Vanuatu Law Commission		None	
	Vanuatu Law Society		None	
	Vanuatu National Provident Fund		2019	2020 & 2021
	Vanuatu National Sports Commission		2018	2019 – 2021
	Vanuatu Nursing Council		2019	2020 & 2021
	Vanuatu Primary Producers Authority		None	2018 - 2021
	Vanuatu Red Cross Society		2021	
	Vanuatu Rural Development Bank		2020	2021
	Vanuatu Tourism Office		2021	
	Vanuatu Qualifications Authority		2020	2021
In line with the Right to Information Act, any person or organization wishing to get a copy of the completed audit report should request it from the Head of the Government Agency or program that had been audited.				

Appendix 5 Budget Narrative of the Audit Office

PROGRAM CEA: PUBLIC SECTOR AUDITING

Program cost: VT. 90,683,636

Objectives:

- To be a key player, in promoting accountability, good governance, and transparency in public sector management and public sector financial management.
- To provide assurance to Parliament and the public on:

(a) The accuracy and completeness of the public accounts;

(b) Whether the financial transactions of the Government and public bodies complies with the applicable law and accounting and auditing requirements;

(c) Whether the systems and controls for public financial management by the Government and public bodies are adequate and appropriate;

(d) Whether the financial affairs of the Government and public bodies are managed with due regard to probity, including whether public officials and office holders had discharged their statutory and ethical duties to Parliament and the public in a transparent and fair manner; and

(e) Whether those responsible for managing public resources made the best use of those resources with due regard for value for money.

2020 appropriation totalled VT. 95,417,016. The 2021 budget follows NAO approved structure of 20 positions with proposed inclusion of 3 staff in 2021 to the approved structure. In order for the Office to be fully functional, all positions vacant and to be created in 2021 should be occupied as and when the National Audit Office Bill is enacted.

Activity CEAA: Planning, Policy & Standards

Activity cost: VT. 13,721,111

Objectives

To manage the Office's strategic direction and be a key player in public sector accountability and financial integrity.

Means of Service Delivery

- Support the delivery of audit services;
- Update methodologies, procedure and guidelines;
- Ensure adequate staff are recruited to allow for audits to be completed in a timely manner;
- Provide reports and advice to the Parliament, its committees and public sector entities;
- Inform public and liaise with parliament and clients on regular basis about audit activities and developments;

- Benchmark audit methodology and practices with the requirements of international standards of auditing (ISSAI);
- Advisory role on policy matters at national Government level;
- Management support to Public Accounts Committee;
- Advocate for the successful adoption of changes required to increase the level of independence for the National Audit Office.

Performance Measurement (Service Targets)

Description	Quality	Unit of Measure
All external reporting requirements are met: <ul style="list-style-type: none"> - As required under the Parliamentary Standing Orders, the Expenditure Review and Audit Act, the Ombudsman's Act, the Public Service Act, or other external parties including INTOSAI and PASAI. - Donor acquittal reports issued within required time line. 	100%	100% completion of reports and correspondence within two weeks of receipt of request or completed by the due date.
Compliance with new standing orders in relation to roles and responsibilities of the Public Accounts Committee (PAC).	100%	Full compliance with requirements of Parliamentary standing orders in as far as role and responsibilities of PAC is concerned.
Regular briefings to the Public Accounts Committee.	4	Number of briefings (formal and informal)
Regular public sector event to share results of the Whole of Government Audit and other audit engagements (at the discretion of the Auditor-General). Formal feedback on the event shows an overall 'satisfactory' or better result.	Satisfactory or better	Formal feedback on public sector event on the topics delivered (quality and relevancy is 'satisfactory' or better.
Submission of the National Audit Office Annual report to Parliament/Parliamentary Committee by the due date.	100%	Annual Report submitted on National Audit Office activities by the due date.
ISSAI compliance – National Audit Office achieve 100% of interventions set out by the ISSAI compliance roadmap.	100%	Interventions set out in the ISSAI compliance roadmap are achieved.
National Audit Office website updated at least monthly.	12	Website updated monthly and with up to date and relevant information.
Undertake peer review over quality of audits (sample) completed for the prior year.	100%	Peer review completed and recommendations issued.
Adequate number of staff recruited to fill all vacant positions (2 vacancies in the current structure and 3 to be added to the structure)	5 Vacancy	5 vacant positions to be filled.
Implement 2021 approved National Audit Office Bill	1	New organization structure and staffing policy.

Activity CEAB: Audit Operations

Activity cost: VT. 62,500,068

Cash Grant & Aid VT 24,000,000

Objective

- Conduct audits, evaluations and investigations to assess the economy, efficiency, effectiveness and accountability of public resources entrusted to public sector agencies, entities and their programmes. Report outcomes to Public Accounts Committee, Parliament and Government.
- In order to meet this objective, more staff is required to meet the statutory requirements as set out under the Audit Act. Lack of recruitment in the past has resulted in the Office losing the budget for the PSC approved positions for this Office. This budget seeks to fill all positions in the new structure to allow recruitment to happen and meet the performance targets as set out in the table below.

Means of Services Delivery

All audits are undertaken in our audit software Team Mate which allows for milestones to be entered to measure the performance on each audit and then summarise these results for reporting purposes.

- Regular monitoring of audit to ensure quality;
- Monitor of annual work programs and audit status reports;
- Regular meeting of AG with Director-Generals, Directors, Provincial Secretaries, Town Clerks, and finance officers;
- Meet deadlines for audit reports on Government Accounts and Local Authority Accounts to Parliament;
- Monitor the progress of recommendations being implemented as a result of completed audits;
- Timely and appropriate completion/finalisation of audit files to meet the requirements of international auditing standards;
- Conduct audits in line with international auditing standards;
- Contracted audits are tendered, assessed, reviewed and completed in a timely manner and within contractual obligations;
- Ensure all audit staff are undertaking ongoing professional development to meet the technical requirements of the work required; and
- On completion of audits and within agreed client timeframe.

Performance Measurement (Service Targets)

Description	Quality	Unit of Measure
All management reports are finalised within 4 weeks of the audit opinion being issued.	100%	Milestones set out by Team Mate
All audits undertaken in Team Mate and finalised within 8 weeks of the audit opinion being issued.	100%	Finalisation dates provided by Team Mate
Ensure cyclical internal peer review undertaken annually showing 100% compliance consistent with ISSAI roadmap.	80%	Compliance with ISSAI requirements.
Annual audit work plan is being consulted upon with PAC and completed each year.	1	Annual Audit Plan is completed before year end.
Annual audit plan targets are reached each year which includes: <ul style="list-style-type: none"> - Audits to be completed with client agreed timeline. - Other non-audit targets are achieved. - Training events for audit staff being met. - Training events for public sector being attended to. - Awareness activities with stakeholders delivered within schedule. 	80%	Percentage of annual audit plan targets achieved.
Audit recommendations: <ul style="list-style-type: none"> - Communicated to the senior management and responsible officers - Follow up of audit recommendations completed annually (updated in Audit Software - Team Central) - Action taken by clients to address recommendations raised in the management report 	100% all audits communicated and followed up annually. 50% of recommendations raised are making progress	All management letters are finalized with management letter comments. All recommendations progress entered in Team Mate.
Increase in the number of audit opinions issued by the National Audit Office (excluding contracted audits) from prior year. Up to date with audit of local authorities and audit of NSDP.	100%	Baseline of 20 audits (100% increase on baseline)
Contracted audits are completed in a timely basis: <ul style="list-style-type: none"> - Quotes for tenders are assessed and contracted within 4 weeks of the terms of reference being sent out to Chartered Accounting firms. - Contracted audits are completed by the due date set out by the Terms of Reference (or other date if renegotiated). - Contracted TM audit files are finalised within 2 weeks from the date the audit opinion was issued. 	80% of timeframes are met	Timeliness (as set up in Team Mate)
Engagement with stakeholders	80%	Complete at least 4 advocacy events with stakeholders.

