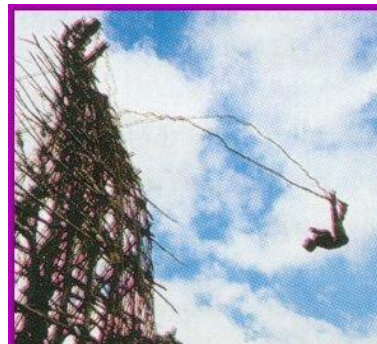


Republic of Vanuatu



OFFICE OF THE AUDITOR-GENERAL
BUREAU DE VERIFICATEUR



Corporate Plan 2012 - 2016

Acronyms

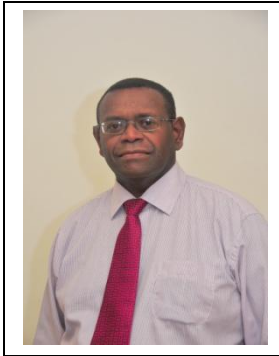
ADB	Asian Development Bank
A-G	Auditor-General
DPM	Deputy Prime Minister
EAA	External Audit Adviser
EC	European Commission
INTOSAI	International Organisation of Supreme Audit Institutions
IQC	Internal Quality Control
ISSAI	International Standards for Supreme Audit Institutions
IT	Information Technology
ITP	Individual Training Plan
KPI	Key Performance Indicator
LAN	Local Area Network
MFEM	Ministry of Finance and Economic Management
MOIA	Ministry of Internal Affairs
NAO	National Audit Office
OAG	Office of the Auditor-General
PAC	Public Accounts Committee
PASAI	Pacific Association of Supreme Audit Institutions
PSC	Public Service Commission
SAI	Supreme Audit Institution
SPASAI	South Pacific Association of Supreme Audit Institutions
TA	Technical Assistance
TNA	Training Needs Assessment
USP	University of the South Pacific
VAT	Value Added Tax
VFM	Value-for-Money
VT	Vatu

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Introduction by the Auditor-General



As the seventh Auditor-General of Vanuatu it gives me great pleasure to issue the first Corporate Plan for the Office of the Auditor-General (the Office).

In 2007, the Council of Ministers by their decision no. 62/2007 requested the Office of the Prime Minister to seek donor support to strengthen my Office by capacity building.

“Mandeitim Ofis blong Praem Minista mo Faenens blong sikim dona sapot blong mekem se Ofis blong Odita-Jeneral I kam mo strong mo tu bildim kapasiti blong Ofis blong Odita-Jeneral.”

One of the recommendations of that technical support was to produce a detailed plan of the medium to long terms goals and objectives of the Office together with a plan for achieving those objectives.

This Corporate Plan addresses that recommendation by providing a written guide and strategic framework for the comprehensive development of the Audit Office.

There are many benefits to Parliament, the government and the people of Vanuatu in having a strong, independent and effective Office. At a strategic level, one of the main benefits is that of helping to ensure “**good governance**” through improved transparency, accountability and efficiency in managing and using public resources.

This is achieved operationally by:

- Certifying that the money collected by government is spent in accordance with the wishes of Parliament;
- An independent review and appraisal of **all** systems of control throughout the public sector (not just the financial controls);
- Determining the extent of compliance with procedures, policies, regulations and legislation;

- Providing re-assurance to Parliament that their agreed policies are being carried out effectively as regards control of the risks associated with these policies;
- Facilitating good practice in managing risks;
- Recommending improvements in control, performance and productivity;
- Reviewing the value-for-money that all organisations within the public sector provide;
- Saving money by identifying waste and inefficiency;
- Advising on better ways of achieving the Government's objectives; and
- Helping to ensure that assets and interests are safeguarded from fraud.

This Corporate Plan will be supported by two Operational Plans: a Five-Year Strategic Audit Plan and an Annual Audit Plan. The Strategic Audit Plan will indicate all the areas requiring to be audited; the resources required to undertake those audits and when the audit is scheduled to take place. The Annual Audit Plan will be a detailed plan of the audit proposed for the current year supported by a range of managerial documentation to monitor progress.

In addition to my Statutory Annual Report to Parliament, under section 33 of the Expenditure Review and Audit Act, I envisage producing a range of other reports during the year.

My Audit Office Report will detail the progress achieved both in this plan and the Operational Plans.

I would be pleased to discuss any details within this plan with any interested parties.

John Path
Auditor-General

August 2011

Executive Summary

Vision

To provide a model of best practice and innovation in audit services in the Pacific region.

Mission

To promote good governance, enhance transparency and accountability in the public sector.

Core Values

Independence; Integrity; Teamwork; Respect; Co-operative Spirit; Looking Outwards; Making a Difference; Open Communications; Professional Excellence; and Valuing Individuals.

Current State Assessment

History

The Office of the Auditor-General of Vanuatu (the Office) came into existence at the independence of Vanuatu in 1980.

Since its formation, the Office has had seven (7) Auditors-General who are listed in Table 1 below.

Table 1: Auditors-General of Vanuatu

#	Name	Period
1	John McManaway	1980 - 1981
2	David Atchinson	1981 - 1982
3	Joe Dwyer	1982 - 1988
4	Pasa Tosusu	1988 - 1995
5	Michel Morris	1995 - 1997
6	Julie-Ann Rovo	1998 - 2008
7	John Path	2009 -

Most SAls belong to regional associations depending on their location i.e. PASAI (Pacific), ASOSAI (Asia), AFROSAI (Africa) and so on, which are all working groups of the International Association for SAls called INTOSAI. INTOSAI is the association that issues the INTOSAI Auditing Standards (ISSAIs), which guide the way auditors go about their audits based on International Standards of Auditing (ISAs) issued by IAASB (International Auditing & Assurance Standards Board).

The South Pacific Association of Supreme Audit Institutions (SPASAI) was formed in 1987 by a group of Supreme Audit Institutions (SAls) in the Pacific, which had been meeting triennially since 1971. To better reflect the diversity and the increased geographical spread of its membership, there was a name change of the organisation to the Pacific Association of Supreme Audit Institutions (PASAI) in 2008. The Vanuatu Office of the Auditor-General is an active member of PASAI.

In 1988 the Office hosted the triennial conference of SPASAI (now known as PASAI). Of recent times the PASAI congress has been held annually to

allow an opportunity for participation in PASAI activities which has increased dramatically through funding from ADB and other development partners.

The Audit Office Today

Mandate

The Office of the Auditor-General is governed by the Constitution and the Expenditure Review and Audit Act 1998 [CAP.241] (Act 3/98) as amended in 2000 (36/2000).

- **The Constitution**

Article 25 of the Constitution, which covers Public Finance, has three sub-articles 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 initiative.

(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.”

- **Expenditure Review and Audit Act**

This 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.

The legislative framework is subject to review (see Goal 19 below).

