

INTERNATIONAL JOURNAL OF GOVERNMENT AUDITING

The Unique Challenges and Resiliency of Small Islands

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EDITORIAL



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Big Impact, Small Island SAI

By: Desmond Wildin, Director of Audit, Cook Islands Audit Office

Kia Orana,

Our Cook Islands audit team is small in size but big on ambition. Having led my SAI for a little more than a year, I am relatively new to the role, but I have trained and worked alongside my auditor colleagues in the Pacific Island region for many years now.

Ultimately, our team works to ensure the people of the Cook Islands have trust and confidence in the public sector (or 'civil service'), and in the spending of taxpayer money.

We seek to lead a culture of collaboration across the public sector. This can provide for parliamentary scrutiny, which in turn drives accountability and integrity.

I have recently joined the PASAI Governing Board and later this year, I will be pleased to host the PASAI Congress in my home, Rarotonga, Cook Islands. Here, PASAI will adopt a new Strategic Plan that will carry us forward for another 10 years. While we develop this strategy, we are ever mindful of addressing the challenges we face as small island SAIs and collaborating about how we can make a big impact.

EDITORIAL

In Rarotonga, we are a team of fifteen – around the mean figure for our region. By way of comparison, one Pacific Island audit office has only three team members, and that includes the SAI head. For small offices like ours, losing just a small number of staff has a big impact on SAI operations and outputs.

We can't always divert our limited resources nor create fully functioning HR units. And we face immense pressure around staff retention.

Here in the Cook Islands, the entire public sector struggles to attract and retain qualified staff. There is a very strong allure, and sometimes necessity, for individuals to look for higher paying opportunities in the private sector and/or in larger nations. This is the reality we face and continually try to adapt to.



Desmond Wildin, Director of Audit

Our work shows that we must continue to build capacity and capability within our team. We are not immune to the challenges facing the Cook Islands public sector, the shortage of qualified staff being high on that list.

Because of this, promotion and recruitment are areas of our focus.

We accept the reality that a high proportion of those recruited today will have moved on within five years. We cannot control pull factors. But we can develop strategies to ensure the rate of turnover isn't crippling and that a stabilising core of longer-serving staff are respected and productive.

How do we incentivise staff to stay, or at least to stay longer than they otherwise would? We know we can't compete with salaries offered by commercial accounting firms and the private sector finance roles, but we do negotiate with the Public Service Commission to have salary banding as high as possible.

We've worked hard to build an open and enjoyable work environment. This includes flexible working hours for a better work/life balance. We frequently invest in our hardware and software. And we have created a workplace conducive to learning and development. This has included providing a pathway to becoming a chartered accountant. We offer every team member a week for each paper for study and training compared to the half day offered elsewhere.

EDITORIAL

Professional development is such a priority for us that during the COVID-19 pandemic we set up, and have since maintained, a dedicated online training room. Comprehensive training does, of course, increase an individual's value in the external jobs market, but the alternative would be making do with an unqualified team.

I myself am a product of years of technical training, and, more recently, leadership capability building received through PASAI and IDI. The skills and knowledge other senior executives and I have acquired have enabled us to perform the foundational work necessary to maintain a functional SAI.

It goes without saying that PASAI's regional programmes, where staff can learn about processes, resources and templates that are already tailored to a Pacific context, have been valuable. I know other SAIs have also benefitted from participation in various co-operative audits with guidance from international experts.

Training together, making plans, going away and doing the audits and then regrouping with facilitators and other SAIs to review the working papers and audit reports has been very effective in improving audit quality and SAI capacity.

I'm also a great believer in the effectiveness of SAI twinning partnerships.

Our Cook Islands audit team have been the beneficiary of a strong relationship with the New Zealand Office of the Auditor General, which also twins with the Samoa Audit Office. These twinning partnerships help small SAIs make a big impact.

Other Pacific Island SAIs are similarly twinned with various Australian territorial, state and national audit offices.

A recent independent evaluation concluded the most valued of these twinning arrangements are long-term, securely funded, include regular engagement and have two-way staff deployments. I know PASAI is striving to ensure all these conditions are achieved for even more PASAI members in the next strategic period.

Such relationships need time to develop and mature. Gradual exposure to more functional PFM systems enables us to appreciate how SAIs are meant to work within a broader scheme. It's one thing to learn about revisions to auditing standards and the principles of stakeholder engagement, but dependable contact with a twinning partner really helps to operationalise all the lessons we get during regional training.

In between in-person visits and peer reviews, having a regular opportunity to meet online every two weeks with another audit colleague from our sister SAI allows us to troubleshoot problems and try new approaches.

Participation in a webinar series on public sector integrity also helped me and my Pacific counterparts understand how functional governance systems are meant to work. This series featured regional PFM players such as public service commissioners, heads of ombudsman offices and the IDC Goodwill Ambassador for SAI Independence (and former New Zealand Prime Minister), Helen Clark.

As recently as 2021, in a Public Expenditure and Financial Accountability assessment, the Cook Islands scored 'D' for legislative scrutiny of audit reports. None of the government ministries were reporting to parliament through annual reports, as required. When we finally got the government's financial statements far beyond the mandated deadline, we lacked the necessary staff capacity to mobilise enough resources towards completing timely audits.

EDITORIAL

Predictably, the focus of my office, for some time, had been to clear the resulting audit backlog and build organisational capability. With such an inward focus, we reluctantly lost momentum trying to strengthen independence and increase engagement with stakeholders.

However, I am pleased to say the Parliamentary Accounts Committee (PAC) was reestablished earlier this year. My office now provides the PAC support. The days of there being no consequences for government entities with successive modified audit opinions on their accounts appear to be behind us. Much of this likely stems from parliament modernising its standing orders in July of last year, but we have also gone to great lengths to capitalise on this revitalised interest in our work.

> *"We are ever mindful of addressing the challenges we face as small island SAIs and collaborating about how we can make a big impact."*
> - Desmond Wildin

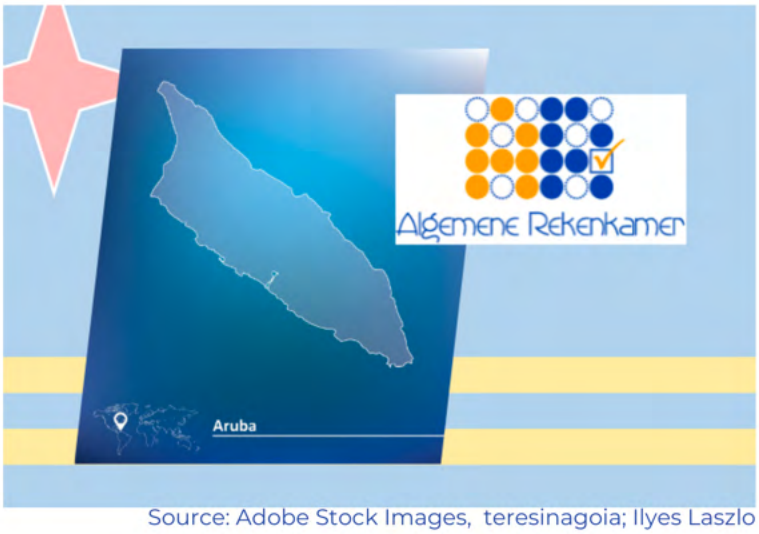
In a short period we have gone from there being no accounts for a non-existent PAC to review, to it seeking our advice on which ones to prioritise for review. Big impact, small SAI.

My hope for the region is that all SAIs will be empowered to fully perform their duties as their mandates demand and that those with a role to play in the PFM system are suitably enabled, creating proper accountability for the use of public funds. I know it won't happen immediately, but I have come to learn positive change can sometimes happen much faster than expected.

Small SAIs are eager and determined to make a bigger impact.

Kia Manuia,
Desmond Wildin

EDITORIAL



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Shaping SAI Aruba's Strategic Direction with the SAI PMF

By: Xiomara Croes-Williams, Chairwoman of Court of Audit Aruba, Chair of CAROSAI

During the 12th Caribbean Organisation of Supreme Audit Institutions (CAROSAI) Congress in Aruba, the Capacity Building Committee meeting at the 24th INCOSAI conference in Brazil, and the INTOSAI Donor Cooperation meetings in Jamaica, the Court of Audit Aruba had the opportunity of sharing its results and experiences in conducting the SAI Performance Measurement Framework (PMF) assessment. This assessment played a pivotal role in shaping SAI Aruba's strategic direction, and subsequently, initiated a systematic capacity-building process supported by active participation in the IDI's Strategy, Performance, Measurement and Reporting (SPMR) initiative.

Commencing amidst the COVID-19 pandemic in 2020, SAI Aruba undertook a comprehensive SAI PMF assessment. The primary goal was to establish a baseline measurement of its current performance, identifying strengths and weaknesses. Its commitment to internal organizational strengthening and showcasing value to stakeholders and citizens guided this assessment. Moreover, it served as a foundational step towards ISSAI implementation, enhancing audit processes, and ensuring quality.

EDITORIAL

Aligning with its commitment to continuous improvement, SAI Aruba aspires to adopt and implement the International Standards for Supreme Audit Institutions (ISSAI). Consequently, an assessment of the current situation and performance was imperative. The evaluation provided a precise baseline measurement targeting ISSAI 1, 10, 30, 40, 200, 300, and 400. Following basic online training in May 2020 on the SAI PMF methodology, the assessment officially commenced in July 2020, concluding on the 7th of July 2021, with the report published on the 27th of August 2021.

The SAI PMF, rooted in four crucial principles—holistic approach, evidence-based, identification of value and benefits, and performance measurement—encompassed all facets of the institution and was not limited to audit work. Legal frameworks, corporate governance, financial assets management, human resources, and communication management were all subjects of the assessment.



Xiomara Croes-Williams, Chairwoman of Court of Audit Aruba, Chair of CAROSAI

Taking action post-assessment, Court of Audit Aruba embarked on several initiatives within its control and collaborated with external partners on areas beyond its influence. These initiatives included participation in IDI's SPMR initiative, updating SAI legislation for enhanced independence, developing an education program, entering into a cooperation agreement with Court of Audit Netherlands for support, procuring an audit software, and collaborating with the University of Aruba for an internship program and communication plan development.

EDITORIAL

Reflecting on the experiences during the SAI PMF assessment, SAI Aruba encountered positive aspects such as effective communication, strong support, accessible internal information, well-aligned training, and collaborative teamwork. Challenges included language barriers, constructive discussions impacting planning, the small size and limited capacity of SAI Aruba, and the complex conversion of root cause analysis to integration analysis. Conducting SAI PMF took 50% of our capacity and created the awareness of "It's not a one size fits all principle" when adopting and implementing ISSAIs.

The XII CAROSAI Congress held in Aruba in May 2022 addressed all these topics influencing small island SAIs, resulting in awareness and more understanding which ultimately lead to the unanimous adoption of the CAROSAI motion, during the CBC-IDC-IFAC meetings in Jamaica. These gatherings in Jamaica signified a milestone in CAROSAI's efforts to become a strong regional organization, emphasizing the strengthening of collaborations between donors and INTOSAI regional organizations supporting Small Island Developing States (SIDS) and developing countries, advocating for their interests.

> *"Aligning with the SDG principle of inclusivity, it is crucial to delve into considerations of professional standards tailored to small islands within the INTOSAI Framework for Professional Practice. This exploration is vital for achieving a heightened adherence to quality standards among small island SAIs."*
> - Xiomara Croes-Williams

Furthermore liaisons were also established with members of sister institutions from OLACEFS, with a special mention to SAI Mexico, who are willing to provide necessary assistance to SAI Aruba and foster a closer collaboration with CAROSAI.

In this context, the establishment of the Oaxaca Declaration during the XXXI General Assembly of OLACEFS is particularly noteworthy. This declaration articulated in Article 9 the creation of a community of auditors with expertise in crisis situations. Contributions from this community will be shared with other INTOSAI regions, particularly with CAROSAI. The unanimous acceptance of this declaration by all OLACEFS members was highly significant.

EDITORIAL

In conclusion, prioritizing the efficient and effective enhancement of capabilities for small island SAIs is essential, with a key emphasis on minimizing disruptions to daily operations. Aligning with the SDG principle of inclusivity, it is crucial to delve into considerations of professional standards tailored to small islands within the INTOSAI Framework for Professional Practice. This exploration is vital for achieving a heightened adherence to quality standards among small island SAIs.

For the strategic period of 2023-2026, SAI Aruba will focus on implementing ISSAIs for compliance and performance audits. Achieving financial and organizational independence remains crucial, with ongoing efforts to adapt legislation and mandates. The development and implementation of a communication strategy for higher impact are also in plans.

As for CAROSAI, we will continue to provide the necessary institutional support and professional development of the staff to member SAIs to enable them to remain relevant and make a difference in the lives of citizens. In the current strategic cycle (2023-2025), CAROSAI has realigned its priorities to better face the challenges and draw on the opportunities that lie ahead. We are advocating the importance for SAIs to be independent, effective and professional organizations. We are facilitating the adoption and implementation of applicable audit standards for SAIs to deliver high quality audits and demonstrate relevance. We are promoting the establishment of effective stakeholder relations and regional cooperation. And we are building on our internal governance to strengthen CAROSAI as a regional organization in order to deliver on our mandate to create stronger regional SAIs.

-Xiomara Croes-Williams



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CAROSAI Identifies Small Island Challenges in the Region, Highlighting the Need for Resources and SAI Independence

By: Caribbean Organization of Supreme Audit Institutions (CAROSAI)

Introduction

Public sector auditing on small islands presents unique challenges, ranging from limited resources and capacity constraints, to susceptibility to national and environmental disasters, highlighting the complexity of ensuring accountability and transparency in these geographically constrained and vulnerable regions.

The Caribbean Organization of Supreme Audit Institutions (CAROSAI) conducted a review of 23 Supreme Audit Institutions (SAIs) and published a report in June 2022 on small island challenges. This article provides a summary and overview of the findings found in the report.



About the CAROSAI SAIs

CAROSAI consists of twenty-three members, twenty-one of which are listed by UNESCO as Small Island Developing States (SIDS), with one of the SIDS considered a least developed country. The income of most of the Caribbean Countries is mainly from tourism with a few having natural resources as their main income earner. Due to the vulnerability of natural disasters in the Caribbean, there is always some damage to capital infrastructure which forces the Government to divert spending to repairing damages and rebuilding the infrastructure. Every year at least ten to 15 hurricanes pass through the Caribbean and the Gulf of Mexico, and in recent times Volcanoes have erupted.

Most of the CAROSAI SAIs gained independence over the last 50 years, and most SAIs have staffing levels ranging from 4 to 49 employees. Although the SAI can be classified based on its staff size, there are limitations to what audits can be performed. For example, although Haiti is largest SAI by staffing levels in CAROSAI with 660 employees as of 2022, the SAI does not conduct performance audits.

Challenges

CAROSAI identified eleven key challenges faced by most of their members:

1. *Low Gross Domestic Product (GDP):*
Small islands always have the limitation of financial resources, and with the onset of the COVID-19 pandemic, coupled with the war in Ukraine and the rising costs of gas/oil, governments of small islands have had to cut expenses to prioritise spending for economic growth and social stabilisation programmes. Although some countries may boost their economies by borrowing from the IMF, the funding comes with conditions and rules, which often include recommendations for governments to cut their wage bill. As such, many Government offices including an SAI become short staffed, which results in less time for staff to participate in internal or external training courses and therefore limit their ability to perform effectively.

