Sue Morrison

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The views expressed in this article are exclusively those of the author.

This article explores the need for internal audit in the public sector of a developing country and how an internal audit function was built for the Solomon Islands Government (SIG). It looks at the stages of building an internal audit function, the foundations, framework, construction and maintenance, referring to the work the author did in 2010 and 2011 in establishing the public sector internal audit function for the SIG.

The mission

Using the Institute of Internal Auditors – Australia (IIA) Public Sector Capability Model to assess the Solomon Islands Ministry of Finance and Treasury (MOFT) against the international bench mark, I built the internal audit framework to comply with the IIA International Professional Practices Framework 2009 (IPPF), including charters, guidelines, manual, risk toolkit, then assessed the Solomon Islands Government (SIG) audit universe, prioritising in accordance with ISO 31000 to develop the four-year strategic audit plan, and subsequent annual plan and budget. I performed a skills assessment on the Ministry’s internal audit staff, prepared a training plan, and trained the public sector internal auditors.

Internal audit foundations

The first step in laying the foundations for an internal audit function for the SIG was for the key leaders, both administrative and political, to recognise the need for a best practice internal audit function. This is also a need in the three levels of the Australian public sector.

In 2010, the Australian Federal Government endorsed the IIA-Australia’s Policy Agenda.1 The IIA media release quoted that: “The IIA has embarked on a campaign, launched by the Federal Minister for Finance & Deregulation on February 24 2010, to encourage all public, private, and not-for-profit organisations to adopt its newly formalised Policy Agenda.” The Minister went on to say: “The Rudd Government has put significant work into improving the standards of governance within the federal public sector. The IIA’s Policy will be a valuable guide for any organisation determined to do the same. I would encourage organisations in all sectors to assess their strengths and weaknesses according to the benchmarks set out in the Policy.”2

The IIA has five policy principles which are applicable to all organisations, irrespective of sector:

1 Internal audit is fundamental to good governance
2 Public entities should have a strong and effective audit committee
3 Reporting lines for the head of internal audit should be appropriate
4 Organisations need clear accountability for risk management and internal control
5 Internal audit should operate at a consistently high standard.

As well as the policy agenda, there are also quite a number of publications from the IIA global website which can be used to demonstrate, to the organisational leadership and audit committees, the need for proper internal audit. Note that I keep reiterating a “proper internal audit function”. By the end of this article, it is hoped that you will understand the difference between a token attempt to establish internal audit so that the “box can be ticked” and an internal audit function that is of value to management and the organisation.

Other guidance

In addition to the IIA’s Policy Agenda, there are several Australian public sector guidelines that provide a sound foundation for internal audit. The Local Government Internal Audit Guidelines by the NSW Department of Local Government, issued in 2008 and revised in 2010 to align with the international standards (the Standards), describe internal audit and risk
management systems, propose oversight of council systems and processes through an audit committee and include appropriate structures, functions, charter, and membership of audit and risk management committees for this sector.³

In August 2009, NSW Treasury issued the Internal Audit and Risk Management Policy⁴ for the NSW public sector which implements Government approved actions of the 2008 Department of Premier and Cabinet performance review report.⁵ The new policy arrangements require departments and statutory bodies to implement a set of core requirements to provide greater assurance on internal audit and risk management. The other states in Australia also have guidance for internal audit and audit committees. It is noteworthy that these documents are aimed not at internal audit practitioners, but benefit the chief executive officers (CEOs), elected officials and government ministers. For other sectors, the IIA is the primary source of guidance for establishing an internal audit function.

Internal audit requirements

The foundation for any internal audit function is the IPPF which has broad global acceptance. The IPPF mandatory guidance includes the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (the Standards). In addition, the IPPF includes strongly recommended guidance in the form of position papers, practice advisories and practice guides. All organisations with an internal audit function must have an Internal Audit Charter as this is a mandatory requirement of the Standards. Internal audit must be independent and objective. It should have direct communication with the board or public sector equivalent, report to an independent oversight, like an audit committee, and be administratively accountable to the top level of management, preferably the CEO or senior bureaucrat. It should be integral to the governance structure of the organisation with a strong link to risk management. The internal auditor needs to have formal academic qualifications, recognised professional standing, sufficient skills and experience to comply with the Standards, and be known for their unquestionable ethics and integrity.

My list of required documents are:

- IPPF (note that if you base the internal audit structure and work on the Standards, then it can’t be arbitrarily amended at a later date)
- Internal Audit Charter
- internal auditor’s job description or terms of reference
- standardised internal audit working papers for audits, consultations and if required, investigations
- agreed internal audit reporting format for the audit committee and CEO.