Physical Location and Resources

The Office of the Auditor-General is located above the Customs and VAT Office in Rue Carnot, Port Vila.

The office space is satisfactory for the current staffing level together with the posts currently being recruited. However, if the full number of staff approved were in post, the office space is likely to prove inadequate.

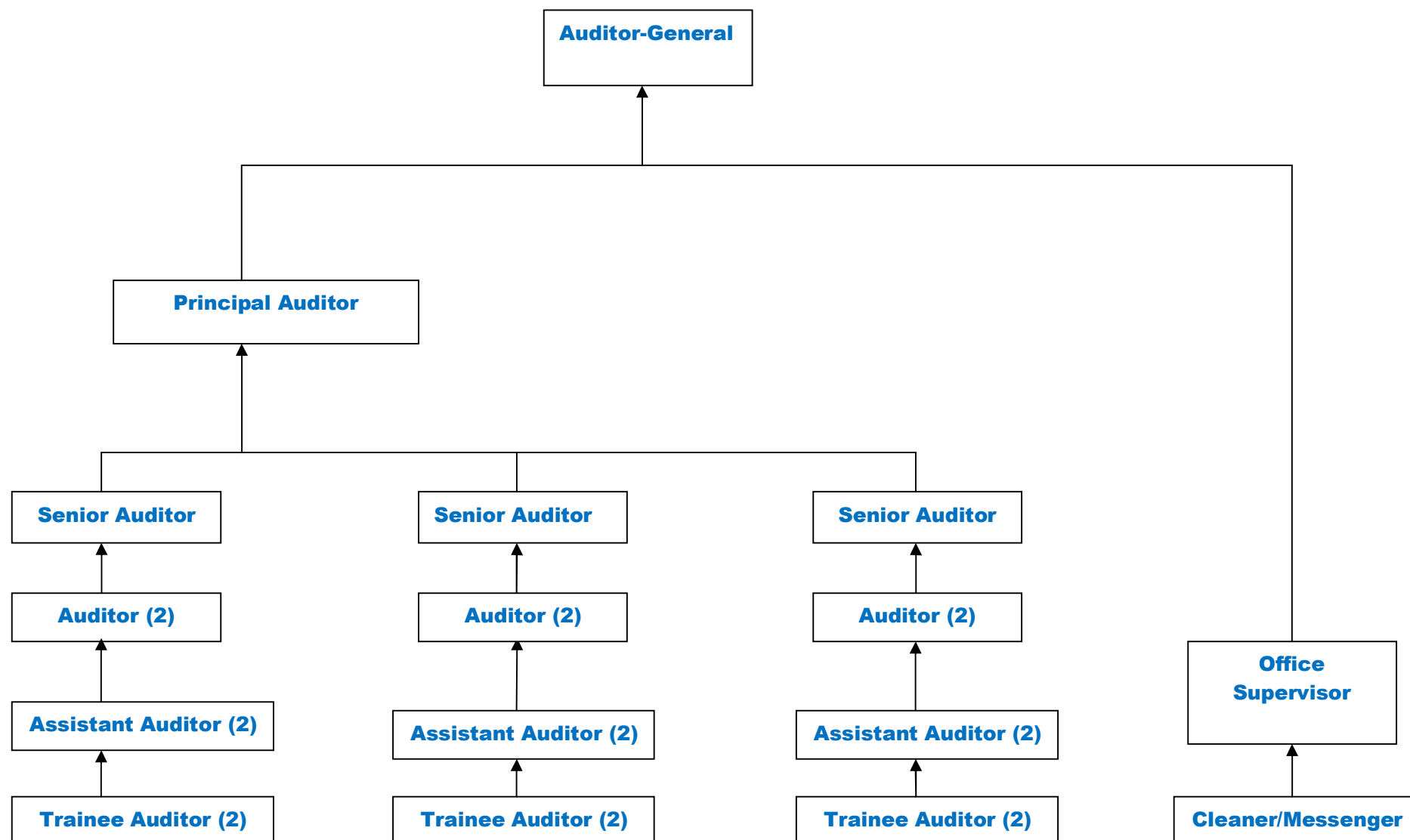
The office is fully equipped with all standard office equipment including desktops computers linked to the Ministry of Finance and Economic Management intranet system and, through, this to the internet. Again, as staff numbers increase there will be the need for further office equipment and computers.

In addition to the Microsoft Office suite of programs, the Office has %Teammate+. This is a sophisticated audit management software which, due to inadequate training and staff changes, has yet to be used. However, it is anticipated that it will be used from 2012.

Staff

The current structure of the office appears in Table 2 below. Of the 25 approved posts (23 technical), as at August 2011 only 10 posts (8 technical) are currently filled, with one post holder on long term study leave, leaving 16 vacancies. Of these, it is hoped to fill at least five posts in early 2012 after the revised structure proposed by the plan has been introduced.

Table 2: Current Staffing Structure



Current Post-holders



Clients

Table 3: Clients of the Office of the Auditor-General

Financial Audit Clients by Sector	Number of Clients	Number of Arrears
Central Government (Consolidation)	1	6
Central Government		
Constitutional Agencies ⁽¹⁾	12	Note ⁽²⁾
Ministries ⁽¹⁾	13	Note ⁽²⁾
Departments ⁽³⁾	48	Note ⁽²⁾
Local Government		
Provincial Councils ⁽³⁾	6	36
Municipal Councils ⁽³⁾	3	14
Statutory Bodies ⁽⁴⁾	13	55
State Owned Enterprises ⁽⁴⁾	9	36
National Councils ⁽⁴⁾	6	42
Educational Institutions ⁽⁴⁾	6	16
	117	201
Other Audits		
Current Investigations	4	5
Current Compliance Audits	22	71
Donor Funded Projects		
	26	76
Overall Total	143	277

Notes:

- (1) See Appendix 1 for 2011 Government Appropriation.
- (2) Only compliance audits have been undertaken to date.
- (3) See Appendix 2 for details of Departments and Local Governments
- (4) See Appendix 3 for details of Statutory Bodies, State-Owned Enterprises, National Councils and Educational Institutions

Audit Products

The Audit Office delivers its value through a range of products. It is anticipated that this range of products will become wider and more sophisticated over time as the demands of organisations develop and as audit skills develop. However, this will be dependent on the provision of increased staffing levels and resources for the Office. The traditional product range has at its core an Audit Opinion, based on verifiable evidence, free from bias. This is currently provided together with basic audit compliance and investigative products.

The Skills Transfer Products will be delivered as part of the interim audit process when the systems underpinning the accounts are subject to review for their effectiveness and for the degree with which they are being complied.

Over the next few years, it is intended to develop both the range and quality of the audit products.

