Acronyms

ADB	Asian Development Bank
AFROSAI	African Supreme Audit Institutions
A-G	Auditor-General
CA	Certified Accountant
CBPMS	Competency-Based Performance Management System
CPA	Certified Public Accountant
CSU	Corporate Support Unit
DAG	Deputy Auditor-General
DFAT	Australia Department of Foreign Affairs and Trade
DPM	Deputy Prime Minister
EAA	External Audit Adviser
ERAA	Expenditure Review and Audit Act
EC	European Commission
GFG	Governance for Growth
iCAT	ISSAI Financial Audit Compliance Assessment Tool
INTOSAI	International Organisation of Supreme Audit Institutions
IPA	Institute of Public Accountants - Australia
IQC	Internal Quality Control
ISSAI	International Standards for Supreme Audit Institutions
IT	Information Technology
GFG	Governance for Growth
FMIS	Financial Management Information System
HRIS	Human Resource Information System
HRM	Human Resource Management
HRD	Human Resource Development
KPI	Key Performance Indicator
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
MFEM	Ministry of Finance and Economic Management
MOIA	Ministry of Internal Affairs
NSDP	National Sustainable Development Plan
OAG	Office of the Auditor-General
PAC	Public Accounts Committee
PASAI	Pacific Association of Supreme Audit Institutions
PEFA	Public Expenditures and Financial Accountability
PESA	Professional Education for SAI Auditors
PFMR	Public Finance Management Reform
PMF	Performance Management Framework
PSE	Post-Secondary Education
PSC	Public Service Commission
QA	Quality Assurance
QC	Quality Control
SAI	Supreme Audit Institution
SDG	Sustainable Development Goals
TA	Technical Assistance
TNA	Training Needs Assessment
USP	University of the South Pacific
VNAO	Vanuatu National Audit Office
VRS	Vanuatu Recovery Strategy

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Introduction

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 citizens[1]. The National Audit Office aims to contribute to realising 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 Vanuatu[2].

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 in the public sector.

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 organisations 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.

The 2022-2026 Corporate Plan for the VNAO is fully aligned with the goals of the Vanuatu National Strategic Development Plan (NSDP) and follows the standards and guidelines set by the International Association of Supreme Audit Institutions. A 5-year Strategic Audit Plan, Annual Audit plans, HR Strategy and budgets were also developed to support this plan.

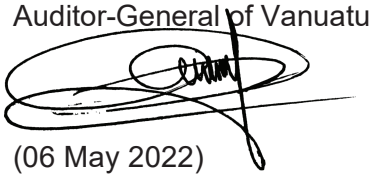
Our Statutory Annual Report to Parliament will detail the progress achieved both in this plan and the Operational Plans. In addition, the Office will produce a range of other reports during the 2022-2026 period, following the Monitoring and Evaluation Framework for the Plan.

This strategic plan presents the vision, mission, core values and competencies of the VNAO, along with our roadmap for the next 5 years which is a critical stage in the development of both our Office and the country as a whole. Our 6 strategic goals include:

1: Strengthen VNAO mandate and independence
2: Strengthen Internal Governance & Ethics
3: Strengthen Audit Coverage, Quality, Timing & Impact
4: Strengthen VNAO structure, capacity and resources
5. Strengthen Human Resources
6: Strengthen stakeholder communication

We thank all the stakeholders for providing their input and feedback in the development of this Plan and Dr. Astrid Kersten of HCDI and its staff for technical support.

Caleb Sandy
Auditor-General of Vanuatu



(06 May 2022)

1. Strategic Plan

1.1 Overview

The Strategic Plan of the Vanuatu National Audit Office (VNAO), also called the Office of the Auditor-General (OAG), describes the vision, mission, and goals that shape our work and the values that underpin that work. All components of the plan - our vision, our mission, our goals, and our activities are aligned with the SDGs, the Vanuatu's People's Plan, Society Pillar 6, the Vanuatu Public Management Reform Roadmap, and the Performance Management Framework for Supreme Audit Institutions (SAI PMF).

The focus of our work is to promote ***"good governance"*** through improving transparency, accountability and efficiency in managing and using public resources. By ensuring good governance the National Audit Office supports Vanuatu's development aspirations for "a peaceful, just and inclusive society supported by responsive and capable state institutions delivering quality public services to all citizens"[3].

In this overview section, we share the key components of our plan, what we have accomplished over the past 5 years, and what we aim to accomplish in the next 5 years. The rest of the document will provide the detailed context and background that shaped this plan.

Our Vision

Our vision is to make 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

Our mission is 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 *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 *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 Core Values

Our core values and competencies guide the individual and collective choices and behaviours of the Office. Our values include integrity, independence, professionalism, and transparency. We have added Teamwork as a core value, because, like the other values, it too forms the foundation of our culture, shapes decision-making and professional conduct, and determines 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 to be effective, it must have the public's confidence. To grow and to value this confidence, we are open in our work and communicate our audit results in a transparent manner.

Team Work All our audits are carried out by collaborative audit teams. This team structure adds strength through combining experience and expertise, and ensures quality, integrity and transparency.

Our Competencies

In order to effectively carry out the work of the VNAO, the Office adopted a Competency-Based Performance Management System (CBPMS) at the start of the previous plan, modelled on INTOSAI standards and consisting of 4 cross-cutting 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.

The competencies form the basis for performance management at the VNAO, including job design, performance assessment and human resource development. For the new plan, the CBPMS has been expanded to include the latest INTOSAI standards[4], consisting of 3 sets of audit competencies, corresponding to the different kinds of audits carried out by the VNAO – financial, compliance and performance audits.

Our Strategic Goals

The VNAO will pursue 6 strategic goals, along with a series of strategic objectives. The strategic goals are organized to follow the Supreme Audit Institutions' Performance Management Framework (SAI PMF). Each goal is discussed briefly below, showing key accomplishments and new or continued aspirations.

Strategic Goal 1: Strengthen VNAO mandate and independence

In order to function effectively as a Supreme Audit Institution (SAI), our first strategic priority continues to be strengthening the independence of the Office. Over the past 5 years, we have advocated actively for legal changes, including consulting with State Law, elected

government officials, donor governments, donor agencies, and stakeholders on the importance of SAI independence, and the collaborative development of the National Audit Bill and the Amendment to the Constitution. The work has also included raising public awareness in this area, through the use of media, participation in public forums, and the use of the VNAO website.

Even though the new Audit Bill was scheduled in Parliament, it has not yet passed so Strategic Goal 1 will continue to be pursued with the following strategic objectives:

Strategic Objectives:

1.1. Advocate for legal changes
1.2 Increase public awareness of independence

Strategic Goal 2: Strengthen Internal Governance & Ethics

During the last plan, the Office implemented a number of internal and external controls, designed to ensure that operations were carried out in an orderly, ethical, economical, efficient and effective fashion, and that the Office is fulfilling its accountability obligations, complying with applicable laws and regulations, and safeguarding resources against loss, misuse and damage.

While these were positive steps, more work is needed, especially in the area of planning, monitoring and quality control. The Office will continue to pursue strategic goal 2, including the following objectives:

Strategic Objectives:

2.1 Ensure effective VNAO strategic planning and monitoring
2.2 Continue to implement Quality Control methods
2.3 Institute Quality Assurance
2.4 Continue to strengthen VNAO ethics code, training and implementation
2.5 Effectively utilize external controls

Strategic Goal 3: Strengthen Audit Coverage, Quality, Timing & Impact

The VNAO has made considerable progress in strengthening audit quality, focusing on meeting ISSAI compliance through staff training, instituting procedures and ensuring review. Our stakeholders positively rate the quality, accuracy, and impact of our audits, but timeliness is rated lower.

Progress has also been made in reducing audit arrears but lack of timely financial report submissions, lack of enforcement authority, and lack of staff continue to present obstacles.

Over the next plan period, we aim to substantially increase our audit coverage, greatly reduce arrears, enhance follow-up, and expand our performance audits. The quality, timing and impact of our audits are key to the accomplishment of our vision and mission and we will continue to work on this goal and the objectives specified.

Strategic Objectives:

3.1 Expand VNAO audit coverage
3.2 Continue to ensure ISSAI compliance for all audits
3.3 Substantially reduce audit arrears
3.4 Enhance audit follow-up
3.5 Continue to implement Performance Audits

Strategic Goal 4: Strengthen VNAO structure, capacity and resources

The VNAO needs to have an appropriate organizational structure that provides good governance and allows for the effective management practices of people, work, finances, assets, and support services. Following the Lima declaration, the Office also must “be provided with the financial means to enable them to accomplish their tasks”. The Office will

continue to pursue strategic goal 4, which will include an elaborated VNAO structure, budget, and management system.

Strategic Objectives:

4.1 Re-structure the VNAO
4.2: Optimize Management of Finances, Assets and Support Services

Strategic Goal 5: Strengthen Human Resources

High-level performance of an effective SAI is dependent on its capacity to recruit, retain and effectively deploy highly skilled staff. During the last plan period, the Office made major progress in the area of human resources by attracting, retaining and developing its staff.

The Office will continue to focus on human resource development during the next five years, pursuing its newly developed HR strategy to achieve the following objectives:

Strategic Objectives:

5.1 Strengthen HR systems
5.2 Ensure effective staffing
5.3 Effective staff development

Strategic Goal 6: Strengthen stakeholder communication

The Office recognises the importance of increased awareness of the role and functions of the VNAO for the general public and the stakeholders, and considers this to be an important focus for the next 5 years. We will build on our existing stakeholder communication strategy, and will provide additional focus on communication with Parliament, Judiciary and other key actors. We also aim for regular and timely publication of reports and relevant news items, involvement in anti-corruption strategies, generating more feedback from audit clients, and serving effectively as the newly elected PASAI representative for the Melanesian region, a very important leadership role for the Office.

Strategic Objectives:
6.1 Effective communication with stakeholders
6.2 Enhance media reporting & use of website

Our Plans for Implementation

The strategic plan will be implemented following an implementation matrix, which details the goals, strategic objectives, action steps, indicators, targets, and risks associated with the Plan. Progress on the plan will be monitored and documented regularly and will be a part of the annual planning and review process of the Office.

This plan is further supported by key strategic documents, such as the HR strategy, the CBPMS, and the annual business plans for the Office.

Strategic Plan Visual

The visual on the next page summarizes the vision, mission, values, outcomes and the strategic goals and objectives for the 2022-2026 plan for the Vanuatu National Audit Office.

VNAO Strategic Plan 2022 - 2026

Strategic Goal 1:
Strengthen VNAO mandate & independence
Strategic objectives:
1. Advocate for legal changes
2. Increase public awareness of mandate and independence

Strategic Goal 2:
Strengthen Internal Governance & Ethics
Strategic Objectives:
1. Effective strategic planning & monitoring
2. Implement Quality Control
3. Institute Quality Assurance
4. Strengthen ethics
5. Utilize external controls

Strategic Goal 3:
Strengthen Audit quality, Timing & Impact
Strategic objectives:
1. ISSAI compliance
2. Eliminate arrears
3. Enhance follow-up
4. Expand performance audit

Vision
Making difference in the lives of the people in Vanuatu

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

Values
Independence
Professionalism
Transparency
Accountability
Teamwork
Integrity

Competencies
Work with stakeholders
Contribute to VNAO
Lead by example
Professionalism

Outcome
Enhanced government accountability, transparency and integrity

Outcome
Improved compliance with laws & regulations

Outcome
Increase public confidence in government

Strategic Goal 4 :
Strengthen VNAO structure, capacity and resources
Strategic Objectives:
1. Re-structure the VNAO
2. Optimize Management of Finances, Assets and Support

Strategic Goal 5:
Strengthen Human Resources
Strategic Objectives:
1. Strengthen HR systems
2. Ensure effective staffing
3. Effective staff development

Strategic Goal 6:
Strengthen Stakeholder Communication
Strategic objectives:
1. Effective communication with stakeholders
2. Enhanced media engagement

1.2 Strategic Plan Development Methodology and Structure

This strategic plan was developed in a collaborative fashion, based on existing VNAO's internal and external assessments, various stakeholder consultations, the application of assorted strategic planning tools, a review of VNAO reports and activity records, an extensive review of INTOSAI and PASAI guidelines, frameworks, and standards, along with other relevant documents and reports, such as the global SDGs, Vanuatu National Sustainable Development Plan (NSDP) , Public Service Commission Corporate Plan guidelines, the MFEM corporate plan, and the Public Financial Management Reform (PFMR) Roadmap and reports.

The Auditor-General and the two Audit Managers of the VNAO comprised the strategic planning team, supported by an external consultant[5]. Input and feedback on the plan was provided by the VNAO staff and by external key stakeholders, both through initial consultations and prior to finalising the plan.

Because the Performance Management Framework (PMF) for Supreme Audit Institutions (SAI)is central to both the operation and the evaluation of the VNAO as a Supreme Audit Institution, both the strategic plan needs assessment and the strategic plan structure are organised around this framework. As noted by INTOSAI, the SAI PMF is important because enables supreme audit institutions like the VNAO to measure their performance against established INTOSAI standards and good practices; to assess needs; to develop evidence-based strategic plans and capacity development projects; and measure their own progress over time[6]. This plan also follows the INTOSAI Strategic Management Handbook[7].

The SAI PMF uses the International Standards of Supreme Audit Institutions (ISSAIs) as the main benchmark against which performance is measured. Most of the indicators have been developed on the basis of ISSAIs, at levels 1-3. For the VNAO, the 2019 PMF peer review along with the PMF provides useful guidance to the Office in developing its strategic plan along with its annual and other reports.

The 2022-2026 Strategic Plan for the VNAO is presented using the following structure:

1. Overview of the Plan – a short, summary version, highlighting the goals, the objectives, major accomplishments, and plans for the next 5 years
2. The Office of the Auditor-General – a brief discussion of the Office, its history, audit products, and the foundational documents that structure its operation
3. Context and SWOT analysis – a review of the Vanuatu context as it pertains to the functioning of the VNAO, a summary of the stakeholder consultations, and a summary SWOT analysis.
4. Strategic Goals- an in-depth discussion that shows VNAO assessment and the subsequent development of the strategic goals, objectives and indicators within SAI PMF. Each section includes a description of key factors, the major accomplishments during the last plan, issues and challenges, and goals and objectives moving forward.
5. Implementation, Assessment and Reporting – a description of the implementation and assessment tools and methods related to the strategic plan, and reporting guidelines
6. Supporting documents, including detailed accounts of the stakeholder consultations, VNAO client lists, VNAO structure, the strategic plan monitoring and evaluation framework, the HR strategy, and end notes.

2. The Office of the Auditor General of Vanuatu

2.1 The History and Role of the Office of the Auditor General

The Office of the Auditor-General of Vanuatu (the Office or the OAG) came into existence at the Independence of Vanuatu in 1980. Since its formation, the Office has had eight (8) Auditors-Generals, and one Acting Auditor-General.

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 – 2016
8	Caleb Sandy	2017-current

The Auditor-General has the responsibility to make sure that:

- The handling of public money, whether revenue or expenditure, is properly accounted for;
- All finances are used lawfully and for the purposes set out in the appropriation Act;
- Public funds are spent economically, efficiently and effectively; and
- Government property or assets are properly looked after and accounted for.

2.2 The OAG's Audit Products

The 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, provided that the Office is given sufficient staffing and resources.

Public sector auditing itself can be described as a systematic, independent process of objectively obtaining, evaluating and analysing evidences to ensure that financial statements provide a fair and accurate representation of the records and transactions in the entity, to make sure that financial processes comply with laws and regulations, and to assess the economy, efficiency and effectiveness of the way in which funds are spent.

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 analysing 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 organisation, project, or 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 any person and the decision to proceed with an investigation is entirely at the discretion of the Auditor-General.

In addition to delivering audits, the OAG also works to support 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.

In this next plan period, the Office aims to substantially increase the number of audits and the audit coverage by carrying out a total of 299 audits. As part of this, we also aim to resolve most of the 188 audits currently in arrears.

3. Environmental Scan

For strategic planning purposes, the environmental scan for the VNAO consisted of several components. The first was a brief initial examination of the Vanuatu context, including the People's plan and basic economic and development indicators. The second component was a study of the framework and standards of the international community of SAIs, which structure and guide the work of the VNAO. The third component explored stakeholder perceptions of the VNAO, collected through the stakeholder consultations. Each will be discussed briefly below, following by a summary SWOT analysis.

The next chapter will examine some of these contextual factors in greater detail, as related to each of the strategic goals of the VNAO.