2. *Lack of sufficient finances and professional expertise to train, educate and retain professional staff:*
The survey of members done in 2020 at the onset of COVID-19 revealed that all SAIs require support in the areas of training and Information Technology (IT). Specifically, key areas of need include training on remote auditing, data analytics, guidelines on how to conduct more effective audits and understanding audit programs. SAIs expressed the need for support in obtaining additional portable computers, better internet access, availability of government data, as well as data protection and security. Government inability to provide sufficient finances and professional expertise to train, educate and retain professional staff is attributed to the countries' low GDP.

3. *Unqualified staff: SAIs are challenged with attracting and retaining qualified and specialized staff.*
The lower level of wages in the public sector compared to the private sector diminishes the SAI's capacity to attract and retain persons with specialized skills and experience in areas such as IT, economics, procurement, and engineering.

4. *Low population density:*
Due to low population density, the SAI will not be exposed to some specific areas of audit, as the need for some types of audits may not be required and some are also not within the capacity of the country. Auditors will be limited in capacity due to lack of experience.

5 *Vulnerability to National Disasters:*
The region is particularly vulnerable to natural disasters in particular, hurricanes and volcanoes. The effects of natural disasters in poorer countries that depend heavily on tourism, infrastructure, and agriculture can be extremely disastrous for its economy, and presents additional challenges to public sector auditing.

6 *Lack of independence:*
SAIs do not have the authority to act independently on most of its important tasks such as, recruitment, budgeting, choice of audit entity, and publishing of reports. Recruitment of some smaller SAIs is done through Central Government as it is most cost effective to have only one Human Resource Unit within all of Government instead of various Human Resource Department in each Government Agency/Department. Consequently, the skills and attributes of officers assigned to the Audit Office, do not always align with the needs of the Audit Office. As a result, the officers fail to carry out their responsibilities effectively and efficiently. SAIs do not have autonomy over what they spend, so although there may be needs within the SAI it is left to the discretion of the Finance Department/Ministry to provide the funds.

7 *Technological Challenges:*
Many small SAIs do not have staff with specialized skills in IT, and due to centralisation, most small SAIs rely on the government's IT Department for their IT related tasks and activities. The reliance on paper documentation to conduct audits also poses a challenge. During the lockdown period of the COVID-19 pandemic, a number of government offices were closed for a period, making remote auditing a challenge, as records and documents that were needed could not be accessed electronically.

8 *Lack of IT equipment and software:*
All twenty-three SAIs indicated that they required more IT equipment and software to be more effective in both the field work and in developing the final report. Some SAIs were closed during the initial stage of the pandemic because they were unable to continue operations without remote access to information. SAIs expressed the need for support in obtaining additional portable computers, better internet access, availability of government data, as well as data protection and security.

9 *Absence of Audit Act:*
This relates mostly to dependent countries. Although the Constitution is the main mandate for the SAIs, there are aspects that are not addressed within and there is clearly a need for the Act which would entail more detail regulations. Passage of the National Audit Bill is outside the remit of the SAI and the dependency is on others for the SAI to become a statutory agency.

10 *Nonfunctioning Public Accounts Committees:*
Audit reports are submitted to Parliament or the Office of the Cabinet for onward submission to the Public Accounts Committee (PAC) for discussion. However, some SAIs do not have regular PAC meetings and therefore, the citizens and stakeholders are not made aware of what is happening within a Government Agency/Ministry. Where there appears to be no accountability citizens lose faith in the system. CAROSAI, through Caribbean Common Market (CARICOM), will seek the audience of all Heads of Government to encourage them to promote meetings of the PAC and to encourage finalization of the Audit Act.

11 *No Focus on Stakeholder Engagement:*
In 2020 at the time of the CAROSAI Survey on the Effect of the COVID-19 Pandemic on SAIs, only eight of the twenty-three SAIs had a Stakeholder Engagement Plan. Since, CAROSAI has aimed to support the development of Stakeholder Engagement Plans for each SAI.

Conclusion

CAROSAI SAIs face challenges that are similar to other small island SAIs around the world. As is seen in the challenges as well as the results shared from the survey, many SAIs in the Caribbean region have limited resources to carry out their mandate and to be fully independent.

Many of these SAIs experience limitations with their financial, staffing, and technological resources to be effective and meet their mandates. Only a few SAIs have control over their budget formulation. Attracting and retaining skilled staff continues to be a challenge, and many SAIs in the region were unable to function during the lockdown period of the COVID- 19 pandemic, as they were not technologically equipped.

It is important, according to the INTOSAI Development Initiative's 2020 Global Stocktaking (GS) Report that "for SAIs to be effective, credible institutions that deliver on their mandate, they need to be independent from the audited entity (Executive) both in terms of de Jure and de facto SAI independence". All CAROSAI SAIs have some elements of independence, but none have full independence. Some SAIs have indicated the absence of an Audit act, which can impair the relevance of the audit entity. CAROSAI SAIs do not always have appropriate mechanisms for following up on audit findings and recommendations, and could benefit from tools that track the implementation of their recommendations, an important gauge of the effectiveness of SAIs.

The UN SAMOA Pathway and UNESCO note that "Small Island Developing States (SIDS) remain a special case for sustainable development. We recognize the ownership and leadership of SIDS in overcoming some of these challenges, but stress that, in the absence of international cooperation, success will remain difficult."

Although the journey ahead to alleviate the impacts of small island challenges is long, CAROSAI aims to face them head on through preparing training programmes for CAROSAI members, seeking sponsorship on providing IT resources and training for SAI staff, and developing a mandate for SAI independence within CAROSAI. It is imperative that the foregoing challenges are addressed quickly by the respective Governments, as well as through international cooperation, including INTOSAI and CAROSAI-led initiatives with the assistance of Donor Funded Agencies.

Read the full CAROSAI report here, or by visiting https://bit.ly/3I1KHSL.



Source: PASAI

Looking Towards the Future of Accountability: Highlights from the PASAI Congress on Enhancing Public Auditing in the Pacific Region

By the INTOSAI Journal and PASAI

Introduction

In late February to early March 2023, the Pacific Association of Supreme Audit Institutions (PASAI) held its 24th Congress in Palau, where SAIs from the region participated in a strategy development workshop for the region, and also reflected on the importance of good auditing, SAI independence, and fulfilling a SAI's core mandate.

Hosted by the Office of the Public Auditor for the Republic of Palau, the panels and discussions emphasized the Congress' theme of "Looking to the Future". In line with the theme, attendees reflected on PASAI's progress nearly nine years into its 10 year Strategic Plan, and start work developing its next strategy.

FEATURE ARTICLE



Collective Strategic Planning

As part of the PASAI Congress, heads of SAIs, development partner representatives, and PASAI Secretariat staff participated in a collaborative discussion to inform PASAI's 2024–2034 Strategic Plan. With moderation by Tamerlaine Beasley, participants reflected during the day-long workshop on what the strategic priorities should be for the next 10 years.

As part of the strategic priority development, PASAI Congress participants considered the progress that had been made across each of the existing Strategic Priorities:

- **Strengthening SAI independence**
- **Advocacy to strengthen governance and accountability**
- **High quality audits completed by Pacific SAIs on a timely basis**
- **SAI capacity and capability enhanced**
- **PASAI Secretariat capable of supporting Pacific SAIs**



SAI heads concurred the priorities had steered PASAI well and reflected on their potential relevance to the next ten years of PASAI activities. Congress participants identified potential future challenges and opportunities in consideration of the next Strategic Plan.

SAI heads had the opportunity to have detailed discussions with other Congress participants about what has helped and hindered PASAI in its work, how well it has succeeded in the past, what emerging issues are likely to affect its work in the future and what kind of activities PASAI should be prioritizing. The strategic development workshop also reflected on how PASAI has most significantly supported Pacific member SAIs. Responses included assistance with the completion of SAI Performance Measurement Framework (PMF) assessments of all 20 SAIs that are beneficiaries of PASAI programs; INTOSAINT, a tool to assess the integrity of SAIs; trainings; mentorship and twinning, and; resources.

Six of those present were also part of the development of the 2014–2024 PASAI Strategic Plan some 10 years earlier. They recalled the discussions for that strategy development process, and shared how PASAI has evolved since then.

Participants discussed what they could do to maximize the influence and impact of quality auditing, and noted that conducting high quality audits in the right areas, and demonstrating value to stakeholders, were some ways to show their impact.

FEATURE ARTICLE



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Six of those present were also part of the development of the 2014–2024 PASAI Strategic Plan some 10 years earlier. They recalled the discussions for that strategy development process, and shared how PASAI has evolved since then.

Workshop participants agreed that PASAI member offices would stand to benefit greatly by expanding regional peer-to-peer mentoring and knowledge sharing arrangements.

FEATURE ARTICLE



Following the strategic development workshop at Congress, PASAI conducted extensive consultation with PASAI members, development partners and stakeholders to inform the new Strategic Plan.

PASAI expects to finalize and adopt its new strategy for 2024 to 2034 at its next Congress in the Cook Islands in May 2024.



Regional Achievements, Cultural Contexts and Understanding

PASAI has members grouped into four sub-regions: Melanesia, Micronesia, Polynesia, and "Other". During the Congress, each sub-region shared their challenges and achievements. They also reflected on the important issues of SAI independence, delivering quality in their core audit mandates, and achieving impact through their work for the benefit of their communities.

SAI heads shared creative responses to the question, "What reflects the importance of your work?" which set the tone for the working sessions. This tied the SAIs' work to their cultural heritage and highlighted that there is a commonality of challenges, but also passion to maintain the important role of SAIs.

SAIs not only shared their challenges, but how they could overcome them. One example shared was that Pacific heads of SAIs could utilize their role as local leaders to negotiate, discuss, and define roles for their SAIs. By gaining trust, SAIs can leverage their credibility in the small island communities to improve stakeholder involvement and enhance audit impact.







FEATURE ARTICLE

PASAI Congress Highlights Key Priorities Through Discussion Panels and Presentations

In addition to the strategic development workshop, the PASAI Congress attendees, SAI heads, and PASAI Secretariat staff reflected on key issues, including institutional independence, and securing quality in a SAI's core mandate.

Exploring SAI Independence

Securing a SAI's independence is integral, as SAIs can only be objective, credible and effective if they are independent from the audited entity and are protected from outside influence. With a complete set of SAI PMF assessments, PASAI now has a baseline measure of member SAI independence. During the Congress, some SAIs acknowledged their challenges to independence.



Auditor General Margaret Crawford of New South Wales moderated a panel exploring topics on SAI independence. The Auditor General of Tonga, Mr. Sefita Tangi; Deputy Director General of the INTOSAI Development Initiative (IDI), Ms. Archana Shirsat; Controller and Auditor General of New Zealand, Mr. John Ryan; Deputy Auditor-General for Australia, Ms. Rona Mellor, and; Public Auditor of Guam, Mr. Benjamin J.F. Cruz shared independence achievements, SAI independence trends around the world, challenges to independence in highly independent SAIs, and lessons from the challenges of member SAIs.

The journey from a low to high level of SAI independence may take time and requires persistent advocacy. For example, Mr. Tangi shared that it took 44 years for the Auditor General's position to receive constitutional independence in the Kingdom of Tonga. Staff at the Office of the Auditor General now have more confidence in carrying out their SAI's mandate, knowing their work has the full protection of the Constitution.

Ms. Shirsat shared that IDI provides a range of tools to help SAIs gain independence, monitor independence challenges and support SAIs with advocacy where needed. Where a SAI has high levels of independence it must be jealously guarded. In cases where SAI independence is under threat, IDI has a SAI Independence Rapid Advocacy Mechanism (SIRAM) available to support SAIs.

As various regions around the world face hurdles in achieving and maintaining their SAI independence, it continues to be an important theme for not just PASAI, but all of INTOSAI to focus on and act upon threats.



Securing quality in SAI's core mandate

In a panel discussion about securing quality in SAIs' core mandate, distinguished speakers and SAI heads from the Cook Islands, Fiji, the Australian Capital Territory, PASAI, the United Nations Development Programme (UNDP), and the Graduate School USA shared insights on the impacts that twinning support, quality assurance teams, other public finance management players, training, and small SAI environments have on ensuring and improving audit quality.

Out of these discussions on ways to ensure quality in audits, speakers shared key messages, including:

- **Twinning and peer-to-peer support provide valuable ways of learning from the experiences of others.**
- **Quality assurance review processes build a culture of continuous improvement within SAIs.**
- **Training staff at a time that is close to when they will be able to apply the skills is the most effective way to learn.**
- **While technical training will be important, even more so is ensuring staff understand the values of their organization and apply these in all that they do.**

Conclusion

The PASAI Congress provided a platform for robust discussions, insights, and initiatives aimed at improving public auditing in the Pacific region. The challenges faced by different SAIs underscored the need for continuous collaboration, capacity building, and a strong commitment to transparency and accountability. As PASAI looks ahead, the Strategic Plan aims to guide Pacific auditors in their collective journey towards enhancing audit quality and making a lasting impact.

View more photos from the 2023 PASAI Congress here, or by visiting https://bit.ly/4bFUM5L. All photos in this article are attributed to the INTOSAI Journal.



Source: Adobe Stock Images, Ilyes Laszlo, 12ee12

Audit On Adaptation Action of Climate Change in Small Islands

Author: Ari Kristiana, Auditor at the Audit Board of Indonesia (BPK)

Climate change is one of the prevalent environmental issues that the world is facing nowadays. It is one of the greatest challenges faced by humanity, as it affects every country and has devastating effects on communities and individuals. Climate change is a significant shift on temperature, precipitation, and climate that leads to increasing sea level, warmer temperature, flood and also gradual changes on species and other organism habitat. Developing countries, especially Small Island Developing States, are the most impacted by climate change and the least able to afford its consequences. Indonesia, as an archipelago country that has more than 17,000 islands, most of which are small, also faces very high risk of climate change impacts.

The Paris Agreement, which was adopted by 196 parties, including Indonesia, focuses on preventing the global average temperature from rising 2°C and pursuing efforts to keep it below 1.5°C. The agreement also aims to increase the ability to adapt to the adverse impacts of climate change and low greenhouse gas emissions development.

To implement the Paris Agreement, Indonesia has prepared a National Determined Contribution (NDC) which contains carbon emission reduction targets until 2030 along with action plans for climate change mitigation and adaptation. Indonesia has set an unconditional reduction target of 29% and conditional reduction target up to 41% of the business as usual scenario by 2030. The target is carried out through mitigation actions such as rehabilitation of degraded land, peat land restoration, and energy mix policy.

The goal of Indonesia's climate change adaptation is to reduce risks, enhance adaptive capacity, strengthen resilience and reduce vulnerability to climate change on all development sectors. This goal will be achieved through, amongst other things, enhanced climate literacy, local capacity strengthening, improved knowledge management, convergent policy on climate change adaptation and disaster risks reduction, and application of adaptive technology.

- **Strengthening early warning and emergency response systems to disasters in the community.**
- **Strengthening vulnerability data and analysis**
- **Strengthening health system preparedness**
- **Enhancing communication, information, and education to local communities to raise awareness of disaster risks due to climate change.**

The Supreme Audit Institution (SAI) of Indonesia, through the audit authority, has a crucial role to ensure that the Government has carried out adaptation of climate change actions properly, especially in small islands and disaster-prone areas. Audits conducted to assess climate change mitigation and adaptation actions need to be routinely carried out. Therefore, the SAI can provide comprehensive recommendations to the Government so that climate change adaptation actions are well implemented and bring the impact to the community.