Opinion-Based Products

Audit Report (Management Letter): the traditional Audit Report contains findings, conclusions and recommendations. The findings provide the facts, the conclusions, the reasons to change or not to change and the recommendations set out the specific actions required to secure improvements. The International Organisation of Supreme Audit Institutions (INTOSAI) has developed International Standards for Supreme Audit Institutions (ISSAIs) which, *inter alia*, support this basic Audit Product. This Audit Report (Management Letter) will remain the core Audit Product and provides a valuable and important method of adding value to our range of clients.

General Assessments: Auditors can provide assessments based on a range of work which identifies system strengths and weaknesses and provides a balanced view of the condition of a range of, or all of, internal control systems. This approach can simply draw on a number of Internal Audit reports but it is more likely to draw on all Audit products synthesising the work into powerful messages of particular benefit to senior management. This review may provide evidence for the public report on

internal control in the annual report and, also, assist in the development of %Guidelines of Best Practice+in key areas of government operations.

Development Projects: Internal controls work best if they are built into new systems rather than being bolted on later. Working alongside project teams Auditors can provide advice as a project develops. This can help to ensure not only that the system under development has good internal controls but also that the project itself is well controlled. This may be particularly valuable when the organisation is undertaking fundamental changes. The Audit Product is an opinion and recommendation based upon the auditor's skills, experience and knowledge of the systems. Handled with care, a proactive role during business change should not compromise audit independence and is seen as more constructive than audit post-implementation.

Value-for-Money (VFM) Reviews (Performance Audits): Whilst these are already part of the current audit product, the number and depth of review will be extended. A financial audit reviews the performance of a process, activity or unit against its agreed control objectives, a VFM review goes further and asks whether the particular operation or service could be performed more economically, efficiently or effectively in a different way (e.g. by re-organisation or outsourcing). VFM reviews are particularly common in the public sector as it is essential to identify whether value is being obtained from the expenditure of public money.

Skill Transfer Products

Contribution to Other Review Programmes: Organisations often need to review their position against internal policies or external regulations. This work is often performed by specialist units or external consultants are engaged (e.g. environmental audits, health and safety audits, business process re-engineering reviews and total quality management programmes). The Audit Office can help other review programmes, transferring their working methods and procedures as well as their knowledge of the organisation, its systems, people and activities. Again, this can be done without affecting the Office's independence.

Transfer of Analytical Tools: Audit develops its own analytical tools to assess the performance of internal controls (e.g. computer interrogation programs or risk-assessment models). These tools can then be passed to line managers to help them to assess controls for themselves or to form part of the control system itself.

Control and Risk Self-assessment: This is a recently developed and evolving approach to complement the traditional audit report. The Auditors help line management assess the risks in their part of the business and identify the controls needed to manage those risks. From this self-assessment, managers can generate actions to improve controls. They can also form an opinion on the condition of controls. There are a number of approaches to control and risk self-assessment, including a questionnaire-based method and a workshop-based method.

This second method involves a facilitator (who may or may not be from the Audit Office) helping management to consider control issues and risks. The method chosen will be a function of the culture and size of the organisation concerned.

It should be noted that a control and risk self-assessment system depends on for its success, an honest approach being taken by management operating it and that it is usually accompanied by some amount of audit testing and evaluation.

It is important that, while the Audit Office can help management to introduce control and risk self-assessment, and can facilitate its operation and review its outcomes, it is clearly understood that it is line management's responsibility to own it and operate it.

Corporate Goals

Introduction

This section of the Corporate Plan indicates the various corporate goals which the Office of the Auditor-General will be striving towards in the next five years.

The following section . Strategic Initiatives . indicates how these goals will be put into practice together with the risks and challenges which will have to be met and the milestones at which to aim.

Staffing and Logistical Goals

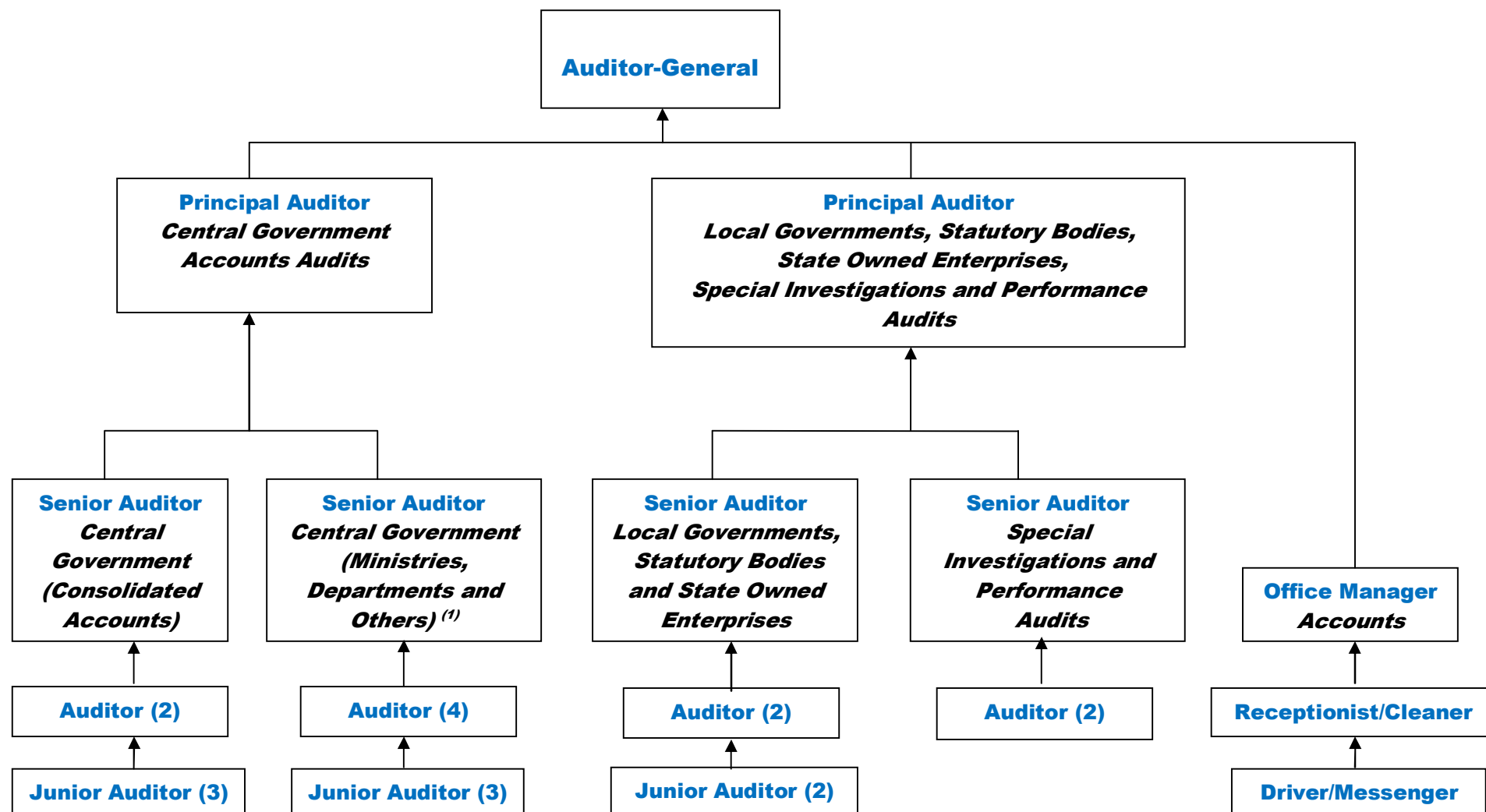
Underpinning any developments in the Audit Office is the need for fully effective staff armed with the resources to do the job.