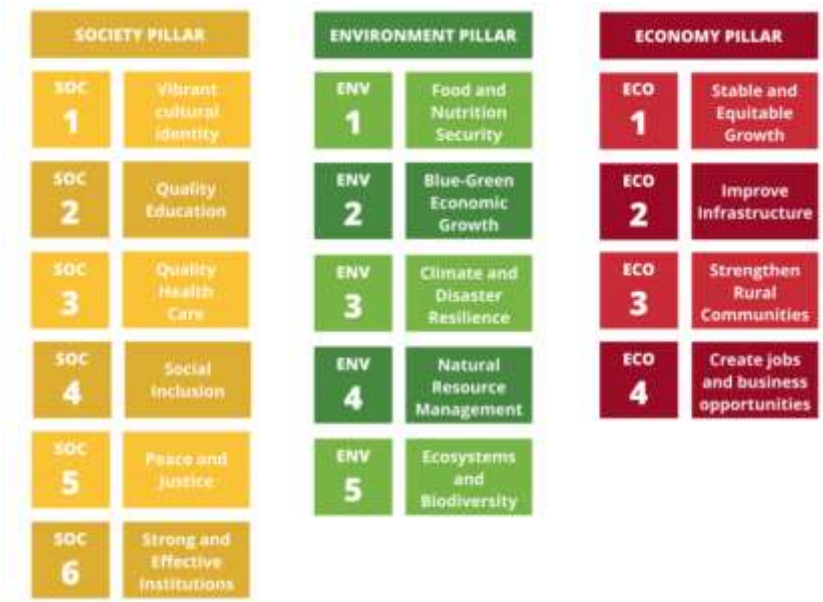
3.1 The Vanuatu Context

As noted in the SAI PMF, the work of any SAI, including that of the VNAO is shaped by its national context. There are several key factors in this context to be considered.

Vanuatu's long-term development vision was set out in the Vanuatu National Sustainable Development Plan. *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 citizens[8].

The National Audit Office aims to contribute to realising this vision through promoting accountability and good governance in public 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 Vanuatu[9].



Even though the Office is not mentioned specifically in the plan or the Monitoring and Evaluation Framework[10], its work is essential to achieving the following goals:

SOC 6.1 Enhance the capacity and accountability of public officials, and ensure the impartiality and effectiveness of performance management systems

SOC 6.2 Reform state owned enterprises and statutory bodies to improve performance that is aligned to government priorities

SOC 6.3 Enact political reforms that promote stability, accountability, constituency representation and civic engagement

SOC 6.4 Strengthen national institutions to ensure they are cost-effective and well-resourced to deliver quality public services

SOC 6.7 Guarantee the public's right to information

SOC 6.8 Coordinate donor resources to align with national objectives

SOC 6.9 Strengthen research, data and statistics for accountability and decision-making[11].

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, "…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*. Through audits and consistent with their mandates and priorities, SAIs can contribute to tracking and monitoring progress while also identifying opportunities for improvement. To this end, the active engagement of SAIs was explicitly recognized in the General Assembly's December 2014 Res/66/209 resolution" (emphasis added). [12].

In terms of the economy, using 2020 World Bank indicators, Vanuatu is classified in the lower middle-income range, with a per capita GDP of 2,783 USD. Similar to most other countries around the world, it experienced a decline in real GDP growth in 2020 due to global COVID-19 pandemic- -9.2%- and a 2.8% inflation rate in consumer prices. The gross government debt is 27.3% of GDP and the public debt interest is 2.1% of revenue. Its current account balance is 12.2% of GDP.

The most recent 2021 economic and fiscal update shows 2018 government revenue, including donor contributions at 39,067 M VUV, expenses at 26,363 and gross operating balance (GOP) at 12,704. For 2021, budgeted revenue is at 39, 652, expenses at 38,643, and GOP at 1,008. For 2026, projected revenue is at 45,142, expenses at 36,778 and GOP at 8,363[13].

While Vanuatu is one of only a handful of countries around the world without locally transmitted Covid-19 cases[14], a State of Emergency was declared on March 31, 2020 and has been in continuous force since then, with the latest extension going to December 31, 2021. The country has in place a Covid-19 Health Sector Preparedness and Response Plan and has activated Scenarios 1, 2, and 3 at different points in time. Measures have included hygiene and prevention measures, social distancing, school and government office closures, interisland travel restrictions, and overall border closures[15].

Almost two years of border closure have had a severe impact on the tourism industry and has challenged the country to rethink its own strategic priorities, especially when it comes to protecting, developing and stimulating its own human and natural resources. The measures have also affected the ability of government offices including the VNAO to effectively continue their work processes. If the Covid-10 pandemic hits Vanuatu, work processes and time lines will be severely affected and work from home options will need to be explored.

In spite of the pandemic, and after 40 years of independence, Vanuatu became one of only 6 countries in the world to graduate from the least developed country (LDC) list. Graduation from LDC status was based on Vanuatu consistently meeting or exceeding the Gross National Income per capita of over USD 1,230 – USD 2,460 in the case of Vanuatu- and mostly meeting the human assets index (HAI) score over 66 measured through health and education indicators[16].

Vanuatu has never met or come close to meeting the third LDC indicator requirement, which is an economic vulnerability index (EVI) score of less than 32. The EVI measures exposure to and impact of economic (particularly trade) and environmental shocks.

This indicator is highly relevant for Vanuatu, given its location on both the Ring of Fire and the tropical cyclone belt. It ranks #1 on the 2020 World Risk Index reflecting both its exposure to natural disasters and its vulnerability to impact[17]. Regularly occurring hazards include frequent and severe cyclones -most recently category 5 Tropical Cyclone (TC) Harold in 2020-, volcanic eruptions such as those resulting in the 2018 and 2019 full-scale

evacuations of Ambae, excessive ash fall on Ambae and Tanna, and frequent earthquakes, droughts and floods. These natural hazards cause significant external shocks to the country's society and economy and present a critical challenge to development.

Looking at other relevant indicators, the Vanuatu National Statistics Office (VNSO) recently published *Well-Being in Vanuatu,* a 2019-2020 NSDP Baseline Survey[18]. The survey showed overall high scores on a wide range of indicators. Looking specifically at governance issues, the survey noted high voting rates (86%) overall and a 6.9 out of 10 level of trust in elected officials.

Vanuatu's young and growing population – currently at 301,000 with more than 65% under the age of 30- accesses primary education, but secondary education enrolment is at only 51 %. Post-secondary education (PSE) is accessed only by 3.8% of the population (4.3% of males, and 3.2% of females)[19].

In 2016, only 2.2 % of all students were enrolled in professional or university education. There is no integrated system of quality tertiary education, but the establishment of the National University of Vanuatu has been the first major step in that direction.

Vanuatu has 3 official languages – Bislama, English and French – which requires multi-lingual university education, not currently available in Vanuatu, Social equality and inclusion are major challenges, especially for women and people with disabilities, with key factors including a lack of political representation economic inequalities, and high levels of gender-based violence.

Further shaping both the work and the long-term strategy of the OAG is the *Vanuatu Public Finance Management Reform Roadmap 2017-21*[20]. Public Expenditures and Financial Accountability (PEFA) assessments took place in 2009 and 2013, with the next one yet to be scheduled[21]. The 2013 PEFA gave low ratings on the external audit function of the framework (sections 26 /28 on the chart pictured[22]).

While much of the roadmap focuses on public finance management processes, methods, and goals, the most recent progress report mentions the VNAO in several areas, including the need to progress on the Audit Bill to establish the independence of the OAG, the need for additional VNAO staff, the need to progress on the submission of financial reports and subsequent completed audits, and the need for technical Assistance for the upcoming IT systems audit and the NSDP performance audit.

Globally, progress has been made on anti-corruption efforts over the past decade, through the nearly universal ratification of the UN Convention Against Corruption and the growing capacity, efficiency and effectiveness of public institutions; strengthening coordination and monitoring mechanisms; and removing governance and corruption bottlenecks that impede progress in achieving development goals[23].

According to Transparency International, Vanuatu ranked 75 on the Corruption Perceptions Index in 2020, with New Zealand ranking #1. Vanuatu's all-time high was 64 in 2018 and 2019 and its all-time low was 109 in 2008[24]. The Corruption Perceptions Index which ranks countries and territories based on how corrupt their public sector is perceived to be.

The Vanuatu Government has developed a *National Anti-Corruption Strategy*. As noted in the 2019 Voluntary Review[25], the Vanuatu Government's National Anti-Corruption Strategy is grounded in The Peoples Plan and the SDGs, providing the framework for Government's commitment to eliminate corruption. The National Integrity and Anti-Corruption Strategy aims to strengthen the foundation of Vanuatu society, increase efficiency, and effectiveness while building trust of the public sector and institutions, paving the way for sustainable economic

development and equal opportunity for all people of Vanuatu. Again, the work of the OAG is key to accomplishing these goals.

3.2 The International Auditing Community and Standards

The Office of the Auditor-General is also known as a *Supreme Audit Institution* (or SAI) in the international auditing community. A SAI is the term given to commonly describe each country's Government Auditor.

The Vanuatu Office of the Auditor-General is part of the *International Organisation 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 transfer of knowledge, improve government auditing worldwide and enhance professional capacity, standing and influence of its members within their respective countries.

The local chapter of the INTOSAI for the region 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 PMF framework and the Competency Framework. Each of these is discussed briefly below.

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 guidelines and good practices related to SAI independence. These include: 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[26]. 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

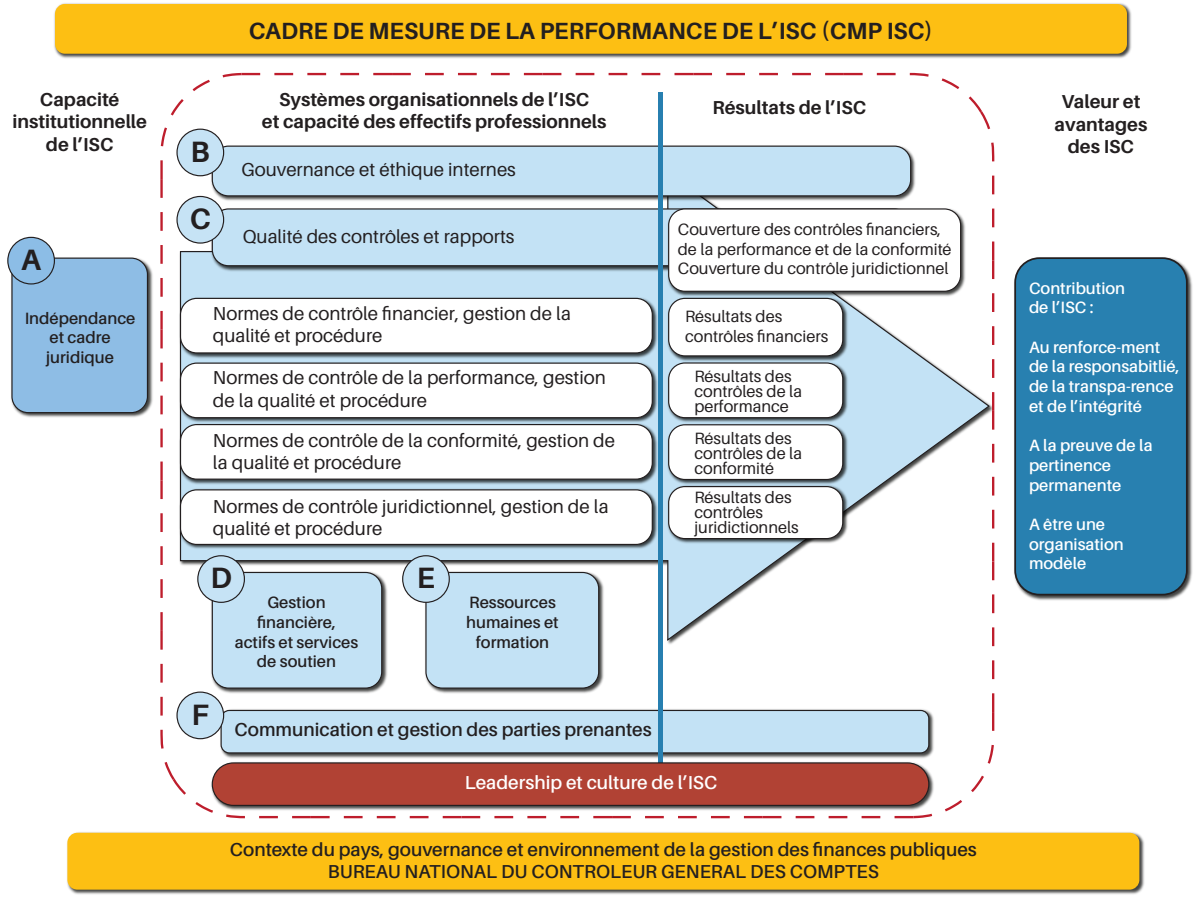
The visual below [27] shows the connection between the and the overall vision of SAIs.

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[28] and is used as the basis for peer evaluation of SAIs.

The performance management framework consists of 5 interrelated components, governing the institutional capacity, organisational systems and staff capacity, the outputs of the organisation, 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* – this component shapes 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 organisation 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[29]
D. *Financial management, assets, and support services* – this refers to the way in which the organisation manages its own finances, assets and support services
E. *Human Resources and training* – this covers 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.



This PMF served as the basis for the organisation of the current plan document. It was used for assessment purposes and aligns with the key performance indicators (KPIs) and the regular SAI-PMF peer evaluation carried out of the VNAO. Scores range from 0 to 4, reflecting different levels of effective functioning, as explained on page 14. In the 2019 peer evaluation, the VNAO received scores between 0 and 2. The Office aims to receive 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. It 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.

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

3.3 Stakeholder Consultations and SWOT Analysis

As part of the VNAO strategic planning process, 3 groups of stakeholders were consulted: VNAO staff, VNAO clients and other stakeholders, including government representatives and leaders, and donor governments and agencies. Each group was consulted using a meeting and a follow-up e-survey. Selected stakeholders were also provided with a draft copy of the plan, and feedback on the draft was incorporated into the final plan version.

The stakeholder meetings were very positive. First, they provided the VNAO with an opportunity to present the accomplishments of the last plan, raise awareness on their ways

of working and request input into the new strategic plan. Second, the meetings and the subsequent e-survey allowed the Office to assess stakeholder perceptions of their work and role. Overall, the feedback received was very positive – stakeholders understood the purpose of the work of the VNAO. They felt the work positively contributed to the country and to their organisations. They also felt that the audits conducted were of high quality, accurate, participatory and transparent.

A full summary of the stakeholder consultations is provided here. Specific insights, feedback and suggestions were incorporated into the assessment and development sections for each of the goal areas. Using the stakeholder input and other data collected, the SWOT analysis below shows the key components considered in plan development.

Strengths	Weaknesses
Independence: VNAO independence in conducting audits *Audits*: Aligned with INTOSAI standards; expanded audit coverage, new performance audits, reduced arrears, audits are seen as timely, accurate, high quality and value, participatory, and transparent, *Staffing*: Ongoing capacity development, good retention, gender balance, internal promotion, good teamwork and high morale, ethics and professionalism, strong AG leadership *Stakeholders*: Enhanced stakeholder communication and engagement, strong relations with PASAI	*Independence*: New Audit Act and Constitutional amendment have not yet passed, limiting mandate, operation and effectiveness *Audits*: Need to continue to work on audit plans, quality control and quality assurance, need to improve audit arrears and audit coverage *Staffing: S*tructure is inadequate to cover audit needs, need for ongoing professional development and increased certification *Stakeholders*: Continue to increase awareness, communication, engagement and reporting, especially in the area of audit reports *Other*: Need for expanded, safer office space
Opportunities	**Threats**
Political: Support for independence is growing, NSDP, PFMR Roadmap, and SDGs show important role of VNAO, increased recognition of need for anti-corruption and accountability measures *Economic*: Grants and budget support is growing, increased financial donor support, possibility for increased budget appropriation from Parliament, *Socia*l: positive perceptions and support from national stakeholders; support from PASAI and INTOSAI; VNAO can play positive role in anti-corruption strategy; new leadership role as PASAI Melanesian representative *Technology*: excellent audit software and INTOSAI audit standards and framework *Legal*: Legal proposals, if passed, will provide effective framework for VNAO functioning	*Political:* Changes in government alter support for independence; lack of cooperation from clients in timely submission of reports and responses; irregular PAC activities, needed for audit effectiveness; need for PSC to approve new structure; need for increased budget; VNAO is not part of anti-corruption committee or strategy *Economic*: Covid-19 and natural disasters negatively impact government funds Social: continued lack of awareness of the importance of the VNAO; limited ability to understand work output of the VNAO *Technology:* current technology limits work from home which may be needed due to Covid-19 *Environment*: ongoing natural disasters such as tropical cyclones disrupt economy and society *Legal:* Continued delay in the Audit Bill severely limits functioning and mandate of VNAO

4. Strategic Goals and Objectives for the VNAO

4.1 Independence and Legislative Framework (SAI PMF A)

4.1.1 Assessment

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"[30].