Activity CEAC: Corporate Services

Activity cost: VT. 14,462,457

Objectives

Have adequate resources to meet the responsibilities and obligations of the Audit Office and to ensure effective corporate, financial and technical support provided to management.

Means of Service Delivery

- Ensure sufficient resources are secured through the budget based on realistic input from all cost centres;
- Provide information technology support and facility to management, audit, and support function;
- Provide administrative support to executive management and to all operational and support functions;
- Maintain appropriate technical and relevant reference materials as well as correspondence;
- Implement staff annual individual work plans and performance appraisals;
- Ensure staff complete daily attendance timesheets and work outputs as maintained under Team Mate and Computerized attendance system;
- Staffs comply with the professional independence and code of ethics requirements.
- Timely completed of financial statements for independent audit.

Performance Measurement (Service Targets)

Description	Quality	Unit of Measure
Expenditure is within budget limits and timely submission of annual budget proposals.	100%	Expenditure within budget limits. Budget proposals submitted by the due date.
The Office's IT and technical systems are kept up to date and fully operational.	75%	IT system assessed.
Equipment and assets safeguards and maintained.	80%	Annual stock take.
Staff attendance sheets and work outputs updated.	100%	Daily and weekly in Team Mate and Attendance systems.
Staff performance appraisal reports completed.	100%	All appraisals are completed each six months for all staff.
Audit Staff complete and sign-off on code of ethics and independence forms prior to each audit engagement being undertaken.	100%	All sign-off completed each six months for all staff (in Team Mate).
Staff recruitments procedure completed.	100%	All vacant positions filled by year end, 2021.
On time completion of financial statements for the Audit office.	100%	Timely completion of audits and within 1 month after year end.

APPENDIX 6.1

FINANCIAL STATEMENTS

FOR THE

VANUATU NATIONAL AUDIT OFFICE

Recurrent and Donor funded

For the year ended 31 December 2021

Prepared Under IPSAS: Financial Reporting Under the Cash Basis Accounting

TABLE OF CONTENTS

VANUATU NATIONAL AUDIT OFFICE	2-3
INDEPENDENT AUDITORS' REPORT	4-5
FINANCIAL STATEMENTS	6-7
STATEMENT OF CASH RECEIPTS AND PAYMENTS	6
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL	7
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	8
1. Accounting Policies	8-10
2. Government Grant	10
3. Donor grant Assistance	10
4. Other Fees	10
5. Employee Entitlements	11-12
6. Operating Expenditure	12-13
7. Capital Expenditure	14
8. Closing Cash Balance	14
9. Budget	15
9a. Revenue variance between budget and actual	15
9b. Expenditure variance between budget and actual	15
10. Imprest Account	15
11. Creditors and payables	15
12. Statement of Commitments	15
13. Debtors and Receivables	16
14. Statement of Appropriations	16

VANUATU NATIONAL AUDIT OFFICE REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Vanuatu National Audit Office, as a constitutional entity, has its roles defined by the Expenditure Review and Audit Act [CAP 241]. It is the Supreme Audit Institution (SAI) for Vanuatu and has responsibility to make sure that:

- The requirements of the Expenditure Review and Audit Act is complied with, including assisting the Public Accounts Committee in its scrutiny of adherence to the Act.
- Audits are conducted and completed into matters concerning management of public resources.
- The methods by which public money is handled or committed, whether revenue, liability or expenditure, are properly accounted for.
- All finances are used lawfully, economically, effectively, and efficiently, and for the purposes set out in the appropriation Act.
- Government property or assets are properly looked after and accounted for.

This annual financial statement is prepared in compliance with the 2019 amendment to the Public Finance and Economic Management which requires all heads of agencies (including the Auditor General) to submit the annual financial statements of their agencies within 3 months after the end of the financial year. The financial statement for year ended 31 December 2021 is prepared in accordance with the International Public Sector Accounting Standards - Cash Basis and also in compliance with the INTOSAI framework of Professional Pronouncements and in particular, the ISSAI - 12 P.

ISSAI-P 12 sets out the values and benefits of a Supreme Audit Institution (SAI). This pronouncement encourages officials of the Vanuatu SAI to apply its principles in the work environment consequentially contributing to make a difference in the lives of the citizens. In the ISSAI - 12 P, under the principle on 'Being a role model organization through leading by example', the following objectives are achieved as a result of producing this financial statement:

- 'SAIs should perform their duties in a manner that provides accountability, transparency and good public governance; and
- SAIs should be subject to independent external scrutiny, including external audit of the operations, and make available these reports to stakeholder.'

The financial statements include both recurrent funded activities and donor funded activities.

The report showed that in 2021, the Vanuatu National Audit Office;

- Was allocated an appropriation budget of Vt90,683,636;
- Spent Vt52,056,831 on personnel expenses, Vt25,574,963 on operating expenditure and Vt 6,786,864 on capital expenditure; and
- Vt11,609,412 is the balance on hand in the development fund.

The Vanuatu National Audit Office acknowledges the support and contributions of the Government and the stakeholders including the donor partners and the INTOSAI community towards the overall mission of the officer which is to: promote good governance and enhance transparency and accountability in the public sector.

STATEMENT OF RESPONSIBILITY

It is the responsibility of the Vanuatu National Audit Office to prepare the Financial Statements for each period which present fairly, in all material respects the financial affairs of the office as at the end of each period and its operating results.

VANUATU NATIONAL AUDIT REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF RESPONSIBILITY (continued)

The Vanuatu National Audit Office is ultimately responsible and is required to ensure that proper accounting records are kept which disclose with reasonable accuracy at any time the financial operation of the Office. The Financial Statements have been prepared on a cash basis of accounting in accordance with International Public Sector Accounting Standards. It is comprised of:

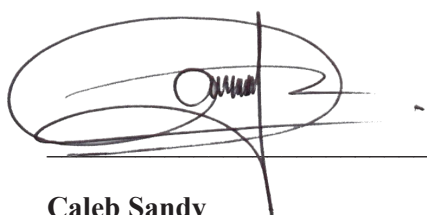
- a) The Statement of Cash Receipts and Payments,
- b) Statement of Comparison of Budget and Actual Amounts, and
- c) Significant Accounting Policies and Notes to the Financial Statements.