In terms of staff numbers, the current approved professional workforce of 25 is adequate for all foreseeable future needs. However, as the work undertaken by auditors becomes more sophisticated than the traditional; pick and turn+ work, those staff must be better educated, trained and rewarded.

Goal 1: Structure of Audit Office

Restructure the Audit Office to provide for more senior and less junior audit posts. See Table 4 below.

Table 4: Structure for Audit Office



⁽¹⁾ **Constitutional Agencies;
Educational Institutions, Hospitals, Health Centres and Donor Funded Projects**

Goal 2: Quality of Audit Staff

Recruit staff of suitable academic standards who can be trained to be effective auditors. When considering recruitment, the following factors should also be considered:

- **Intelligence:** if an auditor is to acquire the wide-ranging skills and techniques necessary to his profession, he must undoubtedly possess a sound intellect which needs to be balanced with a high degree of common sense;
- **Tenacity:** this is a very important quality but one which must be tempered with sound judgment, knowing when to stop;
- **An Inquiring Mind:** an inquisitive nature, combined with a tendency not to accept information at face value without challenge are vital qualities for an auditor;
- **Imagination:** especially with regard to value-for-money auditing. Staff should be selected who can demonstrate a creative and innovative attitude;
- **Good Behavioural Qualities:** an auditor should have the ability to get on well with his colleagues and those with whom he comes into contact through his work;
- **Commitment:** auditors should be self-motivated; when recruiting staff they should show a positive attitude to the objectives of auditing; and
- **Good Character:** it goes without saying that an auditor should have an impeccable character.

In the short term, overseas recruitment through the AusAID Governance for Growth Program will be considered.

Goal 3: Staff Retention

In addition to the goal of recruiting good quality staff a further goal is that of retaining them.

If the proposed National Audit Office Act is passed, the Auditor-General will have greater flexibility in staff salary payments . including payments for appropriate qualifications.

This, together with a personal training and development plan, will, hopefully, help retain staff.

The staff turnover ratio will be used as measure to determine the success or otherwise of this goal.

Goal 4: Development of Training Programme

Each post within the Audit office will have a detailed job description which will, *inter alia*, contain the **Unit of Competence** which a person should have to hold that post.

There will also be a training matrix detailing the qualifications held by every member of staff together with **Individual Training Plans**.

These will be the basis for a detailed Training Needs Assessment which will, in turn, form the basis of the long term **Training Programme** for the Office.

This will include on-the-job training; in-house training; in-country training and training and attachments overseas.

A start has been made in this area with draft Units of Competence developed for the office together with a Training Needs Assessment (TNA) incorporating provisional Individual Training Plans (ITP).

Goal 5: Logistical Support

The staff of the Office of the Auditor-General needs logistical support in carrying out their functions. The prime area of support required being in the field of Information Technology (IT).

At present the Office is connected to the Ministry of Finance and Economic Management (MFEM) intranet. However, for both security reasons and to ensure up to date versions of software, the Office intends developing its own Local Area Network (LAN).

The first step is for a detailed specification for the Audit Office computer systems requirements to be prepared. This will identify the whole range of audit and allied tasks to be performed including:

- database of audit clients showing all the background data, plus information gathered during audits, audit queries, responses, copies of reports, etc.;
- audit staff linked to audit plan;
- audit templates;
- audit reports produced;
- all documentation on systems; and
- Office web site.

Every member of staff should have a desktop/laptop computer connected to the Office LAN with, if necessary, additional laptop computers for use during field audits.

In addition, to the standard Microsoft Office suite of programs, there needs to be three other software packages:

- **Audit Management:** the existing Teammate program should be able to fulfill this role although it is likely that spending will be required on new licences and, possibly, training;
- **Document Management:** purchase of a suitable program for this; possibly DocOne as used by the Audit New Zealand or the equivalent for a smaller scale audit office; and
- **Audit Interrogation:** such as IDEA from CaseWare International should be purchased.

Staff will require detailed training in each of the new systems.

It is also important to note that the Government of Vanuatu are currently undertaking a significant e-gov project of which the Audit Office has participated. We will be working closely with government officers to ensure the current needs of the Office are met while still keeping in mind our five year focus. Maintaining a high level of confidentiality and security is of the utmost importance.

Goal 6: Provision of Audit Premises

As indicated above, the present audit office space is likely to prove inadequate when the Office is fully manned. Also, if the Audit Office becomes a body corporate, separate from the main ministerial structure it will need its own premises.

Thus, the goal here is for the Office of the Auditor-General to be provided with fully equipped premises of its own which is of adequate size for all current and future needs.

Aid donors are providing for new buildings within Vanuatu and for new audit offices elsewhere and could be approached to fund the new audit office, furniture and equipment.

Executive Services Goals

The goals contained in this section are those related to aspects of Audit Management. In a relatively small audit office, these are primarily the responsibility of the Auditor-General himself.

Goal 7: Audit Planning





For effective auditing to take place, it must take place within the context of an audit plan.

The goal here is to develop an effective long term Strategic Audit Plan and to keep it updated. This will typically be a five-year rolling plan.

From this Strategic Plan will emerge the Annual Audit Plan, the part of the Strategic Plan which will be undertaken during the audit of the current year's financial statements.

Goal 8: Report Preparation

The various reports from the Audit Office define its effectiveness. These will include:

-  **Financial/Certification Reports:** these are reports on the financial statements produced by the various clients together with a signed certificate. These go to Parliament;
-  **Compliance Reports:** these are reports on whether the various laws and systems have been complied with during the operation undertaken by the clients. These usually go to management;
-  **Value-for-Money (Performance Audit) Reports:** reports as to whether the service or operations is being provided with due regard to economy, efficiency and effectiveness. Again, these are usually for management;
-  **Annual Report:** on the performance of the Audit Office; both in term of audit work undertaken and its own audited financial statements. This will go to Parliament.

The ISSAI provide guidance on the contents of reports and recommend that, as far as possible, a similar format is used for the main audit reports. This format should be based around a ~~house-style~~ house-style.

The goal here is to develop *pro forma* reports which meet the needs of the recipients for use by all audit staff. These will be available on the central server of the Office's LAN.