OAG independence was listed as Goal 19 in the 2012-2016 Corporate Plan and as Goal 1 in the 2018-2021 Corporate Plan. While some progress was made, the goal was not accomplished, and it continues as the first strategic goal of the new plan.

SAI Independence - The Lima and Mexico Declarations

INTOSAI's (ISSAI 1) indicates that the following SAI areas should form part of the Constitution:

- *Appointment:* how the Auditor-General is appointed;
- *Functions*: the AG's full range of functions;
- *Powers:* the AG's 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 further by requiring "*adequate legal protection by a supreme court"* and requiring that '*the relationship between the Supreme Audit Institution and Parliament shall be laid down by the …. Constitution."*

The independence of the OAG was peer reviewed twice: in 2016, by the General Secretariat of the International Organisation of Supreme Audit Institutions (INTOSAI) and the Austrian Court of Audit (ACA), and again in 2019 as part of the SAI PMF review, carried out by the Pacific Association of Supreme Audit Institutions (PASAI) with further input from the INTOSAI Development Initiative (IDI)[31]. Both reviews noted that the legal and operational independence of the OAG are not under the direct control of the Office, but directly impact the Office's ability to function effectively.

The 2016 assessment focused on the 8 independence principles of the Mexico Declaration:

1. existence of an effective legal framework
2. independence of SAI heads and members
3. broad legislative mandate and full discretion in the discharge of SAI functions
4. unrestricted access to information
5. right and obligation to report on audit results
6. freedom to decide the content and timing of audit reports
7. existence of a follow-up mechanism
8. financial, managerial, and administrative autonomy and appropriate resources

The 2016 peer review concluded that the legal framework of Vanuatu does not comply with Principles 1, 2, 3, 7 and 8, and that the operational framework either does not comply or only partially complies with Principles 4, 5, and 6.

The 2019 review confirmed the 2016 findings and provided the OAG with a low score of 1 out of 4 *in the area of independence,* further adding the following specific concerns:

- "The impact of the AG's role to deliver on his audit mandate effectively is dependent on the effectiveness of the PAC in advancing the OAG's audit recommendations and ensuring the OAG is resourced adequately to carry out its mandate."[32]
- "Although the Constitution states [section 25 (5)] that the AG shall audit and report to the Parliament and the Government on the public accounts of Vanuatu, the actual practice is governed by ERAA which requires the AG to report to the Minister for Finance and the Committee on every review, audit, investigation or inquiry undertaken by the OAG[33]
- The Committee is not only to review and comment on the reports of the OAG but also to consider the audit programmes, external audit arrangements and resources of the OAG and report these to Parliament."[34]
- The OAG does not have control over the access to its financial resources required to carry out its operations independently of the MFEM. Instead, the OAG's budget is developed through the government's budgeting system through the FMIS controlled by the MFEM. Appeals on budget allocations must go through the MFEM and the PAC[35].
- The structure and staffing of the OAG is determined by the Public Service Commission.[36]
- Even though "the OAG is responsible to audit the government agencies including the Public Service Commission", appointment and dismissal for all staff, including the A-G, are governed by the PSC.

With regard to *the mandate* of the OAG, the 2019 review found that it was broad enough to cover the three types of audits carried out by the OAG – financial, compliance, and performance audits – but that the Office is hampered greatly by current limitations in the legal and operational framework to demand timely submission of financial reports and other information and have control over audit follow-ups. The new Audit Bill for the VNAO addresses these and all other related issues.

Legislative Initiatives, Advocacy and Consultations

During the last plan period, the OAG worked extensively on efforts to promote the Office independence. These efforts included:

1. Consultations with State Law, with support from GFG to further develop the Audit Bill and the Constitutional Amendment
2. Broad stakeholder consultations, held in 2020 on Santo and on Efate, focusing on the Audit Bill and the Constitutional amendment
3. General awareness raising on the importance of the OAG independence, using media, the VNAO website, and public forums
4. Consultations with other SAIs, PASAI, and donor governments and donor agencies, highlighting the importance of independence revealed strong support in this area.

Since 2010, various new bills have been drafted for the National Audit Office and for the Public Accounts Committee in order to address the independence requirements of the Office of the Auditor-General, including the separation of the audit function from the Public Accounts Committee, the appointment, removal and term of the Auditor General, and the appointment of the technical staff of the Office.

The new National Audit Office Act "affirms the importance of organisational, administrative, reporting and financial independence for the Auditor-General and the Audit Office" and has as its main features:

- The Bill stipulates that the Auditor-General will be solely responsible for auditing the State and all public bodies.
- The Bill affirms the independence of the Auditor-General and expressly provides that the Auditor-General must act independently and is not subject to the direction or control of any person or body in relation to audits. The Bill also sets out the terms and conditions of employment of the Auditor-General.
- The Bill sets out the functions of the Auditor-General which is to conduct financial, performance and compliance audits. The audits are to be performed in accordance with standards specified by the Auditor-General. Provision is made for the Auditor-General to charge fees for conducting audits.
- The bill provides for the Public Accounts Committee, a Minister and a public body to refer matters to the Auditor-General with a request for an audit. The Auditor-General may conduct an audit, however, if this is not required, the Auditor-General may investigate or inquire into a matter that has been referred and report on it.
- The Bill imposes significant reporting duties on the Auditor-General including reports for all audits, the annual plan and budget, biannual reports and annual reports. Other important responsibilities of the Auditor-General include ensuring a strategic review of the Audit Office is carried out once every five years. It also gives the Auditor- General a power to delegate functions and powers.
- The Bill gives the Auditor-General appropriate powers to obtain information to conduct audits and provides for confidentiality of certain information that meets public interest criteria.
- The Bill establishes a new Audit Office independent from the Public Service to support the Auditor-General. The Audit Office comprises of the Auditor-General as the head of the Audit Office, a Deputy Auditor-General, auditors and other staff. Staff must comply with relevant Codes of Ethics and the Auditor-General is tasked with preparing a staff manual which will set out the terms and conditions of employment of the staff of the Audit Office.
- The Bill provides for certain offences against the Act, for penalties for offences, and for an independent auditor to audit the National Audit Office. An immunity provision is also provided for in the Bill[37].

Even though the National Audit Office Bill has been scheduled in Parliament and audit reforms were identified by the previous government as part of their '100-day plan', the proposed Bill has been sent back again, requesting a Constitutional amendment that places responsibility for appointing the A-G into the hands of the President., instead of the PSC..

Currently, efforts are underway to request 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 November of 2021.

However, until this actually happens, the Office continues to place enhanced independence as its first strategic priority and is committed to continue to advocate for the necessary legislative changes to be adopted and implemented[38].

The VNAO will also continue to enhance the general public's understanding of the Office and its role in ensuring government transparency and accountability. Unless the public understands the Office, its role and functions, and most importantly, its independence, public trust and necessary relations with the public cannot be established.

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.

4.1.2 Strategic Goal 1: Strengthen VNAO Mandate and Independence

Based on the assessment above, the VNAO will continue to pursue its strategic goal #1 during the 2022-2026 period, using the following objectives, action steps: and indicators specified below:

Strategic Objective 1.1 Advocate for legal changes

Action Steps:

- Actively work with State Law, the Ministry of Finance and Economic Management, the PAC, members of Parliament and donor governments and agencies to advocate for and effectively implement the needed legal changes

Strategic Objective 1.2 Increase public awareness of mandate and independence

Action Steps:

- Organize public education and awareness activities, focusing on SAI independence, mandate and responsibilities
- Optimize the use of the VNAO website, Facebook page and social media for this purpose
- Work with education programs in schools and other relevant institutions
- Participate actively in public forums on the NSDP, the SDGs, corruption and other related topics to demonstrate the VNAO role and functions
- Work with VNSO to develop measures of public perception of government
- Develop VNAO measures of public perception of the VNAO using media and other tools

4.2 Internal Governance and Ethics (SAI PMF B)

4.2.1 Assessment

SAIs need to have robust internal governance structures in place to ensure they are transparent and accountable and fulfil their mandate in an ethical manner. ISSAI 20 on Transparency and Accountability provides 8 guiding principles, of which # 3, 4 and 5 are particularly relevant here:

1. SAIs perform their duties under a legal framework that provides for accountability and transparency
2. SAIs make public their mandate, responsibilities and strategy
3. SAIs adopt audit standards, processes and methods that are objective and transparent
4. SAIs apply high standards of integrity and ethics for staff of all levels
5. SAIs ensure that these accountability and transparency principles are not compromised when they outsource their activities
6. SAIs manage their operations economically, efficiently, effectively and in accordance with laws and regulations and reports on these matters
7. SAIs report publicly on the results of their audits and on their conclusions regarding overall government activities
8. SAIs communicate timely and widely on their activities and audit results through the media, websites and by other means
9. SAIs make use of external and independent advice to enhance the quality and credibility of their work[39]

As part of the previous plan, the Office's *new structure and CBPM system* were seen as the first step towards internal control, because the internal control environment is shaped by:

> "(1) the personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal
> control at all times throughout the organisation;
> (2) commitment to competence;
> (3) the "tone at the top" (management's philosophy& operating style);
> (4) organisational structure;
> (5) human resource policies and practices."[40]

A key change that occurred during the last plan was the new Auditor-General, and both the peer review and the staff consultations indicated that this new leadership has been effective in strengthening the Office, improving internal and external communications, securing external support, and improving control systems.

During the last plan, the Office implemented a number of internal and external controls, designed to ensure that operations were carried out in an orderly, ethical, economical, efficient and effective fashion, and that the Office is fulfilling its accountability obligations, complying with applicable laws and regulations, and safeguarding resources against loss, misuse and damage.

Because the independence of the Office did not materialise during the plan period, the CBPM system was not fully implemented. Also, as part of the previous plan, the Office intended to formalize its annual use of the PMF in order to provide a regular, detailed, systematic, and comprehensive assessment of the VNAO, starting with the SAI PMF Lite framework, developed and recommended by PASAI for SAIs in the Pacific. While the framework has been integrated into various parts of the Office, complete annual assessments and integrating the framework into the annual plans were not accomplished.

The last plan also intended to institute regular audit reviews. Some of the key steps of this process were successfully accomplished, such as training all staff in quality review and quality control, and instituting quality review processes. While Quality Assurance has been

carried out by the Office's technical advisor, senior staff are now trained in this area and in taking the first steps towards developing a system and structure for quality assurance. The Office follows the most recent guidance issued in the 2021 PASAI Quality Assurance Manual[41]. In 2019, the Office also held a planning workshop to strengthen the development of its annual plans.

As is provided for in the ERAA, the Office outsources a number of its audits, while retaining responsibility for quality control.

The VNAO instituted a Code of Ethics, based on the INTOSAI Code, and Ethics is included in the CBPMS. The Office also has conducted regular ethics training for its staff. However, the planned INTOSAINT component was not yet implemented, due for coordinating this with PASAI schedule and resources.

The 2019 Peer Review concluded that there was still considerable room for improvement in this area, highlighting the need for the Office to:

1. Clearly articulate and link the Corporate Plan, the Annual Audit Plans, the NSDP and the national strategic priorities under the PFMR Roadmap
2. Fully document the process of developing key corporate plans and codes
3. Further adapt the VNAO Code of Ethics to the local context and use the INTOSAINT[42] for expanded ethics training and self-assessment
4. Ensure that Quality Control is fully integrated into every audit
5. Ensure that Quality Assurance processes are in place, as a separate function
6. Review the process of outsourcing and continue to build relations with firms used for outsourcing audits, focusing on ISSAIs and public sector auditing requirements

4.2.2 Strategic Goal 2: Strengthen Internal Governance & Ethics

Based on the assessment above, the VNAO will continue to pursue its strategic goal #2 during the 2022-2026 period, using the objectives and action steps specified below:

Strategic Objective 2.1 Ensure effective VNAO strategic planning and monitoring

Action Steps:

- Beginning with the 2022-2026 strategic plan, ensure that the plan itself is fully aligned with the NSDP, the PFM Roadmap, and other relevant context plans
- Once the next PFMR Roadmap is issued, review the plan to ensure alignment
- Continue to ensure alignment between the VNAO plans and INTOSAI frameworks
- Ensure that the annual audit plans are developed in full during annual planning sessions, and are aligned with the 2022-2026 Corporate Plan
- Ensure that the VNAO strategic planning process is documented
- Implement annual tracking of progress related to the strategic and annual plans
- Develop measures to assess the value of audit work for Parliament, citizens, and other stakeholders and measure the impact of VNAO audits, such as the stakeholder survey used for the development of the strategic plan

Strategic Objective 2.2 Continue to implement Quality Control methods

Action Steps:

- Review audit plans and records to ensure they are complete
- Continue to ensure that audit staff are fully trained in relevant audit review and QC tools
- Continue to ensure that all audits include systematic quality control at all levels and in all steps, and use of Teammate QC tools
- Regular staff meetings to discuss audit quality control and progress
- Ensure that all processes related to audit outsourcing are properly documented, consistent, and subject to VNAO quality control and assurance

Strategic Objective 2.3 Institute Quality Assurance

Action Steps:

- Institute a clear Quality Assurance policy and process, following INTOSAI guidelines
- Continue to ensure that senior staff is trained in latest Quality Assurance guidelines
- Continue to work with PASAI for support in Quality Assurance
- Institute Audit Directors, responsible for carrying out Quality Assurance and reviewing Quality Control
- Institute a tracking process for Quality Assurance

Strategic Objective 2.4 Continue to strengthen VNAO ethics code, training and implementation

Action Steps

- Review VNAO Ethics Code and ensure effective local adaptation and integration into manuals, practices and procedures
- Working with PASAI, implement INTOSAINT training and self-assessment
- Regularly review Code, training, and ethics incidents, including integration of critical incidents into CBPMS and performance review
- Develop and institute whistle-blower policy and processes

Strategic Objective 2.5 Effectively utilize external controls

Action Steps:

- Share progress against strategic and annual plan indicators externally
- Continue to ensure VNAO annual reports to PAC and Parliament
- Schedule, participate in and share inter-SAI peer review
- Implement systematic audit feedback control measures

VNAO Staff

4.3 Audit Quality and Reporting (SAI PMF C)

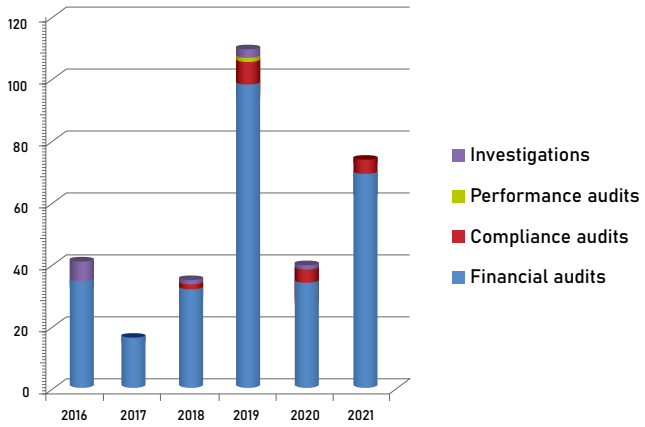
4.3.1 Assessment

Clients and Audits

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, 12 Constitutional Agencies, 13 Ministries, and 38 Departments. It also includes audits of 2 Commissions, 12 Grants, 6 Provincial and 3 Municipal Councils, 14 Statutory Bodies, 10 State Owned Enterprises, 9 Public Funds, 5 National Councils, and 6 Educational Institutions. 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.

Over the last strategic plan period, the Office successfully trained all its staff in performance auditing and carried out its first performance audits, including an INTOSAI regional cooperative performance audit on Fraud and Corruption. The work of performance auditing will increase substantially over the next 5 years and will include a performance audit of the NSDP, including the SDGs. The Office is supported in this area by a technical advisor, provided through Governance for Growth (GFG). 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 by year[43].

	2016	2017	2018	2019	2020	2021
Compliance audits	0	0	1	7	3	5
Financial audits	37	16	31	96	33	68
Perfomance audits	0	0	0	1	0	0
Investigations	2	0	1	5	2	0
TOTAL:	39	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.

	2016	2017	2018	2019	2020	2021
Contracted audits	**32**	**14**	**16**	**94**	**32**	**55**
In-house audits	**7**	**2**	**17**	**15**	**6**	**18**
Percentage contracted	82%	87%	48%	86%	84%	75%

Over the next 5 years, the Office plans to substantially increase the number of audits and the audit coverage following its mandate. The audit load numbers are shown in the table to the right. A complete Strategic Audit Program for the next five years can be found in Appendix 4.

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**

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.

Audit Standards

In carrying out audits, the main concern of VNAO audits is to determine the "legality, regularity, economy, efficiency and effectiveness of financial management" (Lima).

The International Organisation 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.

