

**ASIAN DEVELOPMENT BANK**

**TAR: TRA 34001**

**TECHNICAL ASSISTANCE**

**FOR A**

**LONG-TERM REGIONAL TRAINING PROGRAM**

**FOR MEMBERS OF THE**

**SOUTH PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS**

**PHASE II**

**April 2000**

## ABBREVIATIONS

ADB	–	Asian Development Bank
CDDW	–	course design and development workshop
DMC	–	developing member country
IDI	–	INTOSAI Development Initiative
INTOSAI	–	International Organization of Supreme Audit Institutions
ITW	–	instructor training workshop
OCAG	–	Office of the Controller and Auditor General of New Zealand
RTC	–	Regional Training Committee
SAI	–	supreme audit institution
SPASAI	–	South Pacific Association of Supreme Audit Institutions
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars.

## I. INTRODUCTION

1. In February 1999,<sup>1</sup> the Asian Development Bank (ADB) approved financing of \$700,000 for a long-term regional training program for members of the South Pacific Association of Supreme Audit Institutions (SPASAI).<sup>2</sup> The training program, which is being implemented in two phases, assists SPASAI and its member supreme audit institutions (SAIs) in strengthening their auditing as well as their audit-training capabilities to enable them to assume responsibility for developing, delivering, and managing regional and local training programs that would meet their specific audit requirements. This responsibility currently rests with the International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative (IDI).<sup>3</sup> Phase I, under TA 5830 (footnote 1), focused on setting up the regional training mechanism and enhancing the training skills, while the technical assistance (TA) for Phase II will focus on testing the training mechanism and strengthening the audit skills. The TA is included in the 2000 Regional TA Program and was endorsed by the Regional TA Screening Committee on 3 December 1999.<sup>4</sup> The TA framework is presented in Appendix 1.

## II. BACKGROUND AND RATIONALE

2. The SAIs, being the highest level of audit body in government, are responsible for auditing government income and expenditures. As such, the SAIs act as watchdogs over financial integrity and credibility of reported information. They can play a key role in promoting good governance, as they are essential elements of accountability and transparency in the public sector. To respond to the increasing need to be efficient and effective in performing their audit function, the skills of the SAI auditors require continuous upgrading. The long-term regional training program is intended to create a pool of regional course designers and instructors to meet audit training requirements in the South Pacific. Specifically, the program will cover 13 SPASAI members, all of which are ADB member countries, with 12 being from developing member countries (DMCs), namely, Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federal States of Micronesia, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

3. Phase I produced 17 graduates from the intensive 43-day course design and development workshop (CDDW) and the 20-day instructor training workshop (ITW). The graduates designed and developed course materials on a number of audit subjects, namely, an eight-day course on audit programming and documentation, and 15 two-day courses on investigating fraud and irregularities, analytical review, assessing risk, and interviewing skills. A separate two-day course on accounting and auditing for ADB projects was designed by IDI. Since the participating SAI auditors are also required to conduct these training courses at their respective SAIs, the course materials include a detailed instructor manual to facilitate adoption of the courses at the local levels. Because the course on audit programming and documentation is to be delivered in Phase II, the course materials were finalized by selected CDDW/ITW

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<sup>1</sup> TA 5830-REG: *Long-Term Regional Training Program for Members of the South Pacific Association of Supreme Audit Institutions*, for \$700,000, approved on 3 February 1999. The TA is expected to be completed by the second quarter of 2000.

<sup>2</sup> SPASAI, established in November 1988, is one of the regional working groups of the International Organization of Supreme Audit Institutions. It encourages, promotes, and advances better audit practices among its members in the South Pacific.

<sup>3</sup> IDI is the training arm of INTOSAI. It was established in 1986 to foster the advancement of public accounting and auditing, especially in developing nations, through information exchange and training for audit practitioners and trainers from SAIs.

<sup>4</sup> The TA first appeared in *ADB Business Opportunities* in January 2000.

graduates in a separate 10-day review and planning meeting during Phase I. Their work took into account the lessons learned from the pilot test conducted as part of the ITW.