Goal 9: Public Relations and Communications (Audit Awareness)

This area was identified as one requiring attention in the 2008 European Commission (EC) report . *“Needs Assessment Technical Assistance (TA) – Vanuatu Auditor-General Office”*.

The goal here is that all stakeholders are aware of the role of the Office of the Auditor-General that should play in good governance, transparency and accountability and how the Office will be developing over the next few years.

The first stage will be the developing of a detailed Stakeholder map to identify all stakeholders. A preliminary version of this appears in table 5 below:

Table 5: Stakeholder Mapping

Stakeholder	Interests	Influence	Level of Interest	Response Strategy
Citizens of Vanuatu	Good Governance; absence of waste; absence of fraud	L	M	Change law to enable direct reporting (see Goal 19)
Public Accounts Committee (PAC)	Good Governance; Systems Assurance; Avoidance of waste and absence of material fraud.	H	H	Work closely with PAC to ensure effective implementation of audit recommendations.
Parliament of Vanuatu	Good Governance; Systems Assurance; Avoidance of waste and absence of material fraud through reports of the PAC.	H	M	Assist PAC to produce appropriate reports for Parliament

Clients (including the Government of Vanuatu)	Systems Assurance; Audit Certificate on accounts; Good Corporate Image exhibited by auditors as they interface with clients.	H	H	Provide timely and quality service
Donors	Good Governance Use of Donor Funds	H	H	Keep informed and satisfied

H = High; M = Medium; L = Low

This goal will also include making a presentation to the Public Accounts Committee to explain what information the Auditor-General will be reporting to them and the action they should be taking on that information.

There will be a conference or seminar for all client organisations to ensure that they are aware of the powers that the Auditor-General has and how those powers are going to be used in the forthcoming years.

The Auditor-General will prepare a press release and hold a press conference at a suitable time to advise the general public of the existence of his Office and to ask for their assistance in identifying fraud and waste in public expenditure. This use of television and/or radio as part of this process would be very useful.

In addition to the External Communications Strategy, it will be necessary to develop a suitable Internal Communications Strategy as the size of the Office grows.

Goal 10: Library, Research and Information Material

The provision of an Office Library where non on-line research can take place is an important goal.

In addition to its own reports, the Office library will contain reports from other audit offices in the region.

Other prime sources of material will be from INTOSAI, PASAI and professional accounting and auditing organisations.

Professional Services Goals

The goals contained in this section are those related to the Professional Services which the Office of the Auditor-General provides.

Goal 11: Professional Standards

This goal calls upon the Office to establish an effective framework for the adoption of professional standards that correspond to the demands and expectations of stakeholders.

The goal shall be achieved by means of develop accountability and transparency principles; review and restructure the current arrangements of service delivery; and develop effective working partnerships with other key stakeholders.

These standards shall be in accordance with those laid down by INTOSAI in its Lima and Mexico Declarations (ISSAI 1 and 10).

Goal 12: Capacity Building

This goal focuses on institutional capacity-building activities of direct relevance to the majority of the stakeholders.

This goal will be achieved through a combination of the Staffing and Logistical Goals with the Professional Services goals.

Goal 13: Certification Audit

To ensure that all financial statements for which the Auditor-General is responsible are comprehensively audited in a timely manner within the time frame established by law.

Achievement of this goal will be evidenced in the Annual Report.

Goal 14: Compliance Audit

To ensure audit reports are issued for each Compliance audit undertaken and that these contain details of the findings and recommendations to primary accounting systems, internal controls and disclosures in their financial statements.

Achievement of this goal will be evidenced in the Annual Report.

Goal 15: Performance Audit

To complete Performance Audits and Special Reviews in high risk areas and Forensic and Fraud Investigations in areas of waste, misappropriation and mismanagement.

The goal here will be achieved by the completion and issue of a Performance Audit Report followed by action by organisation being reported on.

Goal 16: Special Investigations

To undertake a wide range of Special Investigations on matters arising from audit work, requests by clients or by the government or PAC.

The goal here will be achieved by the completion and issue of a Special Investigation Reports followed by action on the topic investigated.

Monitoring and Evaluation Goals

These goals cover both monitoring and evaluation **within** the Audit Office as well as monitoring and evaluation **of** the Audit Office. There is a need to develop Key Performance Indicators (KPI) in both areas.

Goal 17: Internal Quality Control

External Quality Control should be built into the legislation and is dealt with below. However, it is also important that there be a mechanism for Internal Quality Control (IQC).

The goal here is to ensure that verifiable IQC is built into the supervisory and review systems which govern each audit.

At its simplest this will be the Principal Auditors reviewing the work of the Senior Auditors prior to reports being submitted to the Auditor-General.

The Auditor-General will also perform an Internal Quality Control check, which will give the two layers of internal quality control checking expected in any Supreme Audit Institution. Table 6 below indicates some of the IQC areas which will be considered when developing the mechanism to achieve this goal.

Table 6: Possible Measures for Internal Quality Control

Type of KPI	Description
Quality	Customer Satisfaction Surveys following each assignment or the results of structured interviews with senior management.
Quality	Marking working papers against set standards.
Recommendations	Recommendations Made v those Accepted (%)
Time	Total Time Taken for an assignment v Time Allocated.
Time	Productive Time v Total Available (%)
Time	Days between the Closing Meeting/Issue of Draft Report and issue of Final Report.
Time	Reports produced within Target Time-scale (%)
Time	Productive Time: Actual v Planned (%)
Cost	Cost of each Individual Audit
Cost	Total Audit Costs: Budget v Out-turn
Cost	Average Cost per Productive Audit Day (v Planned)
Staff	Staff in Post v those Required
Staff	Skill Levels v those Required
Staff	Ratio of Trainees to Total Staff (%)
Staff	Staff Turnover Rate

Goal 18: External Quality Control

This area should be covered by legislation which should lay down when and to whom the Auditor-General should report on the operation of the Audit Office. It should also cover the accounting for and auditing of audit revenue and expenditure.

This oversight is usually the responsibility of the Public Accounts Committee (PAC) and this goal will be achieved if the relevant section of the draft National Audit Office act is enacted in full.

External Quality Control can also be exercised through PASAI by way of inter-SAI peer reviews.

Table 7 below indicates some of the areas which the PAC can consider when implementing the mechanism to achieve this goal.

Table 7: Possible Measures for External Quality Control

Type of KPI	Description
Plans	Progress against strategic or annual plan (% completed)
Plans	Number of Audits completed (compared with plan)
Quality	Results of third party review (e.g. peer review via PASAI)

Legislative and Administrative Framework Goals

These goals cover the Legislative and Administrative Frameworks within which the Office of the Auditor-General will operate. The present elements are either outdated or non-existent and will need development.

