



# **SOLOMON ISLANDS GOVERNMENT**

**Office of the Auditor General**

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**STRATEGIC AUDIT PLAN**

**and**

**TACTICAL AUDIT PLAN**

**2008 - 2012**

**28th NOVEMBER 2007**

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## Foreword

The Strategic Audit Plan outlines how the Solomon Islands Office of the Auditor General (OAG) will meet its statutory responsibilities as outlined in the Constitution and the Public Finance and Audit Act 1978. It contains the Office's medium-term goals and strategies that will set the direction over the next four years. The Strategic Audit Plan also provides a comprehensive forward work program, framed within the strategic context, which contains planned audit activity in all areas of the audit mandate.

This forward work program is known as the Strategic Audit Plan (SAP). The SAP is in the form of a proposed rolling 3-year work program, covering the period from 2008 to 2010 and beyond.

The Strategic Audit Plan provides the fundamental basis for all the Office's activities and is essential to the effective achievement of its desired outcomes and goals. It is a dynamic document, which is intended to be reviewed and updated each year.

Prior to the advent of the RAMSI program to strengthen and reform Solomon Islands accountability institutions, the OAG had ceased to function as an effective audit institution. This collapse came about as a consequence of a range of issues and sequence of events which occurred over many years. The absence of an effective audit function within government over such a protracted period of time has led to an unchecked and ultimately disastrous breakdown in public accountability - an environment typified by poor financial management practices and weak controls, which have resulted in significant losses in revenue and were conducive to fraud and corruption.

In recent years significant effort has been made to rebuild the OAG and it has achieved many significant outcomes and paved the way for this institution to grow rapidly and make inroads into the many outstanding areas of work. In the last two years some ten Reports have been tabled in the Solomon Islands Parliament and the all of these have been reviewed by the Public Accounts Committee. A further two Reports were Tabled in August and October 2007 and these await review by the Committee.

There are many challenges ahead and this Plan helps to focus OAG's direction over the period ahead. We are entering a time of settlement as the relatively new staff build on their skills and prepare to take on greater responsibilities.



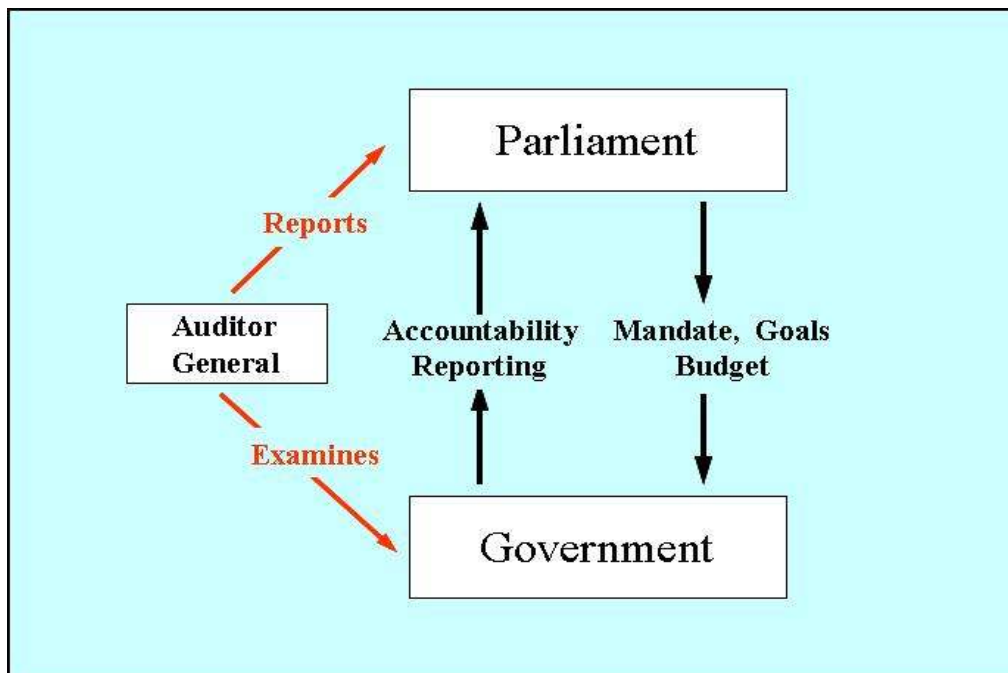
FLOYD AUGUSTINE FATAI  
Auditor General

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## 1.0 The Office of The Auditor General – A Strategic Overview