In recent years, SAI Indonesia (BPK) has routinely conducted audits related to climate change, especially in regards to mitigation, such as audits of energy mix policies, prevention of deforestation, and forest rehabilitation. Meanwhile, audits related to climate change adaptation actions, especially in small islands, have not been carried out in an integrated manner.

There are several challenges in conducting audits in small islands, which require adequate preparation. These challenges include:

- **Limited accessibility.** Many remote areas are difficult to reach due to the lack of transportation facilities and infrastructure, and the high cost of travel.
- **Inadequate infrastructure,** especially energy infrastructure and telecommunication networks.
- **Limited resources.** The number of auditors and audit time allocated are limited, while the number of islands or regions to be examined is quite large. Due to limited accessibility, audits on small islands will take longer. Auditors must be able to determine the audit priority based on audit risk.

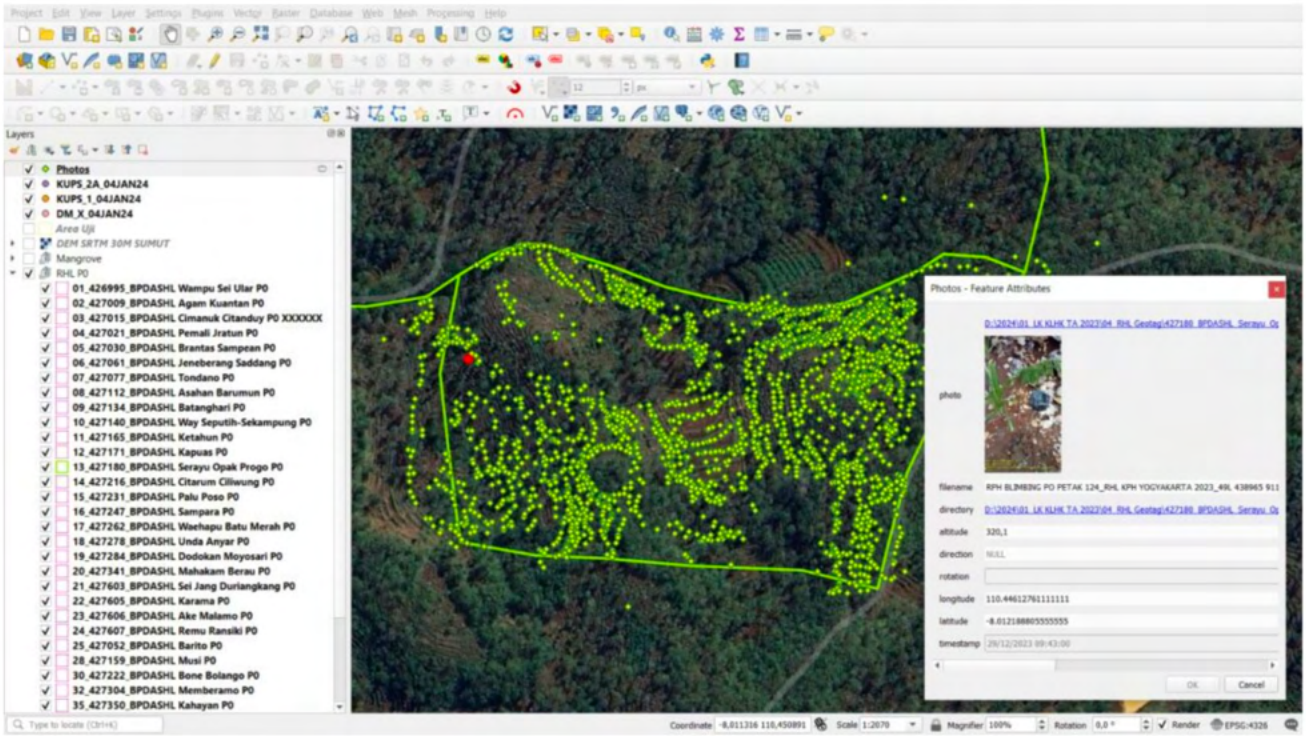
Using technology can help overcome some of the challenges presented above. For example, in recent years, BPK has been actively using Geographic Information System (GIS), including the use of geo-tagging and satellite imagery, video conferencing, and big data to support its audit.

Geospatial information pertains to a specific location, associating each entity or phenomenon to an exact location on Earth. These computer tools allow us to store, integrate, maintain, visualize and analyze data from various sources and create geo-referenced databases and thematic maps.

The International Organization of Supreme Audit Institutions (INTOSAI) published International Standards of Supreme Audit Institutions (ISSAI) 5540, concerning the use of geospatial information in auditing disaster management and disaster-related aid. The purpose of ISSAI 5540, to explain the benefits of using geospatial information in audit works, introduces GIS as an audit tool and encourages auditors to improve the use of geospatial information in their work (INTOSAI, 2013).

In the last two years, BPK used geotagging and satellite images to ensure that all trees in the forest rehabilitation program have been planted as planned. BPK used video conferencing for remote testing for road and energy infrastructure development.

In audits related to climate change adaptation in small islands, the use of GIS can help, for example, to remotely confirm mangrove planting for disaster risk deduction and to ensure that planting and cultivating crops has been done properly. The use of GIS in the audit was carried out to determine the location of each planted mangrove seedling in the planned area. To examine the planting process, the auditee was required to take a geotagged photo of each plant seedling. The auditor then examined all the geotagged photos that had been submitted by extracting the geographic coordinates of all photos into vector data and then comparing them with the vector data of the planned area. If needed, physical examination to verify the validity of the geotagged photos may be conducted on a sample basis.



After 5 years or more, the SAI can conduct a follow up review, and re-examine the satellite imagery or aerial photographs to assess the success rate of mangrove planting programme.

Meanwhile, the use of video conferencing has improved the way SAI Indonesia addresses climate change related audits. Auditors used video conferencing to more easily communicate with entity officials and conduct physical examinations and remote audits.

However, there are also challenges faced as auditors utilize technology, especially felt in audits related to climate change and small islands. Internet interruptions are a major obstacle. Sometimes, the network connection is not very reliable so auditees may have difficulty presenting evidence. Auditors need to consider these risks in audit planning stage and to explore the alternative procedures.

It is expected that, with the help of technology, climate change adaptation audits in small islands can be conducted more frequently and comprehensively. Thus, BPK can identify recommendations so that adaptation actions can be improved and implemented effectively and efficiently. This is especially important for adaptation actions in small outer islands and disaster-prone areas. In the end, SAIs have a role in ensuring that their nations' climate change adaptation goals of reducing risk, increasing adaptive capacity, strengthening resilience and reducing vulnerability to climate change in all development sectors can be achieved.

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About the Author:

Ari Kristiana is an auditor at the Audit Board of Indonesia (BPK) She completed her bachelor degree at the State Accounting College (STAN) in 2000, and obtained a master's degree in 2005 from the University of Indonesia.



Source: Adobe Stock Images, alexmak, Ilyes Laszlo

The Office of the Public Auditor of Palau and Environmental Resilience

Author: Sumch R. Chin, Junior Auditor, Office of the Public Auditor, Republic of Palau

The Republic of Palau entered into two loan agreements for $28 million with the Asian Development Bank (ADB) to fund the Koror–Airai Sanitation Project (the project). The project's objective was to provide effective, efficient and sustainable sanitation services to the Koror and Airai areas of Palau, and was expected to be completed by 2022. The project included sewage collection, a treatment and disposal system, and consulting services to manage and implement these activities.

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Japan-Palau Friendship Bridge, which connects Koror and Airai
Source: Adobe Stock Images, Kaori

The project involved many stakeholders. The Palau Public Utilities Corporation (PPUC), a government "component unit", was responsible for implementing the project while the Ministry of Finance was the project's executing agency. The PPUC procured three construction contracts and a consultant to carry out the project.

The Office of the Public Auditor (OPA) conducted an audit at the request of the Palau National Congress and also to address public concern about the project. Persistent project delays that pose a prolonged threat to public health as well as the health of the surrounding marine environment in Koror and Airai, provoked this concern.

Due to the project's complexity and layers of bureaucracy, the OPA tasked three auditors to conduct the audit, with the assistance of the Office of the Inspector General, U.S. Department of the Interior.

The objective of the audit was to determine to what extent the PPUC:

- **planned and managed the project to ensure its completion,**
- **met the project's stated milestones and objectives, and**
- **properly managed the funds to allow for project completion.**

TThe OPA made significant findings related to poor project planning, the PPUC's inability to meet the project objective, and the PPUC's lack of capability to manage the project.

PPUC concurred with most of the findings in the audit report. Based on the audit, to expedite the completion of the project and strengthen the capacity of the PPUC, the President issued Executive Order No. 449. This established a project steering committee for the PPUC Reform Program to, among other measures, provide strategic direction, guidance and oversight of the project, and ensure all loan requirements and project objectives are satisfied.

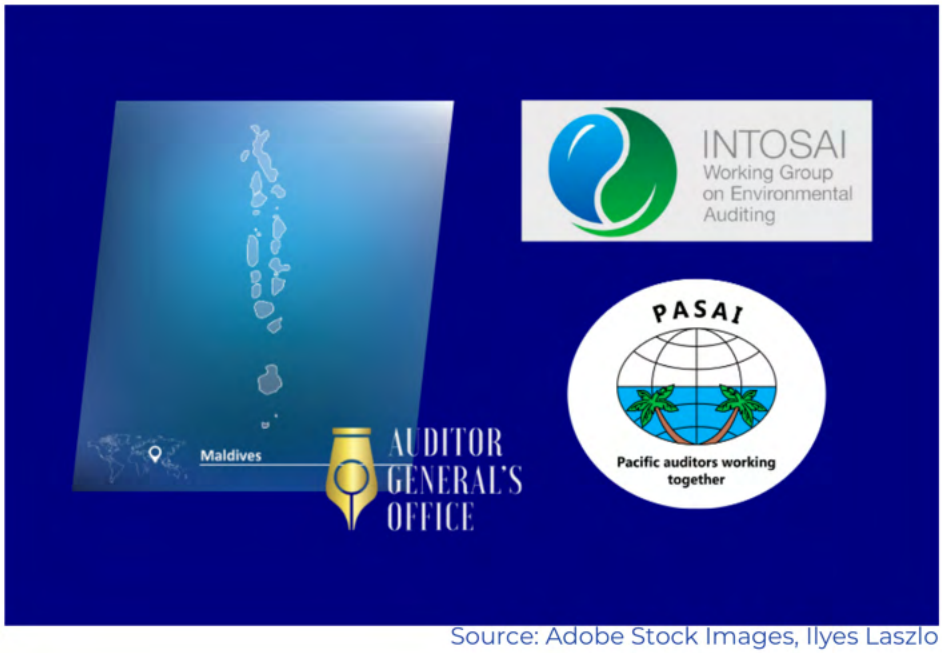
At the time of the reform, however, the PPUC claimed that it had exhausted the ADB loan; thus, additional funding is necessary to continue and complete the project.

Although the project remains incomplete and the threat to public health and the surrounding marine environment persists, water and wastewater rates had already been increased to repay the loans. This situation prompted the National Congress to enact Public Law No. 11-31. This law directs the President to cease any loan repayments and renegotiate the loan agreements with ADB to address the circumstances and disputes surrounding the unfinished project.

Although the people of two of the most densely populated states in Palau await the benefits of this project, the OPA's audit has, for now, impressed on lawmakers the need to safeguard public funds from further erosion in value. Hopefully, a resolution to a looming environmental and public health disaster will soon arrive.



Aerial overview of Koror
Source: Adobe Stock Images, Lightning Strike Pro



Source: Adobe Stock Images, Ilyes Laszlo

Small Island Developing States and Climate Challenges: Perspectives from the INTOSAI WGEA, PASAI and the Maldives

Authors: Dr. Vivi Niemenma (INTOSAI WGEA Secretariat, SAI Finland), Jonathan Keate (PASAI RWGEA Secretariate, SAI New Zealand), Mohamed Ibrahim Jaleel (SAI Maldives)

Reviewer: Rauhath Hussain (SAI Maldives)

Small Island Developing States (SIDS) are in the forefront of climate change facing the impacts first. This article sheds light on the INTOSAI Working Group on Environmental Auditing (WGEA) activities in the area, the challenges in the PASAI WGEA regions, as well as special challenges from one of the most low-lying nations in the world, the Maldives.

INTOSAI Working Group on Environmental Auditing (WGEA) and Climate Resilience

The impacts of climate change, such as sea level rise and extreme weather events with storms and floods, are experienced first in SIDS. Another side of so-called dual injustice is the fact that SIDS are the least responsible for fossil fuel emissions warming the atmosphere.

INTOSAI Working Group on Environmental Auditing (WGEA) adopted climate resilience and the challenges of SIDS as the main topic of its 21st Assembly in July 2022. The meeting hosted by SAI Maldives, at a windy season, allowed participants to experience and understand the challenges concretely.

A publication on the main outcomes of the Assembly, with several audit cases on audits of climate change adaptation and resilience, is available on WGEA website. Based on the call for audit cases, SAIs have globally audited particularly water related issues, both draughts and floods which are both foreseen to increase in the future. As for other topics, SAIs have audited adaptation and resilience cross-cuttingly across the government sectors, and for example, in agriculture and infrastructure sector.

The publication includes following recommendations for SAIs:

- **Remind of the significant risks that climate change poses to public sector budgets.**
- **Examine the risk assessments of governments.**
- **Call for long-term considerations.**
- **Stress that good data and monitoring serves more informed decision-making.**
- **Examine whether governments work across sectors and enhance policy coherence.**
- **Help governments pay attention to inequalities both nationally as well as globally in the spirit of the 2030 Agenda and "leaving no one behind".**

FEATURE ARTICLE

Pacific Association of Supreme Audit Institutions (PASAI) Cooperative Audit on Climate Change Adaptation (2013)

In 2013, ten audit offices in the Pacific took part in an audit on climate change adaptation and disaster risk recovery. The audit was the fourth in a series of cooperative environmental audits for the region, as part of a programme to build performance audit capability for Pacific SAIs.



Source: WGEA

The focus of the audit was climate change adaptation and recovering from natural disasters, rather than reducing greenhouse gas emissions. Climate change adaptation is the more pressing issue for the Pacific region. Rising sea levels, cyclones, tsunamis, food security, and coastal erosion are real and daily threats and extreme weather events are expected to become more intense and more frequent.

Many of the Pacific countries consist of a series of islands, some of which are very small and low lying. It is harder to adapt to climate change with limited land or resources, such as higher ground to retreat to or other areas of land for changing land use or growing different crops. In the Pacific, even a small change in climate can have a significant effect.

SAIs from eight Pacific Island states participated in the audit, with good representation from the three main Pacific regions – Micronesia, Melanesia and Polynesia.

The broad audit topic was to assess the effectiveness of climate change adaptation and disaster risk reduction strategies, plans and financing in each participating county. However, because different regions of the Pacific have different vulnerabilities to climate change effects and severe weather events, the SAIs developed audit objectives and lines of enquiry relevant to their specific jurisdiction.