Goal 19: National Audit Office Act

The current audit legislation is outdated and needs replacing. Changes are required both to the Constitution and the Expenditure Review and Audit Act

1998 [CAP.241] (Act 3/98) as amended in 2000 (36/2000). The detailed requirements appear in the **Legislative Framework Report**.

INTOSAI's Lima Declaration (ISSAI 1) indicates areas relating to the SAI which should form part of the **Constitution**. These areas are:

- **Appointment:** how the Auditor-General is appointed;
- **Functions:** his full range of functions;
- **Powers:** his basic auditing powers;
- **Reporting:** *"The Supreme Audit Institution shall be empowered and required by the Constitution to report annually and independently to Parliament or other competent public body on its findings; this report shall be published";*
- **Independence:** the Constitution currently states that the Auditor-General is not subject to direction or control. The Lima Declaration goes slightly further requiring *"adequate legal protection by a supreme court"; and*
- **Relationship with Parliament:** the Lima Declaration states that *the relationship between the Supreme Audit Institution and Parliament shall be laid down by the Constitution."*

There should be a new audit law . the **National Audit Office Act** . which should be:

"An Act to ensure improved governance and greater government accountability for the receipt, disbursement and control of public moneys, to promote greater economy, efficiency and effectiveness in the use of such moneys by conferring independent corporate status on the Office of the Auditor-General; to strengthening the role of the Auditor-General; to repeal and replace the Expenditure Review and Audit Act; and to strengthen Parliamentary oversight of the work of the Office of the Auditor-General through an enhanced role for the Public Audit Committee."

The new law should have sections covering, *inter alia*:

- **The Auditor-General and the Office of the Auditor-General:** the establishment, objectives, functions and authority of the Office; the appointment, powers, independence and conditions of service for the Auditor-General;
- **Appointments to the Office of the Auditor-General (Staff):** the hiring and conditions of service of Audit Office staff and contractors;
- **Auditing and Reporting:** areas to be audited and reporting processes;
- **Auditing Standards and Access to Information:** standards to be followed rights of access to premises, information and explanations;
- **Financial and Other Provisions:** funding and application of funds for the Audit Office; and
- **Accountability of the Office of the Auditor-General:** planning and budgeting of the audit office; oversight by the PAC and independent audit of the Audit Office accounts.

Goal 20: Audit Manual

The Audit Office requires an Audit Manual to help train and guide all audit staff in the undertaking of their duties.

A draft Audit Manual has been prepared and, once field-tested, it will be finalised and staff will be trained in its contents and usage.

Goal 21: Operational Guidelines and Checklists

Whilst the Audit Manual is a mixture of theory and practical advice, the Operational Guidelines and Checklists are specific audit programmes or check lists on how to do planning, reporting or undertake a particular audit.

Their use, in conjunction with the Manual, will help achieve the other goals of enhancing the quality of the audit work.

Summary of Goals

There are thus 20 Goals which this plans seeks to achieve:

- **Staffing and Logistical Goals:**

- ✚ **Goal 1:** Structure of the Audit Office;
- ✚ **Goal 2:** Quality of the Audit Staff;
- ✚ **Goal 3:** Staff Retention;
- ✚ **Goal 4:** Development of Training Programme;
- ✚ **Goal 5:** Logistical Support;
- ✚ **Goal 6:** Provision of Audit Premises;



- **Executive Service Goals:**

- ✚ **Goal 7:** Audit Planning;
- ✚ **Goal 8:** Report Preparation;
- ✚ **Goal 9:** Public Relations and Communications (Audit Awareness);
- ✚ **Goal 10:** Library, Research and Information Material;




- **Professional Services Goals:**

- ✚ **Goal 11:** Professional Standards;
- ✚ **Goal 12:** Capacity Building;
- ✚ **Goal 13:** Certification Audit;
- ✚ **Goal 14:** Compliance Audit;
- ✚ **Goal 15:** Performance Audit;
- ✚ **Goal 16:** Special Investigations;

- **Monitoring and Evaluation Goals:**

-  **Goal 17:** Internal Quality Control;
-  **Goal 18:** External Quality Control;

- **Legislative and Administrative Framework Goals:**

-  **Goal 19:** National Audit Office Act;
-  **Goal 20:** Audit Manual; and
-  **Goal 21:** Operational Guidelines and Checklists.

The Strategic Initiative to achieve these goals appears in the next section of the plan.

Strategic Initiatives

Each of the above goals appears in the Implementation Matrix table below. This table contains the following columns:

- **Goal Reference Number:** for each of the 21 goals;
- **Goal:** the title of the goal;
- **Activities/Strategies:** to achieve the goal;
- **Verifiable Output:** proof that the goal has been achieved;
- **Risks:** to prevent the goal being achieved;
- **Response to Risk:** steps to be taken to minimize risk;
- **Milestones:** target dates for achieving the goals;
- **Costs:** indicative costs; and
- **External Technical Assistance:** required donor assistance.

Implementation Matrix

#	Goal	Activities/ Strategies	Verifiable Output	Risks	Response to Risk	Milestones	Cost	External Technical Assistance
1	Structure of the Audit Office	Draft new Structure and submit to PAC/PSC	New Structure agreed	PAC/PSC will fail to approve new structure	National Audit Office Law gives this power to A-G	In place by 1 July 2012	To be calculated	Minimal advice in structure of Office
2	Quality of the Audit Staff	Recruit good quality staff; train existing staff	Improved quality of work (see goals 17 and 18)	Inability to find suitable staff	More emphasis on in-house training	Ongoing but senior staff in place by 1 July 2012	Nil	Assistance in staff selection and training
3	Staff Retention	Retain staff by offering good terms and conditions of service	Reduced staff turnover ration	Inability to retain staff	Ensure that training and work undertaken are an attractive package	Reduction of staff turnover ratio year on year over the plan period	Nil	Minimal advice on terms and conditions of service
4	Development of Training Programme	Finalise Training Matrix and Competency-based Job Descriptions	Training Programme	Lack of funding for all required training	Prioritise training needs	In place by 1 January 2012	Cost of each course will vary.	Ongoing in-house training; funding of overseas courses and attachments

#	Goal	Activities/ Strategies	Verifiable Output	Risks	Response to Risk	Milestones	Cost	External Technical Assistance
5	Logistical Support	Buy new furniture etc. and IT software	Work place for every employee; IT software for audit management and interrogation	Lack of funding. Lack of skills to use software	Prioritise spending; training on IT usage	Furniture as required; LAN and Audit Management software (2012); Audit Interrogation software (2014)	Furniture etc. (VT2.5m); IT equipment to be calculated.	Funding of IT hardware, software and training of staff in its use. Development of website.
6	Provision of Audit Premises	Provide the OAG with self-contained premises	New Office	Insufficient government funding	Seek aid donor assistance	In place by 1 January 2013	Substantial - but saving on office premises currently provided	Donor funding for new building and equipment.
7	Audit Planning	Develop a five year Strategic Audit Plan and Annual Audit Plan	Plans in place	Nil	N/A	Plan ready for 1 January 2012	Nil	Draft plan prepared by EAA. Further assistance as required for updating.
8	Report Preparation	Develop <i>pro forma</i> reports for staff to use	Reports being produced in new format	Nil	N/a	Reporting formats used from 1 January 2012	Nil	Report formats drafted by and staff trained by EAA