In conducting audits, the Office collects and reviews documents and data, and issues audit opinions. The opinions follow international standards, are based on verifiable evidence, and are free from bias. 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.

Over the past years, the Office has made progress on upgrading its standards for the audits it conducts and supervises, ensuring ISSAI compliance for all audits, meaning that all audits will meet the INTOSAI audit standards, that they will be based on verifiable evidence and that they will be free from bias. Also, the ISSAI provide guidance on the contents and formats of reports. The 2019 external review found that more progress can still be made, especially in documentation and quality control.

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 for the coming 5 years is the new version of the INTOSAI Financial Audit ISSAI Compliance Assessment Tool (iCAT) and Guidance [44]..

The work of the VNAO is carried out using TeamMate, an audit software system that has revolutionized the audit process and is used by organizations worldwide. All staff is fully trained in TeamMate, the two managers are trained as TeamMate champions, and the Office has now upgraded to TeamMate+. Further training and development in this area is planned,

including fully incorporating the audit manuals and guidelines into TeamMate+, and using its Quality Control and time tracking features.

As part of ensuring ISSAI compliance in all audits, the Office is required to produce full reports, following the guidelines, to deliver the reports in a timely manner, and following tabling in Parliament, to make the results public and available to all stakeholders. To date, the Office has not regularly shared the audit reports, but intends to do so, supported also by the changes in the legal framework. This will be further detailed in Strategic Goal # 6.

Stakeholder Perceptions

In looking at audit quality and reporting, it is important to revisit briefly the stakeholder perceptions in this area, particularly those of clients and donors.

When asked about their perceptions of the VNAO audits, the stakeholders consulted provided very positive feedback. 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, which is very positive. Also, 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.

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. This results not only in audit arrears, but also in uneven and unpredictable workflow, 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.

The PFM Roadmap provides guidelines for timely submission and some progress has been made in this area. The new Audit Bill requires that financial reports 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 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 audits. This arrangement will be changed as part of the new Audit Bill.

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. This will be addressed in section 4.4 of this plan.

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, but more work is needed. This will also be addressed in section 4.4. The additional requirement is capacity development in quality assurance and quality control, which was addressed in section 4.2.

In order for the Office to accomplish its mission and vision, it is essential that it strengthen audit quality, timing and impact, which is strategic goal #3. The Office’s ability to do so

hinges on other strategic goals, especially goal #1 Strengthening Office independence, goal # 2, Strengthening internal governance and ethics, and goal # 4 Strengthening VNAO structure, resources and capacity.

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, labour hours, cost, interactions and so on. For this next plan, the Office will use TeamMate to systematically collect, track, record and analyse these data, and will use these to develop productivity goals for the staff. This is included in Strategic Goal 5 of this plan.

4.3.2 Strategic Goal 3: Strengthen Audit Coverage, Quality, Timing and Impact

Based on the assessment above, the VNAO will continue to pursue its strategic goal #3 during the 2022-2026 period, using the objectives and action steps specified below:

Strategic Objective 3.1: Increase audit coverage

Action Steps:

- Over the strategic plan period, expand audit coverage to include the full client list shown in Appendix 1.

Strategic Objective 3.2: Continue to ensure ISSAI compliance for all audits

Action Steps:

- Review all Audit Manuals, Guidelines, Documentation and Check Lists, and the Quality Assurance Manual ensure integration into TeamMate+ and audit processes
- Continue staff training in ISSAI standards, processes, and reporting guidelines
- Working with PASAI and INTOSAI, apply the iCAT for financial audits
- Ensure that relevant training and source material is available

Strategic Objective 3.3: Greatly reduce audit arrears

Action Steps:

- Work to ensure that key enabling factors (legislation, budget, staffing) are in place
- Develop a clear time schedule for addressing audit arrears over the next 5 years
- Request external technical and donor assistance as needed
- Collaborate with the MFEM, PAC and GFG to support client organizations' ability to produce accurate and proper financial statements in a timely fashion

Strategic Objective 3.4 Enhance audit follow-up

Action Steps:

- Train VNAO staff in effective follow-up procedures
- Include follow-up in the overall process of planning, executing and documenting audits
- Implement client education sessions of the importance of audit follow-ups

Strategic Objective 3.5 Continue to implement and expand Performance Audits

Action Steps:

- Continue to develop staff capacity in performance auditing
- Assign a dedicated manager to compliance/performance auditing
- Request specialized TA as needed
- Schedule performance audits, based on risk assessment
- Carry out performance audits and publish performance audit results

4.4 Financial Management, Assets and Support Services (SAI PMF D)

4.4.1 Assessment

As specified in ISSAI 12, principle 9, SAIs should have an appropriate organizational management and support structure that provides good governance and supports internal control and management practices. These organizational structures include support systems for the SAI to manage its finances, assets and support services. For the purposes of this strategic plan, the overall structure of the Office will also be assessed here.

This section also serves to address the Human Resource Development Plan requirement specified in the PSC Corporate Plan Guidelines.

Currently, all budgeting, finance management, and IT processes for the VNAO are run through the MFEM and other centralized government systems. Within the current legal structure, there is no opportunity for the Office to independently advocate for its budget or its special administrative needs. In addition to the government budget, the Office received additional support in the form of technical assistance from GFG in performance auditing.

The 2019 external review noted that the Office maintains effective archives and effectively manages the budgeted funds. Financial records are run through the government's centralized FMIS system. Human resource management systems currently follow the Public Service Commission processes. With independence, the VNAO will need to ensure it has its own HR systems and the necessary human resources to carry out these functions.

The Lima declaration, section 7.1 requires that SAIs "shall be provided with the financial means to enable them to accomplish their tasks"[45] . The current budget does not provide for adequate staffing for the VNAO to carry out the legally mandated audits or to address the audit arrears.

Structure and Staffing

The current structure of the VNAO includes a staff of 20, as shown in Appendix 2. Currently, 3 of the positions are vacant. Of the remaining 17 permanent employees, 5 are male and 12 are female. At this point, the only VNAO Office is in Port Vila. All staff has professional level competency in English and Bislama, and 3 are also Francophone.

Adopted at the beginning of the last plan, this structure represented an effective first step towards addressing the gaps and inadequacies in staffing. It was based on the projected audit numbers for 2017-2020. This structure along with position re-classifications, allowed the Office to recruit and importantly, to retain specialized audit staff.

However, recent years have seen a rapid expansion of government budget and government spending, which requires a corresponding expansion of the duties of the VNAO. Following existing regulations and procedures, the VNAO Office plans to ensure that all mandated audits are carried out by the VNAO in a timely fashion and that there is increased coverage.

As discussed in section 4.3.1, in 2021 the VNAO completed 30 audits in house. For 2022 the audit load of the VNAO will increase to 41 audits annually and for 2026, it will increase to 72 audits, almost 2.5 times the number of audits for 2021.

In addition to the financial and compliance audits and investigations, there is a significant increase planned in performance audits. For 2022 alone, this includes 5 performance audits. The performance audit of the Vanuatu NSDP will include 3 separate audits on each of the three pillars of the NSDP. All performance audits will also be based on risk assessments, which will further add to the workload.

Lastly, the Office is still faced with high levels of arrears, as discussed earlier. As part of this plan, it will attempt to greatly reduce all audit arrears. To address all these issues, an expanded structure is needed.

Consistent with the mission, vision, and objectives of the VNAO, and its new 2022-2026 corporate plan, the current strategic plan outlines a new VNAO structure designed to implement the audit targets and other strategic objectives and standards.

The new structure will enable the Audit office to broaden its audit mandate and ensure that its staffing meets the requirements of national and international stakeholders for timely and quality audits, ultimately contributing to public sector accountability and transparency. The new structure also addresses the requirements that will be in place once the VNAO gains its independence.

The new structure organizes the Office into five functional areas, as set out below, with details provided on the chart on the next page, and also in Appendix 2. The plan provides for a gradual implementation of the new structure over the next 5 years.

In addition to new positions, the plan also includes the establishment of a Santo office which will allow the VNAO to service the Northern provinces, support the Government decentralization policy, and result in substantial cost savings in travel.

Functional Area	**Management Responsibility**	**Role**
Policy and Planning	1. Executive Management	Auditor General
Quality assurance and Quality control	2. Operational Management	Deputy Auditor General and Audit Directors
Management of the Audit process	3. Audit Management	Audit Managers
Execution and completion of the Audit process	4. Audit Staff	Auditors, Assistant Auditors 2, Assistant Auditors 1
Support of the Audit Office	5. Corporate Support	CSU Officers

The existing 20 position structure is expanded to 38 positions to cater for the following:

i. Establishment of a new Deputy Auditor General position, responsible for audit operations and audit staff development

ii. Establishment of two new (2) Auditor Director positions, responsible for quality assurance and quality control

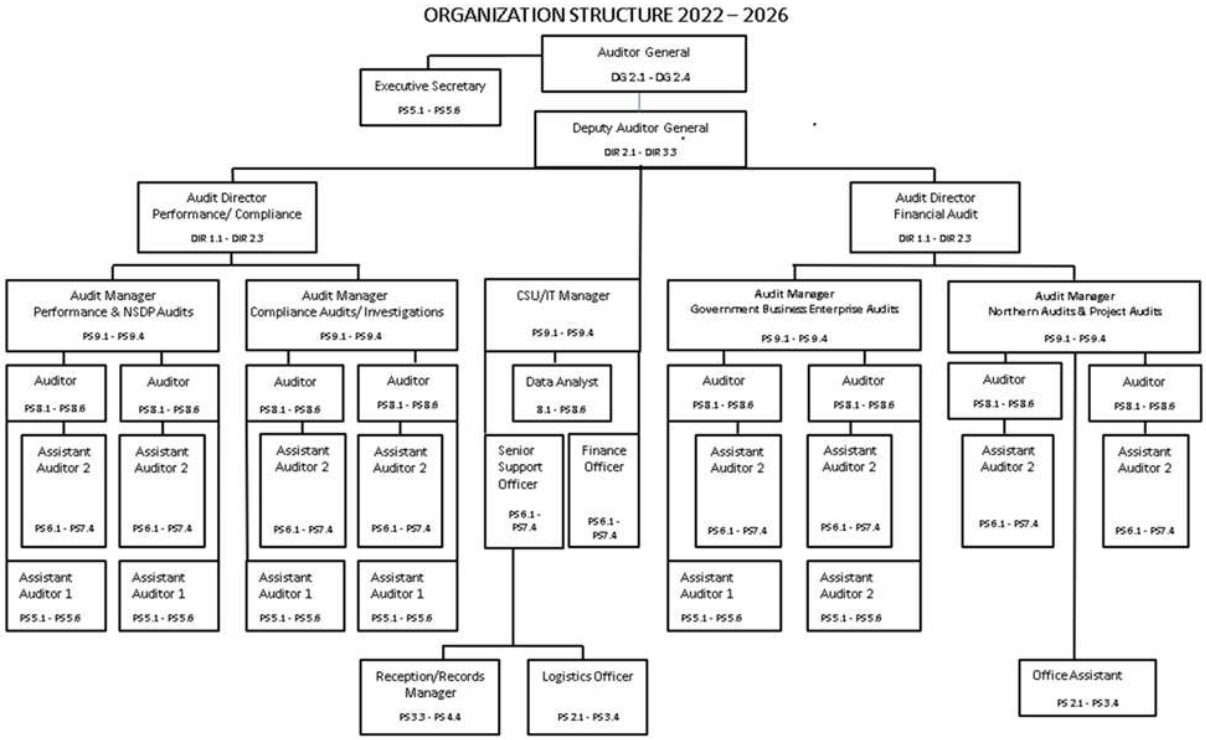
iii. Establishment of Northern Audit office to be based in Luganville, Santo:
- 1 Audit Manager (filling a currently vacant AM position
- Adding 2 Auditors (new positions)
- Adding 2 new Assistant Auditor positions 2
- Adding 1 Office Assistant position

iv. Establishment of two (2) additional Audit teams to include:
– 1 Audit Manager (filling another currently vacant AM position)
- Converting the current IT/Auditor position to a full-time auditor position and adding 1 new auditor
- Adding 2 Assistant Auditors 2

v. Establishing an internal succession and growth plan, to include:
- Adding 6 new Assistant Auditor 1 positions which over time grow into Assistant Auditors 2

vi. Establishment of a Corporate Services Unit to include:
- Manager responsible for IT and Corporate Services
- Data Analyst (needed for overall audit support and data analytics)
- Senior Support Officer (including general HR support – replaces Office Mgr)

- Finance Officer (required for finance, payroll and other related duties)
- Executive Secretary for AG
- Receptionist/Records Manager (replaces current Receptionist position)
- Logistics Officer (replaces current Driver position)



Specific changes and additions were based on a detailed HR forecasting, mapping out the requirements for the growing numbers of audits, along with the requirements for the Northern office, and meeting the standards set in recent peer and other reviews. The process also included the PSC Fit for Purpose checklist. The training and professional development needs were analysed in detail, using the CBPM system and a separate VNAO staff development survey. The resulting plan is described in detail in section 4.5.

Staff recruitment, retention and succession planning are key challenges for the VNAO. Given the specialised nature of the audit work, the Office has a clearly outlined internal career path which proceeds from Assistant Auditor 1 to Assistant Auditor 2 to Audit to Audit Manager and Audit Director. This career path is supported by the VNAO professional development policy and fully aligns with the professional INTOSAI standards.

The ratio of Assistant Auditors 1 to Assistant Auditors 2 allows for some new staff leaving the Office in the early stages of their tenure. The remaining ratios assume that the Office can maintain its current high retention rate. The term of the Auditor-General is limited to a maximum of 10 years under the current PSC structure, and to 8 years under the new Audit Bill. Having a Deputy Auditor General in place allows for smooth succession planning at that level. There are no retirements anticipated during the plan period.

Based on job analysis and new job descriptions, all positions within the structure were classified to reflect the duties, responsibilities, experience and qualifications necessary for the position, and take into account the competitive labour market, especially for professional public sector auditing and for management positions.

The new structure is essential in enabling the Office to address the current and future workload. Also, following the changes in the legal context allowing for VNAO independence, the structure will allow the VNAO to function effectively as its own entity. As part of the

previous plan, key components were already developed including an HR manual and key operating policies.

Budget

The budget is a key component of the VNAO operations and strategic plan, and it is essential that the Office be provided with a budget that allows it to carry out its mandate and mission.
Over the past decade, the Office has been severely underresourced, and it is hoped that with the new strategic plan, this challenge will be addressed. The table below shows the 2022 budget for the Office and the budget increases anticipated.

	Office of the Auditor General					
	2026 Budget submission					
		2026 budget	*2025 budget*	*2024 budget*	*2023 budget*	*2022 budget*
05AA	Policy & Planning Section	**16,409,896**	16,659,896	16,658,596	15,048,520	15,971,220
05AB	Audit Operations Section	**104,628,661**	104,378,661	86,533,661	73,620,413	59,317,533
05AC	Corporate Services Section	**26,216,679**	26,216,679	25,361,679	21,094,803	15,394,883
	TOTAL	**147,255,236**	**147,255,236**	**128,553,936**	**109,763,736**	**90,683,636**
	Annual Increase	-	**18,701,300**	**18,790,200**	**19,080,100**	

Physical Location and Resources

The Office of the Auditor-General is located above the Customs and VAT Office in Rue Carnot, Port Vila. The 2nd story location includes 4 private offices, a conference room, a large open office space with 12 workstations, a kitchen and lounge room, two small storage rooms, an archive room, 2 bathrooms, and several closets. At present, the office space is satisfactory for the current staffing level of the Office. However, with the new structure, office space will be tight.

In the short run, the open space will allow for 6 additional workstations, and work stations can be added for the 3 audit managers. The archive room needs to be redesigned and outfitted with additional shelving. If this is done, one of storage rooms currently used for supplies can be redesignated to be an office space. Midway through the strategic plan period, however, the Office will need space for the Deputy Auditor General and the CSU/IT support staff. Budget is needed for additional furniture. Also, staff safety concerns in the building need to be addressed, especially earthquake safety and disaster preparedness, especially related to ensuring sufficient building exit strategies. There also needs to be a plan in place for document protection during disasters.

The office is fully equipped with standard office equipment including desktop computers linked to the Ministry of Finance and Economic Management intranet system and, through this, to the internet. The Office also has access to high quality printing equipment. As staff numbers increase there will be the need for further office equipment and computers. In addition, the speed of the internet connection will need to be improved.

Plans are already underway for a VNAO office building in Santo. The building has been identified and a renovation budget has been allotted.

In addition to the Microsoft Office suite of programs, the Office uses a sophisticated audit management software program, called “Teammate” and has completed upgrading to Teammate+. Teammate enables the Office to track audit progress and use and apply sophisticated analytics to its work process. The audit staff has been trained on Teammate and the program is integrated into the audit work. The VNAO will continue to work on staff training to ensure all available features of TeamMate + are used, including time tracking for audits, an important feature which is not yet applied and ensuring that it is fully linked to all manuals and audit plans, as was discussed in section 4.3.