This resulted in audit topics clustered around three main themes:

1. Preparing for climate change – focusing on plans and strategies, vulnerability assessments, and coordination between responsible agencies;
2. managing actual effects of climate change for example, coastal erosion; and,
3. managing the impact of climate change on food security.

A regional report on the audit had thirteen findings, all of which were fairly negative. For example:

- **legal and policy frameworks were fragmented and insufficient to guide adaptation measures;**
- **project level governance was weak and project management skills needed improvement;**
- **project monitoring arrangements were underdeveloped, with limited ability for Pacific Island states to report progress against climate adaptation priorities.**

The overall audit conclusion was that the Pacific Island states audited were not well placed to respond effectively to the threats and challenges arising from climate change. A regional overview report set out the more detailed findings from the audits.

On the topic of climate finance, the report noted that the financing of adaptation measures in the Pacific was vexed. While international funds were available through various global agencies, at the time of the audit, the individual Pacific Island states audited generally lacked the capacity to access and appropriately manage these funds through their national public financial management systems.

This is an important point when considering the topic of climate finance. The sentiment of transferring funds from developed to developing countries is worthy, but there is also a need to ensure the right systems are in place for countries to access the funding and to properly manage and spend the funds once received. This can help to ensure related benefits from climate finance are realised, such as building capacity in the areas of project management, monitoring and evaluation, and reporting for the use of funds.

The audits were undertaken 10 years ago. It is encouraging to note that eight Pacific SAIs are currently taking part in the INTOSAI Development Initiative (IDI)/WGEA global climate change audit. This will be a good test of progress since the last audits.

The Case of Maldives

The Maldives being one of the low-lying small island developing states, the country is at the forefront of climate risks. Given the trajectory of global warming, melting polar ice caps and the consequent sea level rise, the impact of climate change is an existential threat to a nation where 80% of its land is less than one meter above the sea level. The recorded data from the Maldives Meteorological Office from 1989 to 2021 shows an annual rise in sea level of 4.24 mm in the central region and 3.44mm in the southern region. However, the ultimatum of complete submergence due to sea level rise is not the only concern the islanders have regarding the drastic changes, but the escalated impacts which they have been experiencing in their day to day lives.



Source: SAI Maldives

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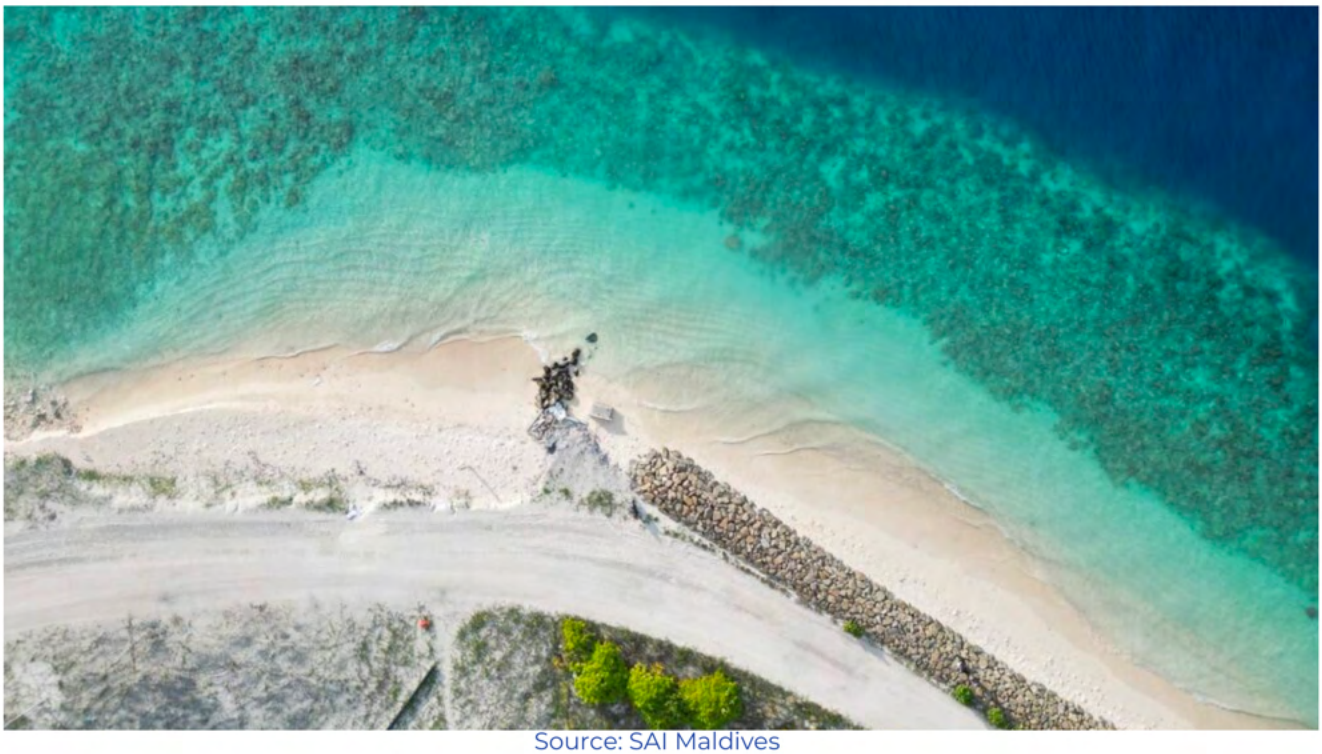


Source: SAI Maldives

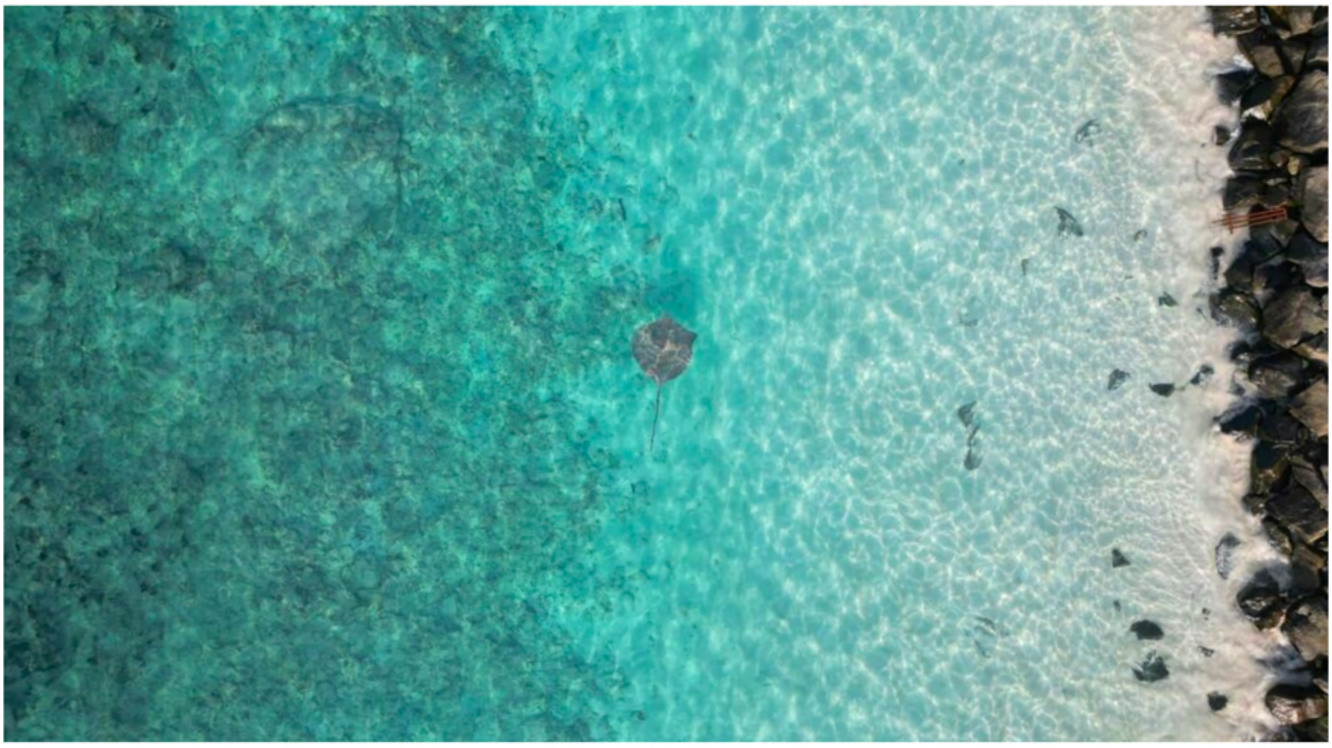
Many inhibited islands across the Maldives face the reality of erosion, land loss and damage to households and other critical infrastructure such as the schools, utility infrastructure, that are located close to shore. The risks are aggravated by sea level rise and extreme weather events. Given the smaller landmass of the islands and the limited topographical variability, the risk of impact is significantly high on most of the built environment in the islands. Further to the varying damages to the households near to the shoreline from erosion, the increase of sea level rise puts these households at risk of further damage from extreme weather events such as storm surges.

In the absence of surface water, Maldivians traditionally have been reliant on rainwater for potable needs and groundwater for non-potable needs. However, availability of both of these natural sources are being influenced by climatic variations combined with anthroprogenic activities. Change in rainfall patterns and extended dry seasons impedes the ability to harvest rainwater to last through to the rainy periods and the thin superficial groundwater lenses are being salinised by sea level rise, storm surges and over-exploitation. In addition to these sectors, the Maldives second national communications highlight critical impact to coral reefs, food security, human health, tourism and fisheries from climate change.

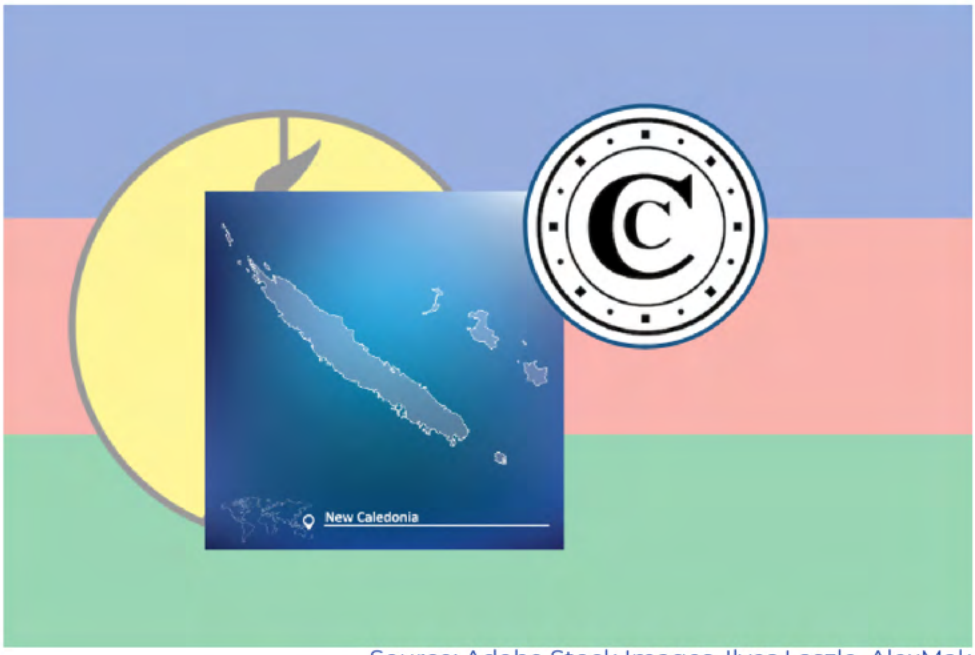
From the stated key vulnerable sectors of the nation, SAI Maldives has been able to conduct several audits on the adaptation actions of the sectors such as the audit on; coastal erosion management, dry period water supply, establishment of water and sewerage infrastructure and audits on agriculture and fisheries diversification programs.

The audits have identified key areas that the Maldives have to improve in order to implement effective and efficient adaptation measures. First is the delay in the intervention programs, these are mainly owing to lack of national financing and the inability to access and mobilise the international financial resources. From the discussions of the last WGEA assembly, one of the reasons that hinder the access for climate finance is the absence of long term data and being asked for data which does not exist in the SIDs. This is consistent with the audit findings as one of the areas to improve are risk monitoring. The need for improved project management and quality control measures were also identified, similar to PASAI findings. The audit recommendations emphasised ensuring the sustainability of project outputs and implementing proper exit strategies to infuse the project deliverables with the day to day operations of the government. Other areas of improvement include technical capacity building, awareness, priority setting, project design and stakeholder engagement.

In conclusion, climate change is an ever-present reality for the SIDs countries. SIDs have difficulty in accessing international climate finance for timely intervention of adaptation actions and innovative mechanisms are required to mobilise these resources and enhanced capacity is essential to properly manage the finance in the national context. Lastly, SIDs SAIs are calling for effective adaptation actions as it is of utmost importance to ensure that every adaptation action counts as a beneficial step in protecting our communities.



Source: SAI Maldives



Source: Adobe Stock Images, Ilyes Laszlo, AlexMak

New Caledonia's Territorial Audit Office Assesses Environmental and Natural Disaster Resilience

Author: Florence Bonnafoux, Président de la chambre territoriale des comptes, Chambre territoriale des comptes de Nouvelle-Calédonie
(President of the Territorial Chamber of Accounts, Territorial Chamber of Accounts of New Caledonia)

Like many places in the Intertropical Convergence Zone, the French territory of New Caledonia is affected by potentially destructive climatic hazards. These include cyclones and periods of drought or heatwaves that exacerbate forest fires. However, what we know about the impact of climate change on New Caledonia is still insufficient.

FEATURE ARTICLE



Florence Bonnafoux, Président de la chambre territoriale des comptes,
Chambre territoriale des comptes de Nouvelle-Calédonie

Responsibility for civil protection in New Caledonia was transferred from the nation to the territory on 1 January 2014. Since then, responsibility has been shared between the territory, the nation (which has retained important missions and resources), the municipalities (which run and finance their fire and rescue services) and the provinces (whose responsibilities for the environment and town planning affect civil protection).

This shared responsibility has not facilitated the implementation of an effective and efficient natural risk prevention policy. Unfortunately, the situation is likely to get worse. According to the latest Intergovernmental Panel on Climate Change report, climate change will result in New Caledonia experiencing a warmer and drier climate, which will increase the risk of forest fires. Also, less frequent but heavier cyclonic episodes will increase the risk of flooding and landslides. With this in mind, New Caledonia's Territorial Audit Office performed an audit to assess whether the territory has the appropriate prevention and crisis management resources to face those increasing challenges.



Image of a fire in Paita, New Caledonia. Source: Adobe Stock Images, Romain



Image of a flooded road in New Caledonia. Source: Adobe Stock Images, jimi25

The audit shows that a great deal of work is being done to gather knowledge to assess and map the probability and impact of major climatic hazards likely to occur at different timescales, but it is being conducted in a dispersed manner by a large number of public, semi-public and private players. Some critical projects remain unfunded, such as the digital survey of New Caledonia's coastline, which is essential for performing submersion and flood simulations.

The regulations governing the provision of information to the public on major risks, one of the aspects of prevention, are not being applied correctly, both at the regional and local levels. Regulations on limiting the vulnerability of key areas need to be consolidated.