Case study: the Solomon Islands

In 2010 and 2011, I commenced an aid-funded project to build the internal audit function for the Solomon Islands Government. The aim was not to build it from scratch, but to work with the foundation materials already gathered locally and overseas.

Around 2008, donor agencies such as the Commonwealth Secretariat and the World Bank, which provide foreign aid to the Solomon Islands, began to incorporate comments about the importance of internal audit in a developing country. These comments formed part of their assessments of public financial management as well as reports on the effectiveness of aid-funded projects aimed at strengthening public financial management.

Internal audit existed, but at a novice level and was heavily compliance based. If an assessment based on the IIA’s Capability Model for the Public Sector⁶ had been done in 2008, internal audit in the Solomon Islands would have ranked at the bottom of the capability scale (level 1). Some local initiatives reviewing the requirements in
the legislation and regulations, and some external agency support with training had improved the ranking to a level 2 by the time of my arrival in January 2010.

To understand the need for proper internal audit in the Solomon’s public sector, a brief history of the Solomon Islands and background is required.

The Solomon Islands is located in the Pacific Ocean, 9° below the equator, and situated south east of Papua New Guinea and northwest of Vanuatu. There are 900 islands, with approximately 300 of them inhabited, which were placed under British Protectorate in the early 1800’s, coinciding with the arrival of missionaries. Shortly after came the traders and the “Blackbirders”, as well as the development of Pidgin – a common language to enable communication. It has a population of approximately 600,000, which is behind Papua New Guinea and Fiji in terms of population size.

The Solomon Islands Government structure has a British colonial heritage; manual cash based systems, recurring civil unrest and endemic corruption. The former colonial government provided security, education, health and contact with the outside world. Like a lot of Pacific Island countries, it has been heavily influenced by the Christian missionaries in public and private life.

World War 2 (WW2) had a major impact on the Solomon Islands with significant strategic battles being fought including the battle of Guadalcanal. Currently, there are 62 warships wrecked just off the coast near the capital of Honiara and approximately 30,000 Japanese and Allied soldiers died here. Much of the existing infrastructure was left by the armies such as the airports, wharves, roads and bridges. However, today there is a constant struggle maintaining the current and old infrastructure. During WW2, the Solomon Islanders were exposed to Japanese, Australian, New Zealand and American soldiers, and the assets and thinking of a modern western life. All this created a strong desire to develop the economy and society.

The Solomon Islanders’ desire to “run their own show” commenced with harmonious negotiations with the British Government, and resulted in independence in 1978. The parliamentary system, legal framework and public sector set-up is largely based on the British system. The current culture is a blend of traditional, British and missionary values and practices. The Solomon Islands has a “Bigman system” where the chief is the supreme authority and provider while the extended family group is known as a “wantok” or “one talk” - those in the community who talk the same tribal language. The wantok system has implications for spending public funds and corruption.

This explanation is a simplified and somewhat westernised version of a very complex issue. New assets acquired by the community are shared exclusively with the community, with no questions asked about the source of the assets. Therefore, assets such as funding and donations from the government, as well as NGO’s including foreign aid agencies are often used as the Bigman/chief sees fit - and not necessarily for the aid agency or government’s intended purpose.

The SIG experiences reveal a situation where public money is often siphoned off for private purposes such as housing, cars, boats, overseas trips, personal computers and phones, rather than hospitals, schools, roads, wharves and proper administrative systems. Pressure to sign money over to the Bigman or take it for yourself is overwhelming. There are few checks and balances in the system to stop it. Public accountability is a struggle. As recently as 2009, the Office of the Auditor General has been able to table up-to-date audited government financial statements for most central government agencies, as the ethnic tension in the late 1990’s and early 2000’s precluded any complete and accurate record-keeping and accounting by these agencies. The 2010 Corruption Perceptions Index shows that nearly three quarters of the 178 countries in the index score below five, on a scale from 10 (very clean) to 0 (highly corrupt). The Solomon Islands rank 110 with a score of 2.8. In comparison, Australia ranks equal 8th with a score of 8.7 and New Zealand equal 1st with a score of 9.3.

Most Solomon Islanders and donor agencies are now asking “where is the money?” or “where’s the value for our money?” The World Bank, International Monetary Fund, Asian Development Bank, United Nations
Development Fund, AusAID, Transparency International and the Commonwealth Secretariat have all mentioned the need for strong internal audit in the public sector in their various reports on the Solomon Islands.