### *Our Purpose*

Under the Westminster System of government, Parliament is supreme. All authority for governmental activity ultimately stems from Parliament. Public sector organisations are therefore accountable to Parliament for their use of the public resources and powers that it has conferred on them. The Auditor General plays a crucial role in the framework of public accountability under the Westminster System. The Auditor General serves as the external auditor of Government with a duty to report independently and directly to Parliament on the results of audit examinations performed, ensuring government transparency and accountability to Parliament and the public. This role is illustrated in the diagram below:



A fundamental requirement for the performance of the Auditor General's role is independence from Government. This independence allows the Auditor General to perform his role "without fear or favour". Protection of the Auditor General's independence is enshrined in Section 108 (5) of the Solomon Islands Constitution, which states "In the exercise of his functions under this section, the Auditor General shall not be subject to the direction or control of any other person or authority."

In essence therefore, the Auditor General exists as a constitutional safeguard to maintain the financial integrity of the Solomon Island's parliamentary system of government.

**Accordingly, our statement of purpose is:**

***To provide professional, independent audit services and reports with the purpose of enhancing public sector accountability and transparency to Parliament and the community.***

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## ***Our Key Concerns***

We view the following key concerns as underlying the audit mandate provided to the Auditor General under the Constitution and therefore, they are central to the way in which the Office's auditors design and execute audit programs.

- ***Performance:*** Have public entities performed their activities in accordance with Parliament's intentions, and in an effective and efficient manner?
- ***Authority:*** Have activities been undertaken within the authority granted by Parliament?
- ***Waste and Inefficiency:*** Have resources been obtained and applied in an economical manner? (i.e. taxpayers money is not being wasted)
- ***Probity and Financial Prudence:*** Are entities meeting parliamentary and public expectations of an appropriate standard of behaviour in the public sector?
- ***Accountability:*** Have entities given full and accurate accounts of their activities, and of their compliance with Parliament's intentions, through the annual reporting cycle?
- ***Governance:*** Are management practices adequate to ensure that the above concerns are addressed?

## ***Our Key Stakeholders***

The Office of the Auditor General's primary client and key stakeholder is the national Parliament and the Provincial Governments and through them, the community generally. Government agencies and entities could also be viewed as being stakeholders to a certain extent, as the recommendations arising from audit services conducted on behalf of Parliament make a valuable contribution to ongoing financial management improvement.

The OAG also contributes to a broader national accountability to donor agencies such as the ADB, AusAID, EU, IMF, JICA, NZ Aid, UN, World Bank etc and to regional partners participating in and donating to the nation through RAMSI, for the resources being invested in the country through this Mission. These agencies could also be viewed as stakeholders having a keen interest in the efficient and effective operation of the OAG.

## ***Our Desired Outcomes***

The key outcomes we seek are:

- 1 A well informed Parliament that values and has confidence in the Office of the Auditor General as a source of independent audit advice and assurance on the performance and accountability of public sector entities.**
- 2 Established processes for completion of audits on financial statements of all public sector entities to the required quality and standards within the statutory timeframe.**
- 3 Sound capacity developed to enable OAG deliver professional audit services within the public Sector.**

The achievement of this outcome will mean Parliament, the community, international aid agencies and regional partners can place reliance on the work of the Office of the Auditor General in determining whether public entities:

- 
- are carrying out their activities effectively, efficiently, and appropriately;
  - are using public funds wisely; and
  - know that, if this is not the case, it will be reported to Parliament.

### **Our Vision**

*To enhance public sector transparency and accountability and fight corruption by delivering excellence in audit services.*

### **Our Values**

The Office of the Auditor General fosters the following values:

- **Independence:** Provide audit services in an objective and fair manner.
- **Accountability:** Be responsive and open in dealing with the needs and expectations of Parliament and the community.
- **Integrity:** Lead by example by being honest, ethical, equitable, tactful and respectful in our professional relationships.
- **Learning:** Continually develop our organisational capability through encouraging learning, innovation and creativity, the sharing of individual and team knowledge, skills and new ideas.

### **Our Goals**

#### ***As a service provider to our key clients:***

- To report issues to Parliament on a timely basis.
- To deliver quality audit services and reports that enhances public sector accountability and transparency.
- To make a significant contribution to strengthening financial management practices within government.
- To foster professional client relationships.
- To be responsive to Parliamentary and community concerns.