4.4.2 Strategic Goal 4: Strengthen VNAO structure, resources and capacity

Based on the assessment above, the VNAO will continue to pursue its strategic goal #4 during the 2022-2026 period, using the following objectives and action steps:

Strategic Objective 4.1 Re-structure the VNAO

Action Steps:

- Submit new structure and job descriptions to PSC
- Continue to advocate for VNAO budget sufficient to support structure and operations
- Following the time table, recruit for and fill new positions

Strategic Objective 4.2: Optimize Management of Finances, Assets and Support Services

Action Steps:

- In preparation for legal changes, develop finance and IT policies
- Following legal changes, implement VNAO HR, finance, and IT policies and processes
- Develop inventory of current and future needs regarding furniture, equipment, office space, software and related items
- Continue to upgrade furniture, equipment, office space, software and related items
- Plan for new or expanded office space
- Institute regular financial reports, asset inventories, review of archiving systems

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4.5 Human Resources (SAI PMF E)

4.5.1 Assessment

During the last plan period, the Office made major progress in the area of human resources. Some of the key accomplishments in this area included:

- ❖ A new Auditor-General, who has provided excellent leadership to the Office;
- ❖ Reclassification of positions, allowing for more competitive salaries
- ❖ Recruitment of new, qualified and competent audit staff
- ❖ Increased gender diversity in staffing
- ❖ Localisation of expertise and capacity
- ❖ High retention of existing audit and other staff
- ❖ Support for human resource development from INTOSAI, PASAI and donors
- ❖ Enrolment of VNAO staff in the INTOSAI PESA pilot program
- ❖ Leadership training of senior management through PASAI
- ❖ Development of VNAO HR manual and CBPMS
- ❖ Training in compliance audit procedures through PASAI
- ❖ Training of all audit staff in performance audit procedures through Australasian Council of Auditors-General (ACAG)
- ❖ Staff training through the PASAI Quality Assurance workshop[46]
- ❖ Training of all audit staff in TeamMate and TeamMate +
- ❖ Training of all audit staff in XERO
- ❖ Training of audit managers in TeamMate Champion
- ❖ Regular training in VNAO Code of Ethics
- ❖ Select staff trained in professional literacy
- ❖ Regular performance assessments for all staff
- ❖ New office uniforms, improved office working space, and positive staff morale

As noted in the 2019 external review, high-level performance of an effective SAI is dependent on its capacity to recruit, retain and effectively deploy highly skilled staff. Therefore, sound human resource management is vital in achieving service excellence and quality, and ISSAI 40: Quality Control emphasises that SAIs should have human resource policies and procedures in place that adequately deal with qualifications and ethics.

Because the VNAO is currently still part of the PSC, it does not control this particular performance dimension. However, in preparation for independence, the Office has developed its own human resource manual and a comprehensive competency-based performance management system, that structures job descriptions, recruitment and selection, human resource development, and performance assessment.

This system includes core competencies, examples of effective and ineffective behaviours, and performance expectations for the different levels within the VNAO structure. The system has been updated as part of the new strategic plan, to include the most recent INTOSAI standards for the three audit specialities: financial audits, compliance audits, and performance audits.

Human resource management has presented a major challenge to the Office over the past years. Major ongoing issues include the difficulty of finding qualified audit staff, given the necessary education and long on-the-job training required for effective performance,

competition with the private sector for scarce human resources, and comparatively low public sector salaries.

Professional audit certification is a particular challenge for the Office. Currently, near all of the audit staff have university qualifications. The new Deputy Auditor-General position has a professional accounting certification requirement (CPA, IPA or CA). Also, one staff member, Ms. Sandra Garae, shown in the photo with the AG, recently received her IPA, becoming the first ever Ni-Vanuatu to become a Member of the Institute of Public Accountants[47].

Several other staff members have also begun professional accountancy certification studies, an initiative that has been supported by the GFG program. However, the difficulty with these studies is that none are offered locally, and those that are offered abroad focus on public sector processes that are specific to their own countries. There are also only limited opportunities for IPSAS certification.

As part of the strategic planning process, the VNAO developed a professional development policy, which outlines several pathways, following the recently developed INTOSAI *Developing Pathways for the Professional Development of Auditors in a Supreme Audit Institution (SAI): Utilising the INTOSAI competency framework to develop public sector audit professionals in the most context-appropriate way* document[48].

As part of this policy, all audit staff who have served more than 2 years with the VNAO are enrolled in the Professional Education for SAI Auditors (PESA) pilot certification program offered through the INTOSAI Development Initiative (IDI) as a global SAI professional development package. In addition, the Auditor-General and one of the Audit Managers are enrolled in the leadership development component of this program.

With the support of PASAI and INTOSAI, and donor partners, the VNAO aims to have all audit staff fully cross-trained in the 3 audit specialties and to have senior staff fully trained in Quality Assurance.

All audit staff are given 3 hours a week- following PSC policy- to devote to professional development. In addition, opportunities will be provided to select staff for additional external certification, supported by study leave and scholarships.

As part of the donor consultations during the planning process, it became clear that donors are actively interested in providing support for VNAO staff development. This has been evident in the past through the GFG support, but additional opportunities exist, including more technical advisors for specialized purposes, the possibility of VNAO staff participating in the Master's in Public Auditing program in China, possible support for IPSAS certification, support for the entry level Assistant Auditor 1 positions, and more. The Office will follow-up on these valuable opportunities.

With the new VNAO structure, the responsibility for planning, encouraging and monitoring professional development of the audit staff will be held by the new Deputy Auditor-General, reflecting the priority given by the Office to this part of the strategic plan. Other HR duties will be assigned to the CSU Manager and the Senior Support Officer.

Addressing the ongoing staffing and staffing development needs in the Office is the focus of Strategic Goal #5. In developing the objectives for this goal, it is useful to keep in mind that as an SAI, VNAO is expected to conform to international auditing standards, especially those in the Lima and Mexico Declarations. Section 14 of the Lima declaration specifies:

1. The members and the audit staff of Supreme Audit Institutions shall have the qualifications and moral integrity required to completely carry out their tasks.

2. In recruiting staff for Supreme Audit Institutions, appropriate recognition shall be given to above-average knowledge and skills and adequate professional experience.
3. Special attention shall be given to improving the theoretical and practical professional development of all members and audit staff of SAIs, through internal, university and international programmes. Such development shall be encouraged by all possible financial and organisational means. Professional development shall go beyond the traditional framework of legal, economic and accounting knowledge, and include other business management techniques, such as electronic data processing.
4. To ensure auditing staff of excellent quality, salaries shall be commensurate with the special requirements of such employment.
5. If special skills are not available among the audit staff, the Supreme Audit Institution may call on external experts as necessary.

As part of the strategic planning process, an HR forecasting needs analysis was conducted, which provided the basis for the proposed new structure, along with a VNAO staff development survey and a new professional development policy. These and other HR documents provided the basis for the HR strategy, which was also developed to support the new strategic plan.

4.5.2 Strategic Goal 5: Strengthen Human Resources

Based on the assessment above, the VNAO will continue to pursue strategic goal #5 during the 2022-2026 period, using the revised objectives, action steps, and indicators specified below. It should be noted that key components of this and other sections are dependent upon changes in the legal context, allowing for VNAO independence. Until such time, the Office will continue to function within the established PSC system.

Strategic Objective 1: Strengthen HR systems

Action Steps:

- Following independence, implement the new HR manual, the full CBPMS, the HR development policy, and all other related HR policies and systems
- Develop additional HR policies as needed, including a social welfare policy, an employee recognition system, and a performance incentive system
- HR strategy is used as a guiding document for HR decisions
- Effectively document all HR processes, including performance management, recruitment and selection, compensation, development, and discipline
- Provide for and document regular staff meetings to address working conditions
- Collect and analyse all relevant HR data and integrate into HR planning process
- Annual update of HR strategy and plan, including succession planning
- Continue to implement an annual staff satisfaction and engagement survey
- Using TeamMate+, track audit labour hours and output to develop productivity goals and standards

Strategic Objective 2: Ensure effective staffing

Action Steps:

- Recruit and select for all currently vacant and new positions, following established timelines and job criteria
- At least 3 VNAO staff will have professional accountancy certification (CPA, IPA, or CA)
- Review, update and document induction training for new employees
- Implement probationary review for new employees
- Annual review of job descriptions and compensation structure

- Annual performance review and goal setting
- Develop COVID-19 contingency plans for working remotely

Strategic Objective 3: Effective staff Development

Action Steps:

- Develop new staff development policy
- Develop annual staff development budget
- Each staff member develops an individual professional development plan annually
- Deputy Auditor-General develops and implements a detailed plan for professional development for auditors
- Ensure each audit staff member with 2 or more years in the VNAO completes the PESA pilot program in at least 2 of the 3 audit specialities
- Ensure IT manager and Data Analyst complete TeamMate Champion training
- Ensure VNAO senior staff complete PASAI leadership program and QA training
- Support full-time study leave for at least 2 audit staff during the plan period
- Work with donor agencies to provide staff development support
- Continue to provide weekly study time for all staff

4.6 Stakeholder Communication (SAI PMF F)

4.6.1 Assessment

Effective stakeholder communication is a key responsibility of the VNAO and integral to its mission of public sector auditing. The Lima declaration notes that public sector auditing is "necessary for the stability and the development of states" and includes ensuring "the proper and effective use of public funds; the development of sound financial management; the proper execution of administrative activities; and the communication of information to public authorities and the general public through the publication of objective reports". Furthermore, ISSAI 12 identifies one of the SAI's main objectives as demonstrating its relevance to stakeholders. Therefore, SAIs should communicate with stakeholders to ensure understanding of the SAI's audit work and results.

Over the past plan period, the Office has made good progress in the area of stakeholder communication. Key accomplishments in this area included:

- Development of a stakeholder engagement strategy, including stakeholder analysis, development of detailed communication strategies, and key messages
- Development and launching of the VNAO website, and regular website postings
- Stakeholder consultations on Santo and Efate on the Constitutional Amendment
- Launching of the VNAO Facebook page and regular Facebook postings
- Participation in key government planning and consultation meetings
- Training of client organizations in financial reporting
- Meetings with donor governments and agencies
- Involvement in the PMF Roadmap implementation
- VNAO participation in public events such as the 40th Independence Day celebrations, the Public Service clean-up campaign, and International Women's Day
- VNAO participation in annual Public Service Day
- Annual stakeholder planning day
- Annual Local Authorities workshop on role of VNAO
- Annual staff retreat and quarterly staff meetings

The VNAO has developed strong working relations with the international SAI community, including INTOSAI and PASAI. Important aspects of those relations have been the 2019 peer review, ongoing staff training, and hosting the Pacific Quality Assurance workshop and Hosting of the SAI PMF Performance analysis workshop

On May 28, 2021, PASAI appointed the VNAO as its newly elected representative for the Melanesian region, a very important leadership role for the Office.

The 2019 peer review noted that while the Office had an effective communications strategy, its implementation, monitoring, and documentation could be improved, through:

- regular and more timely reports to PAC and the Minister of Finance, to encourage tabling and debates in Parliament
- submitting an annual VNAO report directly to the Speaker of Parliament, as provided for in the ERAA
- regular meetings with and increased feedback from auditees
- more involvement in Vanuatu Integrity agencies
- development of a communication policy

The Office recognises the importance of increased awareness of the role and functions of the VNAO for the general public and the stakeholders, and considers this to be an important focus for the next 5 years.

In developing its communication strategy and the objectives and action steps for this last strategic goal, the Office used the following guiding principles:

- To promote effective communication on the importance of public auditing in public governance.
- To ensure all VNAO communications are consistent with the vision, mission, and the strategic goals of the Office of the Auditor-General.
- To ensure all reports published by VNAO that have been tabled in Parliament are accessible to stakeholders
- To promote effective communication for the successful implementation of the OAG strategic plan and its goals
- To promote accountability and transparency in communication and ensure that is clear and easily understood

One area that the Office will work on is to enhance its relations with Parliament and the Judiciary. In doing so, it will follow the guidance provided in various good practices documents provided by SIGMA, OECD and INTOSAI's Making SAI's Count[49],. In particular, the Office aims to substantially increase communication with the Speaker and relevant committees of Parliament and to increase the number of reports and summaries submitted to Parliament.

Another focus area will be active involvement with Vanuatu Integrity agencies. As was noted in section 3.1, Vanuatu ranked 75 on the Corruption Perceptions Index in 2020, and the Vanuatu Government has developed a *National Anti-Corruption Strategy*, grounded in the Peoples Plan and the SDGs. This strategy aims to strengthen the foundation of Vanuatu society, increase efficiency, and effectiveness while building trust of the public sector and institutions, paving the way for sustainable economic development and equal opportunity for all people of Vanuatu.

While the work of the OAG is key to accomplishing these goals, the Office was not part of the development of the strategy and has not been invited to participate in the work of implementing the strategy. The Office aims to identify ways of becoming actively involved in this over the next plan period, to liaise with anti-corruption CSOs. The Office will also organise or participate in events related to the annual Anti-Corruption Day, possibly in collaboration with Transparency International, VANGO, and/ USP law students and faculty. The VNAO is also working on developing an MOU with the Ombudsman Office.

A third focal area will be to further increase communication with stakeholders, aiming to repeat its 2016 3-day advocacy workshop. This brought together over 200 participants including key senior government offices, Director Generals and Directors of the public service, municipal and provincial councils to discuss the roles of the Auditor General and the PAC, and the findings of the 2012 Whole of government consolidated financial statements.

The Office will also work on its internal documents, including a review and updating of the communication and engagement strategy, enhanced monitoring of implementation, and the development of a communication policy, along with exploring new and innovative ways to engage with the public.

4.6.2 Strategic Goal 6: Strengthen stakeholder communication (SAI PMF F)

Strategic Objective 6.1: Effective communication with stakeholders

Action Steps:

- Effectively utilize the PASAI leadership role of the Office to communicate with global, regional and national stakeholders
- Develop, implement and monitor a detailed schedule for meetings with and reports to Parliament and Committees
- Ensure that all audit reports are published on the Office website, following regulations
- Organize an audit staff workshop on INTOSAI and other documents on enhancing relations with Parliament and the Judiciary
- Request official representation of the VNAO within the Anti-Corruption Strategy
- Organize or participate in Annual Anti-Corruption Day
- Organize at least 1 government stakeholder workshop during the plan period, focusing on discussion of the findings of key audits, such as the Whole of Government, or the NSDP performance audit
- Increase regular and systematic communication with and feedback from clients, using audit feedback forms and regular surveys
- Continue regular participation in Public Service Day
- Continue regular presentations at educational and other institutions

Strategic Objective 6.2 Enhanced use of media and website

Action Steps

- Increase publicity around audit reports, published on the VNAO website
- Assign part-time PR role to existing staff
- Review and regularly update the VNAO website, Facebook page, and other social media outlets
- Increase number of postings on Facebook page and other social media outlets
- Explore additional media relations opportunities, such as Talk Back show and other radio, TV, and newspaper interviews and programs
- Request special programming related to key events, such as Anti-Corruption Day and the publication of Whole of Government report
- Issue media releases related to VNAO events and audits
- Prepare editorial statements for the Daily Post and other media outlets
- Survey of general public's perceptions of the VNAO

5. Implementation, Assessment and Reporting

Effective implementation, monitoring, and assessment are key to the success of any strategic plan. The table in Appendix 3 represents the monitoring and evaluation (M&E) framework for the plan. It shows the various strategic goals and objectives for the 2022-2026 corporate plan, along with activities, outputs, indicators and targets, risks and responses to risks, and external assistance needed or desired. Implementation costs are shown separately in appendix 6.

Where possible, both the plan itself and the implementation matrix have been aligned with the INTOSAI standards, and with the national standards, including PSC guidelines and the NSDP. Alignment linkages with the PFMR Annual Progress report are also shown, along with linkages to the 2020-2023 Vanuatu Recovery Strategy[I], MFEM Corporate Plan 2019-2021, the PSC Corporate Plan 2020-2022.

For this plan to succeed, it is essential that the VNAO engages in regular monitoring, review, and updating of the plan. These activities have been integrated into the M&E framework. The VNAO will also report against the 6 goals in its annual report. For most of the indicators, there were no baseline data, other than the 2019 SAI PMF. As data are collected in this plan period, they will serve as baseline data for future plans. Overall responsibility for M&E rests with senior management, with assistance from the IT/CSU manager and the data officer.

The *first major risk* involved with this strategic plan is that a number of the objectives and activities hinge on the Office gaining independence, a key requirement based in international agreements. Both the SAI-PMF peer review and discussions with donor stakeholders confirmed the importance of this change in the legal framework.