Measures can limit or prohibit construction in at-risk areas, or provide for other ways to reduce the vulnerability to hazards. These measures must incorporate nature-based solutions, which are currently the subject of several initiatives in New Caledonia and take into consideration natural resources which are protected or have a particular importance for local communities.

FEATURE ARTICLE

The resources of the fire and rescue services suffer from multiple capacity limitations, primarily affecting human resources. The complexity and compartmentalization of the rules of operational engagement limit the coordination of the actors. The differences in human resources management between each center and the conditions under which volunteer and professional firefighters are trained and paid result in a high turnover of staff. This situation justifies a rapid completion of the project to modernize the fire and rescue services' communication system. In the medium term, the Territorial Audit Office considers it essential to continue this reform by creating a unified management structure for resources and operations that will resolve the many difficulties arising from the current situation.

Following the audit, the government has actively looked for ways to finance the digital survey of New Caledonia's coastline and intends to prepare a territorial adaptation plan to prioritize action and coordinate actors to reduce vulnerability to natural disasters. It is also increasing its efforts to coordinate with local authorities and communities to enhance responses to major crises.



Aerial view of Anse Vata Bay, Noumea, New Caledonia. Source: Adobe Stock Images, JX.



Source: Adobe Stock Images, Ilyes Laszlo, 12ee12

Staying Afloat—Sinking Cities and How SAIs Can Contribute to Mitigating Sea Level Rise and Climate Change

Authors: Candra Hapsari Susilo and Tri Marhendra Rahardyan, SAI of The Republic of Indonesia

Introduction

Being one of the earth's largest archipelagos, Indonesia's territory consists largely of bodies of water, with coastal cities scattered across 17.000 islands. However, many of those islands might just disappear in the coming years. As early as 2005, Indonesia's Marine and Fisheries Research Agency (KKP) reported that 24 islands the size of a football field had sunk. The National Research and Innovation Agency (BRIN) has also shown that land subsidence in the coastline of Indonesia's main island is happening at an unprecedented rate, ranging from 2 cm/year to an alarming 11 cm/year in certain parts, including its capital city and economic center, Jakarta. BRIN has forecasted as many as 115 islands will have sunk by the year 2100, 92 of which are caused by the rising sea levels. With most of its infrastructure located along the coastline, Indonesia suffers a higher risk of loss and damage. Thus, staying afloat has become one of our main concerns.



Image taken by SAI Indonesia during a field audit in the Isles of Labuan Bajo, located near Komodo Island, the province of Nusa Tenggara Timur (roughly translates to the Isles in the Southeast). These images illustrate an Island Country.

Causes: Rising Tides, Sinking Cities & Countries

In recent years, the effects of climate change are becoming more apparent, with the average global temperature has rapidly increased during the last two decades. This has resulted in a considerable decrease in the planet's ice sheets and increasing global thermal water expansion, both of which are responsible for the rising sea level. Rising sea-level is attributed as one of the main causes of disappearing land masses. Research conducted in coastal areas by Indonesia's BRIN has shown that sea-level is rising at the rate of 2.9mm per year, not far behind the global average of 3.2 mm per year. Aside from that, satellite imaging from NASA's Sentinel-3 has also shown apparent changes in biome and terrain shape caused by rising sea levels all over the globe in the last decade. With that in mind, Indonesia, coastal cities, and Small Island Developing States (SIDS) all around the globe are threatened to sink in the coming years.

According to recently released data from the World Meteorological Organization (WMO), global average sea levels have risen faster since 1900 than over any preceding century in the last 3,000 years. WMO warns, that even if global warming is "miraculously" limited to 1.5 degrees, the planet will still see a sizeable rise in seawater levels. Saltwater intrusion can decimate jobs and entire economies in various industries such as agriculture, fisheries, and tourism. Furthermore, sea level rise will potentially damage or destroy vital infrastructure, such as transportation systems, hospitals, and schools. The danger is especially acute for some 900 million people living in coastal zones at low elevations which constitute one out of every ten people on earth.

The United Nations (UN) emphasized that mega-cities on every continent will face serious impacts, including Lagos, Bangkok, Jakarta, Mumbai, Shanghai, London, Buenos Aires, and New York. Devastation is already evident in many parts of the world, noting that rising seas have decimated livelihoods in tourism and agriculture across the Caribbean. Sea level rise and other climate impacts are already forcing people to relocate in island countries such as Fiji, Vanuatu, and the Solomon Islands. A call to action to determine the future of the planet is needed.

Government and UN Efforts

In 2015, 196 countries agreed on a legally binding international treaty on climate change, the Paris Agreement. Its goal is "to limit the temperature increase to 1.5°C above pre-industrial levels." According to the UN's Intergovernmental Panel on Climate Change (IPCC), crossing the 1.5°C threshold will possibly result in much more severe environmental impacts, including drought, rainfalls, and heatwaves, some of which we've seen around the globe today.

The core of the Paris Agreement is each country's National Determined Contributions (NDCs). NDCs are each country's commitment to realizing the goals of the global treaty. The document outlines individual countries' climate action plans, targets, and strategies to reduce their greenhouse emission to halt the rapidly increasing global temperature.

The UN has also set sustainable development goal (SDG) of 13: Take urgent action to combat climate change and its impacts. To achieve this goal, UN members, especially affected countries, should implement various agendas, including strengthening resilience to climate-related disasters; integrating climate change measures into national policies; improving education to raise awareness of climate change; and promoting mechanisms for raising capacity for effective climate change-related planning and management.

As part of the SDG implementation, the Indonesian Government has established a policy, namely "Strengthening The Environment and Improving Resilience Against Natural Disasters and Climate Change". This policy is regulated as National Priorities 6 in the National Medium-Term Development Plan (RPJMN) 2020-2024. The National Priorities are outlined into three policy groups, namely (1) improving the quality of the environment; (2) increasing resilience against natural disasters and climate change; and (3) applying a low-carbon development approach. According to indicators set on National Priorities 6, the government intends to decrease the level of vulnerability in coastal areas and small islands. The area of coastal settlements that are prone to accretion due to changes in the sea level is predicted to increase to over 18,480 km2 by 2045. Thus, the government wishes all of the efforts in RPJMN will prevent and/or reduce climate change-related disasters.

SAIs and INTOSAI Contributions

To realize the 2030 Agenda of mitigating the effects of climate change, governments of participating countries must work hand-in-hand with all available parties, including SAIs. Indonesia has shown its full commitment by submitting the Voluntary National Report (VNR) in 2017, 2019, 2021, and expectedly, 2023. VNR is a report on progress in implementing and follow-ups of strategies for achieving the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). In support of that, the SAI of Indonesia (BPK) has collaborated with the government of Indonesia by conducting a review of Indonesia's VNR to ensure reports are accurate and true to the evidence. BPK has also contributed by conducting several audits on Indonesia's preparedness and implementation of SDGs. BPK has also dedicated several audits on Indonesia's SDGs strategy and practice. In 2024, BPK plans to audit National Priorities 6 as a collaboration audit between BPK's central office and regional office. The audits are expected to provide valuable recommendations for the government and related parties to enhance resilience against natural disasters and climate change.



Image taken by SAI Indonesia during a field audit in the Isles of Labuan Bajo, located near Komodo Island, the province of Nusa Tenggara Timur (roughly translates to the Isles in the Southeast). These images illustrate an Island Country.



Image taken by SAI Indonesia during a field audit in the Isles of Labuan Bajo, located near Komodo Island, the province of Nusa Tenggara Timur (roughly translates to the Isles in the Southeast). These images illustrate an Island Country.

Additionally, INTOSAI's Working Group on Environmental Auditing (WGEA) has stated that environmental and climate audits are reportedly on the rise. Its triennial survey has shown that out of the 71 SAIs that responded, climate change adaptation has become the most popular topic in 2021- 2023, a stark contrast to the previous survey results which did not even show climate change as one of the top ten topics chosen. These results indicate that SAIs are gradually becoming alert to the issue. Reportedly, SAIs have a growing interest in auditing countries' compliance with multilateral agreements on the environment, especially the Paris Agreement on climate, followed by the UN Agenda 2030 and the UN SDGs. Subsequently, most of the SAIs can also use the SDGs as audit topics, and/or criteria for auditing climate change in their respective areas. The survey results have also shown that in the future, SAIs foresee an increase in activities revolving around the SDGs, especially SDG 13 on taking urgent action to combat climate change and its impacts. However, SAIs still face some challenges in conducting environmental audit. Issues such as lack of expertise, data accessibility, and less practice of field visits are some of the main concerns. But in all, this has shown that countries around the globe have recognized sea level rise as an issue.

Conclusions

Sea-level rise because of climate change is a very real threat to coastal cities and SIDS all around the globe, including Indonesia. Local governments and SAIs both play a part in facing the issue of climate change. By following the UN-agreed goals as well as the multilateral agreements, we might just have a chance to combat or lessen the effects of climate change. SAIs have an important role in ensuring accountability, and transparency on how each nation responds to this impending disaster. Consequently, the current issue shows a growing need for INTOSAI to initiate cooperative audits regarding this theme, especially for countries in the same regional area. SAIs would greatly benefit from having specific guidelines to follow regarding climate change audit. Raising awareness and mitigating risks are essential in preventing further losses and damages.



Source: Adobe Stock Images, Vector Icons, Public Auditor of Yap, Google Maps

Recruiting and Building Capacities of Qualified Staff in the Yap State Office of the Public Auditor

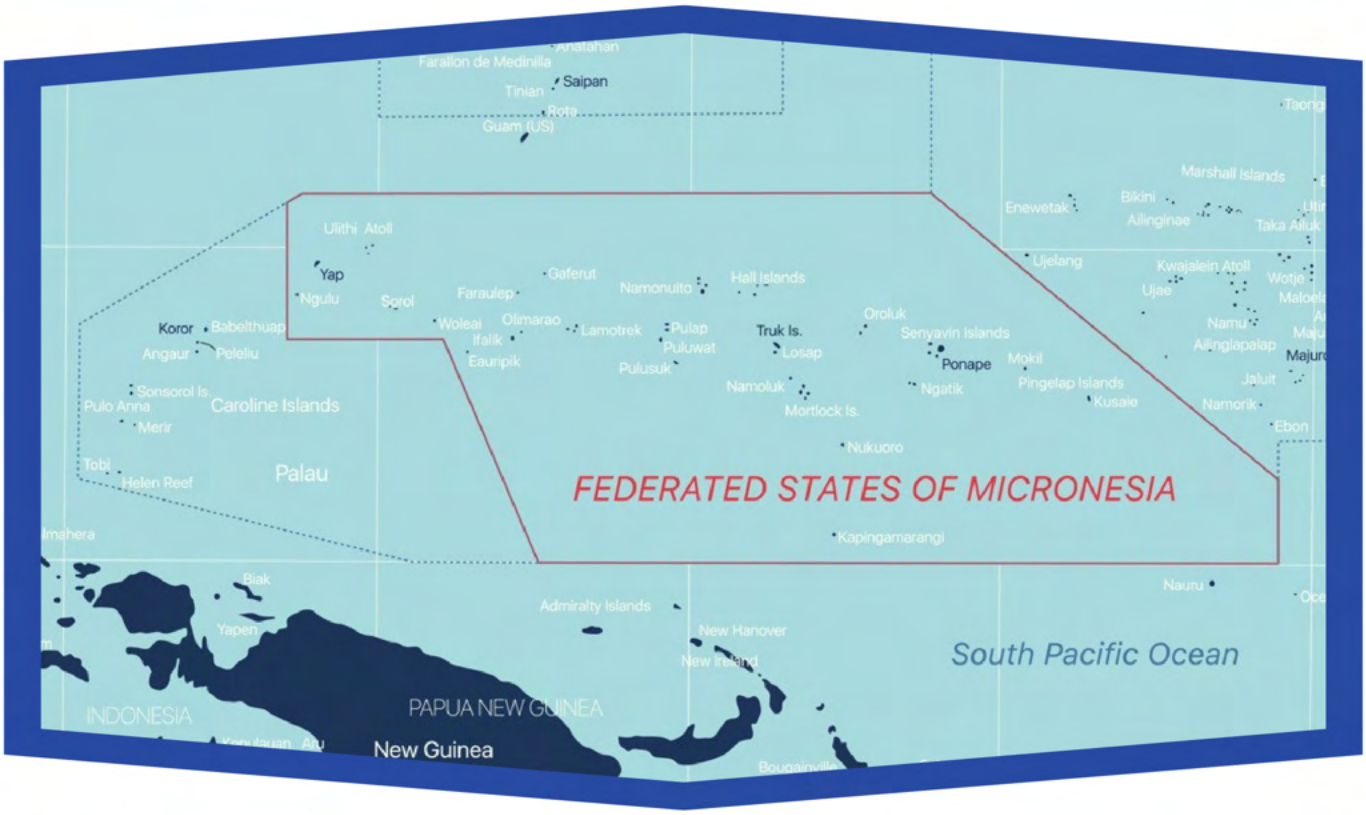
Author: Bryan Dabugsiy, Public Auditor for Yap State

In the Federated States of Micronesia, the Yap State Office of the Public Auditor (OPA) is dealing with staffing challenges that are, unfortunately, not uncommon for the Pacific Island region.

It's not an exaggeration to say that most of its audit staff have very limited auditing experience. Of its five auditors, three of them have been with the OPA for less than a year. Facing a high cost of living, more experienced staff are finding better paying jobs that the office can't afford to compete with.

As well as the issue of only being able to offer minimal salaries, the OPA must seek approval to fund specific positions. It currently awaits approval to start the recruitment process for a new audit manager. Without anyone filling this role, the quality and timely issuing of audit reports has and will continue to suffer.

Recruiting is a joint process with the Yap State Government's Office of Administrative Services, Division of Personnel. The Division of Personnel shortlists the pool of applicants to those it deems qualified. Rather than accepting that this is just the way it has been done there for a long time now, the recently appointed Yap State Public Auditor, Bryan Dabugsiy, recognizes citizens would be the ones to benefit from improvements to his office's independence.



Map of Federated States of Micronesia. (Source: Adobe Stock, olinchuk)



Colonia, Yap State, Micronesia (Source: Adobe Stock, Optimistic Fish)

In the first week of October 2023, he welcomed PASAI's North Pacific-based Director, Doris Flores Brooks to the island. Together, they made courtesy visits to the Governor Charles S. Chieng, Lt. Governor, Francis Itimai, and various legislators including Speaker, Nicolas Figirlaarwon and Vice Speaker, Theodore Rutun.

Ms. Flores Brooks stressed to them the importance of the OPA's independence for the proper accountability of Yap State's public expenditure and service delivery. As the former Public Auditor for Guam, Ms. Flores Brooks was able to share some relatable activities including working with relevant Guam government agencies to increase the salaries of her employees, when she was with the Guam Office of Public Accountability.

Advocacy such as this is a continual process that usually takes time to bear fruit. In the meantime, to improve staff capability, Mr. Dabugsiy encourages his staff to actively participate in the various training opportunities offered by PASAI and the Graduate School USA.



Source: Adobe Stock Images, Ilyes Laszlo, blodg

Auditor-General's Office of Papua New Guinea Enhances Audit Management

Author: Auditor-General's Office of Papua New Guinea

Papua New Guinea is by far the largest of the developing island nations in the PASAI network. Its infrastructure is deficient, with inconsistent internet and power supply nationwide. Efforts are underway to construct a highway network that will connect the mountainous country, but once completed, maintenance may prove problematic due to landslides, tropical weather and seismic activity.