#	Goal	Activities/ Strategies	Verifiable Output	Risks	Response to Risk	Milestones	Cost	External Technical Assistance
9	Public Relations and Communications (Audit Awareness)	Prepare Stakeholder Map; Brief PAC and other clients; brief press and public	Stakeholder Map; meetings with PAC and clients	Failure to understand the role of the Audit Office	Ensure briefings are clear and simple	As soon as possible after Corporate Plan is finalised.	Limited; for seminars; copies of Corporate Plan	Assistance as required.
10	Library, Research and Information Material	Providing source material for auditors to use.	An area of the Audit Office where written material is accessible; identification of key websites	Inability to obtain required material	Develop, maintain good relations with other PASAI countries	Library area started by 1 January 2012; websites identified	Minimal; copying of documents	Provide details of written material and websites.
11	Professional Standards	Ensure that all audit work is undertaken to INTOSAI standards	Improved quality of work (see goals 17 and 18)	Staff do not follow standards	More detailed training	Improvement in professional standards over plan period	Nil	Training course on standards run; updates as required.
12	Capacity Building	A combination of activities aimed at enhancing the overall performance of the OAG	Improved quality of work (see goals 17 and 18)	Improvement is not in accordance with expectations	Review quality of staff and staff training; adjust as required	Improvement in professional standards over plan period	Nil	Overall aim of External Technical Assistance; ongoing training by Senior Auditor.

#	Goal	Activities/ Strategies	Verifiable Output	Risks	Response to Risk	Milestones	Cost	External Technical Assistance
13	Certification Audit	The A-G's certificate on annual financial statements within legal time-frame	Report on accounts containing certificate	Failure of clients to provide accounts; inability of staff to undertake audit work in time	Development of audit plans covering interim and final accounts audits and training of staff to work with those plans	Full certification audit for 2010 accounts onwards	Nil	On-the-job training by the Senior Auditor; specialist assistance as required.
14	Compliance Audit	Reports to management on the extent to which they have followed legislation and rules	Reports to management numbers in accordance with audit plan	Lack of co- operation from clients and of audit skills from audit staff	Stakeholder meeting to gain client confidence; training to ensure audit staff can undertake the necessary work	Increasing numbers of compliance audits over the plan period.	Nil	On-the-job training by the Senior Auditor; specialist assistance as required.
15	Performance Audit	Reports to management on the extent to which their systems provide value-for- money in service delivery	Performance audit reports to management in accordance with numbers in audit plan	Lack of co- operation from clients and of audit skills from audit staff	Stakeholder meeting to gain client confidence; training to ensure audit staff can undertake the necessary work	Increasing numbers of compliance audits over the plan period.	Nil	Specialist assistance as required from, for example, PASAI.

#	Goal	Activities/ Strategies	Verifiable Output	Risks	Response to Risk	Milestones	Cost	External Technical Assistance
16	Special Investigation	Reports on findings of investigation to instigating client.	Reports to clients as requested.	Failure to act on recommendations.	Include in reports to PAC	For all investigations from 1 January 2012	Nil	On-the-job training by the Senior Auditor; specialist assistance as required.
17	Internal Quality Control	Develop supervisory and review systems for every audit	Audit Working papers indicating that IQC has taken place	Failure to implement IQC	Training of senior management	For all audits from 2012 onwards	Nil	Assistance to develop IQC framework and training course
18	External Quality Control	Develop supervisory mechanism for OAG	Reports of independent reviewer	PAC fails to appoint suitable reviewer	Educate PAC on the importance of ensuring that the OAG is fully functional	Review for 2012 onwards (assuming new NAO Act in place (see goal 19)	Cost of Audit of OAG accounts	Use of PASAI to develop inter-SAI peer reviews.
19	National Audit Office Act	Draft a new law to govern the operation of the OAG	Draft Law prepared and enacted	Parliament fails to pass law	Educate Parliament on the need for a new law	Law to be passed during 2012 and come into effect 1 January 2013	Nil	Draft law provided by EAA to A-G; to be further refined as required.

#	Goal	Activities/ Strategies	Verifiable Output	Risks	Response to Risk	Milestones	Cost	External Technical Assistance
20	Audit Manual	Develop an Audit Manual for the OAG in accordance with ISSAIs	Existence of manual	Nil	N/a	Available from 1 January 2012	Printing costs	Draft Manual provided by EAA to A-G; to be further refined as required.
21	Operational Guidelines	Determine areas where guidelines required and draft them	Existence of Guidelines . proposed and actual	Guidelines not produced for key areas	Attempt to identify all guidelines required	Initial guidelines in place by 1 January 2012		Draft Guidelines provided by EAA to A-G; to be further refined as required.

External Technical Assistance

The Implementation Matrix above indicates where Technical Assistance may be required to implement the specific Corporate Planning goals. This section of the Plan briefly summarises area where External Technical Assistance may be required.

The European Commission report . Needs Assessment . Vanuatu Audit Office of 2008 indicated the areas where External Technical Assistance was considered necessary. This will be updated in the Final Report of the current External Audit Adviser (Mr. Martin Grimwood; former Auditor-General of Tuvalu) which will be compiled in November 2011.

The points raised in the 2008, together with initial proposal of the 2011 Report, are summarised below;

- **Adviser to the Auditor-General:** the 2008 report recommended support for five years in this area. An initial 6 months of support (spread over the period August 2010 to November 2011), by means of the External Audit Adviser, has been provided. A continuation of such support will be necessary over the plan period;
- **In-line Auditors:** again, the 2008 report recommended support for five years funded through an EC administrative grant. No support has yet been provided through the EC. However, the A-G has obtained the services of a Senior Auditor under the AusAID Governance for Growth Program for a period of, initially, one year. Again, support, ideally of two people, is likely to be required for the plan period;
- **Short Term Experts:** the 2008 report recommended 2 ½ man-years of specialist technical assistance. Whilst not necessarily agreeing with the areas cited in the report, it is clear that such TA would be essential in areas such as IT over the plan period;
- **Training and Scholarships:** again, without agreeing the areas specified in the report, there is a definite need for overseas training and attachments for which donor funding would be required. PASAI

offers regional training activities which are currently funded through AusAID, the ADB and the World Bank.