The *second major risk* is the issue of funding – unless the VNAO structure and supporting budget are approved, the plan cannot be implemented successfully. Detailed risks and risk responses are shown in the M&E table.

Conclusion

This strategic plan presented the vision, mission, core values and competencies of the VNAO. It also presented our roadmap for the next 5 years which is a critical stage in the development of both our Office and the country as a whole.

Through the implementation of this plan, we aim to promote ***"good governance"*** through improving transparency, accountability and efficiency in managing and using public resources. By ensuring good governance the National Audit Office supports Vanuatu's development aspirations for "a peaceful, just and inclusive society supported by responsive and capable state institutions delivering quality public services to all citizens"[II].

The 6 strategic goals for the 2022-2026 time period, which include:

1: Strengthen VNAO mandate and independence
2: Strengthen Internal Governance & Ethics
3: Strengthen Audit Coverage, Quality, Timing & Impact
4: Strengthen VNAO structure, capacity and resources
5. Strengthen Human Resources
6: Strengthen stakeholder communication

The plan development methodology and stakeholder consultations were also discussed, along with organizing framework for the plan. Each strategic goal area was described, presenting first an assessment, followed by a presentation of objectives and action steps.

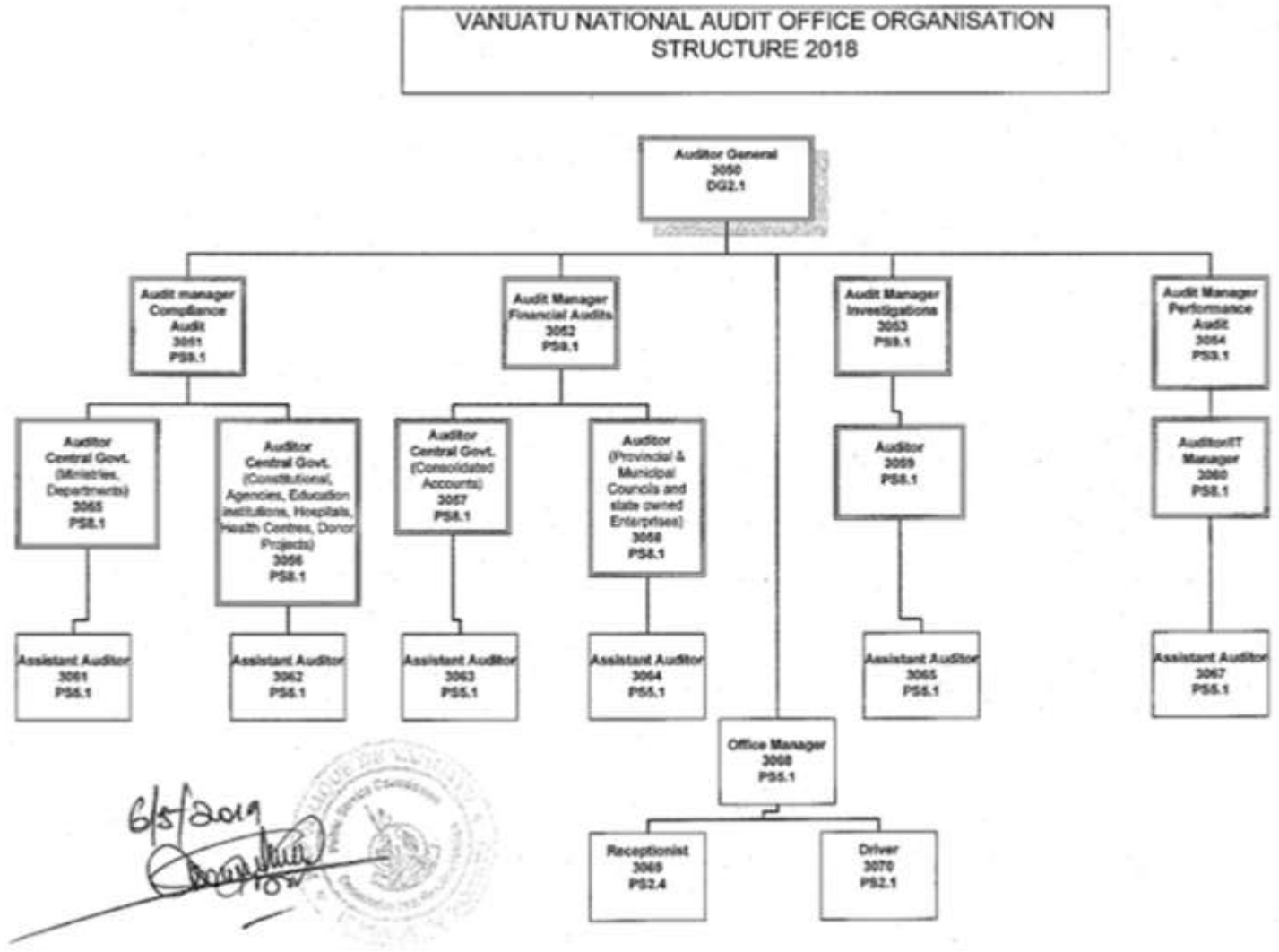
Appendix 1: Audit Clients

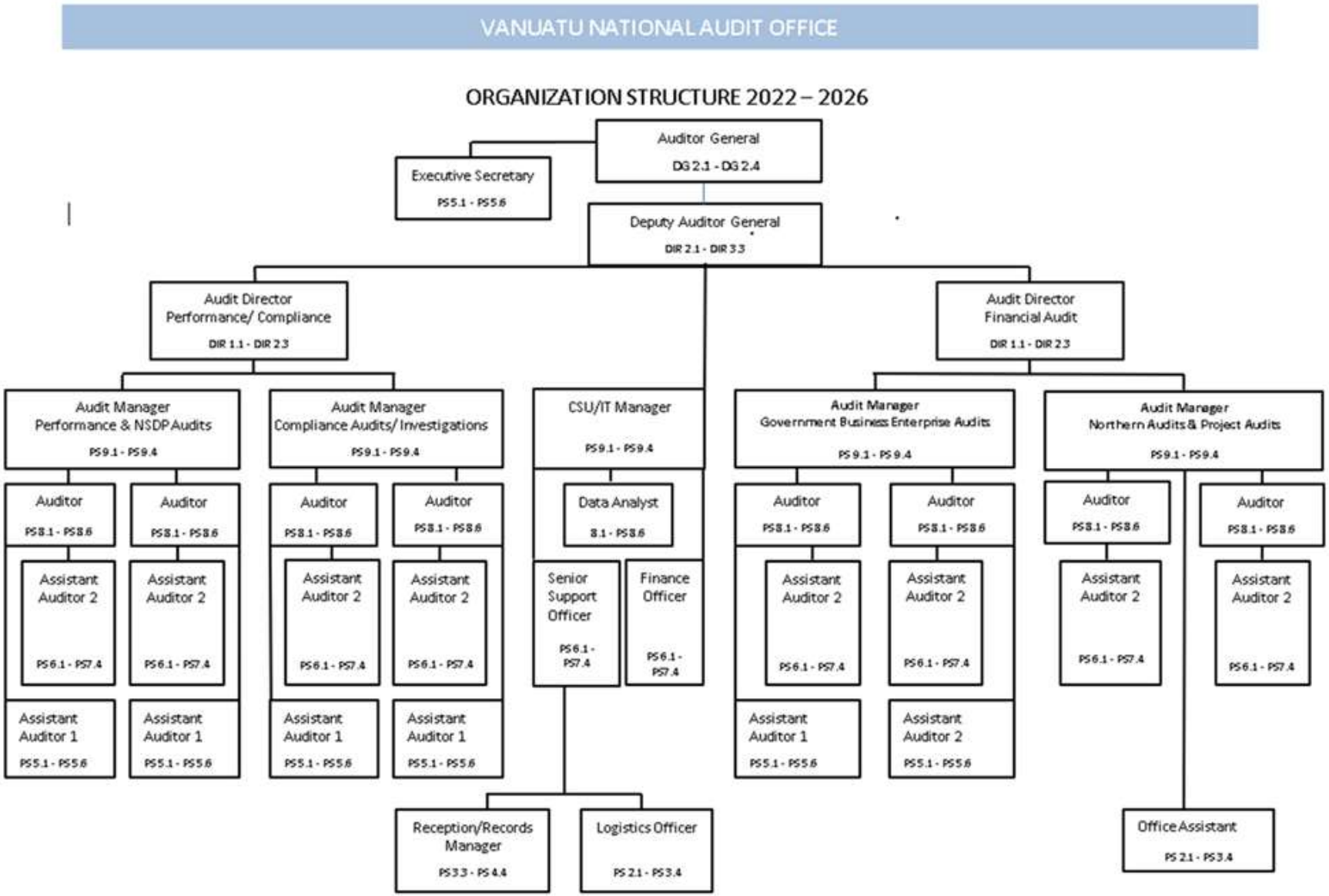
GROUP	DEPARTMENT
Constitutional Agencies	President of the Republic
	Parliament
	Judiciary
	Malvatumauri National Council of Chiefs
	Electoral Commission
	Citizenship Commission
	Judicial Services Commission
	Public Service Commission
	Police Service Commission
	Teaching Service Commission
	Ombudsman
	Public Prosecutor
	Public Solicitor
	State Law Office (Attorney General)
	National Audit Office
Ministries	Prime Minister's Office
	Agriculture, Livestock, Forestry, Fisheries & Biosecurity
	Climate Change Adaptation, Geohazards, Meteorology and Energy
	Education and Training
	Finance and Economic Management
	Foreign Affairs, International Cooperation and External Trade
	Health
	Infrastructure and Public Utility
	Internal Affairs
	Justice and Social Welfare
	Lands, Mines and Water resources
	Youth Development and Sports
	Trade, Tourism, Cooperatives & Ni Vanuatu Business
Central Government Departments & Line Agencies	
Prime Minister's Office	DSPPAC
	OGCIO
	Language
	GRT
Ministry of Internal Affairs	Provincial Affairs
	Correctional
	Police
	Labour
	Civil Status
	Immigration
	Urban Affairs

Ministry of Finance	Finance and Treasury
	Customs and Inland Revenue
	National Statistics
Ministry of Trade	Tourism
	Industry
	Co-operatives
	National Standards
Ministry of Foreign Affairs	Foreign Affairs
	External Trade
Ministry of Agriculture	Agriculture
	Livestock
	Fisheries
	Forestry
	Biosecurity
Ministry of Education	Education
	Corporate Services
	Planning
	Tertiary Education
Ministry of Youth	Youth and Sports
Ministry of Lands	Land management
	Geology and Mines
	Water Resources
	Valuer General
Ministry of Health	Public Health
	Curative Services
	Corporate Services
	Pharmacy
	Vanuatu Nursing College
Ministry of Public Utilities	Civil Aviation
	Ports and Marine
	Public Works
Ministry of Climate Change	Energy
	Environment
	Meteorology
	National Disaster Management
Ministry of Justice	Women's affairs
	Correctional Services
	Lands Tribunal
Local Authorities	Municipality of Lenakel
	Municipality of Luganville
	Municipality of Port Vila
	Penama Provincial Council
	Malampa Provincial Council
	Sanma Provincial Council
	Shefa Provincial Council
	Tafea Provincial Councill
	Torba Provincial Council

Statutory Bodies	
	National Archives
	National Bank of Vanuatu
	National Culture Council incl. Cultural Centre
	National Green Energy Fund
	National Housing Corporation
	National Parks Board
	National University of Vanuatu
	National Youth Authority
	Office of the Maritime Regulator
	Reserve Bank of Vanuatu
	Telecommunications, Radio Communications & Broadcasting Regulator
	Utilities Regulatory Authority
	Vanuatu Agriculture Research and Training Centre
	Vanuatu Broadcasting and Television Corporation
	Vanuatu Bureau of Standards
	Vanuatu Chamber of Commerce and Industry
	Vanuatu Financial Services Commission
	Vanuatu Intellectual Property Office
	Vanuatu Investment Promotion Authority
	Vanuatu Law Commission
	Vanuatu Law Society
	Vanuatu National Provident Fund
	Vanuatu National Sports Commission
	Vanuatu Nursing Council
	Vanuatu Primary Producers Authority
	Vanuatu Red Cross Society
	Vanuatu Rural Development Bank
	Vanuatu Tourism Office
	Vanuatu Qualifications Authority
Wholly Owned Subsidiary of the State	
	Airports Vanuatu Limited
	Air Vanuatu (Operations) Limited
	Northern Islands Stevedoring Company Limited
	Vanuatu Livestock Development Limited
	Vanuatu Maritime College
	Vanuatu Post Limited
Government service under external management	Luganville Electricity under VUI Port Vila Wharf under IPDS Port Vila Water under UNELCO Port Vila Electricity under UNELCO Santo Wharf under NISCOL Vanuatu Shipping Registry under VMSL

Appendix 2 Current and new VNAO Structure




VANUATU NATIONAL AUDIT OFFICE
ORGANIZATION STRUCTURE 2022 – 2026
Auditor General
DG 2.1 - DG 2.4
Executive Secretary
PS 5.1 - PS 5.6
Deputy Auditor General
DIR 2.1 - DIR 3.3
Audit Director Performance/ Compliance
DIR 1.1 - DIR 2.3
Audit Director Financial Audit
DIR 1.1 - DIR 2.3
Audit Manager Performance & NSDP Audits
PS 9.1 - PS 9.4
Audit Manager Compliance Audits/ Investigations
PS 9.1 - PS 9.4
CSU/IT Manager
PS 9.1 - PS 9.4
Audit Manager Government Business Enterprise Audits
PS 9.1 - PS 9.4
Audit Manager Northern Audits & Project Audits
PS 9.1 - PS 9.4
Auditor
PS 8.1 - PS 8.6
Assistant Auditor 2
PS 6.1 - PS 7.4
Assistant Auditor 1
PS 5.1 - PS 5.6
Data Analyst
8.1 - PS 8.6
Senior Support Officer
PS 6.1 - PS 7.4
Finance Officer
PS 6.1 - PS 7.4
Reception/Records Manager
PS 3.3 - PS 4.4
Logistics Officer
PS 2.1 - PS 3.4
Office Assistant
PS 2.1 - PS 3.4

Appendix 3 Strategic Plan Monitoring and Evaluation Framework

Goal 1: Strengthen VNAO Mandate and Independence (SAI-PMF A)

Objective	Activities	Outputs	Indicators	Target	Risk/Response	Alignment
1.1 Advocate for legal changes	Actively work with State Law, the Ministry of Finance and Economic Management, the PAC, members of Parliament and donor governments and agencies to advocate for and effectively implement the needed legal changes	Consultations held Audit Bill Draft completed Constitutional Amendment Draft Completed Bill and Amendment scheduled & passed	1.1.1 Consultation meetings held Law, donors, PM Office, members of Parliament before 11-21 1.1.2 Drafts completed by 9-21 1.1.3 Constitutional Amendment and Audit Bill tabled for Parliament 1.1.4 Rating of VNAO in SAI PMF review on independence	8 2 1 for 11/21 meeting Level 3	Risk: Parliament fails to pass amendment and/or bills Response: Continue to educate Parliament on the need for a new legal framework, with support from donors	NSDP SOC 6.1, 6.2, 6.4, 6.7, 6.8, 6.9 SDG 15 and SDG target 16.6 SAI-PMF A PFMR: If National Audit Act is passed, it will allow VNAO to enforce timelines on financial statement submissions, a key part of PFMR roadmap, all sections PFM 1.7 & 4.2 Declaration of Lima (1977) Declaration of Mexico (2007) UN Resolutions A/66/209 (2011)
1.2 Increase public awareness of mandate and independence	Organize public awareness activities, focusing on SAI independence and mandate Optimize the use of the VNAO website, Facebook page and media for this purpose Education programs in schools and other relevant institutions Participate actively in public	Annual public education activities Regular website, FB and media postings At least 2 school programs annually Participation in public forums annually Measures of public perception of VNAO using FB and other tolls	1.2.1 Public education and awareness activities annually, focusing on SAI independence, mandate, and responsibilities 1.2.2 # of VNAO website, Facebook page, and public media postings and messages annually focusing on VNAO independence/mandate 1.2.3 # of education and awareness development programs in schools, universities and other relevant institutions 1.2.4 Participation in public forums annually 1.2.5 VNSO measures developed 1.2.6 Survey and other data to show increased public awareness of the VNAO, its independence,	3 10 5 3 per year 1 by 2024 10% +I per year	Risk: No public interest or support Response: Plan for campaigns; collaborate with schools, CSOs, donors, watchdog organisations	

	forums on the NSDP, SDGs, corruption and more Work with VNSO to develop measures of public perception of government and corruption		and its role, responsibilities and functions.			A/69/228 (2014)
Goal 2: Strengthen Internal Governance & Ethics (SAI-PMF B)						
Objective	**Activities**	**Outputs**	**Indicator**	**Target**	**Risk/Response**	**Alignment**
2.1 Ensure effective VNAO strategic planning and monitoring	Fully align 2022-2026 strategic plan with NSDP, the PFMR Roadmap (old/new), and other relevant context plans Align VNAO plans and INTOSAI frameworks Fully develop and align annual audit plans during annual planning sessions, Fully document VNAO strategic planning process Track all progress related to the strategic and annual plans	Positive review of alignment by government, PASAI and other agencies of linkages Positive review of corporate and annual plans, specifically details and integration Full documentation of VNAO planning process Progress tracking in place, using event, output, and process measures Annual retreat review of progress and adjustments as needed Impact assessment tools developed (cost savings, enhanced reporting,	2.1.1 Government and SAI PMF review show clear links between 2022-2026 VNAO plan and NSDP and the PFMR Roadmap 2.1.2 SAI PMF review of planning, showing 2022-2026 VNAO plan and Annual Audit plans reflect integrated goals, objectives and indicators, and annual plans are fully developed 2.1.3 Records showing full documentation of VNAO strategic planning process 2.1.4 Annual retreat records showing review and adjustments 2.1.5 Records show consistent progress tracking system, and monthly and annual plan progress reports as part of all quarterly and annual staff meetings 2.1.6 Records show client satisfaction surveys used after every audit	5 links Level 3 3 5 Level 3 5 annual reports	Risk: Strategic plan implementation fails due to lack of legal change and budget support Response: Continue to advocate; Adjust goals and activities downward Risk: Lack of client feedback Response: Continue to work on client relations Risk: No support from VNSO on developing impact tools Response: Develop tools in-house with technical support through PASAI/ INTOSAI	NSDP SOC 6.1, 6.2, 6.4, 6.7, 6.8, 6.9 SDG 15 and SDG target 16.6 SAI-PMF B PSC Corporate Plan guidelines SAI-PMF B