Map of Papua New Guinea (Source: Adobe Stock Images, gt29)

The majority of the Auditor-General's Office (AGO) of Papua New Guinea staff are based at the head office in the capital city of Port Moresby. Two of the AGO's five regional offices are located on island provinces. Work duties often require air travel but domestic flight costs are high.

It is against these headwinds that the AGO is nevertheless committed to improving its practices. One way is by transitioning staff from heavy paper files to the TeamMate+ audit management software.

The AGO is implementing the software in a phased manner, with staff members being assigned to audits under the guidance of TeamMate+ Champions and Team Leaders. Many of the TeamMate+ Champions are officers who have benefitted from 10-month secondments to the AGO's twinning partner, the Australian National Audit Office. There, they had worked with TeamMate AM, an earlier version of the software. Other TeamMate+ Champions are self-taught at the AGO.

At present, the AGO has identified a total of 27 entities with 35 audits (including those with audits in arrears), and allocated 72 audit staff members from their respective divisions to these audits.

Among these divisions, two teams have successfully issued their audit reports, and a further 15 management letters have been drafted (covering 11 entities). Another division is currently dealing with an outstanding assignment that is running concurrently with the audits in TeamMate+.

Staff were trained using online resources from the software supplier and in-person guidance from the AGO Technical Services Branch. The Technical Team customized the TeamMate+ Audit System properties to meet the specific needs of the AGO. The TeamMate+ Champions then created a user guide and conducted practical training using dummy audit files based on the customized settings. They also created dummy auditees to complete the audit methodology templates.



Auditor-General's Office of Papua New Guinea TeamMate+ training.
(Source: Auditor-General's Office of Papua New Guinea)

At the time of writing, 78 staff members from operational divisions, financial and compliance audits had attended all training sessions. However, additional group and one-on-one training is available as needed, particularly when performing actual audits.

Auditing the provincial entities that still use paper-based accounting systems remains a challenge. However, in time, the AGO hopes this audit management software, which has been customized to suit the Papua New Guinean business environment, will eliminate the need for auditors to carry stacks of papers for auditing and reporting.



Map of Papua New Guinea (Source: Adobe Stock Images, gt29)



Source: Adobe Stock Images, WH Graphic Design, Tarik GOK

Resilience in the Face of Adversity: The General Audit Chamber's Journey to Technological Fortitude

By: Keith de Jong and Joane Dovale-Meit

In September 2017, the Caribbean Island of St. Maarten experienced a catastrophic natural disaster as Hurricane Irma made landfall. The aftermath saw the island's infrastructure significantly damaged or destroyed. Except for the military, communication, such as the Internet and mobile networks, were available intermittently, leading to sporadic contact with external entities. Efforts were quickly made to evacuate tourists and other visitors from the island while coordinating the arrival of humanitarian aid to provide shelter, food, and support to the impacted residents.



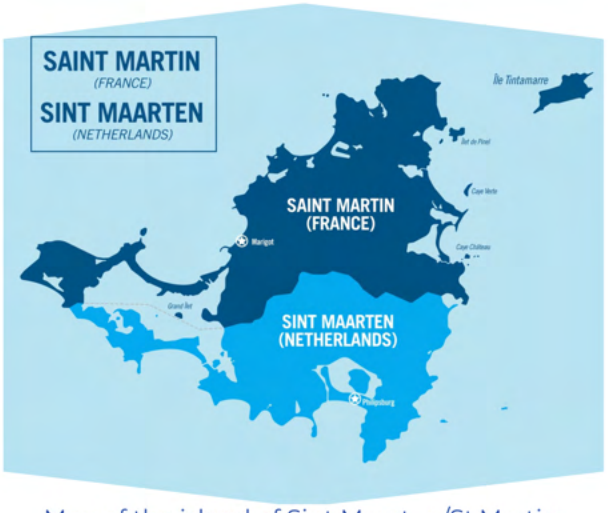
Hurricane Irma Satellite View, September 7, 2017, Source: NASA

But a physical location has never defined St. Maarten's Supreme Audit Institution. Our offices lay in ruin, and our team was displaced, but audit operations continued mostly unaffected. How did we manage this? To answer that question, we need to go back to October 2010.



Storm Damage of the General Audit Chamber's Offices, September 13, 2017, Source: General Audit Chamber

At that time, the General Audit Chamber was established as part of the constitutional reform within the Kingdom of the Netherlands. St. Maarten became an autonomous country within the Kingdom. With a population of approximately 40.000 people, the island encompasses 16 square miles, and shares its borders with French Saint Martin. The General Audit Chamber is a young and proud institution. Like other SAIs worldwide, the General Audit Chamber ensures that taxpayer money is used transparently, effectively, and legally.



Map of the island of Sint Maarten/St.Martin, Source: Adobe Stock Images, Danalva



Climate Change. Source: Adobe Stock Images, piyaset

Like many other small island states, St. Maarten is on the frontline of climate change. The region has witnessed a marked increase in the frequency and severity of hurricanes over the past few decades. According to the Intergovernmental Panel on Climate Change (IPCC), the number of category 4 and 5 hurricanes in the Atlantic has increased significantly, posing a direct threat to the Caribbean islands. Data from the National Oceanic and Atmospheric Administration (NOAA) shows a clear trend in the rise of sea surface temperatures, a key factor contributing to the intensification of hurricanes.

FEATURE ARTICLE

We embraced emerging technologies such as cloud computing and collaborative software platforms. While these tools enhance efficiency and interconnectivity, this strategic decision fortified the institution against inevitable disaster. From the start, the board and management understood that in the domain of public audit, the responsibility for resources and the maintenance of public trust requires a commitment to, and the integration of technological innovation. It was, therefore, logical to choose a deliberate application of cutting-edge technologies that enabled the institution to respond to changes and unexpected challenges. Moreover, the small scale of the institution allows an operational nimbleness that often eludes larger counterparts.



Cloud-computing and Island Nations, Source: AI-generated image, DALL-E

During a period when cloud computing was emerging, especially for smaller nations like St. Maarten, the General Audit Chamber embraced the technology. By integrating a cloud infrastructure, the institution enhanced the security and resilience of its data management and achieved cost savings. This strategic move minimized the risk of data loss from physical damage and ensured continuous access to essential audit resources, eliminating the need for substantial physical hardware investment.

In addition, the Chamber introduced a SharePoint-based platform called the Office Productivity Information Management (OPIM) system. This system was custom-built to enhance document management and promote team collaboration. It supported uninterrupted operations and remote work, allowing the institution to effectively carry out its audit duties. The functionality of OPIM is now surpassed by off-the-shelf applications such as Office 365 or Google Workspace, reducing the need to invest in customized platforms.

Our cloud-based system demonstrated remarkable agility and adaptability throughout the challenging times of the COVID-19 pandemic. We were able to carry out our audit activities seamlessly and without any interruption, ensuring that public expenditures were thoroughly examined with precision and diligence. We attribute this success to cloud-based technology's exceptional flexibility and dedication to transparency and accountability.



"State of emergency called, two-week shutdown to start midnight tonight", Source: The Daily Herald, April 4, 2020

By adopting digital tools, we have created an opportunity to address another challenge faced by SAIs globally: enhancing audit impact and public engagement.

The public has a right to know how their tax money is spent. Considering that reports compete for attention in a media-saturated world, which message will likely secure the most public interest, a dense technical report, or a 15-second explainer video? In pursuit of public engagement, we launched an interactive online environment. Our digital tool allows anyone to participate from any location, by asking questions.



Interactive Environment of the General Audit Chamber, Source: General Audit Chamber

Our blueprint for climate resilience

Island states like St. Maarten should prepare for the predicted increase in the frequency and severity of hurricanes due to climate change; the need for informed and engaged citizens is more critical than ever. Hence, we adopted an iterative five-step cycle:



Continuous Improvement Cycle, Source: General Audit Chamber

Strategic assessment and planning: Begin the cycle with a comprehensive risk assessment and develop a resilience-focused digital strategy. This step sets the stage for informed decision-making and prioritization of initiatives.

Technology integration: Transition to cloud-based infrastructure and select appropriate collaborative tools. Choose between custom solutions and off-the-shelf options based on current needs and future scalability.

Operational resilience and training: Establish robust remote work and disaster recovery systems. Concurrently, invest in regular staff training to ensure everyone is proficient in new technologies and flexible working arrangements.

Public engagement and transparency: Develop and launch interactive online platforms and diverse content strategies to engage the public effectively. This step is crucial for maintaining transparency and trust.

Continuous improvement and adaptability: Monitor, evaluate, and solicit feedback on the effectiveness of implemented strategies. Learn from each iteration to make informed adjustments, ensuring the institution remains agile and responsive to new challenges.

To learn more about the General Audit Chamber and be inspired to build resilient public services to mitigate the effects of climate change, click here or visit our website https://arsxm.org/, or scroll through our Facebook, Instagram, or LinkedIn page (General Audit Chamber Sint Maarten).

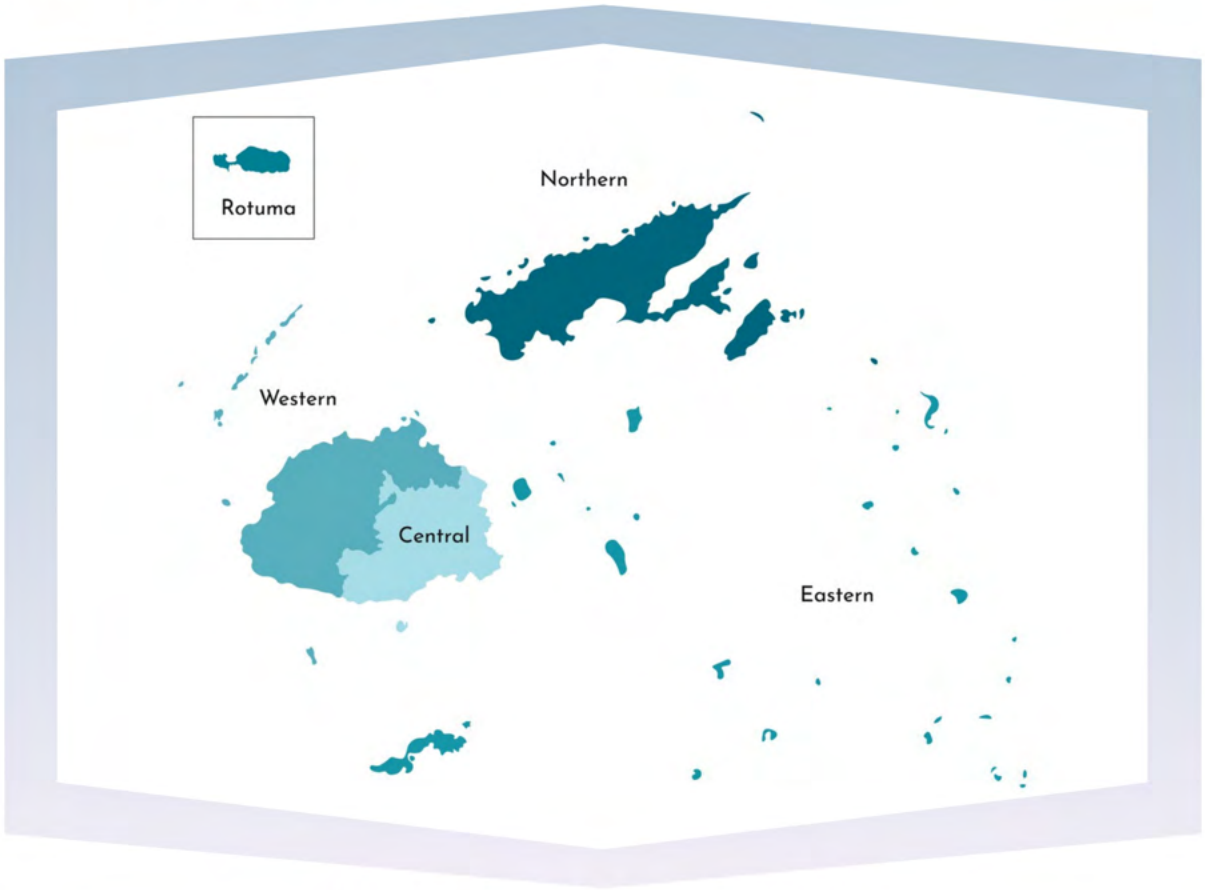


Source: PASAI

Applying Standards and Ensuring Quality Audits

Author: Meresimani Vosawale-Katuba, Director – South Pacific, PASAI

After the Office of the Auditor-General (OAG) of Fiji established a Quality Assurance (QA) function in 2017, the benefits went beyond assurance that the SAI's audit engagements complied with ISSAIs. It also enabled the SAI to implement improvements to its audit methodology and Quality Control (QC) system.



Map of Fiji, Source: Adobe Stock Images, Olli

Despite quality assurance being new territory for the OAG Fiji, there were certain elements that set the new function on a pathway to success.

Just two existing staff members formed the new QA team, but they had sound technical knowledge and appropriate audit experience. Critically, they also had the support of the Auditor-General and his executive management team.

The team benefitted from the INTOSAI Development Initiative's weeklong training for QA reviewers and used PASAI's Quality Assurance Manual as a useful reference to guide its activities. There was also QA materials from AFROSAI-E and guidance from the Tasmania Audit Office (through a SAI twinning programme funded by the Australian Department of Foreign Affairs and Trade).

Finally, the OAG already had an effective QC system and documented ISSAI-based audit methodology in place. This provided a benchmark for the OAG's work to be measured against during a QA review.

The QA team reported directly to the Auditor-General and was soon maintaining a database of findings from all its QA reviews. The database highlighted 'key focus areas' audit teams needed to work on. The team conducted awareness sessions of the significant or recurring findings from the QA reviews. It held separate sessions for the preparers and the reviewers of working papers.

The QA team's composition has changed from its inception, but it continues to conduct awareness sessions so fellow staff keep 'key focus areas' in mind while performing audits.

A significant impact of SAI Fiji's QA reviews is that teams are more careful to ensure quality in their audit working papers, and to obtain sufficient and appropriate audit evidence. The SAI's audit engagement teams also appreciate how a sufficient and rigorous risk assessment affects the planned audit approach.

Significantly, the independent QA function assisted the OAG to identify and address areas for improvement in its audit methodology. This resulted in a consistent approach to quality across the SAI.

OFFICE *of the* AUDITOR GENERAL
Republic of Fiji



Flag of Fiji, Source: Adobe Stock Images, rarrarorro

Quality audits are achieved when audit engagements are done consistently, in line with the requirements and principles of ISSAIs, within a strong system of quality controls, and in an environment where auditors practice the fundamental principles of objectivity, independence, integrity and ethical behaviour.

Simply put, achieving quality audits takes time and needs collaboration and commitment from everyone involved in the audit quality management system at a SAI. This process is therefore a continuous journey of improvement for a SAI and its people.

Continually finding better ways to conduct audits enables SAIs to provide value-adding insights to auditees. This is the foundation for providing value to citizens.