In light of these comments, internal audit is recognised as a critical part of proper public financial management and governance to enable the Solomon Islands to move forward. The SIG needed little convincing in acknowledging that internal audit is an essential part of a more robust governance framework, and to act as a checking, accountability, compliance, enforcement function and agent of change. With the updating of the Financial Instructions in 2010 to include internal audit, a basic understanding of the role of internal audit in the public sector, and donor agency recognition and support of the role, there was a solid foundation for building a public sector internal audit function.

To strengthen these foundations and start building the framework for the SIG, the following elements were put in place:

- the Financial Instructions now have a requirement that internal audit comply with the Standards, be independent, and have a high level line of reporting
- an Internal Audit Charter for the MOFT and some of the state-owned enterprises
- the establishment and upgrading of internal audit positions to meet minimum qualifications
- membership of IIA–Australia was successfully negotiated for Solomon Islanders to ensure a commitment to continuing professional development.

Framework

The IIA publication, “The Role of Auditing in Public Sector Governance” notes that “Government auditing strengthens public governance by providing for accountability and protecting the core values of government – ensuring public sector officials conduct the public’s business transparently, fairly, and honestly, and with equity and probity.” Public sector governance means setting direction, instilling ethics and integrity, overseeing policy implementation, accountability, public reporting, and correcting the course if required. Internal audit provides objective assurance to all stakeholders that public funds are used properly to achieve the intended results.

A strong governance framework includes an audit committee. It can be debated whether to establish the internal audit function first or the audit committee. There are pros and cons for both arguments. The internal audit function adds value whether or not there is an audit committee, and can expertly guide management and the board in establishing the audit committee. However, a properly established audit committee can initiate the development of the internal audit function, set the agenda early for the function’s operations, ensure that internal audit is independent of management, and oversee the selection of the CAE.

These partners are the external auditor, usually the Auditor General or equivalent, other accountability agencies such as an Ombudsman, and a public service oversight body, anti-corruption agencies such as the Independent Commission Against Corruption (ICAC), professional bodies including the IIA, certified practicing accountants, chartered accountants or similar. I also believe that a working relationship with the media also helps promote internal audit, if managed properly.

Internal audit framework

Once the foundations have been laid and there is a general understanding and appreciation of the role, the internal audit framework can be built. Having secured management’s agreement, the next elements required are:

- establishment of an audit committee
- appointment or engagement of the chief audit executive (CAE)
- staffing
- a set of plans and a budget, and
- raising awareness of the role within the organisation as well as building partnerships with other stakeholders.

To build internal audit into the public sector governance framework, there is a need for a coalition of partners working to raise awareness of the role and its contribution to good governance; create the demand for professional internal audit services; and build the credibility of the function.
unquestionable ethics and integrity. The recruitment process will vary depending on the organisation and whether the internal audit function is in-house or outsourced.

The planning required includes a strategic plan for a period of at least three years that sets the goals for the maturity of the function and integration into the organisation, projected budget and a longer term work plan. In the suite of plans, I also recommend a training or staff professional development plan, but I will explore this further as part of the section on “construction”.

Internal audit needs to have a budget, which should reflect an appropriate level of remuneration for the CAE and other staff – whether employed, contracted or outsourced – plus provision for continuing professional development and administrative expenses. It is also important to have sufficient funding for an appropriate level of information technology (IT) resources commensurate to the level of complexity of the organisation’s IT systems.

The CAE role includes planning, setting the budget and building the operational framework so that internal audit staff – whether it is one or hundreds, in-house or outsourced – can manage and conduct the internal audit operations in a manner compliant with the Standards and of value to their organisation. There should also be an agreed internal audit reporting format for the audit committee and CEO.

The operational framework would include standardised internal audit working papers for audits, consultations and if required investigations, guidelines for the conduct of audits, and policies for communication, reporting and records management.

**Internal audit framework: the Solomon Islands**

There is a groundswell of support for establishing an internal audit function for the public sector in the Solomon Islands. The public sector includes 28 central government ministries, 12 state-owned enterprises (government businesses), nine provincial governments and one local government. There is still a way to go in convincing all the head bureaucrats that internal audit will provide the objective assurance that is required. In fact, there is anecdotal evidence of resistance as those who benefit personally from weak governance and out-dated systems are not so keen on having that level of scrutiny and accountability. In my opinion, internal audit was publically welcomed, but passively resisted.