#### ***As a Supreme Audit Institution:***

- To provide a professional, cost-effective and timely audit service.
- To maintain an effective corporate governance framework.
- To foster effective leadership, management and teamwork within the organisation.
- To have a commitment to our people by establishing and maintaining an organisational environment that nurtures and motivates personnel, encouraging the pursuit of personal and professional development, knowledge, skills and excellence.
- To ensure the effective performance of contract auditors.
- To provide a safe equal opportunity working environment.
- To promote regional and international goals through participation in the various initiatives promoted in the auditing community

## 2 2008 Strategies to achieve Outcomes and Goals

Component 1	Description				
<b>Key Outcomes</b> <b>Outcome 1</b>  <b>A well informed Parliament</b>	<b>A well informed Parliament that values and has confidence in the OAG as a source of independent advice and assurance on the performance and accountability of public sector entities.</b>				
Outputs	Strategies	Period and Due Date	Performance Indicators	Activities/Tasks	
<b>Output 1.1</b> 1.0 Regular reports tabled in Parliament outlining issues noted during audits of public sector entities.	1.1.1 Development of a strategic and operational plan that identifies key activities that have been identified to be audited in 2008 and beyond	November 2007	Finalisation of 2007 Strategic and operational Plans	New revised Strategic and Operational Plans for 2008 onwards will be developed during October 2007 with a view to completion and approval and presentation to Minister and PAC by end of November 2007.	
	1.1.2 Oversight of the 2007 plans to ensure key targets and reporting deadlines are met.	December 2007	Completion of the audits identified in the 2007 Operational Plan	Assessment of carry over work to 2008 and anticipated audit workload for 2008 and beyond.	
	1.1.3 Tabling of a number of Reports in Parliament	Continuous in 2008	Number of Reports on audits tabled	Six monthly Reports to Parliament plus Special Reports if urgency requires separate reporting	

Outputs	Strategies	Period and Due Date	Performance Indicators	Activities/Tasks	
	1.1.4 Responsiveness to emerging issues to ensure audit resources are directed to investigate major issues in Government resulting in reports to Parliament	Continuous	Number of additional investigations and reviews undertaken and reported to Parliament	Prioritize a number of special investigations to ensure more significant topics are addressed.	
	1.1.5 OAG will pursue the drafting of a new Audit Bill to replace the existing legislation	March 2008	Completion of draft legislation and submission to Parliamentary Council	Commission legislation review team and assist this team to achieve upgrade that meets stakeholders expectations.	
<b>Output 1.2</b> Advance in Parliamentarians' and Ministries' understanding of OAG's role and achievements	1.2.1 Plan and deliver additional presentations to senior bureaucrats and Parliamentarians (possibly in collaboration with LCC and OO)	Continuous	No. of inquiries to Audit office for further meetings and/or discussions	<ul style="list-style-type: none"> <li>Group Directors are actively involved in informing civil society meetings on the role and importance of the OAG, including as part of the RAMSI <i>Outreach</i> program.</li> <li>Presentations to MPAs in Provinces.</li> <li>OAG participation in LCC workshops and other workshops.</li> </ul>	
<b>Output 1.3</b> Heightened PAC interaction	1.3.1 Conduct discussions/ negotiations with PAC Chairman about possible meetings/workshops	Continuous	Meetings with PAC	<ul style="list-style-type: none"> <li>Briefings and interaction with PAC aimed at informing Committee of main areas to target in hearings.</li> </ul>	

Component 2	Description		Performance Indicator(s)		
<b>Outcome 2</b> Regularise system for completion of audits on financial statements	<b>Establish revised processes for completion of audits on financial statements of all public sector entities to the required quality and standards within the statutory timeframe.</b>				
Outputs	Strategies	Period and Due Date	Performance Indicators	Activities /Tasks	
<b>Output 2.1</b> Clear backlog of SIG accounts	2.1.1 Develop audit strategy to finalise the audit sign off of the 2007 SIG Accounts	June 2008	2007 SIG Accounts signed off	The audits of the 2000–03 Accounts were signed off on 29 <sup>th</sup> June.	
<b>Output 2.2</b> Implement revised audit arrangements for contract audits to ensure OAG in control.	2.2.1 Hold Contract Auditor Forum to educate Firms on OAG Expectations	May 2008	Forum Feedback.	OAG to have increased liaison role with auditees and firms to ensure all understand roles and expectations leading up to forum.	
<b>Output 2.3</b> Regularise provincial and other remaining financial statements	2.3.1 Develop Strategies to continue supporting PG reforms including PFMIP and PGSP	Continuous	Backlog completed and PGs adopt PGSP	OAG through GD-B to provide leadership to assist the change process through direction and OAG participation in audits.	
	2.3.2 Adopt new audit approach for Statutory Authorities and new initiative with SOEs	Continuous	Meetings with clients and audit firms	OAG liaising closely with the SOE Team to ensure integrity of project.	
<b>Output 2.4</b>  Contribute to strengthening financial management practices within government	2.4.1 Liaise with DoFT to explore ways to build capacity for accounting	Ongoing	Number of meetings	AG Report to Parliament included a number of recommendations with a view to staged improvement in financial reporting, presentation and disclosure.	