These statements represent the financial activities of the Vanuatu National Audit Office for the year ended 31 December 2021.

We hereby certify that the Financial Statements are a full and true representation of the financial activities of the Vanuatu National Audit Office.

Approval of the Financial Statements

The financial statements of the Office were approved for issue on the August 2022 and signed on its behalf by:

A handwritten signature in dark ink, consisting of a large, stylized 'C' followed by a series of loops and a vertical line extending downwards.

Caleb Sandy

Auditor General of the Republic of Vanuatu

Independent Auditors' Report to the Vanuatu National Audit Office

Qualification

The Auditor-General is the auditor of the Vanuatu National Audit Office. The Auditor-General has appointed Law Partners to undertake the audit of the Vanuatu National Audit Office pursuant to Section 24(1) of the Expenditure Review and Audit Act [CAP 241].

Audit Opinion

We have audited the accompanying financial statements of the Vanuatu National Audit Office for the year ended 31 December 2021 consisting of the statement of cash receipts and payments, statement of comparison of budget and actual amount and accompanying notes set out on pages 6 to 16.

In our opinion, the financial statements present fairly in all material respects the cash receipt and payments and cash flows of the Vanuatu National Audit Office for the year ended 31 December 2021, in compliance with International Public-Sector Accounting Standards – Financial Reporting under Cash Basis of Accounting as well as relevant Vanuatu legislation and regulations.

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Vanuatu National Audit Office in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statements in Vanuatu. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of the members for the financial statements

The members of the project are responsible for:

- the preparation and fair presentation of these financial statements and the information they contain, in accordance with International Public-Sector Accounting Standards: Financial Reporting under Cash Basis of Accounting;
- implementing necessary internal controls to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the project's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to cease operations or have no realistic alternative but to do so.

Independent Auditors' Report to the Vanuatu National Audit Office (continued)

Auditors' responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. A further description of our responsibilities for the audit of the financial statements is located at the website https://www.ifac.org/system/files/publications/files/ISA-700-Revised_3.pdf. This description forms part of our auditor's report.

LAW PARTNERS

Chartered Accountants

(Qualified auditors under Section 130 of the Companies Act No. 25 of 2012 of the Republic of Vanuatu)

Alipate La'au

Partner

Port Vila

.....August 2022

STATEMENT OF CASH RECEIPTS AND PAYMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu (VT)

		2021			2020		
	Notes	Recurrent funded	Donor funded	Total receipts and payments	Recurrent funded	Donor funded	Total receipts and payments
CASH RECEIPTS							
Government appropriation	2	84,418,658	-	84,418,658	67,741,609	-	67,741,609
Australia grant contributions	3	-	-	-	-	-	-
Other fees	4	88,575	-	88,575	95,625	-	95,625
TOTAL CASH RECEIPTS		84,507,233	-	84,507,233	67,837,234	-	67,837,234
CASH PAYMENTS							
Personnel expenses	5	52,056,831	-	52,056,831	42,751,975	(1,257,500)	41,494,475
Operating expenditure	6	25,574,963	853,277	26,428,240	22,880,751	2,624,492	25,505,243
Capital expenditure	7	6,786,864	157,548	6,944,412	2,108,883	3,984,024	6,092,907
TOTAL CASH PAYMENTS		84,418,658	1,010,825	85,429,483	67,741,609	5,351,016	73,092,625
CASH RECEIPTS LESS CASH PAYMENTS		88,575	(1,010,825)	(922,250)	95,625	(5,351,016)	(5,255,391)
CASH RETURNED TO THE CONSOLIDATED FUND		(88,575)	-	(88,575)	(95,625)	-	(95,625)
ADD OPENING CASH BALANCE AS AT 1 JAN		-	12,620,237	12,620,237	-	17,971,253	17,971,253
CLOSING CASH BALANCE AS AT 31 DEC	8	-	11,609,412	11,609,412	-	12,620,237	12,620,237

This statement is to be read in conjunction with the accompanying notes and accounting policies.

Auditor General
Vanuatu National Audit Office
Port Vila
August 2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu (VT)

		2021				2020				
	Notes	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE	
CASH RECEIPTS										
Government appropriation	2	84,418,658	90,683,636	90,683,636	(6,264,978)	67,741,609	95,417,016	95,417,016	(27,675,407)	
Australia grant contributions	3	-	-	-	-	-	-	-	-	
Other fees	4	88,575	-	-	88,575	95,625	-	-	95,625	
TOTAL CASH RECEIPTS		84,507,233	90,683,636	90,683,636	(6,176,403)	67,837,234	95,417,016	95,417,016	(27,579,782)	
CASH PAYMENTS										
Personnel expenses	5	52,056,831	66,210,726	61,442,526	(9,385,695)	41,494,475	62,927,296	62,927,296	(21,432,821)	
Operating expenditure	6	26,428,240	24,072,910	28,841,110	(2,412,870)	25,505,243	30,467,243	30,467,243	(4,962,000)	
Capital expenditure	7	6,944,412	400,000	400,000	6,544,412	6,092,907	2,022,477	2,022,477	4,070,430	
TOTAL CASH PAYMENTS		85,429,483	90,683,636	90,683,636	(5,254,153)	73,092,625	95,417,016	95,417,016	(22,324,391)	
CASH RETURNED TO THE CONSOLIDATED FUND		(88,575)	-	-	(88,575)	(95,625)			(95,625)	
NET CASH FLOWS		8	(922,250)	-	-	(922,250)	(5,255,391)	-	-	(5,255,391)

This statement is to be read in conjunction with the accompanying notes and accounting policies.

VANUATU NATIONAL AUDIT OFFICE
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021
Expressed in Vatu (VT)

1. Accounting Policies

a. Reporting Entity

The Vanuatu National Audit Office, as constitutional entity, has its duties and responsibilities set out under the Expenditure Review and Audit Act [CAP 241]. It is the Supreme Audit Institution (SAI) for Vanuatu and has responsibility to make sure that:

- The requirements of the Expenditure Review and Audit Act is complied with, including assisting the Public Accounts Committee in its scrutiny of adherence to the Act.
- Audits are conducted and completed into matters concerning management of public resources.
- The methods by which public money is handled or committed, whether revenue, liability or expenditure, are properly accounted for.
- All finances are used lawfully, economically, effectively, and efficiently, and for the purposes set out in the appropriation Act.
- Government property or assets are properly looked after and accounted for.

The financial statements include both recurrent funded activities and donor funded activities. There were two grants with the DFAT funded Governance for Grant project which are included alongside recurrent Government funded activities.

b. Authorization Date

The financial statements of the Vanuatu National Audit Office are for the year ended 31 December 2021 and was authorized for issue on ...August 2022. No other body has the power to amend these financial statements once they have been issued.

c. Basis of Preparation

The financial statements of the Vanuatu National Audit Office have been prepared in accordance with requirements of the Public Finance and Economic Management Act [CAP.244] which includes the requirement to comply with generally accepted accounting practice.