Source: Adobe Stock Images, Ilyes Laszlo, 12ee12

Unveiling Challenges: Auditing Small Islands in the Indonesian Archipelago

by: Sherlita Nurosidah (SAI of Indonesia)

Introduction:

Indonesia is an archipelagic country with more than seventeen thousand islands by 2022 as stated in The Minister of Home Affairs Decree Number 100.1.1-6117 Year 2022 (Minister of Home Affairs, 2022). Among those islands, 13,466 are small islands and only 146 islands are inhabited (Finaka, Agam, and Putra, 2018). Embarking on the audit journey in the scattered archipelago of Indonesia presents auditors with a distinctive set of challenges, particularly when scrutinizing the financial landscapes of small islands.

As the largest archipelagic nation in the world, with a length of approximately one-eighth of the Earth's circumference, Indonesia's smaller islands boast rich cultural diversity, economic intricacies, and unique environmental contexts. This article delves into the complexities auditors face when undertaking audit tasks on these diminutive, yet economically significant islands. From grappling with limited infrastructure and navigating the geographical remoteness to understanding the economic intricacies of industries that shape these islands, auditors are confronted with a tapestry of challenges that demand a tailored and astute auditing approach. This writing explores the nuanced challenges inherent in auditing small islands within the Indonesian context, shedding light on the multifaceted considerations auditors must ensure the accuracy, reliability, and compliance of financial reporting in these idyllic yet intricate settings.



Map of Indonesia, Source: Adobe Stock Images, Peter Hermes Furian

Navigating Barriers in Auditing Small Islands: An Overview

Auditing in small islands in Indonesia poses specific challenges that auditors must navigate. Auditors encounter challenges related to limited infrastructure, geographical isolation, economic dependency on certain industries, limited professional workforce, unique environmental risks, diverse regulatory environment, and cultural sensitivity. Small islands in Indonesia often need more infrastructure, encompassing deficiencies in transportation, communication, and technological facilities. The absence of robust infrastructure hampers auditors' ability to efficiently conduct on-site audits, access essential information, and communicate effectively with local stakeholders.

The geographical remoteness of small islands contributes to increased travel costs, extended audit timelines, and logistical challenges. Auditors must contend with accessibility issues, making the coordination of audit tasks and the collection of necessary data a more intricate process. Many small islands in Indonesia economically rely on particular industries, such as tourism, agriculture, or fisheries. Economic volatility in these sectors directly influences the financial stability of entities on these islands, necessitating auditors to assess and respond to industry-specific risks carefully. A need for more skilled professionals on small islands poses a challenge for auditors in seeking local expertise. The need for more qualified personnel may impede the audit process, requiring auditors to bridge the gap by providing training or seeking assistance from external sources. Differences in regulatory frameworks across Indonesia's islands present auditors with the challenge of navigating varying reporting practices. Adaptability to diverse regulatory environments is essential to ensure compliance with auditing standards and regulations.



West Terempa fishing village on Siantan Island, Indonesia, Source: Adobe Stock Images, Marko

Best Practices for Successful Audit in Small Islands

Conducting audits on small islands in Indonesia requires a nuanced approach, considering the unique challenges and opportunities of their distinct economic, cultural, and environmental contexts. Here are some best practices for auditing in small islands from SAI Indonesia's experiences, and research, as follows:

Understanding Local Context

SAI Indonesia must assess the local and national government's annual financial report every year. Before the audit, auditors should invest time in understanding the local context, including the economic drivers, cultural nuances, and environmental factors specific to the small island. This understanding includes the audit strategy and risk assessment, called interim audit. It is the first of three stages before the local government delivers its report to be fully audited. Local government accountability is essential to identify and allocate resources better (Nurosidah, Khusaini and Prasetyia 2023). Several purposes of such approach are to gain a deeper understanding of an entity's internal system effectiveness, evaluate the conformity to the Law, and monitor their progress on audit findings' follow-up actions. Overall, the primary aim of the interim audit is indivisible to the overall audit. Developing audit plans shall be tailored to the specific characteristics of the small island. Besides, factors such as limited infrastructure, economic dependencies, and unique industry landscapes should also be taken into consideration when designing audit procedures.

Engaging with the Expert

Collaborating with local professionals who deeply understand the island's economy, culture, and regulatory environment could gain valuable insight. Local expertise can provide valuable insights and enhance the effectiveness of the audit process. SAI Indonesia issued BPK Secretary General Decree Number 3 2022 on State Financial Audit by Auditor and Expert outside SAI Indonesia and Public Accountant according to the Law, allowing the SAI to choose any expert needed during the audit. The chosen expert shall adhere to the requirements posted by the SAI and comply with the quality management of the audit.

Utilizing Technology

Leveraging technology to overcome geographical isolation and limited infrastructure challenges has long been considered a good idea. Remote audit tools, electronic document exchange, and data analytics can streamline the audit process and reduce the need for extensive on-site presence. Since 2014, SAI Indonesia has been using e-audit applications to bring the institution into a data-driven organization (Bakri and Tirta, 2023). Experiencing the challenges brought by the COVID-19 pandemic has brought a fresher perspective on strengthening technology applications to be cutting edge. By tremendous and persistent efforts to become more effective, and efficient, and serve the nation better, in 2021, SAI Indonesia introduced the use of BPK Big Data Analytics or BIDICS. BIDICS is a computerized data processing application which has the ability to collect, process, and perform large amounts of data analysis.

Another application that has been quite helpful in delivering high-quality audits by overcoming boundaries in magnitude is SIAP Connect. SIAP Connect is an improvement of SIAP, introduced six years ago. It is an information system that accelerates communication between auditor and auditee, especially during field audits. The auditee can check the audit schedule or any important dates, hand over documents using the platform without worrying about the possibility of lost goods, oversee any information from the team in advance, send or monitor invitations, and any other procedures allowed by law. The presence of SIAP Connect heightens work efficiency. SAI Indonesia also assures the privacy and validity of the data. To do so, entering the application can only be done by the person held accountable for the document.

Emergence of Risk-Based Audits

A high-quality audit should have a thorough risk assessment that considers the economic dependencies of the island. Understanding the key industries and their susceptibility to external factors is necessary, such as environmental risks or fluctuations in global markets. SAI Indonesia continuously raises risk-based audit (RBA) implementation in Indonesia, focusing on accessing and underlying high-risk accounts in the government's financial report. The approach is highly valuable to gain a broader audit scope and release constraints of narrowed samples. Six aspects are considered as part of the RBA approach to determine the degree of materiality of the report, as follows:



Previous Year Opinion



Audit Findings the Year Prior



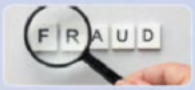
Follow-Up Effectivity



Key Personnel Integrity



Effectivity of Internal Audit Team



Fraud Indication

The government should act upon not only gaining unqualified opinions on their annual financial report but also utilizing their spending economically, effectively, and efficiently, as well as actively thinking about its usefulness.

Audit Transparency

Working with local stakeholders to promote financial literacy and understanding of the audit process increases trust. The method can contribute to a more transparent financial reporting environment and facilitate cooperation during audits. Transparency is undoubtedly a paramount component of this matter of small island challenge. SAI Indonesia has several tools to guarantee that the audit process is free from fault. These tools can inform SAI Indonesia of any misconduct. For example, SAI Indonesia has an external accusation report (LAPOR), which can be accessed at https://www.lapor.go.id, and a whistleblowing system accessible at Collaborating with local professionals who deeply understand the island's economy, culture, and regulatory environment could gain valuable insight. Local expertise can provide valuable insights and enhance the effectiveness of the audit process. SAI Indonesia issued BPK Secretary General Decree Number 3 2022 on State Financial Audit by Auditor and Expert outside SAI Indonesia and Public Accountant according to the Law, allowing the SAI to choose any expert needed during the audit. The chosen expert shall adhere to the requirements posted by the SAI and comply with the quality management of the audit.

Continuous Training and Development

Providing continuous training and development opportunities for audit teams is key to enhancing their skills and keeping them abreast of the latest auditing standards and technologies. Corporate University BPK e-Learning can be accessed through https://elearning-sl.bpk.go.id. This learning tool allows SAI of Indonesia employees to enroll in online training by self-learning. It opens the opportunity to learn anything that interests them during the year. The certificate will be uploaded automatically upon course completion to SAI of Indonesia's human resource platform (SISDM). On the other hand, various in-person educations are held in five different cities, which spread to four islands in Indonesia, e.g. Medan, Jakarta, Yogyakarta, Denpasar, and Gowa.

Regular Regulatory Updates

Staying informed about regulatory changes at both the national and local levels generates a stronger foundation for audit performance. Regularly updating audit procedures to align with any accounting and auditing standards amendments that may impact the audit engagements on small islands. SAI Indonesia's Legal Documentation and Information Network (JDIH) provides the public with recent tools on local and national regulations and their changes throughout the years. Recently, in 2023, JDIH of SAI Indonesia was awarded as the first winner in legal documentation and information network. The platform is quite accessible for the public to stay informed, e.g. the website Working with local stakeholders to promote financial literacy and understanding of the audit process increases trust. The method can contribute to a more transparent financial reporting environment and facilitate cooperation during audits. Transparency is undoubtedly a paramount component of this matter of small island challenge. SAI Indonesia has several tools to guarantee that the audit process is free from fault. These tools can inform SAI Indonesia of any misconduct. For example, SAI Indonesia has an external accusation report (LAPOR), which can be accessed at https://www.lapor.go.id, and a whistleblowing system accessible at Collaborating with local professionals who deeply understand the island's economy, culture, and regulatory environment could gain valuable insight. Local expertise can provide valuable insights and enhance the effectiveness of the audit process. SAI Indonesia issued BPK Secretary General Decree Number 3 2022 on State Financial Audit by Auditor and Expert outside SAI Indonesia and Public Accountant according to the Law, allowing the SAI to choose any expert needed during the audit. The chosen expert shall adhere to the requirements posted by the SAI and comply with the quality management of the audit., mobile apps, and a smart box called JDIH corner.

Conclusion

Auditing in small islands in Indonesia demands a comprehensive and adaptable approach. Auditors must navigate challenges ranging from limited infrastructure and geographical isolation to economic dependencies and unique environmental risks. By acknowledging these challenges and tailoring their audit strategies to the specific contexts of small islands, auditors can contribute to the reliability and transparency of financial reporting in these intricate and economically significant settings.

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Source: PASAI

Enhancing Strategic Management Capabilities: Empowering Strategic Planning with PASAI's Facilitation Skills Workshop

By the INTOSAI Journal

Introduction:

One of the Pacific Association of Supreme Audit Institutions (PASAI)'s programme activities is to ensure all member supreme audit institutions (SAIs) develop and implement their own comprehensive and realistic strategic plans. However, SAIs may lack the ability and capacity to develop their own strategic and operational plans, as well as establish frameworks to monitor and report on their performance against these plans. In February 2023, three member SAIs did not have a strategic plan, and five had strategic plans that were set to expire within the year.

SPOTLIGHT ON CAPACITY BUILDING

PASAI supports its member SAIs develop strategic plans by providing both SAI-level support and support through regional programmes. Throughout the years, PASAI has supported SAIs using both modalities.

PASAI stepped in to provide member SAIs with the "Enhancing Strategic Management Capabilities" Programme, a seven-month long regional programme to build SAI capacity to manage the organizational strategy development and management process, and promote strategic thinking in SAIs. A key part of the programme was for SAIs to take ownership of the strategy development process, and to empower them to develop their own strategic and operational plans with dedicated guidance from the programme facilitation team. Six SAIs participated in the programme: Chuuk, Palau, Guam, Kosrae, Pohnpei, and Tuvalu.



"Empowering Facilitation Skills" workshop participants. Source: INTOSAI Journal

SPOTLIGHT ON CAPACITY BUILDING

To start the programme, PASAI held a week-long online course open to all members of staff from each SAI. This initial stage focused on building foundational knowledge, where participants engaged in learning modules to build awareness of strategic management processes, including communication and change management.

In March 2023, PASAI hosted an in-person workshop in Guam to help SAIs build strong process facilitation skills for SAI heads and their selected staff. The "Empowering Facilitation Skills" workshop was a dynamic, hands-on approach designed to empower SAIs in building essential skills to become effective process facilitators, and be able to manage facilitation of strategic planning processes within their own SAIs.

Facilitation Skills Development:

The core of the workshop revolved around the development of facilitation skills. PASAI recognizes the importance of empowering SAIs with the ability to facilitate strategic planning sessions internally to ensure that SAIs are equipped not only with theoretical knowledge, but also with the practical skills needed to guide the strategic planning process effectively. The facilitation skills workshop, led by Pritom Phookun, capacity building facilitator of Empower By Design, started by establishing a goal driven, open environment that facilitated learning and active participation.



Pritom Phookun leads the workshop
Source: INTOSAI Journal



Auditor General of Tuvalu, Ms. Imase Taai Kaunatu
Source: INTOSAI Journal

SPOTLIGHT ON CAPACITY BUILDING

The Public Auditor of Guam, BJ Cruz, delivered the opening remarks, highlighting Guam's commitment to strategic planning. Cruz emphasized the importance of having a published strategic plan and an issued annual plan in Guam. The welcoming gesture and well wishes for a successful week set a positive tone for the workshop.

Upon learning about the qualities, knowledge, skills, and attitudes that make an empowering facilitator, workshop participants learned the best ways to ask powerful questions, listen effectively, and respond appropriately. The discussion on the role of external facilitators highlighted the importance of preventing biases and ensuring the right questions are asked. Importantly, the advantage of a facilitator lies in their facilitation skills rather than domain knowledge—participants learned that they themselves do not need to be subject matter experts to be good facilitators of a discussion on a certain subject.

Empowerment, according to the workshop, involves wide engagement, deep exploration, and a steady focus on goals. Building trust between facilitators and participants is crucial for the success of strategic planning initiatives. The workshop encouraged participants to question not only if they are doing things right, but also if they are doing the right things.



Source: INTOSAI Journal

Participants also learned best practices of giving and receiving feedback, in a way that was encouraging, educative and empowering, as well as learning how to effectively deal with challenging behaviors of participants, and positively engaging them in the strategic development sessions. By honing good feedback skills and understanding how to approach challenging situations, facilitators will be able to maintain a group's trust, and continue to improve upon the open discussions for strategic development.

The facilitation workshop then had each participant plan, prepare, and practice their own facilitation sessions over the course of the final two days of the workshop, with their colleague participants providing constructive feedback on how they could improve further.

SPOTLIGHT ON CAPACITY BUILDING





Source: INTOSAI Journal

Conclusion:

Following the workshop, participants were encouraged to apply the knowledge and skills acquired in the previous stages to create strategic plans tailored to the unique challenges and opportunities of their respective SAIs.

After the ESMC workshop in Guam, the SAIs worked on developing their strategic plan, operational plan (first year of their strategic plan) and monitoring and evaluation framework. The SAIs developed a work plan which detailed the activities and timelines for developing these documents. Between March and December 2023, the SAIs implemented their workplans with remote support and guidance from the consultant. One of the key activities in developing the strategic plans was having consultations with the SAI's key stakeholders.

The main objective of the Guam workshop was to build facilitation skills of the strategic planning team so they can facilitate consultations with their stakeholders, and most SAIs ultimately held consultations through a workshop with stakeholders. There was a lot of preparation work done before the workshops. SAIs prepared their plans for the consultations including the structure, design, and issues to be discussed. These plans were reviewed by the consultant before having the workshops, to ensure relevance and quality of consultations. To date, all SAIs have completed development of their strategic plan, operational plan and monitoring and evaluation framework, with the exception of Guam, which is finalising its operational plan in early February 2024.