During my time in the Solomon Islands, we were able to establish and in some cases re-establish partnerships with the Office of the Auditor General, the Ombudsman, Royal Solomon Islands Police Force, Public Service Commission, Leadership Code Commission, Transparency Solomon Islands, and IIA-Australia. We have also had many positive articles and news reports published and broadcast in the local national media.

On the down side, we had three different Ministers of Finance in 12 months, which made it difficult to establish an audit committee and obtain approval for the Strategic Internal Audit Development Plan. In addition, a discussion paper and charter were drafted for the proposed audit committee for the MOFT, but required more negotiation about the type of model to be implemented and membership selection – encountering difficulties because of the aforementioned cultural, political and corruption issues.

The Solomon Islands has a Public Finance and Audit Act (PF&A), with associated regulations called Financial Instructions. Chapter 8 of the PF&A is dedicated to internal and external audit requirements but are not compliant with best practice. A piece of legislation called the Internal Audit Bill was drafted in 2008, but was not passed and I believe it was completed in isolation to other legislative reform initiatives and also did not align with the Standards. A revision of the PF&A is currently underway and should include a reference to internal audit.

The Internal Audit Division of the MOFT has taken on a whole of government approach to the provision and strengthening of internal audit for the public sector. Of the 28 departments, only Finance, Health and Education ministries have employed internal auditors. There are 16 auditors employed across the 12 government businesses and none in the provisional government (state level) or local government, which means the MOFT, by default, provides the internal audit function for these organisations.
The Strategic Development Plan for Internal Audit for the Solomon Islands outlines the proposed strategy for resourcing, training, and networking to strengthen internal audit. With the Permanent Secretary’s endorsement, I helped establish the SIG Internal Audit Network in 2010 with membership of all those with some sort of internal audit role across the public sector. I conducted training and provided mentoring. In 2011, leadership of this network was handed over to the members and renamed the Association of Internal Auditors (Solomon Islands) (AIA (SI)) with links to IIA–Australia, and membership opened to both private and public sector internal auditors. Professional networking is an important part of the framework and assists progress through sharing, where members learn from each other, share experiences and seek advice.
One of the main features of the internal audit framework for the Solomon Islands is the audit universe identification and risk analysis for the whole of government conducted in consultation with the Director of the Internal Audit Division (IAD) to identify the organisations with the highest priority for internal audit attention. Using a broad analysis of the strategic, financial, operational, governance and fraud risks for each government entity, those entities with the aggregated highest risk rankings were prioritised for audit attention. From this analysis, a four-year Internal Audit Work Plan was prepared with a subsequent annual work plan and schedule.

In 2011, the Internal Audit Division of the MOFT had four staff with varying levels of qualifications, experience and skill level. To understand the human resources I was working with, I conducted a skills assessment of the four auditors and designed a training plan to meet the skills gaps. The IIA–Australia Learning and Development Pathways Programme provided guidance for this process. The training plan was aligned with the Capacity Development Plan for the MOFT and included key proficiencies of:

- audit and technical skills
- risk management and internal controls
- management and leadership skills
- public service, administrative and office skills.

The operational framework being built for the Internal Audit Division of the MOFT has standardised internal audit working papers based on the Standards for audits, consultations and investigations, and a reporting format agreed by the Permanent Secretary. Auditors in other ministries and government entities have adapted these working papers for their use.

To build the framework, the key components in place were:

- Strategic Development Plan for Internal Audit for 2011 to 2014
- four-year Internal Audit Work Plan
- Annual Work Plans for 2010 and 2011
- Internal Audit Skills Assessment
- Capacity Development Plan
- Training Plan
- Training Manual
- Internal Audit Division templates and guidelines
- Internal Audit Manual
- Audit Committee Charter (draft yet to be adopted)
- Professional network – Association of Internal Auditors (Solomon Islands)

**Construction**

Just like building a house or boat, we start with the foundations and the framework, and then we make it fit for purpose by adding all the details.

This part of building an internal audit function will be sector and organisation specific. There are many different variables to take into consideration to ensure internal audit is fit for purpose and aligns with the organisational objectives, internal and external environment and culture. Sometimes this will involve the CAE working with whatever they inherit; other times it will be tailoring something new to fit. The variables for constructing the internal audit function include new or transferred staff, key stakeholders, audit committee, relationships with CEO, management and other stakeholders, as well as the IT, administrative and office support systems of the organisation.