The financial statements comply with IPSAS “Financial Reporting under the Cash Basis of Accounting” for the year ended 31 December 2021.

VANUATU NATIONAL AUDIT OFFICE
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 2021
Expressed in Vatu (VT)

1. Accounting Policies (continued)

d. Presentation currency

The financial statements are presented in Vanuatu Vatu (VT).

e. Foreign currency

The payments made in foreign currency and reported in these financial statements have been converted by the Reserve Bank of Vanuatu at the rate of the day of transaction.

Receipts received from the DFAT (Australia) are in foreign currency (AUD) and reported in these financial statements have been converted by the Reserve Bank of Vanuatu at the rate of the day of transaction.

f. Cash and Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Vanuatu National Audit Office receives a grant from DFAT which is managed through the centralized Government Financial Management Information System - SmartStream system. Under this arrangement, the Vanuatu National Audit Office does not control the grant as their own bank account but rather the central entity will make payments on behalf of the department after appropriate authorization and documentation. These transactions have been disclosed in a separate column entitled 'Donor funding' in the "Statement of Cash Receipts and Payments".

The Vanuatu National Audit Office also receives funding from the Government and the occasional receipt from other parties and makes payments that is also managed through SmartStream. This has been disclosed in a separate column entitled 'Recurrent funding' in the "Statement of cash receipts and payments"

g. Property, Plant & Equipment

Purchases of fixed assets have been included in the Statement of Cash Receipts and Payments under Capital Expenditure. A separate disclosure has been made in Note 7 to these accounts.

There are no assets purchased on hire purchase schemes and no depreciation is being charged.

VANUATU NATIONAL AUDIT OFFICE
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 2021
Expressed in Vatu (VT)

1. Accounting Policies (continued)

h. Budget

The budget is prepared on a cash basis when cash is expected to be received and paid. The classification of the budget is prepared on the common revenue sources and expenditure is classified on the nature of expenditure normally incurred by the Vanuatu National Audit Office.

i. Changes in accounting policies

There have been no changes in accounting policies during the financial year.

2. Government grant

The Vanuatu National Audit Office receive an annual appropriation from the Government of Vanuatu. These funds are managed centrally through the Government Smartstream system. The appropriation that has been recognized in these financial statements is the actual amount that was drawn down. Any of the grant that is not spent at the end of the year is kept by the Government and is not rolled over to the next financial year.

3. Donor grant assistance

There was no money received from DFAT (Nil) in 2021 or 2020. There were two projects with the DFAT funded Governance for Growth Project over the year and activities consisted of: Capacity development of staff in Compliance audit, Office support, and development and implementation of a Performance audit manual with assistance of Consultant nominated by Queensland Audit Office (QAO) through the Twinning Arrangement with the QAO. The projects are using money provided on or before 2019 for these.

4. Other fees

During the reporting period, the Office received Vt88,575 which was mainly from the sale of old assets (2020: Vt95,625.).

VANUATU NATIONAL AUDIT OFFICE
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 2021
Expressed in Vatu (VT)

5. Employee entitlements

During the year, the Office of the Auditor General paid Vt52,056,831 for 17 staff. A breakdown of personnel expenditure are as follows:

		2021	2020
8AAA	Acting Allowances	455,985	122,681
8AAB	Responsibility Allowance	345,000	656,360
8AAF	Family Allowance	269,284	257,035
8AAG	Gratuitie Allowances	1,515,348	499,133
8AAH	Housing Allowances	3,841,842	4,188,841
8AAO	Other Allowances	20,000	75,500
8AAP	Home Island Passage Allowances	96,315	177,043
8ASP	Provident Fund	1,727,245	1,552,020
8AWL	Leave expense	-	112,251
8AWO	Overtime Wages	228,840	4,038
8AWP	Permanent Wages	42,196,972	38,044,938
8CAB	Subsistence Allowances	1,360,000	(4,205,365)
8CAS	Sitting Allowances	-	10,000
	Total Personnel Expenditure	52,056,831	41,494,475

The Auditor General and staff of the Vanuatu National Audit Office are appointed by the Public Service Commission. All staff including the Auditor General are entitled to 21 days sick leave (non-accumulating) and severance pay of 2-month salary per year worked payable after 6 years of continuous service for the Government. The Auditor General receives gratuity based on the Official Salaries Act and as required of the Employment Act, this gratuity may be deducted from severance pay payable to the Auditor General upon expiry of contract of service.

The amount of leave each employee is entitled to varies based on the length of service and is currently set as follows:

Length of service	Leave entitlement	No of employees
Less than 20 years	21 days leave per year	14
20 to 25 years	24 days leave per year	1
25 to 30 years	48 days leave per year	1
More than 30 years	72 days leave per year	1

The current employee entitlements are calculated at current rates of pay and is payable at such time an employee ceases employment with the Government. Severance pay provision excludes those staff that serve less than 6 years of service for the Government.

VANUATU NATIONAL AUDIT OFFICE
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 2021
Expressed in Vatu (VT)

5. Employee entitlements (continued)

The amounts provided for are as follows:

	2021	2020
Provision for annual leave	15,731	3,415,776
Provision for severance leave	58,463,506	54,516,885
Total employee provisions	58,479,237	57,932,661

All staff took annual leave before the financial year ended 31 December 2021. As a result, only one and a half days was left untaken and accrued.

6. Operating Expenditure

Operating expenditures are made of up essential monthly costs incurred by the office. During the year, substantial expenditure was incurred on consultancy fees, office rental cost, stationery communication and international organization fee. Local travel cost remains high as a result of auditors travelling to outer island to carry out audits. Vt26,428,240 was spent on operating expenditure in 2021 (2020: Vt25,505,243).

In 2020, there was a foreign currency transaction to the Institute of Public Accountants of Australia that was not posted until 12 October 2021. This amount (of Vt103,148) was not included in the audited financial statements for 2020 and has been shown in the financial statements for 2021.

A breakdown of 2021 and 2020 operating expenditure is set out on the following page

VANUATU NATIONAL AUDIT OFFICE
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 2021
Expressed in Vatu (VT)