SPOTLIGHT ON CAPACITY BUILDING

The programme has led to success at the SAI and regional level, and supported three SAIs which did not have a strategic plan. For the SAIs of Chuuk, Kosrae and Palau, the strategic plans that they developed are their first. One of PASAI's strategic priorities is that SAIs should have a comprehensive and realistic strategic plan to deliver their mandates and be able to implement and report on their performance against their strategic plans. Out of 20 SAIs in PASAI, only one does not currently have a strategic plan, but PASAI aims to support that effort this year in 2024.

The PASAI Facilitation Workshop is a pivotal initiative in empowering SAIs to independently undertake strategic planning. The combination of knowledge building, skills development, and practical application ensures that Pacific SAIs are well-prepared to face the challenges of the auditing landscape. With collaborative efforts and strategic partnerships, PASAI aims to strengthen the capabilities of SAIs in the Pacific region.

You can view the full photo album from the PASAI Facilitation Workshop here, or at bit.ly/3Im6epA



Source: Adobe Stock Images, Ilyes Laszlo, 12ee12

Digital By Default: A Concept of Creating Digital Culture in the Audit Board of the Republic of Indonesia

By: Pingky Dezar Zulkarnain, Audit Board of the Republic of Indonesia

Background

The COVID-19 pandemic has brought about unprecedented challenges, one of which is the imposition of physical activity restrictions to curb the spread of the virus (Abouk & Heydari, 2021). These restrictions have significantly altered the way the Audit Board of the Republic of Indonesia (BPK), carries out its auditing processes. In response to these restrictions, organizations and institutions have been forced to adapt and find innovative ways to continue their operations efficiently.

SPOTLIGHT ON SCIENCE AND TECHNOLOGY

With the limitations on physical interactions, not only BPK, but also other Supreme Audit Institutions around the globe have turned to technology as a crucial tool in revamping their audit procedures (Ngoma, 2021). They have embraced remote work solutions, data analytics, and online communication platforms to conduct audits and gather necessary information. Auditors are now able to access financial records and documents electronically, reducing the need for in-person site visits. This shift towards technology-enabled audits not only enhances the efficiency of the audit process, but also minimizes potential health risks associated with physical inspections.

The optimization of technology to replace some physical activities In the auditing process not only allows for a more flexible and adaptable approach, but also has the potential to improve audit quality. Auditors can now focus more on data analysis and the interpretation of financial information, making the audit process more insightful and strategic. This shift towards a more tech-savvy audit approach has the potential to leave a lasting impact on how audits are conducted in the post-pandemic world.

Considering the rapid advancement of technology and the impact of the COVID-19 pandemic, the belief that more future audit processes will predominantly occur on digital platforms is gaining prominence. In an effort to harness the potential of technology, BPK has decided to embrace the concept of Digital by Default.

The Digital by Default concept signifies that BPK will prioritize the use of digital solutions in all aspects of their auditing procedures. This includes the adoption of digital audit applications, automated data analysis, and fully online reporting and communication. By embracing this approach, BPK aims to enhance efficiency, transparency, and accuracy in the execution of audits. Furthermore, this approach represents a significant advancement in addressing challenges associated with disparate auditee premises, particularly given Indonesia's status as an archipelagic country comprised of numerous islands.

In addition to improving those aims, the Digital by Default concept also holds the potential to reduce costs and environmental impact associated with physical-based audit processes. Therefore, BPK is on a path to achieve more efficient and accurate audit outcomes while meeting the demands of an evolving digital era.

To realize Digital by Default, BPK employs an approach that focuses on the development of people, processes, and technology as its key targets (Harris Kern & Randy Johnson, 1998; Noyes, 2004; Ross et al., 2006). This strategy underscores the importance of aligning these three elements in the pursuit of a more digitally oriented and efficient organization.



Source: Adobe Stock Images, Macrovector

Digital by Default: The People

Although there is no consensus of the definition of Digital by Default, BPK acknowledges the concept as one that pertains to the notion where digital elements play a role in facilitating the execution of business processes. This approach does not necessitate a fundamental requirement to utilize digital tools or techniques in project tasks. Instead, it shifts the responsibility to demonstrate the lack of practicality in using digital components when they are not employed in an organization.

BPK is striving to achieve Digital by Default through a holistic endeavor known as Digital Transformation. As part of Digital Transformation, the creation of a new culture in BPK is the most important. The most crucial element in culture development is the people, particularly in shaping their behavior. This cultural shift places people's behavior at its core, emphasizing the need for employees to adapt to digital practices and embrace data-driven decision-making. The cultural shift, the so-called digital culture, encourages a collaborative environment where employees actively engage with technology, aligning their work processes with digital standards to enhance efficiency and effectiveness (UNESCO & Council of Europe, 2008). This transformation aims to empower BPK as an agile and forward-thinking organization, where the digital culture becomes ingrained in the everyday actions and mindset of its workforce.

Digital by Default: The Processes

BPK has formulated a comprehensive strategy aimed at fostering the Digital by Default concept. This strategy places significant emphasis on the establishment of digital-based business processes, enhancing Information Technology Governance structures, and the development of Big Data Analytics (1). The intention behind these initiatives is to harness the power of technology and data to not only improve BPK's business processes but also to enhance transparency, efficiency, and accountability in the processes.

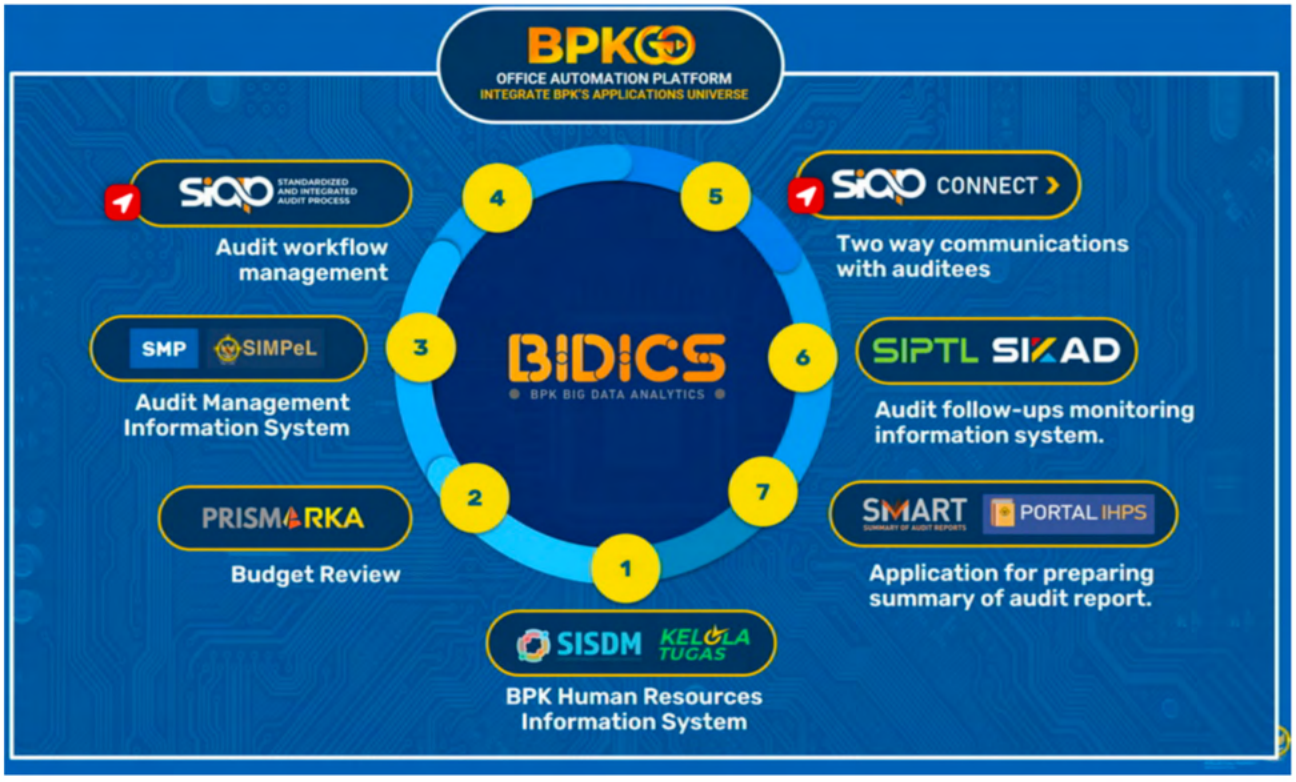
(1) ICT Master Plan 2020-2024, page ii

SPOTLIGHT ON SCIENCE AND TECHNOLOGY

By focusing on implementing the digital-based end-to-end business processes, BPK has to establish digital enterprise architecture. This initiative is essential for aligning the organization's IT systems and data structures with its strategic objectives and business processes, facilitating the realization of the Digital by Default concept. This strategic focus ensures seamless integration of technology and operations in the pursuit of digital excellence.

In addition to digital enterprise architecture, it is pivotal to have the reinforcement of governance through strong IT governance to ensure that policies and procedures are in place to manage the digital platforms, to align with the BPK's business processes, and to secure the flow of information that runs on top of the digital platforms. Furthermore, it plays a vital role in creating an environment of trust in the audit ecosystem covering the auditor, auditee, and stakeholders.

Finally, the development of Big Data Analytics represents the cutting-edge component of this strategy, enabling BPK to leverage the vast amounts of data generated in the digital age for insightful decision-making. By investing in these areas, BPK is taking a proactive approach towards achieving a more transparent, data-driven, and efficient audit ecosystem. Big Data Analytics is the essential component for creating the Data Culture, as a part of Digital Culture.



These three initiatives are outlined in BPK's IT Strategic Plan (RINTIK) 2020-2024 as the three key pillars shaping the digital culture that settles BPK as a data-driven organization.

Digital by Default: The Technology

Digital Transformation and Digital by Default are multifaceted concepts that goes beyond just the implementation of applications or the extent to which business processes are operating on digital platforms. While applications are a critical component, the focus should be on a holistic shift toward digitalization and a fundamental change in how organizations operate on top of a digital platform.

In Digital Transformation, the availability of applications is an essential requirement. These applications, whether pre-existing or newly developed, must seamlessly connect with each other, and should be integrative or collaborative in nature. This integration ensures that data and processes flow cohesively, allowing for a unified and efficient digital ecosystem. This interconnectedness empowers businesses to make data-driven decisions and offer enhanced services to their customers.

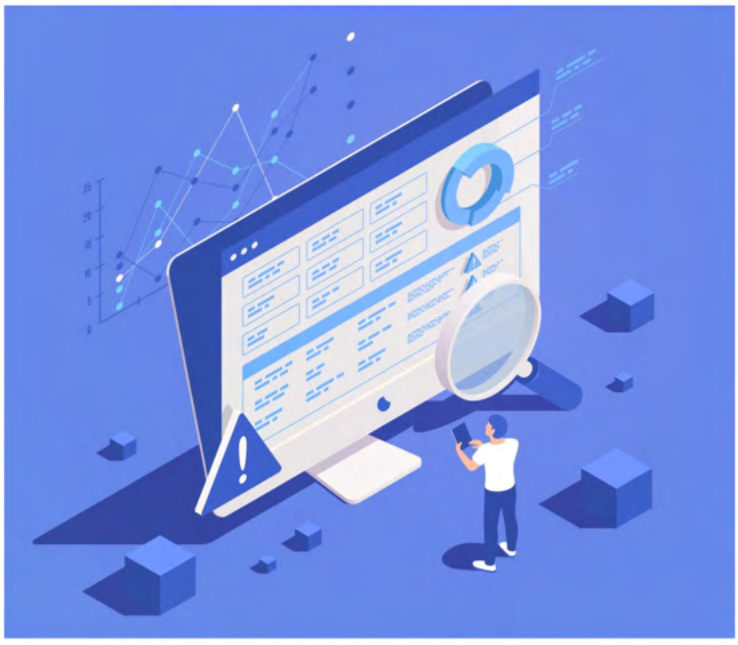
Digital Transformation and Digital by Default are not about merely accumulating a vast array of applications or migrating every process to digital platforms. It's about creating a synergistic environment where technology supports and enhances business processes, leading to improved productivity, agility, and innovation (Attrey et al., 2020; Leinwand & Mani, 2021). By fostering collaborative, interconnected applications, organizations can harness the full potential of the digital landscape, enabling them to adapt and thrive in an ever-evolving business environment.

In shaping a digital culture, information technology plays a pivotal role by prioritizing ease of use, speed, and accuracy. This emphasis on user-friendly, swift, and precise technology solutions is instrumental in enhancing overall productivity and fostering a digital-first mindset within an organization. However, even in the pursuit of efficiency and innovation, security must remain a primary consideration throughout every process undertaken.

While the pursuit of ease, speed, and accuracy is essential for improving operational efficiency and delivering a seamless digital experience, it should never come at the expense of security. In the digital age, safeguarding data, systems, and networks against cyber threats is of utmost importance. Therefore, a comprehensive approach to technology implementation that integrates both convenience and robust security measures is crucial in ensuring the success of any digital transformation initiative. Balancing these aspects creates a resilient digital culture where technology not only empowers but also protects an organization's digital assets and reputation.

Currently, BPK has developed numerous applications for supporting more efficient business processes for human resources, audit management, performance management, and training, for example. Under the spirit of "Digital by Default", these systems should be connected to one another. It is necessary to categorize these systems into an appropriate framework such as SAI Performance Management Framework (SAI PMF) for an institution like BPK.

The significance of technology in realizing the concept of "Digital by Default" lies in how it shapes the daily activities of employees. It entails a seamless integration of digital platforms into the routine tasks of the workforce, where video conferencing becomes the default mode for meetings, the review process naturally unfolds within applications, the audit correspondences occur within the digital platform, and training requests can be initiated with a simple click of a button on the designated application. This paradigm shift not only streamlines and accelerates operational processes, but also ingrains a digital-first mindset within the organization. It exemplifies how technology becomes an integral part of the organizational culture, making digital tools and platforms the default choice for a wide array of activities, ultimately driving efficiency and productivity while embracing the possibilities of the digital age (Hartl, 2019).



Source: Adobe Stock Images, Macrovector

Conclusion

Looking ahead to the period leading up to 2024, the foremost task at hand is how the BPK can effectively eliminate work redundancies through technology, establish standardized business processes and data, drive process improvements, and implement automation in its business operations. Embracing digital transformation has revolutionized the audit process for SAI Indonesia by addressing challenges associated with the geographical dispersion of auditee premises, ultimately leading to more effective and efficient auditing in an island country like Indonesia. It can be done through several ways such as improved accessibility, enhanced communication, and real-time collaboration. .

To achieve this, other SAIs that have similar condition with SAI Indonesia could start by establishing Enterprise Architecture. Enterprise Architecture is essential to extend and to improve business process of government auditing by optimizing the benefit of information and communication technology. This strategic direction highlights the commitment to optimizing efficiency and effectiveness in the SAI's activities. By achieving these objectives, the SAI will not only enhance its own operational excellence but will also set a precedent for embracing digital transformation as a means to enhance transparency, accuracy, and the overall quality of the audit ecosystem. This forward-looking approach will undoubtedly contribute to a more agile, responsive, and technologically driven institution, poised to meet the challenges, and demands of the digital era.

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