- **Equipment:** the Office will require additional equipment as more staff are recruited and if a move is made to a new building. The development of an in-house LAN will require IT equipment including items such as desk-top and laptop computers for audit field work; and
- **Audit Office Building:** aid donors are currently funding new office building in Vanuatu (for the passport office) and for a very large new Audit Office in Sierra Leone. The government should provide a suitable piece of land and the donor community sensitised to the importance of the role of the Audit Office in the governance process with a view to getting new office accommodation for the OAG.

Summary

This first Corporate Plan for the Vanuatu Office of the Auditor-General is the key document for the development and building of capacity within my Office.

Without such development, it will not be possible for me to fulfill my mandate and provide the independent review necessary to ensure good governance through the transparency of government activities and its accountability to the people of Vanuatu.

John Path
Auditor-General

August 2011

Appendix 1: Central Government Appropriation

GROUP	AGENCIES	BUDGET 2011
Constitutional Agencies	President of the Republic	42,169,407
	Parliament	465,555,813
	Judiciary	194,088,884
	Malvatumauri National Council of Chiefs	32,463,915
	National Audit Office	33,050,534
	Ombudsman	51,960,931
	Public Prosecutor	39,097,082
	Public Solicitor	43,864,444
	Public Services Commission	99,608,242
	State Law Office (Attorney General)	93,629,409
	Citizenship Commission	4,117,321
	Judicial Services Commission	889,186
	TOTAL	1,100,495,158
Ministries	Prime Minister	197,846,817
	Agriculture, Quarantine, Forestry and Fisheries	475,547,367
	Trade, Commerce, Industry and Tourism	305,911,939
	Co-operatives and Ni-Vanuatu Businesses	110,501,476
	Education	3,763,578,157
	Finance and Economic Management	3,696,195,678
	Foreign Affairs	309,879,139
	Health	1,596,058,054
	Infrastructure and Public Utility	1,412,465,090
	Internal Affairs	1,384,069,889
	Lands, Geology and Mines	310,452,817
	Justice and Social Welfare	302,555,953
	Youth Development and Training	146,667,580
	TOTAL	10,618,409,988

GROUP	AGENCIES	BUDGET 2011
Grants	Vanuatu Tourism Office	139,989,780
	Vanuatu Agricultural Research & Training Centre	44,356,558
	Vanuatu Broadcasting & Television Corporation	60,193,317
	Vanuatu Cultural Centre	26,291,633
	Chamber of Commerce & Industry	25,000,000
	USP and SPBCEA	146,200,000
	Vanuatu Maritime Administration	40,171,837
	Vanuatu Maritime College	41,255,243
	Vanuatu Agricultural College	82,800,392
	Vanuatu Agricultural Development Bank	100,000,000
	Vanuatu Investment Promotion Authority	38,668,264
	Airports Vanuatu Limited	25,000,000
	TOTAL	769,927,024
Public Funds	Land Compensation (MFEM)	200,000,000
	Public Debt (MFEM)	1,393,000,000
	Grants to Provinces (MOIA)	254,513,162
	Grants to Municipalities (MOIA)	10,000,000
	Court House (MFEM)	75,000,000
	Additional Cost DPM (MFEM)	5,000,000
	Natural Disaster and Emergency (MFEM)	25,000,000
	Former Leaders Payment (MFEM)	5,000,000
	TOTAL	2,560,377,941
	TOTAL GOVERNMENT APPROPRIATION	15,112,225,124

Appendix 2: Other Commissions, Departments and Local Governments

GROUP	CLIENT
Other Commissions	
	Teaching Services Commission
	Police Services Commission
	Electoral Commission
Central Government Departments	
<i>Prime Minister's Office</i>	Strategic Policy Planning & Aid Coordination
	Language Services
<i>Ministry of Agriculture, Quarantine, Forestry and Fisheries</i>	Agriculture
	Quarantine
	Forestry
	Fisheries
<i>Ministry of Trade, Commerce, Industry and Tourism</i>	Trade
	Industry
	Tourism
<i>Ministry of Co-operative & Ni-Vanuatu Business</i>	Co-operative
<i>Ministry of Education</i>	Education
	Policy and Planning
	Administration and Finance
<i>Ministry of Finance and Economic Management</i>	Finance and Treasury
	Customs and Inland Revenue
	Economic and Sector Planning
	Statistics

GROUP	CLIENT
<i>Ministry of Foreign Affairs & External Trade</i>	Foreign Affairs
	External Trade
	Embassy in Beijing China
	Embassy in Brussels Belgium
	Embassy in New York USA
	High Commission in Suva Fiji
<i>Ministry of Health</i>	Public Health
	Northern Province
	Southern Province
<i>Ministry of Infrastructure & Public Utility</i>	Public Works
	Ports and Marine
	Meteorology
	Civil Aviation
<i>Ministry of Internal Affairs</i>	Local Governments
	Labour
	Electoral
	Civil Status
	Passport
	Police
	Immigration
	National Disaster Management Office
<i>Ministry of Lands, Geology & Mines</i>	Lands
	Corporate Services
	Geology and Mines
	Environment
	Energy
<i>Ministry of Justice & Community Services</i>	Women's Affairs
	Correctional Services
	Valuer-General
	Customary Lands Tribunal

GROUP	CLIENT
<i>Ministry of Youth Development & Training</i>	Youth and Sports
Local Governments	Municipality of Luganville
	Municipality of Port Vila
	Municipality of Lenakel
	Torba Provincial Council
	Sanma Provincial Council
	Penama Provincial Council
	Malampa Provincial Council
	Shefa Provincial Council
	Tafea Provincial Council

Appendix 3: Other Audit Clients

GROUP	CLIENT
Statutory Bodies	
	Vanuatu Financial Services Commission
	Vanuatu Tourism Office
	Asset Management Unit
	Utilities Regulatory Authority
	Vanuatu Commodities Marketing Board
	Chamber of Commerce and Industry - Port Vila
	Vanuatu Broadcasting and Television Corporation
	Vanuatu National Housing Corporation
	Vanuatu National Provident Fund
	Reserve Bank of Vanuatu
	National Bank of Vanuatu
	Vanuatu Agriculture Development Bank
State-Owned Enterprises	
	Vanuatu Coconut Products Limited
	Airports Vanuatu Limited
	Air Vanuatu (Operations) Limited
	Vanuatu Post Limited
	Provincial Kava Authority Limited
	Metenesel Estates Limited
	Vanuatu Livestock Development Limited
	Northern Islands Stevedoring Company Limited
	Ifira Wharf and Stevedoring Limited (1994)
National Councils	
	Vanuatu Law Reform Council
	Vanuatu National Training Council
	Vanuatu National Cultural Council
	Vanuatu National Sports Council
	Vanuatu Nursing Council
	Vanuatu National Council of Women
Educational Institutions	

GROUP	CLIENT
	Vanuatu Institute of Technology
	Vanuatu Institute of Teachers Education
	Vanuatu Agriculture College
	Vanuatu Maritime College Limited
	Vanuatu Police Training College
	Vanuatu Nursing College