6. Operating Expenditure (continued)

		2021	2020
8CBL	Local Accommodation	530,587	823,434
8CCI	International Courses	292,504	2,541,386
8CCL	Local Courses	302,935	(9,480)
8CEC	Consultants Fees	6,214,734	4,895,013
8CET	Other Fees	716,190	13,672
8CFV	Vehicles Fuel	283,257	307,825
8CGO	Other Charges - Freight	-	(21,773)
8CHL	Local Medical Treatment	33,800	7,500
8CIF	Facilities Hire	250,066	913,130
8CJO	Office Cleaning	475,782	404,572
8CKD	Advertising - Communications	12,000	61,478
8CKP	Postage - Communications	4,007	10,682
8CKS	Stationery - Communications	1,401,157	938,056
8CKT	Telephone / Fax - Communications	446,260	160,463
8CMG	General - Materials	10,868	-
8CNO	Office Rental	2,668,392	2,635,500
8COA	Audit Fees	585,000	-
8COI	Incidentals	1,501,997	(514,545)
8COO	International Organisation Fees	2,977,826	1,508,716
8COP	Official Entertainment	852,718	1,117,587
8COT	Termination Payment	-	2,959
8COU	Uniforms	157,335	474,162
8CRB	Buildings Repairs & Maintenance	467,000	4,243,328
8CRE	Equipment Repairs & Maintenance	157,999	257,967
8CRV	Vehicles Repairs & Maintenance	617,065	511,850
8CRW	Vehicle Servicing	71,638	46,983
8CSM	Medicines Supplies	339	1,652
8CSO	Other Supplies	64,788	113,538
8CSR	Rations Supplies	2,156	9,011
8CTI	International Travel	-	(2,116,511)
8CTL	Local Travel	1,742,429	2,933,113
8CUE	Electricity Utilities	999,455	913,792
8CZV	Value Added Tax	2,663,476	3,028,852
8FCB	Bank Charges	9,801	(60,336)
8ZZV	Vat expense refund	(85,321)	(648,333)
	Total Operating Expenditure	26,428,240	25,505,243

VANUATU NATIONAL AUDIT OFFICE
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 2021
Expressed in Vatu (VT)

7. Capital Expenditure

Vt6,944,412 (2020: Vt6,092,907) was spent on capital expenditure. The Office allocated funds to purchase additional new equipment's mostly computers, printer, office cabinets and bookshelves. The office is looking to expand its operation to Santo in 2022 hence some of these equipment were purchased to gather for Santo Office. The Office also purchase a new vehicle end of 2021. The new grey mini Van replaced the old Toyota car which was returned to Fleet Management at Public Service Commission.

		2021	2020
8EEA	Equipment - Additional General	432,316	564,785
8EEC	Equipment - Computer	2,513,739	4,554,290
8EEP	Equipment - Photocopiers	639,131	-
8EER	Equipment - Replacement General	119,795	83,635
8EFO	Furniture - Office Furniture	631,431	890,197
8EVR	Vehicle - Replacement	2,608,000	-
	Total Capital Expenditure	6,944,412	6,092,907

Assets are reported at historical cost and are as follows:

Class of asset	2021	2020
Computer equipment	2,629,440	3,360,814
Office Furniture & Fitiings	1,220,191	1,283,580
Motor Vehicles	3,672,875	4,149,875
Total Net Book Value of assets	7,522,506	8,794,269

8. Closing cash balance

All monies received under the recurrent fund are kept in the consolidated fund by the Government of Vanuatu and no cash balance is carried forward by the Vanuatu National Audit Office. Those monies held in the Development Fund are carried forward for use in the following financial year and a breakdown of those funds are as follows:

Cash held in development account	2021	2020
12K803 Building Capacity of Vanuatu's OAG	2,226,379	2,226,379
19A505 Provision of Technical Advisory Support to VNAO	9,383,033	10,290,710
Total cash held in Development Fund	11,609,412	12,517,089

There were no cash reserves held in foreign currency as at 31 December 2021 (2020: Nil). Hence, there are no exchange differences as at balance date.

VANUATU NATIONAL AUDIT OFFICE
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR
THE YEAR ENDED 31 DECEMBER 2021
Expressed in Vatu (VT)

9. Budget

There was a change from the original budget which was issued at the beginning of the year for a virement which transferred Vt4,468,200 from personnel to operating expenses. There were no budget changes in 2020.

9a Revenue variance between budget and actual

There was a variance of Vt6,264,978 between the Government appropriation that was budgeted for and what was received (2020: Vt27,675,407). This represents amounts underspent against budget for the year as the Government appropriation for the recurrent fund is only released as money is spent.

There were also other fees collected of Vt88,575 which was not budgeted for (2020: Vt95,625).

9b. Expenditure variance between budget and actual

Expenditure was Vt5,254,153 less than budgeted due to underspent funds against the budgeted expense for the year. Personnel and operating expenses budgeted for the year was high but actual cost incurred was less. Due to the COVID-19 and strict measures by the Government to reduce expenditure, VNAO had taken it as a priority to only meet essential and urgent costs (2020: Vt22,324,391).

10. Imprest Account

As at 31 December 2021, there was an outstanding Standing Imprest of Vt38,570 (2020: Nil). The outstanding imprest was retired in January 2022.

11. Creditors, payables and accruals

As at 31 December 2021, there were no advances made by the Vanuatu National Audit Office to any third party or employees (2020: Nil).

There were accruals of Vt62,574 in 2021 (2020: Vt11,329,831) which are represented by Vt5,015,637 which was rolled over from 2020 and Vt5,078,211 which was accrued at the end of 2021

12. Statement of Commitments

As at 31 December 2021, the Vanuatu National Audit Office had signed up some operational leases and contract costs which extend beyond the balance date. These are outlined as follows:

	2021	2020
Consultancy costs due within 1 year	2,588,707	5,170,610
Teammate subscriptions due within 1 year	3,920,751	1,706,381
Operational lease for rental contract for 5 years term	15,514,500	11,907,000
Total	22,023,958	18,783,991

VANUATU NATIONAL AUDIT OFFICE
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR
THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu (VT)

13. Debtors and Receivables

As at 31 December 2021, the Vanuatu National Audit Office had outstanding debtors totaling Vt305,562 (2020: Vt294,821) for outstanding amounts reimbursable. Vt148,002 of these debtors are over 4 years old and need to be considered for write off.

The Office, under the GFG program, pays for staff professional development courses. If a staff does not perform satisfactorily in the course, the staff must fully refund the monies paid for taking the particular course. In 2021, Vt331,583 incurred on staff professional development must be refunded by some staff. Those staff continue to refund the monies by installments.

14. Statement of Appropriations

The statement of appropriations for the recurrent fund is as follows:

2021 Statement of Appropriations

Code	Description	Original Appropriation	Supplementary Appropriations	Virements	Final Budget	Total Expenditure	Under/ (Over)
CEA	Public Sector Auditing						
CEAA	Planning, Policy & Standards	13,721,111	-	2,336,281	16,057,392	13,830,009	2,227,383
CEAB	Audit Operations	62,500,068	-	(2,336,281)	60,163,787	57,137,433	3,026,354
CEAC	Corporate Services	14,462,457	-	-	14,462,457	13,451,216	1,011,241
CEA	Public Sector Auditing	90,683,636	-	-	90,683,636	84,418,658	6,264,978

2020 Statement of Appropriations

Code	Description	Original Appropriation	Supplementary Appropriations	Virements	Final Budget	Total Expenditure	Under/ (Over)
CEA	Public Sector Auditing						
CEAA	Planning, Policy & Standards	14,209,737	-	-	14,209,737	9,837,775	4,371,962
CEAB	Audit Operations	69,459,388	-	-	69,459,388	47,762,756	21,696,632
CEAC	Corporate Services	11,747,891	-	-	11,747,891	10,141,078	1,606,813
CEA	Public Sector Auditing	95,417,016	-	-	95,417,016	67,741,609	27,675,407