	Review progress in VNAO annual retreat Develop and implement impact measures to assess the value and impact of VNAO work, working with VNSO	implementation of recommendations)	2.1.7 Records of other impact assessment tools applied, analyzed and shared show positive impact of VNAO	2 other impact tools and reports		
2.2 Continue to implement Quality Control methods	Ensure that all audit plans and records are complete, including labour hours, team leader, progress and tracking Continue to fully train all audit staff in audit review and quality control processes, as relevant to their position Review audit processes on QC Hold regular staff meetings to discuss audit quality control and progress Review audit outsourcing process	Audit plans and records are complete All supervisory audit staff is fully training in QC and review All audit processes, manuals and software include systematic QC and review methods and checklists Regular staff meetings are held to discuss QC and audit progress Outsourcing processes and documents are reviewed, updated, and meet standards	2.2.1 Audit plans/records show all data, including labour hours, team leader, progress and tracking 2.2.2 Record of staff training show audit staff is fully trained in quality control and audit review 2.2.3 TeamMate + and other records show quality control is effectively and systematically implemented at all steps of the audit process, and at all levels of the organisation 2.2.4 Records of regular staff meetings show audit QC discussed and addressed 2.2.5 All outsourcing processes are documented, are consistent and subjected to VNAO QC & QA 2.2.6 SAI-PMF QA scores of 3 in QC and QA	5 annual reports 5 annual training reports 5 annual TeamMate reports Level 3 review rating Level 3 review rating Level 3 review rating	Risk: New structure is not approved – no staff available for QA Response: Continue to advocate for new structure	

2.3 Institute Quality Assurance (QA)	Institute a clear QA process, following INTOSAI guidelines Continue to ensure that senior staff is trained in QA Continue to work with PASAI for QA support Institute Audit Directors, responsible for carrying out QA Institute QA tracking for all audits, including outsourced audits	QA process in place and consistent with INTOSAI Senior staff is QA trained VNAO support for QA is delivered by PASAI Audit Directors in place QA tracking process in place	2.3.1 Records showing QA process in place, applied and documented 2.3.2 Senior staff QA training records 2.3.3 HR records show Audit Directors are recruited 2.3.4 Performance review of Audit Directors shows good QA 2.3.5 Records showing QA review of all audits	1 QA record 5 annual training records 5 annual performance reviews 5 annual reports on QA reviews Level 3 rating	Risk: Lack of availability of qualified QA staff Response: Continue to train senior staff in QA; request technical assistance in QA from PASAI and INTOSAI	
2.4 Continue to strengthen VNAO ethics code, training, and implementation	Review VNAO Ethics Code Integrate Code into manuals, practices and procedures Working with PASAI, schedule INTOSAINT Regularly review ethics Code, training, and incidents Develop and institute whistle-	VNAO Ethics Code is updated, reviewed and integrated into training, audit process, and performance review INTOSAINT training is implemented Whistleblower policy in place	2.4.1 Records of Code of Ethics updated for local adaptation 2.4.2 Records of INTOSAINT training and self-assessment 2.4.3 Records of staff meetings, trainings, critical incidents, and performance assessment around ethics 2.4.4 Ethics integrated into audit manuals, audit training 2.4.5 Whistle-blower policy and process in place	1 1 5 annual reports Level 3 review 1	Risk: PASI cannot schedule INTOSAINT training due to COVID Response: Continue to request scheduling; explore remote options for INTOSAINT delivery	

	blower policy and processes					
2.5 Effectively utilize external controls	Share progress against strategic and annual plan indicators externally Continue to ensure VNAO annual reports to PAC & Parliament Schedule, participate in and share results of 2025 SAI-PMF Implement systematic audit feedback control measures	VNAO progress shared externally Annual reports submitted to PAC & Parliament 2025 SAI-PMF completed and shared External feedback on audits collected, reviewed and applied	2.5.1 Records showing external sharing of VNAO plan progress 2.5.2 Records of VNAO annual reports to PAC & Parliament 2.5.3 Records of SAI-PMF 2.5.4 External audit feedback records 2.5.5 Records of VNAO analysis and findings from external feedback	5 annual reports 5 annual reports :Level 3 rating 5 annual reports	Risk: Delay in scheduling and implementation of 2025 SAI-PMF Response: Schedule early review Risk: Reports not tabled in Parliament Response: Continue to advocate	
Goal 3: Strengthen Audit Coverage, Quality, Timing and Impact (SAI-PMF C)						
Objective	**Activities**	**Outputs**	**Indicators**	**Target**	**Risk/Response**	**Alignment**
3.1: Increase audit coverage and timing	Over strategic plan period, expand audit coverage to include full client list Following audit act passing, ensure all audits are completed within 4 months of submission of financial statements	All VNAO clients are regularly audited	3.1.1 Records of annual audits show increasing coverage over the plan period, with full coverage in 2026 3.1.2 Annual Report of the Office provides summary of audit findings and recommendations 3.1.3 % of audits completed within 4 months of submission of financial statements	100 % of coverage by 2026 5 annual reports 100% of audits completed on time	Risk: If structure /budget are not approved, coverage cannot be increased Response: Adjust goal downward Risk: If Audit Bill is not approved, timelines and penalties cannot be enforced Response: Adjust targets downward	NSDP SOC 6.1, 6.2, 6.4, 6.7, 6.8, 6.9 SDG 15 and SDG target 16.6 SAI-PMF C PEFA 26/30

3.2: Continue to ensure ISSAI compliance for all audits	Review all Audit Manuals, Guidelines, Documentation and Check Lists, and the Quality Assurance Manual ensure integration into TeamMate+ and audit processes Continue staff training in ISSAI standards, processes, and reporting guidelines Working with PASAI and INTOSAI, schedule iCAT for financial audits assessment Ensure that relevant training and source material is available	Audit Manuals, Guidelines, Documentation and Check Lists, and QA manual are reviewed, updated and integrated into Teammate+ and audit processes Ongoing staff training in ISSAI standards, processes, and reporting guidelines iCAT training and assessment is completed All relevant training and resource material is available to staff	3.2.1 Review and records showing that manuals, guidelines, and checklists are updated 3.2.2 TeamMate review shows integration of guidelines 3.2.3 Records of staff training in ISSAI standards, processes, reporting 3.2.4 Completed audits clearly demonstrate compliance with ISSAI standards – SAI-PMF scores 3.2.5 Records of Office iCAT process and learning 3.2.6 Examples of application of iCAT learning to financial audits 3.2.7 Office library shows resource material available and in use 3.2.8 SAI-PMF review scores confirm ISSAI compliance in samples 3.1.9 2025 SAI PMF shows score of 3 or above in Area C	Level rating on all indicators in this section Annual reports on all indicators 10 Sample learning reports and examples	Risk: PASAI cannot schedule iCAT due to Covid Response: Continue to request, adjust timeline, and explore remote delivery possibility	PEFA 28/31 PFM 1.7 PFM 4.2 PFM 4.3 MFEM 1.5 MFEM 3.5/3.6 VRS 1.1 For performance audit, this affects the full NSDP plan
3.3 Greatly reduce audit arrears	Work to ensure that key enabling factors (legislation, budget, structure, staffing) are in place Develop a clear time schedule for	Enabling factors in place Time schedule developed for addressing audit arrears Audit arrears greatly reduced by 2026	3.3.1 Document actions and progress on enabling factors 3.3.2 Realistic time schedule for eliminating audit arrears over the next 5 years – 15 % per year 3.2.3 Annual reports on remaining audit arrears	5 annual reports on indicator factors 5 annual reports on audit arrears	Risk: If structure/ budget is not approved, insufficient staff to address e arrears Response: Adjust target downward, request donor support	

	greatly reducing audit arrears over the next 5 years Request external technical and donor assistance as needed Collaborate with GFG, MFEM, PAC to support clients' ability to produce accurate and proper financial statements in a timely fashion	Donor support provided Increased client ability to produce accurate, timely and proper financial statements	3.2.4 Records showing technical and donor assistance 3.2.5 Records of trainings collaboratively provided to client organisations 3.2.6 TeamMate tracking of audit data is put in place for arrears moving forward	25% increase in donor assistance 1 record of TM tracking established	Risk: Clients continue to delay financial statements Response: Explore penalties and other legal enforcement tools	
3.4 Enhance audit follow-up	Train VNAO staff in effective follow-up procedures Implement client education sessions on audit follow-ups Track recommendation implementation	Effective follow-up is provided Clients have increased understanding of the importance of audits and audit recommendation implementation Tracking records exist	3.4.1 Records of staff training in follow-up procedures 3.4.2 Follow-up is included in the overall process of planning, executing and documenting audits 3.4.3 Number of audit follow-ups 3.4.4 Records on annual education session on the importance of audit follow-ups 3.4.5 Records showing the number of recommendations implemented 3.4.6 Client feedback survey data showing feedback on follow-up	Annual training records showing follow-up training for relevant staff Audit records showing follow-up At least 1 education session on follow-up 50% increase in recommendations implemented 50% of clients show positive feedback on follow-up	Risk: If Audit Bill is not passed, follow-up remains with PAC Response: Work with PAC to try to improve follow-up Risk: Clients not interested in implementation Response: Continue to educate and advocate	

3.5 Continue to implement and expand Performance Audits (PA)	Continue to develop staff capacity in PA Assign a dedicated manager to compliance/PA Request specialized TA as needed Schedule PAs, based on risk assessment Carry out PAs and publish audit results	Staff demonstrated competence in PA PA manager in place PA TA in place PA risk assessment used in scheduling PAs are completed and published	3.5.1 Records of staff training 3.5.2 SAI-PMF PA score 3.5.3 Dedicated PA manager in place 3.5.4 Records of TA – initially through GFG with continuation as needed 3.5.5 Record of PA risk assessments 3.5.6 Number of PA audits scheduled and executed 3.5.7 Number and quality of reports and published reports 3.5.8 Surveys on impact of PA reports and other feedback	Annual records show regular staff training SAI-PMF level 3 rating Hiring record for PA mgr TA engagement record At least 5 PA risk assessment At least 5 PAs executeds At least 5 PA reports completed and published Positive ratings on PA reports	Risk: If structure is not approved, there will be no PA manager Response: Continue to advocate; adjust PA targets downwards Risk: Negative staff response to productivity tracking Response: Educate and involve staff	
	Goal 4: Financial Management, Assets and Support Services (SAI PMF D)					
Objective	**Activities**	**Outputs**	**Indicators**	**Targets**	**Risk/Response**	**Alignment**
4.1 Re-structure the VNAO	Submit new structure and job descriptions to PSC Continue to advocate for VNAO budget sufficient to support structure and operations	VNAO structure is sufficient to support operations	4.1.1 New structure accepted by PSC 4.1.2 VNAO budget increases, sufficient to support structure and operations 4.1.3 All new positions staffed, following HR strategy timelines 4.1.4 Santo office building renovations completed by early 2022 4.1.5 Santo office operating in 2022	Structure accepted by March 2022 Sufficient budget increase to support structure/ operations 100% of positions	Risk: PSC fails to accept new structure and budget Response: Continue to advocate; if unsuccessful, adjust all goals downward	NSDP SOC 6.1, 6.2, 6.4, 6.7, 6.8, 6.9 SDG 15 and SDG target 16.6 SAI-PMF D PFM 1.7

	Following the time table, recruit for and staff new positions			staffed by end of 2024 Santo office open and operating in 2022		PFM 4.3 Decentralization Objectives
4.2 Optimize Management of Finances, Assets and Support Services	Develop inventory of current and future office needs Continue to upgrade furniture, equipment, office space, software and related items Plan for upgraded & expanded office space Develop IT policies Following legal changes, implement VNAO IT policies Institute regular financial reports, asset inventories, review of archiving systems	VNAO office provides a safe and sufficient workplace VNAO effectively implements HR and IT systems and policies VNAO effectively uses and reports on its finances	4.2.1 Updated VNAO asset inventory 4.2.2 Plan for future needs related to furniture, equipment, software, space and related items 4.2.3 Annual review of furniture and equipment and updated as needed 4.2.3 Plan in place for expansion and upgrading of office space 4.2.4 Disaster preparedness plan developed for the office 4.2.5 IT and data protection policies developed and in place 4.2.6 Following independence, IT policies for the Office implemented 4.2.7 Annual finance, asset, and archive reports completed on time 4.2.8 Annual staff survey shows positive scores on work environment and organisational structure 4.2.9 Records of donor support	Asset inventory records complete and updated Budget plan in place for assets Annual record of assets Office space plan in place Disaster preparedness plan in place Office policies in place 1 year after independence 100% of reports completed on time 85% positive scores on staff survey Records of donor support show stable or increases in support	Risk: Audit Bill does not pass Response: Attempt to work within existing PSC structure Risk: No budget for VNAO office upgrade Response: Carry out safety risk assessment	