Outputs	Strategies	Period and Due Date	Performance Indicators	Activities /Tasks	
	2.4.2 Foster professional client relationships with auditees that encourages openness and acceptance of the delivery of audit	Ongoing	Strategy for visitations to agencies by key OAG staff to promote/ explain OAG	<ul style="list-style-type: none"> <li>• Entry and closing interviews held with all PSs</li> <li>• Presentations to Ministries, IPAM and Provinces</li> <li>• Visitation program to SOEs and Statutory Bodies</li> </ul>	
	2.4.3 Promote and support attendance at PSD and other training courses and other forums to promote skill development	Ongoing	Training course(s) held Advertised peer presentations delivered – minimum once per quarter	<ul style="list-style-type: none"> <li>• An Audit Manual based upon SPASAI material to be revised to align with local systems and has formed the basis of the current technical training program in alignment with the Capacity Building Framework implementation</li> <li>• Continuous review of OAG staff progress against the Skills framework developed in 2007</li> </ul>	
<b>Output 2.5</b> Strengthen contract audit capabilities in SI private sector	2.5.1 Promote and assess support for establishment of SI Accounting professional network	Dec 2007	Successful networking with ISIA and CPA to get Proposal for AUSAID	Meetings held with ISIA and CPA Australia resulting in support for framework.	

Component 3	Description					
Key Outcome(s)	Sound capacity developed to enable OAG to deliver professional audit services within the Public Sector					
Outputs	Strategies	Period and Due Date	Performance Indicators	Activities /Tasks		
<b>Output 3.1</b> An appropriate structure within OAG that enables growth potential and efficient work practices	3.1.1 Design a suitable structure for OAG as part of the strategic planning process that suits current and future OAG requirements	November 2007	Approval of revised structure	Redevelop structure and budget that is appropriate for OAG.		
	3.1.2 Recruit key advisers and OAG staff to enable achievement of the audit mandate	On going	Staffing in place	Recruit Principal Auditors and senior Auditors.		
<b>Output 3.2</b> An adequate training strategy that provides opportunities for all staff to progress the audit program and meet their developmental needs	3.2.1. Ongoing structured review of OAG skills at each level to ensure needs and development occurring	Continuous	Sessions held and feedback in Professional assessment reports	<ul style="list-style-type: none"> <li>• New OAG Capacity Building Framework reviewed for each level</li> <li>• Staff performance reviews undertaken</li> </ul>		
	3.2.1 Develop an appropriate succession plan to ensure the OAG move to self sufficiency is adequately addressed	Ongoing	Plan developed that shows short and long term options for OAG	Targeted staff will be given support and encouragement to stretch to higher levels and responsibilities with appropriate training, mentoring and support.		
<b>Output 3.3</b> OAG adequately resourced as appropriate for an independent SAI	3.3.1 Following local recruitment efforts, determine most appropriate use of portion of 60 person-months through next period	Ongoing	Agreed manpower plan in place through next planning period.	Middle management and expatriate staff recruited to meet professional requirements of SAI		

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## **3.0 OAG Tactical Work Program 2008**

### ***3.1 Objectives of the tactical audit planning process***

The Strategic Audit Plan and Tactical Audit Plan development process assists in delivering on these responsibilities by establishing an audit work plan that is formulated within the broader context of the overarching strategic plan.

The main objectives of the audit planning process are to:

- Deliver to the Auditor General timely, relevant and appropriate information and advice necessary to enable the efficient and effective external promotion of the role and function of the Auditor General to Parliament, the Government and the wider community.
- Provide a basis for accountability to Parliament on how resources provided by Parliament to the Auditor General have been wisely invested to deliver the most efficient and effective outcomes;
- Provide a strategic, risk based framework for management to use as a reference and guide for future planning processes;
- Provide a firm frame of reference within which future audit coverage and work can be managed;
- Identify, select and schedule audits with the most significant potential to improve Public Sector accountability and administration;
- Produce a work program that can be achieved within expected available resources or highlight anticipated shortfalls in resourcing;
- Provide the Auditor General with a basis for the development of ongoing short-term strategies and plans and a framework against which the assessment of performance and progress can be assessed on a timely basis to ensure services are being delivered efficiently and effectively; and
- Assist management and staff at all levels to understand agency risk and audit selection.