APPENDIX 6.2

FINANCIAL STATEMENTS

FOR THE

Support to the Vanuatu National Audit Office

DFAT Arrangement No 75158

and

Assistance to Build the Capacity of Vanuatu's Office of the Auditor
General

DFAT Arrangement No 62943

For the year ended 30 June 2021

Prepared Under IPSAS: Financial Reporting Under the Cash Basis Accounting

TABLE OF CONTENTS

PROJECT BACKGROUND	3
STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITY	4
INDEPENDENT AUDITORS' REPORT	5-6
FINANCIAL STATEMENTS	7
STATEMENT OF CASH RECEIPTS AND PAYMENTS	7
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL	8
STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	9
1. Accounting Policies.....	9
2. Government counterpart funding	10
3. Donor grant assistance.....	11
4. Employee entitlements	11
5. Operating Expenditure	12
6. Capital Expenditure	12
7. Closing cash balance	13
8. Budget	13
8a Revenue variance between budget and actual	13
8b. Expenditure variance between budget and actual	13
9. Related Parties.....	13
10 Imprest Account	13
11. Creditors and payables	13

PROJECT BACKGROUND

Australia has been providing long-term support to the Government of Vanuatu (GoV) to develop the capacity and capability of the Vanuatu National Audit Office.

The overall goal of the Program is to support the Vanuatu National Audit Office in achieving its key strategic objectives outlined in its corporate plan, where the funding assistance is being allocated implement specific activity programs under the guidance of the newly appointed Auditor General. This Program is supported by the Government of Vanuatu's Public Financial Management Road Map and the support that provided by the GFG program is aligns with achieving the goals of the Road Map.

The aim of the Vanuatu National Audit Office is to promote greater transparency, good governance, and accountability with proper budget allocation aligned to achieve the national development objectives outlined in the National Sustainable Development Plan (NSDP). The key strategic objectives of the Program are:

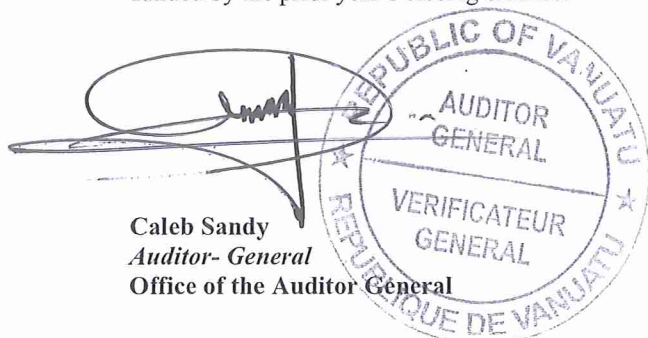
- a) Improve accountability across the public sector through audit; and
- b) Undertake audit engagements that can generate debate regarding public spending; and
- c) Improve the transparency and governance of State-Owned Enterprises through audit.

There are 2 grants being reported in this financial report: DFA 75158 is Phase II is supported by DFA 62943 which was Phase I of the grant.

The previous financial statements for the grant were for the 2 years ended 30 June 2020 and these have been used as a comparative. The period covered by these financial statements is for the year ended 30 June 2021.

Program Expenditure

The Vanuatu National Audit Office received no funding during the year ended 30 June 2021 (2018/20: Vt24,234,000 and spent Vt1,988,575 across the 2 grants (2018/20: Vt17,124,056). Expenditure was all funded by the prior year's closing balance.



Caleb Sandy
Auditor- General
Office of the Auditor General

The stamp is circular with the text "REPUBLIC OF VANUATU" at the top and "REPUBLIQUE DE VANUATU" at the bottom. Inside the circle, it says "AUDITOR GENERAL" and "VERIFICATEUR GENERAL".

STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITY

It is the responsibility of the Vanuatu National Audit Office to prepare the Financial Statements for each period which present fairly, in all material respects the financial affairs of the project as at the end of each period and its operating results.

The Vanuatu National Audit Office is ultimately responsible for the project and is required to ensure the project keeps proper accounting records which disclose with reasonable accuracy at any time the financial operation of the project. The Project Financial Statements have been prepared on a cash basis of accounting in accordance with International Public Sector Accounting Standards. It is comprised of:

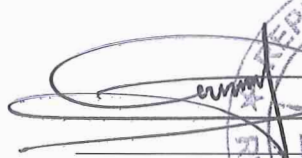
- a) The Statement of Cash Receipts and Payments
- b) Statement of Comparison of Budget and Actual Amounts
- c) Significant Accounting Policies and Notes to the Financial Statements.

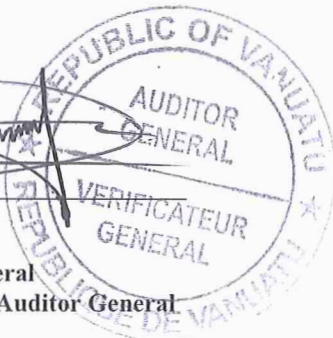
These statements represent the financial activities of the Provision of technical and advisory support to the Vanuatu National Audit Office for the two years ended 30 June 2021.

We hereby certify that the Project Financial Statements are a full and true representation of the financial activities of the grants for the period concerned.

Approval of the Project Financial Statements

The financial statements of the project were approved for issue on the th12th August 2022 and signed on its behalf by:


Caleb Sandy
Auditor General
Office of the Auditor General



Independent Auditors' Report to the members of Support to the Vanuatu National Audit Office – DFAT Arrangement No 75158 and Assistance to Build the Capacity of Vanuatu's Office of the Auditor General – DFAT Arrangement No 62943

The Auditor-General is the auditor of the Vanuatu National Audit Office – DFAT Arrangement No 75158 and Assistance to Build the Capacity of Vanuatu's Office of the Auditor General – DFAT Arrangement No 62943. The Auditor-General has appointed Law Partners to undertake the audit of Forest Carbon Partnership Facility (FCPF) - Readiness Preparation Project pursuant to Section 24(1) of the Expenditure Review and Audit Act [CAP 241].

Audit Opinion

We have audited the accompanying financial statements of the Vanuatu National Audit Office – DFAT Arrangement No 75158 and Assistance to Build the Capacity of Vanuatu's Office of the Auditor General – DFAT Arrangement No 62943 for the financial year ended 30 June 2021 consisting of the statement of cash receipts and payments, statement of comparison of budget and actual amount and accompanying notes set out on pages 7 to 13.

In our opinion, the financial statements for the year ended 30 June 2021 as described above present fairly in all material respects, in accordance with International Public Sector Accounting Standards – Financial Reporting under Cash Basis of Accounting and the projects administration complies with relevant Vanuatu legislation and regulations.

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report.

We are independent of the project in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial statements in Vanuatu. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of members for the financial statements

The members of the project are responsible for:

- the preparation and fair presentation of these financial statements and the information they contain, in accordance with International Public Sector Accounting Standards: Financial Reporting under Cash Basis of Accounting;
- implementing necessary internal controls to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the project's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to cease operations or have no realistic alternative but to do so.