In the Solomon Islands, developing the capacity of the auditors and the other key stakeholders is one of the most important aspects of building internal audit. In the past, technical advisors from the aid agencies spent a lot of time creating discussion papers, ministerial and management briefs, policies, plans, manuals and other documents, as well as performing the core functions. The Solomon Islands staff were limited to assisting only. While this “gets the job done”, it does not develop the capacity of the Solomon Islands staff to competently perform the job themselves and pass their skills on to others.

“Capacity development starts from the principle that people are best empowered to realise their full potential when the means of development are sustainable – home-grown, long-term, and generated and managed collectively by those who stand
to benefit.” To expand a common analogy - if you give a man a fish, you feed him for a day, if you teach him how to fish, you feed him for a lifetime, but if you teach him how to teach others how to fish sustainably, then you feed them forever. Inbuilt sustainability is essential for capacity development.

As part of the MOFT’s commitment to and implementation of its Capacity Development Plan, I received training and support from specialist educators and advisors to ensure that I was able to pass on the knowledge and skills to my islander counterparts and not just do an “information dump” in training sessions and on-the-job mentoring. There needs to be development, encouragement, and permission-giving to create confidence and commitment for the Solomon Islands staff as well as a transfer of ownership of knowledge and systems.

To develop key individuals, I evaluated their existing skills and personal attributes, looked at ways to develop those further, and identified any gaps. I sought to understand the cultural context for the government organisations as well as the individuals, to facilitate moving the organisation and individuals towards sustainable independence. The objective was to ensure that the organisation and individuals are capable of continuing to operate effectively with minimal assistance from external advisors.

As a capacity development tool, I combined training in technical knowledge, demonstration of skills, and ensuring participants in the workshop apply the new technical knowledge to current audit work. This was complemented by coaching key individuals. Using the GROW model for coaching (a business coaching model devised by Sir John Whitmore), the auditors and I partnered in learning to look for options and find solutions to work and home issues for themselves.

This coaching approach counteracts a cultural and educational issue where it seemed that the islanders learned by rote at school, followed orders from the chief or colonial bosses without question, were really not taught to research, or encouraged to innovate. Coaching builds skills of problem solving, innovation and aids self-confidence. The coaching has been very helpful as it was driven by the “coachee” rather than the technical expert and has added a dimension of self-discipline and personal accountability that was somewhat missing previously. Those being coached applied the techniques to their personal and community lives as well as work, which helped in the work-life culture balance issues unique to the Solomon Islands.

English is well understood in the Solomons but used mostly in formal situations, like meetings and for record keeping. Report writing in English to a high standard still remains a challenge and will need to be addressed by their education system. Pidgin is spoken in the office and in everyday life.

To enhance capacity development and earn credibility and respect it was useful to learn to speak Pidgin, and although not fluent, I was able to grasp and convey meaning not easily expressed in English, do training presentations, build rapport and get some of the jokes!

To construct a sound internal audit function, training was focussed on up-skilling everyone in the international standards, risk management, and models of internal control. Previously in the Solomon Islands, auditors conducted transaction-based compliance type audits and used the term “risk” very broadly.

Interactions with key stakeholders to build robust working relationships were important and involved not only the national staff, but often the foreign advisors, plus donor and aid agencies’ representatives. There was a range of understanding among these stakeholders about the role of internal audit, so educating them was part of the construction process. The Internal Audit Division has a Cooperation Protocol with the Office of the Auditor General and there are plans to have an Investigation Protocol agreed with the main investigation agencies.
The AIA (SI) also worked with the SIG Accounting Service to help them train the government accountants in our specialty areas. In 2010, the Director Internal Audit Division and I trained all the treasurers and chief accountants of the nine provincial governments in internal control and corruption awareness.

The Internal Audit Division (IAD) uses standard office software but has no direct access to the financial management systems as this is not yet technically feasible. The financial management information system upgrade is a current AusAID project for MOFT. Records management is poor and requires significant attention in MOFT and the whole of government. This is recognised as a significant operational and fraud risk.

Templates, guidelines and manuals based on the Standards are being used by the IAD and adapted by the internal auditors of other government entities. An online reference and research library with some contributions from the AIA (SI) group has commenced.

Capacity development of senior management, the elected officials, and government ministers requires teaching them what a good internal audit is, to enable them to hold internal audit accountable, and to be appreciative and supportive of the role. They need to know what they should be getting out of internal audit at the different levels of capability, and what additional benefits they and their organisations will receive if the capability of the function is improved. The IIA’s Internal Audit Capability Model for the Public Sector provides a good basis for this evaluation.