### ***3.2 Compliance with INTOSAI Auditing Standards***

The TAP has been developed in accordance with Auditing Standards issued by the Auditing Standards Committee of the International Organization of Supreme Audit Institutions (INTOSAI), particularly paragraphs 2.1.21 to 2.1.23.

The aim of the plan is to:

- cover all relevant audits within an audit period or cycle that will provide the maximum practicable assurance regarding performance of public accountability obligations by each audited entity. In the case of this SAP, a 3-year cycle was decided upon, with priority being assigned to audit tasks that must, by law, be completed within a specified time frame;
- allocate priority to audits on risk assessment basis;
- establish and maintain portfolio data pertaining to structure, functions and operations of audited entities to assist in the future refinement and development of the SAP. In particular, to assist in identifying areas of materiality, vulnerability and potential sub-standard performance, holding potential for improvements in administration.

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### 3.3 Determination of Plan Hours

The Plan Hours allocated against each audit to be undertaken by the OAG have been determined on the basis of the projected level of efficiency eventually achievable in the SI environment when local auditors have been fully trained and are proficient and experienced.

This approach was taken to make it possible for the SAP to be used as a constant reference point, or baseline model, for the determination of budgeted plan hours in the future. Accordingly, the additional effort to catch up with the audit backlog has been included as a separate allocation to identify it as being an additional workload to the normal annual audit program.

The SAP has also been designed for actual hours to be recorded against budgeted hours. This will assist by providing information useful for forward planning. Estimated contract audit hours have also been included with the intention of them being tracked. This information will be useful in determining, should there be any spare capacity available, whether an audit or audits could be brought in-house.

There are three main totals at the foot of the SAP that indicate the total planned consumption of resources, these are:

- Total - OAG hours (Total Workload) - is the total hours allocated to OAG audit teams. This will include financial statement and project audit times where these have been identified
- Total - Contract hours - is the total hours associated with audits contracted out
- Total - Hours unallocated - is where a resourcing decision has yet to be taken and will enable special projects to be undertaken at the discretion of the Auditor General.

These three totals add to give the Grand Total Audit Hours, which is the overall plan total.

### 3.4 Matching of Total Workload against Total Resources

	2008	2009	2010	2011	2012
Group A Resource Bid	19,292	18417	17922	17347	16877
Group B Resource Bid	12,475	9625	9425	9425	9425
<b>Total Planned Workload Hours</b>	<b>31,767</b>	<b>28042</b>	<b>27347</b>	<b>26772</b>	<b>26302</b>
OAG Available resources	28,100				
Contracting resources	5,800				
Total Planned "Billable" Resources	33,900				
<b>Surplus/(Deficit) in resources</b>	<b>2,133</b>				

The productivity rate was forecast at 60% with a gradual increase to 70% over the entire forward planning period to reflect substantial ongoing efficiency impacts which will be experienced while the substantial knowledge and experience gaps in audit techniques, methodology and professional standards are closed. The standard office productivity rate is expected to eventually rise to a target of 80% but this will take many years.

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A substantial surplus in planned resources will need to be maintained over the forward planning period as these resources will be required to:

- service the significant workload arising from unplanned special investigations;
- assist in clearing the substantial backlog of audit work;
- allow a significant margin for inefficiencies arising from poor record keeping practices in agencies, the absence of audit trails, documentation etc and the impact of a significant forensic auditing workload;
- provide sufficient resources to cover absences arising from planned placements in Australian and New Zealand audit offices;
- provide for turnover of staff and the "learning curve" of replacement personnel; and
- provide a safety margin to ensure that critical service delivery objectives can be met.

In the next few years, as the accountability environment improves and the efficiency levels of trained and proficient personnel can be more accurately gauged, we will be better placed to accurately forecast and determine future resource requirements.

### **3.5 Time Recording System**

Pending the introduction of a formal OAG Time Recording System planned to be developed during 2008, all staff will maintain fortnightly time sheets (linked to pay day) where all times spent on audit and other tasks will be recorded. From 1 January 2008 these timesheets will be completed and signed off by supervisors before entry centrally into the OAG Audit Time Recording Spreadsheet maintained by the Administrative Area (EPS).