4. The underlying principle of the training program is to offer practical training to auditors who will then train other auditors of member SAIs. Phase II is intended to test the training skills and reinforce the learnings of the Phase I graduates by actually delivering a technical audit course to a regional audience. Phase II will produce a pool of experienced regional audit training specialists, making it possible for SPASAI to continue the task of developing, delivering, and managing regional training programs. Furthermore, all participants are required, initially using the course materials developed in Phase I, to organize local training courses at their respective SAIs to be able to subsequently train more staff auditors at the grassroots level.

5. To enhance the sustainability of the program and ensure the continuing enhancement of audit skills in the South Pacific, a regional planning workshop to be attended by the heads of the SAIs in the South Pacific is also scheduled in Phase II. This will enable them to formulate definite plans for the regional and local training programs using the graduates of the training program. The pool of regional and local audit training specialists, if maintained and enhanced, will benefit SPASAI, member SAIs, DMCs, and ADB. These training specialists, who possess updated professional techniques in training as well as comprehensive knowledge of government auditing in the region, can also serve as valuable resources for ongoing and future country-specific capacity-building TA of ADB.

6. In line with its objective to promote good governance and in pursuance of its anticorruption policy, ADB should continue to support upgrading of the SAIs' capability, especially, considering the SAIs' important role in strengthening accountability in public sector management. Upgrading audit capability is expected to also contribute to a more timely submission of audited financial statements and better quality of audit reports, thus strengthening the financial management of ADB-funded projects.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Objectives**

7. The objective of the TA is to strengthen the capacity of SPASAI and individual SAIs and, at the same time, encourage cooperation among the SAIs in the region. Specifically, the TA will test and reinforce the training knowledge and skills learned from Phase I, and upgrade the auditing skills of SAI auditors in the South Pacific.

#### **B. Scope**

8. Phase II will consist of a 10-day regional audit workshop consisting of 8 days on audit programming and documentation, and 2 days for the train-the-trainer module. The 8-day portion of the 10-day workshop includes a module on fraud awareness and has integrated references to the audit requirements of ADB-funded projects in discussions on the financial audit process. The 2-day train-the-trainer portion will upgrade the presentation skills of the participants and assist them in effectively passing on their acquired audit knowledge and skills to other auditors in their respective SAIs. The selected instructors for the regional audit workshop will be able to apply in practice what they learned from the CDDW and ITW conducted in Phase I.

9. Phase II will also include a 4-day regional planning workshop for the heads of the SAIs. This will be offered in two-parts, before and after the SPASAI Congress scheduled for

November 2000. The workshop will provide the heads of the South Pacific SAIs with an opportunity to discuss the regional operational plan formulated by the SPASAI Regional Training Committee (RTC)<sup>5</sup> and the application of current auditing standards and procedures in their respective SAIs. This will enable them to prepare specific timebound action plans for the region and for their respective SAIs. In pursuance of ADB's anticorruption efforts, the regional planning workshop will also enable the SAI heads to (i) review the proposed regional guide on fraud awareness and the course materials on investigating fraud developed during Phase I, and (ii) discuss their application at the regional and local levels.

### **C. Cost Estimates and Financing Plan**

10. The TA is estimated to cost \$373,000 equivalent, of which \$200,000 will be provided by ADB. The TA will be financed by ADB on a grant basis from the ADB-funded TA program. SPASAI will finance the remaining \$173,000 equivalent (Appendix 2).

### **D. Implementation Arrangements**

11. The Office of the Controller and Auditor General of New Zealand (OCAG), the SPASAI Secretariat, will continue to be the Executing Agency for Phase II, having proven its effectiveness in Phase I. OCAG will be responsible for administering the TA funds, organizing and managing the TA activities, and reporting to ADB. OCAG will enter into a contract with IDI for the design, development, and delivery of the program activities over a 12-month period beginning May 2000. IDI and OCAG will keep adequate project accounting records and reports. OCAG will also assure and monitor the timeliness and quality of IDI's performance.

12. The technical audit course to be delivered in Phase II, as well as the regional guide on fraud awareness and course materials on investigating fraud, will be finalized in consultation with ADB. Criteria for selection of resource persons, instructors, and participants will be agreed to by ADB.