	Continue search for donor support					
	Goal 5: Human Resources (SAI PMF E)					
Objective	**Activities**	**Outputs**	**Indicators/Targets**	**Target**	**Risk/Response**	**Alignment**
5.1 Strengthen HR systems	Following independence, implement HR system, using HR strategy as guiding document Effectively document all HR processes Provide for and document regular staff meetings on working conditions Collect and analyse all relevant HR data and integrate into HR planning process Annual update of HR strategy Continue annual staff engagement survey Using TeamMate+,	VNAO human resources are effectively managed and retained VNAO human resources perform effectively	5.1.1 Following independence, HR manual, CBPMS, professional development policy and related HR policies and systems implemented 5.1.2 Additional HR policies developed (social welfare policy, employee recognition system, health and safety, performance incentives) 5.1.3 Records showing annual progress tracking and update of HR strategy, including succession plan 5.1.4 All HR processes are documented, incl. performance management, recruitment & selection, compensation, development and discipline 5.1.5 HR data are collected and analysed (retention, productivity, safety, recruitment, more) 5.1.6 Annual staff engagement survey shows high levels of staff engagement and satisfaction 5.1.7 Productivity tracking system in place to track labour audit hours, goals and standards 5.1.8 Productivity tracking shows increasing productivity	1 year after, all HR policies and systems are implemented 1 year after, all additional policies are developed and implemented Annual records show effective tracking and updating Review of records shows all HR processes are documented Review of records shows effective HR data collection and analysis Annual staff survey shows 85% positive scores Productivity tracking system	Risk: Audit Bill does not pass Response: Attempt to work within existing PSC structure Risk: If structure is not adjusted, retention rates will increase, positions will not be filled, and succession plans will fail Response: Continue to advocate and build staff morale and relations	NSDP SOC 6.1, 6.2, 6.4, 6.7, 6.8, 6.9 SDG 15 and SDG target 16.6 SAI-PMF E PSC 6.4.3

	develop audit productivity tracking		5.1.9 Records of regular staff meetings to address satisfaction 5.2.10 SAI PMF scores of 3	designed and in place by end of 2022 20 % increase annually in productivity, for 2023-2025 Records show regular staff meetings SAI PMF score of 3		
5.2 Ensure effective staffing	Recruit & select for all currently vacant and new positions Actively recruit for certified audit staff Ensure effective employee induction Annual review of job descriptions/compensation structure Annual performance review and goal setting Develop COVID-19 contingency plans for	VNAO is fully staffed VNAO staff is properly qualified and certified VNAO staff is performing effectively	5.2.1 Records of vacant and new positions filled 5.2.2 Increased # of VNAO staff have professional accountancy certification (CPA, IPA, or CA) 5.2.3 Records of review, updating, implementation and documentation of Induction training, including probationary review for new employees 5.2.4 Job descriptions are reviewed and updated 5.2.5 Compensation structure is reviewed during the plan period, with changes as needed 5.2.6 Records showing staff annual performance review, with follow-up at least twice a year 5.2.7 Contingency plans are developed allowing staff to work remotely	All positions filled within deadlines and meeting criteria At least 3 VNAO staff have CPA/IPA/CA Records show review, updating, implementation, documentation of induction training and probationary review Records show annual review and updating of job descriptions Records show at least two	Risk: No qualified staff can be found locally Response: Continue to grow staff internally; esp. through GA positions; consider recruiting high level staff such as DAG externally; continue to seek TA support Risk: Limits in technology for remote work Response: Request TA in developing options	

	working remotely			compensation structure reviews Records show annual performance review for all staff with follow-up twice a year Contingency plans in place for remote work Level 3 rating		
5.3 Effective staff professional development (PD)	Implement new staff PD policy Develop annual staff PD budget Staff members develops annual individual PD plan DAG develops and implements a detailed PD plan for auditors All audit staff with 2 or more years at VNAO completes PESA pilot program in 2 of the 3 audit specialties	VNAO staff engaged in ongoing PD VNAO is able to meet certification requirement VNAO is able to cross train auditors VNAO is able to grow its own audit staff and implement succession plans	5.3.1 Records of PD policy 5.3.2 Records of annual PD budget 5.3.3 Records of individual PD plans 5.3.4 Records of DAG PD plans for audit staff 5.3.5 Records showing # of audit staff completing PESA pilot program 5.3.6 Audit-based evidence of cross-training of audit staff 5.3.7 Audit-based evidence of staff competencies 5.3.8 Records of PASAI leadership program completion 5.3.9 Records of QA program completion for senior staff	PD policy in place and documented Records show annual PD budget Records show DAG PD plans for audit staff 100% of eligible audit staff completed pilot Audit records show all audit staff is cross trained in at least 2 of the 3 audit types Audit records show evidence	Risk: Insufficient PD budget Response: Continue to advocate Risk: PESA pilot program fails Response: Explore other options Risk: no budget support for FT study leave Response: Adjust target downward Risk: Donor agencies do not support PD Response: continue to search for additional donors from different sources	

	Senior staff completes PASAI leadership and QA training Support full-time study leave for at least 2 audit staff during the plan period Work with donors for support Provide weekly study time for staff IT manager/ Data Officer complete TeamMate Champion		5.3.10 Records showing audit staff beginning full-time study leave during plan period 5.3.11 Number of donor agencies providing staff development support 5.3.12 Nature and variety of donor provided staff development support 5.3.13 Records showing study time provided for all staff 5.3.14 Records showing TM Champion training	of staff audit competencies At least 2 VNAO staff completed PASAI leadership program At least 2 audit staff began full-time study leave Records showing continued donor staff development support Records showing increased variety in donor provided staff development support Records show weekly study time provided for all staff Records show IT manager and Data officer completed TM Champion training		
	Goal 6 Strengthen stakeholder communication (SAI PMF F)					

Objective	Activities	Outputs	Indicators	Target	Risk/Response	Alignment
6.1: Effective communication with stakeholders	Effectively utilize PASAI leadership role to communicate with global, regional and national stakeholders Enhance relations with Parliament and Judiciary Ensure audit reports are published on website, following regulations Request official representation of the VNAO within the Anti-Corruption Strategy Organize or participate in Annual Anti-Corruption Day Staff workshop on enhancing relations with Parliament and Judiciary Organize at least 1 government	Regular communication with key stakeholders Regular reporting and consultation with Parliament and Judiciary Audit reports published on website for the public and other stakeholders VNAO is effectively involved in anti-corruption strategy and activities VNAO is actively involved in PSC VNAO client feedback collected regularly Increased client communication and satisfaction Increased awareness of the role of the VNAO	6.1.1 Records of meetings with Parliament and committees 6.1.2 Reports presented to Parliament and committees 6.1.3 Records of VNAO related debates in Parliament 6.1.4 # and % of completed audits published on VNAO website, following regulations 6.1.5 Presence of VNAO in Anti-Corruption Committee and strategy 6.1.6 1 Record of Anti-Corruption Day events 6.1.7 Record of meetings with CSOs on corruption issues 6.1.8 Records of stakeholder workshops 6.1.9 Records of Staff stakeholder workshop 6.1. 10 Records of stakeholder workshops, focusing findings of key audits, such as the Whole of Government, or the NSDP performance audit 6.1.11 Reports on client audit feedback, showing positive feedback 6.1.12 Records on annual Public Service Day participation 6.1.13 Records of VNAO presentations at educational and other institutions	At least 3 meetings annually with Parliament and committees At least 2 reports presented to Parliament and committees 100% increase over plan period in # of VNAO related debates in Parliament 75% of completed audits are published on VNAO website, following regulations VNAO is part of Anti-Corruption Strategy and Committee At least 1 annual Anti-Corruption Day event At least 1 consultation annually with CSOs	Risk: Audit Bill is not passed, limiting presentations and publications Response: Continue to advocate; adjust targets downward Risk: VNAO is not allowed to participate in AC strategy and actions Response: Advocate and develop own campaign with external support	NSDP SOC 6.1, 6.2, 6.4, 6.7, 6.8, 6.9 NSDP SOC 5.2 SDG 15 and SDG target 16.6 SAI-PMF F PMF 1.7 PSC 6.4.4

	stakeholder workshop Continue annual stakeholder planning workshops and staff meetings Increase regular client communication feedback and surveys Continue regular participation in Public Service Day Continue regular presentations at schools		6.1.14 Records of VNAO activities, reports and publications as the PASAI representative for Melanesia 6.1.15 Records of staff retreats and regular staff meetings	At least 2 annual stakeholder workshops At least 1 annual staff stakeholder workshop At least 1 stakeholder meetings on key audit findings Average of 70% of audit clients provide positive feedback Annual Public Service Day participation shows VNAO presence and participation At least 2 presentations made annually at educational or other institutions Evidence of positive VNAO activities as PASAI representative Annual staff retreats and		

				regular staff meetings		
Objective 6.2 Enhanced use of media and website	Increase publicity around audit reports, published on the VNAO website Review, update and enhance use of the VNAO website and Facebook page Appoint PR Officer Explore additional media opportunities, Working with VNSO or independently, develop survey of general public's perceptions of VNAO	Increased awareness of the work and role of the VNAO	1.2.1 Increase in audit related publicity – number and content 1.2.2 Updated website/ FB page 1.2.3 Regular posting 1.2.4 Records of ew media relations and programs 1.2.5 Records of special event media programs 1.2.6 Records of media releases and editorial statements 1.2.8 Results from general public survey shows increasing awareness of VNAO 1.2.9 Auditor or manager appointed as part-time PR person	10% increase in audit related publicity annually FB and website records show monthly updates FB and website records show at least 1 monthly posting At least 5 new media relations and programs At least 5 total special event media programs At least 10 media releases and editorial statements General public survey shows 25% increased awareness of VNAO Record of PR person appointment	Risk: Insufficient staff available or interested in media and PR Response: Look for external support, e.g., media interns	

Appendix 4: Strategic Audit Program 2022-2026

Office of the Auditor General Strategic Audit Program 2022-2026

Introduction

This Strategic Audit Program sets out the audit program for the Office of the Auditor General for the coming five year, 2022 to 2026. The program also forms the basis for the Annual Audit plan of the Audit office when it comes to finalizing the Annual business plan for the OAG as required of the Expenditure Review and Audit (ER&A) Act and in accordance with the policy of the Public Service Commission.

The program aims to improve accountability and state entity performance by:

i. Consulting with the Stakeholders on the annual plan drawn from this program and informing them broadly on the findings and recommendations of audits completed within the duration of this SAP.
ii. As required of the ER&A Act, presenting to the Public Accounts Committee this Audit program, seeking their consideration of this program and requesting their assistance to follow up with the auditee on the findings and recommendations from audits completed from this SAP.
iii. Communicating the findings and recommendations of completed audits to the Auditee,
iv. Sharing with the Ministry of Finance and Economic Management and related Ministries on the findings and recommendations from each completed audit,
v. Reporting to Parliament through the annual report of the OAG on the outcome of each completed audit, as a result of this program.

Through this audit program and with the independent perspective and unique role of the Office, the OAG will continue to assist the State and the key stakeholders of the Audit Office enhance audit and accountability policy in order to promote best practice in public sector accountability and financial management and performance.

Audit mandate

The focus of our work is to promote ‘good governance’’ through improving transparency, accountability and efficiency in managing and using public resources.

The NAO ensures good governance in practice 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 organisations 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.

Public Accounts Committee

The Public Accounts Committee (PAC) is established under the Standing orders of Parliament.

The Committee, as required of the Expenditure review and Audit Act, is responsible for approving the work plan of the OAG for the year.

The Audit office will provide this Audit Program for PAC's consideration.

The Audit office is also responsible for assisting with enquiries that are provided to the Audit office by the PAC.

Audit time, Audit Quality and Audit Impact.

Each Audit, so far as is practical, will be completed within 4 months.

Quality control will be undertaken on each Audit through each phase of the audit process for each audit project.

Quality assurance will be completed on all completed audits of the previous financial year. It is the aim of the Audit office to ensure that each audit adds value to the management of the Institution or project and improves the general management of public sector finance.

Audit program 2022 to 2026

The three types of audits -Compliance audit, Financial audit and Performance audit -will be the main focus of the Audit program. However, at the request of the Stakeholders, investigations and special reviews may be conducted during the program period and this may have to replace, in most cases, compliance audits planned for the year.

Compliance Audit

Compliance audit had been main focus of the Office in the last corporate plan 2017-2021. The main areas of emphasis in a compliance audit are: Budget, Cash management, Revenue, Expenditure, Procurement, Human resource management, Payroll and staff entitlements, Fixed Asset, and Standing Imprest,

During the period of the last corporate plan 2017 to 2021, 19 Compliance audits were completed.

In the next five years, the Compliance team assisted by the other 6 audit teams aim to complete compliance audit on the Government Ministries and Government line agencies. Compliance audit will also be completed on some Local Authorities, Constitutional Entities, Statutory entities, Statutory corporations, and State-Owned Enterprises registered under the Companies Act.

The Audit office aims to complete 76 compliance audits within the planning period of this SAP.

The Compliance audit team will also assist with the audit of Financial Statements of Government (FSG) and other financial audits. It is necessary that Audit of Government Business Enterprises (GBEs) be completed before the audit of Financial Statements of Government (FSG) is completed.

Financial Audit

Financial Audit involves audit of FSG, Statutory entities, Statutory corporations, State Owned Enterprises (SoEs), and Donor Funded projects.

Between 2017 and 2021, the OAG completed 271 financial audits. 71 audits were completed in-house and 200 were completed by subcontractors or local chartered accounting firms.

At time of writing, the FSG audit for 2017 is almost completed and 2018 FSG is at the planning phase. The 2019 FSG were received in August 2021 and planned for in audit along with 2020 FSG from December 2021. The OAG hopes to have the audit of FSG up to date within the period of this SAP.

Majority of the financial audit of Statutory entities, Statutory corporations, SoEs registered under the Companies Act, and Donor funded projects were outsourced either by the OAG or by the Agencies themselves depending on the law or agreements that govern the establishment of the Institutions or the Donor funded projects. Within the period of the SAP, the OAG aims to do all financial audits in-house which would require that agreements governing these institutions and donor funded projects must be amended. Three teams will be dedicated to financial audit while the remaining four teams will assist in financial audit in the first half of each year and return to their core responsibility of Compliance audit and Performance audit from July each year.

The OAG intends to have all financial audits of GBEs completed before the FSG audit is completed.

For the planning period of this SAP, the Audit office intends to complete 178 financial audits.

Performance Audit

Performance audit is only recently introduced into the OAG. One Performance audit project was completed in 2019 and at time of writing, the audit office is conducting 2 performance audits and performance audit on the Government's preparation in the Implementation of the National Sustainable Development Plan (NSDP). The OAG plans to complete 3 performance audit projects this year, 2021. There will a dedicated team for Performance audits for the period of this SAP.

Within the period of this SAP, the OAG aims to complete each year, at least three (3) audits on the goals and indicators of the NSDP.

A risk assessment will have to be undertaken to determine the performance audit projects that will have to be completed within the period of this SAP with the view to have six (6) performance audits completed annually; three (3) performance audit projects based on the risk assessment and three (3) NSDP audits. The Performance audit team will also assist with the audit of FSG and other financial audits.

Investigations

Within the period of this SAP, there will be a dedicated team for Investigations.

The Investigation team will assist the Compliance team resolve the arrears in Compliance audit, however, if there are urgent requests from PAC or Government Line Agencies, the team will investigate.

Audit direction

In the first six months of the year, the Office will focus on financial audits including FSG audit. The latter part of the year will see the Office involve in compliance audits, performance audits and requested investigations unless there is urgent request for special reviews and/or investigative audits within the first six months of the year.

The table below sets the number of audits that will be undertaken within this SAP. Over the period of the SAP, as shown on the table, the Audit office aims to complete 299 audits including 5 audits of FSG. The audits that will be taken up by each of the seven (7) audit team between 2022 to 2026 is laid out in a separate document.

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**

Audits will be completed within client agreed timeframe, of high quality, adds value to the organization and improves public sector financial management.

Agreements that govern the audit of several Public Sector Institutions and Donor projects will have to be revisited to enable the OAG to conduct financial audits on them.

Business continuity

Following the COVID-19 pandemic, the Government declared a national state of emergency which included closure of government offices for a period of almost a month. It was necessary to work from home, however, the OAG did not prepare for this. In early April 2020, the Northern part of Vanuatu was also struck with category 5 Tropical Cyclone Harold (TC Harold). These emergencies and any similar incidents had and would have a significant impact on the timely completion of audits and reviews and implementation of this impact on this SAP. These emergencies could also provide audit issues that the Audit office must consider. An example is the audit that was completed on the COVID-19 Stimulus Employment Stabilization scheme (ESP) and the TC Harold Disbursement of Emergency Relief Supplies.

As part of managing the Government Agencies during the COVID-19 pandemic, with the assistance of the Public Service Commission, the OAG had in place a Business Continuity Plan (BCP) which is yet to be tested for situations as a complete lockdown of office and for catastrophic situations such as Fire and Earthquakes. The BCP must be tested every quarter including fire drills.

With the expected increase in staffing, it is necessary to allocate sufficient office space to cater for the additional increase in staff and the office space must be able to implement the BCP of the Office.

Conclusion

The OAG will continue to strive for improvement in state entity financial management and performance and improve audit and accountability policy. This SAP will guide the OAG in completing its audits for the period 2022 to 2026. The OAG aims to successfully complete this SAP.

End Notes

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[10] NSDP Monitoring and Evaluation Framework https://www.gov.vu/images/publications/NSDP%20M&E%20Framework.pdf
[11] While the Monitoring and evaluation framework does not mention NAO, there are indicators that directly relate to the work of the NAO, including SOC 6.2: Reform State Owned Enterprises and statutory bodies to improve performance that is aligned to government priorities; SOC 6.2.1 Proportion of SOEs and Statutory bodies submitting annual reports to their boards of directors; SOC 6.3: Enact political reforms that promote stability, accountability, constituency representation and civic engagement; SOC 6.3.3 Number of MPs submitting annual financial accountability report; and SOC 6.4: Strengthen national institutions to ensure that are cost-effective and well-resourced to deliver quality public services. See Monitoring and Evaluation Framework https://www.gov.vu/images/publications/NSDP%20M&E%20Framework.pdf
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[22] See also https://europa.eu/capacity4dev/file/19995/download?token=FwvyHs26 – in the new version, the external audit indicators are relabelled as numbers 30 and 31. For a detailed comparison between PEFA and INTOSAI standards, see https://www.pefa.org/sites/pefa/files/resources/downloads/Technical%20Note%202%20-%20Transparency%20and%20Accountability%20-%20Oct%204%2C%202013.pdf

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[25] Vanuatu Voluntary National Review 2019, https://sustainabledevelopment.un.org/index.php?page=view&type=30022&nr=1201&menu=3170
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