PRINCIPALS

JONATHAN LAW
VICKI JOE
ALI LA'AU

mail@lawpartnersvanuatu.com

LAW PARTNERS HOUSE
PO BOX 212
PORT VILA | VANUATU

Independent Auditors' Report to the members of Vanuatu National Audit Office – DFAT Arrangement No 75158 and Assistance to Build the Capacity of Vanuatu's Office of the Auditor General – DFAT Arrangement No 62943 (continued)

Auditors' responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. A further description of our responsibilities for the audit of the financial statements is located at the website https://www.ifac.org/system/files/publications/files/ISA-700-Revised_3.pdf. This description forms part of our auditor's report.

Law Partners
LAW PARTNERS
Chartered Accountants
(Qualified auditors under Section 130 of the
Companies Act No. 25 of 2012 of the Republic
of Vanuatu)

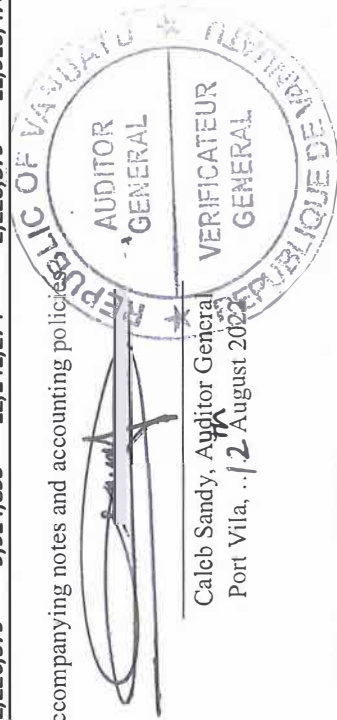

Alipate La'au
Partner
Port Vila
12 August 2022

FINANCIAL STATEMENTS
SUPPORT TO THE VANUATU NATIONAL AUDIT OFFICE

STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/21 Vatu Receipts and Payments			2018/20 Vatu Receipts and Payments		
		Phase I	Phase II	Total	Phase I	Phase II	Total
		Centrally Controlled			Centrally Controlled		
CASH RECEIPTS							
Government grant		-	-	-	-	-	-
Donor grant assistance	3	-	-	-	-	24,234,000	24,234,000
Other		-	-	-	-	-	-
TOTAL CASH RECEIPTS		-	-	-	-	24,234,000	24,234,000
CASH PAYMENTS							
Personnel expenses	4	-	(1,100,000)	(1,100,000)	-	847,500	847,500
Operating expenditure	5	-	2,028,068	2,028,068	4,803,526	8,401,965	13,205,491
Capital expenditure	6	-	1,070,507	1,070,507	-	3,071,065	3,071,065
TOTAL CASH PAYMENTS		-	1,998,575	1,998,575	4,803,526	12,320,530	17,124,056
CASH RECEIPTS LESS CASH PAYMENTS		-	(1,998,575)	(1,998,575)	(4,803,526)	11,913,470	7,109,944
ADD OPENING CASH BALANCE AS AT 1 JULY		2,226,379	11,913,470	14,139,849	7,029,905	-	7,029,905
CLOSING CASH BALANCE AS AT 30 JUNE	7	2,226,379	9,914,895	12,141,274	2,226,379	11,913,470	14,139,849

This statement is to be read in conjunction with the accompanying notes and accounting policies.



SUPPORT TO THE VANUATU NATIONAL AUDIT OFFICE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
FOR THE YEAR ENDED 30 JUNE 2021

2020/21 Vatu Receipts and Payments					2018/20 Vatu Receipts and Payments				
Notes	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE	
CASH RECEIPTS									
Government grant	-	-	-	-	-	-	-	-	
Donor grant assistance	3	-	-	-	24,234,000	24,234,000	24,234,000	-	
Other	-	-	-	-	-	-	-	-	
TOTAL CASH RECEIPTS									
	-	-	-	-	24,234,000	24,234,000	24,234,000	-	
CASH PAYMENTS									
Personnel expenses	4	(1,100,000)	-	-	847,500	-	-	847,500	
Operating expenditure	5	2,028,068	-	-	13,205,491	20,073,830	20,073,830	(6,868,339)	
Capital expenditure	6	1,070,507	-	-	3,071,065	4,160,170	4,160,170	(1,089,105)	
TOTAL CASH PAYMENTS									
	1,998,575	-	-	1,998,575	17,124,056	24,234,000	24,234,000	(7,109,944)	
NET CASH FLOWS									
	(1,998,575)	-	-	(1,998,575)	7,109,944	-	-	7,109,944	

This statement is to be read in conjunction with the accompanying notes and accounting policies.

SUPPORT TO THE VANUATU NATIONAL AUDIT OFFICE

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2021

1. Accounting Policies

a. Reporting Entity

The Provision of support to the Vanuatu National Audit Office (DFA 75158) is managed by the Office of the Auditor General. This is Phase II of support provided by the DFAT Governance for Growth Program and follows on from support to the Vanuatu National Audit Office (DFA 62943). These financial statements cover only these grants.

b. Authorization Date

The financial statements of the Grant 75158 and Grant 62943 was for the year ended 30th June 2021 and was authorized for issue onAugust 2022. No other body has the power to amend these financial statements once they have been issued.

c. Basis of Preparation

The financial statements of the Grant have been prepared in accordance with requirements of the Public Finance and Economic Management Act [CAP.244] which includes the requirement to comply with generally accepted accounting practice.

The financial statements comply with IPSAS "Financial Reporting under the Cash Basis of Accounting" for the year ended 30 June 2021.

d. Presentation currency

The financial statements are presented in Vanuatu Vatu (VUV).

e. Foreign currency

The receipts received from the DFAT in foreign currency (AUD) and reported in these financial statements have been converted by the Reserve Bank of Vanuatu at the rate of the day of transaction.

SUPPORT TO THE VANUATU NATIONAL AUDIT OFFICE

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2021

1. Accounting Policies (contd)

f. Cash and Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Vanuatu National Audit Office receives the grant from the DFAT which is managed through the centralized Smartstream system. Under this arrangement, the Vanuatu National Audit Office does not control the grant as their own bank account but rather the central entity will make payments on behalf of the department after appropriate authorization and documentation. These transactions have been disclosed in a separate column in the “Statement of cash receipts and payments”.

g. Property, Plant & Equipment

Purchases of fixed assets have been included in the Statement of Cash Receipts and Payments under Capital Expenditure. Separate disclosure has been disclosed in Note 6 to these accounts.

There are no fixed assets purchased on hire purchase schemes and no depreciation is being charged.

h. Changes in accounting policies

There have been no changes in accounting policies during the financial year.

2. Government counterpart funding

The project does not receive any funds from the Vanuatu Government as this project is fully funded by the DFAT.