13. ADB will finance the international travel, accommodation, and per diem of instructors, resource persons, and participants from the DMCs in the 10-day regional audit workshop. Each SAI will be allowed one or two participants for a maximum class size of 25 to permit effective learning and interaction among participants. ADB will also finance the accommodation and per diem of the 12 heads of SAIs from the DMCs, as well as the travel costs, fees, and per diems of IDI resource persons during the 4-day regional planning workshop. ADB will also finance the preparation and reproduction of workshop materials, rental of training facilities and equipment, shipping costs of course materials, telecommunications, and other relevant miscellaneous expenses. SPASAI and relevant SAIs will finance other services as described in Appendix 2. Since the regional workshops will be held in an ADB member country selected by SPASAI, in consultation with its member SAIs, most of the basic cost of hosting the workshops (e.g., registration services, and administrative and clerical support) will be provided by the host SAI.

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<sup>5</sup> During the SPASAI RTC Meeting under Phase I, a regional operational training plan was developed outlining activities and resources required to meet the strategic goals and objectives set out in an earlier strategic planning meeting aimed to strengthen the member SAIs in the South Pacific through training and information-sharing opportunities. The RTC is a subcommittee of the governing board of SPASAI, and is responsible for, among others, periodically identifying training needs and priorities in the region; developing plans to meet these needs, and supervising the implementation of approved regional training plans; developing and implementing plans to evaluate training activities; and maintaining and disseminating information on training activities in the region. The RTC consists of heads of the SAIs of Cook Islands, Fiji Islands, Kiribati, New Zealand, and Papua New Guinea. The RTC meeting was facilitated by IDI.

Implementation will be monitored based on the performance targets and monitoring mechanisms set out in the TA framework. An evaluation framework developed and adopted by IDI in a similar training program for another regional working group of INTOSAI<sup>6</sup> will provide a mechanism for lessons learned and feedback from earlier programs to be considered in making necessary modifications to the workshop materials by the RTC. The evaluation framework outlines the tasks to be performed by the SAs, IDI, RTC, and ADB during and following the training program to assess the outputs, effects, and impacts of the program.

#### **IV. THE PRESIDENT'S DECISION**

14. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis, in an amount not exceeding the equivalent of \$200,000 for the Long-Term Regional Training Program for Members of the South Pacific Association of Supreme Audit Institutions, Phase II, and hereby reports such action to the Board.

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<sup>6</sup> Please refer to TAs 5688 and 5872-REG, *Regional Long-Term Audit Training Program for Members of the Asian Organization of Supreme Audit Institutions (Phases I and II)*, for \$1,000,000 and \$300,000 approved on 13 June 1996 and 3 December 1999, respectively.

## TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Targets	Monitoring Mechanisms	Assumptions and Risks
<b>A. Goals</b> <ul style="list-style-type: none"> <li>Improve quality and efficiency of government audits.</li> <li>Contribute to enhanced transparency and accountability in public sector management.</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of entities audited</li> <li>Improved quality of audit reports</li> <li>Timely audits</li> <li>Timely submission of audited accounts of Asian Development Bank (ADB)-funded projects</li> </ul>	<ul style="list-style-type: none"> <li>Annual accomplishment reports of the supreme audit institutions (SAIs) to their parliaments</li> <li>Status reports on compliance rates regarding submission of audited project accounts</li> </ul>	<ul style="list-style-type: none"> <li>Governments are supportive of their SAIs.</li> <li>Trained auditors will be able to apply audit concepts and techniques to actual fieldwork.</li> <li>Trained auditors will be able to conduct effective training of other staff auditors.</li> <li>Trained auditors will continue their employment with respective SAIs.</li> </ul>
<b>B. Objectives</b> <ul style="list-style-type: none"> <li>Strengthen the capability of the South Pacific Association of Supreme Audit Institutions (SPASAI) to organize and manage regional audit programs.</li> <li>Test and reinforce learnings from Phase I.</li> <li>Upgrade the auditing skills of SAI auditors.</li> </ul>	<ul style="list-style-type: none"> <li>Completed regional audit course by the end of 2000</li> <li>Increased number of regional training activities by SPASAI conducted by the trained regional trainers</li> <li>Increased number of local training activities by the SAIs themselves</li> </ul>	<ul style="list-style-type: none"> <li>Reports on follow-up activities after the training program by the International Organization of Supreme Audit Institutions Development Initiative (IDI) and SPASAI</li> <li>Status reports by the SPASAI Regional Training Committee</li> <li>Training plans of the individual SAIs</li> </ul>	<ul style="list-style-type: none"> <li>SAIs in the South Pacific are supportive of the training goals of IDI and SPASAI.</li> <li>The SAIs are committed to continue the training program on their own.</li> <li>Skills are retained.</li> </ul>
<b>C. Outputs</b> <ul style="list-style-type: none"> <li>Pool of trained auditors with experience in conducting regional courses</li> <li>Trained SAI auditors</li> <li>Complete sets of course materials</li> <li>Action plans of the SAIs</li> </ul>	<ul style="list-style-type: none"> <li>At least 7 audit trainers with actual exposure to regional audience</li> <li>Additional 18 trained SAI auditors</li> <li>Finalized sets of course materials on two audit subjects</li> <li>Regional and local action plans of SAIs</li> </ul>	<ul style="list-style-type: none"> <li>Course reports and questionnaires</li> <li>ADB review missions</li> </ul>	<ul style="list-style-type: none"> <li>Audit trainers are competent, committed to perform their best, and available.</li> <li>Participants are receptive, responsive, and retentive.</li> <li>Course materials are of high quality.</li> <li>The SAIs in the region are committed.</li> </ul>
<b>D. Inputs</b> <ul style="list-style-type: none"> <li>Regional audit workshop</li> <li>Regional planning workshop</li> </ul>	<ul style="list-style-type: none"> <li>Cost of conducting workshops \$200,000 equivalent</li> <li>Counterpart funds \$173,000 equivalent</li> </ul>	<ul style="list-style-type: none"> <li>Course reports and questionnaires</li> <li>ADB review missions</li> </ul>	<ul style="list-style-type: none"> <li>Counterpart funds are available.</li> <li>Audit trainers are competent and available.</li> <li>Participants are receptive and responsive.</li> </ul>

(Reference in text: page 1, para 1)

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	ADB	SPASAI	Total
<b>A. Activities</b>			
1. Regional Audit Workshop			
Participants (travel and per diem)	87.00	36.00	123.00
Resource Persons (travel, per diem, and fees)	28.00	47.00	75.00
Course Materials, Supplies, Communications, and Miscellaneous Expenses	8.00	0.00	8.00
Administrative Expenses	3.00	0.00	3.00
<b>Subtotal (1)</b>	<b>126.00</b>	<b>83.00</b>	<b>209.00</b>
2. Regional Planning Workshop			
Participants (per diem)	12.00	50.00	62.00
Resource Persons (travel, per diem, and fees)	24.00	21.00	45.00
Course Materials, Supplies, Communications, and Miscellaneous Expenses	3.00	0.00	3.00
Administrative Expenses	1.00	3.00	4.00
<b>Subtotal (2)</b>	<b>40.00</b>	<b>74.00</b>	<b>114.00</b>
3. Consultative Meetings and Technical Support (travel and per diem)	6.00	0.00	6.00
<b>B. Contingency</b>	<b>28.00</b>	<b>16.00</b>	<b>44.00</b>
<b>Total</b>	<b>200.00</b>	<b>173.00</b>	<b>373.00</b>

ADB = Asian Development Bank, SPASAI = South Pacific Association of Supreme Audit Institutions.

Administrative expenses include rentals of computer equipment and operators, photocopier, video equipment, training rooms, and travel, per diem, and other administrative costs to be incurred by the SPASAI Secretariat, the Executing Agency of the technical assistance project.

SPASAI and relevant SAIs will finance the cost of technical advisory services as well as administrative support for organizing, managing, and hosting of the workshops.

Source: SPASAI and staff estimates.

(Reference in text: page 3, para 10)