SUPPORT TO THE VANUATU NATIONAL AUDIT OFFICE

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2021

3. Donor grant assistance

The following table provides a breakdown of monies received from DFAT over the period. Drawdowns during this period consist of:

Received in 2020/21

Date	Description	Amount AUD	Exchange Rate	Amount Vatu
	No funding received			
	Total Donor Grant assistance	-		-

Received in 2018/20

Date	Description	Amount AUD	Exchange Rate	Amount Vatu
11/04/2019	2018/19 funding tranche	300,000	80.78	24,234,000
	Total Donor Grant assistance	300,000		24,234,000

4. Employee entitlements

Employee entitlements over the period were as follows:

		2020/21	2018/20
8CAB	Subsistence Allowances	(1,100,000)	847,500
	Total Employee Entitlements	(1,100,000)	847,500

There are two LPO committed for subsistence allowances in 2019 which belong to prior period FY that is (2018-2020). The two transactions were corrected in smart stream hence it has appeared in (2020-2021) listing. The employee entitlement for FY (2020-2021) still reports these two LPO as negative values (as a correction).

SUPPORT TO THE VANUATU NATIONAL AUDIT OFFICE

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2021

5. Operating Expenditure

Operating expenses were as follows during the period:

		2020/21	2018/20
8CBI	International Accommodation	49,000	435,537
8CBL	Local Accommodation	-	773,826
8CCI	International Courses	1,489,475	1,617,983
8CCL	Local Courses	(107,710)	131,710
8CEC	Consultants Fees	-	7,929,572
8CET	Other Fees	570,000	-
8CIE	Equipment Hire	-	-
8CIF	Facilities Hire	-	76,700
8CJO	Office Cleaning	46,271	-
8CKS	Stationery - Communications	-	-
8COI	Incidentals	(13,975)	130,920
8COO	International Organisation Fees	200,288	-
8COP	Official Entertainment	(5)	360,699
8CRE	Equipment Repairs & Maintenance	57,565	50,557
8CSO	Other Supplies	-	-
8CTI	International Travel	(301,726)	1,531,001
8CTL	Local Travel	38,885	217,222
8CWL	Local Workshops	-	-
8CZV	Value Added Tax	179,150	874,349
8FCB	Bank Charges	-	(50,236)
8ZZV	Vat expense refund	(179,150)	(874,349)
	Total Operating Expenditure	2,028,068	13,205,491

Grant fund was spent mainly on capacity development. The grant paid for international course fees for audit staff's registered in certification courses. Other fees consist of payment made for audit fee to CA firm who carryout work on behalf of the National Audit Office. Other significant expense was made of payment to International Organization for staff renewal of membership with professional Institution. There was an amount of 54,070 which was a correction to an LPO (050-00741) for International Courses which was posted to 01 February 2020 on 04 February 2021. This transaction was not included in the audited financial statements for 2018/20 as it was posted late and has been included in the 2020/21 financial statements.

6. Capital Expenditure

		2020/21	2018/20
8EEA	Equipment - Additional General	358,758	52,156
8EEC	Equipment - Computer	705,232	2,789,931
8EER	Equipment - Replacement General	6,517	-
8EFO	Furniture - Office Furniture	-	228,978
	Total Capital Expenditure	1,070,507	3,071,065

SUPPORT TO THE VANUATU NATIONAL AUDIT OFFICE

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2021

6. Capital Expenditure (contd)

Due to COVID-19 the Office purchased full set of teleconferencing facility to use in organising online meetings and trainings. Additional computers and laptops was purchase to gather for increase number of staff and to replace old computer set and laptops with new ones.

7. Closing cash balance

Cash held in development account	2020/21	2018/20
GFG OAG Grant Phase II	9,914,895	11,913,470
GFG OAG Grant Phase I	2,226,379	2,226,379
Total	12,141,274	14,139,849

8. Budget

The budget is prepared on a cash basis when cash is expected to be received and paid. The classification of the budget is prepared on the common revenue sources and expenditure is classified on the nature of expenditure normally incurred by the project.

8a Revenue variance between budget and actual

There is no variance between budget and actual revenue.

8b. Expenditure variance between budget and actual

There is a variance between budgeted and actual expenditure as funds are budgeted for when they are received. The project has received all of the planned funding from GFG and is currently spending the balance that is remaining.

9. Related Parties

There are no related parties during the year

10 Imprest Account

As at 30th June 2021, there was no outstanding Standing Imprest.

11. Creditors and payables

There were outstanding purchase orders of Vt232,612 as at 30 June 2021 and Vt717,606 outstanding commitments as at 30 June 2020.

Endnotes

-
- ⁱ Vanuatu 2030 The People's Plan <https://www.gov.vu/index.php/resources/vanuatu-2030> p. 4
- ⁱⁱ Ibid, p. 11
- ⁱⁱⁱ INTOSAI Competency framework for public sector audit professionals at Supreme Audit Institutions (2019) <https://www.intosaicbc.org/wp-content/uploads/2019/09/5.-INTOSAI-Competency-Framework-revised.pdf>
- ^{iv} INTOSAI Competency Framework for public sector auditors at SAIs. Revised (2019) <https://www.intosaicbc.org/wp-content/uploads/2019/09/5.-INTOSAI-Competency-Framework-revised.pdf>
- ^v INTOSAI P 10 Mexico Declaration on SAI Independence <https://www.issai.org/pronouncements/intosai-p-10-mexico-declaration-on-sai-independence/>
- ^{vi} INTOSAI-P 12 (2019) : The Value and Benefits of Supreme Audit Institutions – Making a difference to the lives of citizens https://www.intosai.org/fileadmin/downloads/documents/open_access/INT_P_11_to_P_99/INTOSAI_P_12/INTOSAI_P_12_en_2019.pdf
- ^{vii} 12 ISSAIS <https://twitter.com/jan6724/status/900270484264148993?lang=es>
- ^{viii} About SAI PMF <https://www.idi.no/work-streams/well-governed-sais/sai-pmf/about>
- ^{ix} The VNAO does not engage in jurisdictional audits
- ^x <https://www.issai.org/wp-content/uploads/2021/02/Competence-Project-Proposal.pdf>
- ^{xi} The jurisdictional competency section does not apply to the VNAO.
- ^{xii} Audit numbers for 2021 in both tables are estimates at the time of writing the plan. The number for 2019 is high because it includes a number of financial audits that were previously in arrears. These were contracted out.
- ^{xiii} INTOSAI iCAT <https://www.idi.no/elibrary/professional-sais/icats/icats-english/1117-200227-idi-fa-icat-v1-english-lt-revision>
- ¹⁴ Vanuatu 2030 The People's Plan <https://www.gov.vu/index.php/resources/vanuatu-2030> p. 4
- ¹⁵ Ibid, p. 11
- ¹⁶ UN General Assembly (2012). Res/66/209: Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions. https://www.intosai.org/fileadmin/downloads/documents/open_access/intosai_and_united_nations/66_209_2011/EN_un_resol_66_209.pdf
- ¹⁷ NSDP Monitoring and Evaluation Framework <https://www.gov.vu/images/publications/NSDP%20M&E%20Framework.pdf>
- ¹⁸ INTOSAI (2021) Development of INTOSAI professional pronouncements on an auditor competence. <http://www.idi.no/en/idi-cpd/sai-independence-programme>