**Maintenance**

At the completion of the building project, the initiators, owners and builders were happy to crack open the champagne, congratulate themselves and move on to the next project. At the project handover, management is usually given the task of future maintenance of the new asset. The cost and effort invested in maintenance of a new asset is often underestimated or even worse, completely overlooked.

Once an internal audit function is well established, there should be regular reviews to check that it is still fit for purpose and meets current organisational and professional requirements. The best tools for this are the IIA’s Quality Assurance and Improvement Program Standards and guidance, in addition to the auditor’s individual continuing professional development commitment.

To gauge governance health and maturity, it is worth benchmarking the internal audit function regularly against the Internal Audit Capability Model. Internal audit integration into the organisation should be seamless, audit planning should be intuitive to add maximum value to the organisation, and the audit committee and management should regard internal audit as integral to good governance.

Internal audit should be value for money - earning organisational respect by saving time, hassle, reputation, and money for the organisation. Although often difficult to quantify and obtain direct evidence to demonstrate internal audit’s value for money, it is good to include this type of performance reporting to the audit committee and senior management.

For the Solomon Islands, governance maturity, financial independence and meeting the Millennium Development Goals are interlinked and still a significant challenge for the government to achieve. Governance maturity means being able to effectively govern the Solomon Islands without foreign advisors; trusting the law and order institutions to uphold the law and do what is right for the nation and not just favoured individuals; to be able to meet their financial commitments and provide basic services to the people with minimal funding from elsewhere. It is a national goal to be able to use their own resources sustainably to meet the current and future needs of the people. Government funded educational, health and other services will be directed to achieving the Millennium Development Goals.

Having a proper governance framework, including internal audit and risk management, has wider implications and an indirect impact...
on the achievement of the Millennium Development Goals. These goals are:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental stability
8. Develop a global partnership for development.

Australia, New Zealand and the developed world are way ahead of their neighbours in the developing countries in achieving their Millennium Development Goals, but still are not perfect. The public infrastructure and services still need much attention. For the Solomon Islands as elsewhere, internal audit has a vital supporting role in helping to achieve this to ensure that funds are directed 100% to these goals and not siphoned off to private beneficiaries because of corruption.

The United Nations Development Fund Human Development Index analyses the nations of the world for health, education and lifestyle – and rates the Solomon Islands in the bottom third percentile for education, GDP, national debt, health, life expectancy and literacy. Countries like the Solomon Islands depend on foreign aid for basic services and attaining their development goals. Both funding and technical expertise is required as part of the aid package for developing countries to assist with meeting the Millennium Development Goals.

The aid debate continues, and there isn’t an easy answer, just lots of questions. Should we provide aid? Who to? How much? In what form? There is a risk that if the foreign agencies don’t intervene, or funds are not given, the country’s critical social, health and education systems will fall over. I have had discussions with aid officials about the risks of continuing to provide funds when no acquittals are performed and there are no consequences for misusing the funds for unauthorised purposes. Yet it is argued that if the funds aren’t provided, vital programmes will not operate and the people will suffer. Sadly, I have witnessed firsthand the consequences of misuse of funding during my time in the Solomon Islands. Even when fraud and corruption investigations are carried out, there is often significant time delays until the matter reaches court, a risk that the matter doesn’t proceed due to lack of evidence, the risk that penalties are watered down, and therefore sufficient deterrence for corrupt officials does not exist.

Transparency International comments about the aid sent to Haiti post-earthquake: “Aid is being disbursed slowly because of political uncertainty, lack of qualified Haitian staff, uncoordinated NGO and donor responses, mistrust of government competency, and fears about corruption in the implementation of the aid programmes.” This is a common theme echoed in many developing countries regarding the effectiveness of aid funding.

I believe that as a global community, we can’t ignore needy, but corrupt countries, wanting aid funding but siphoning it off for their leaders’ personal comfort and aggrandisement. Nor can we ignore those countries seeking dubious aid funding deals, risking becoming tax havens, plundering the environment, or doing deals with unscrupulous wealth seeking entities. Transparency International is currently reviewing the corruption issue...
of government officials doing deals with unscrupulous entities to access natural and mineral resources of developing countries.

Can building and maintaining a strong internal audit function help meet the challenges of achieving the Millennium Development Goals? As internal audit is a line of defence against corruption and supports strong governance, it is important to build a sustainable effective internal audit function in all sectors, in all countries, including developing countries.

Mountains to climb, oceans to cross

The Solomon Islands now has an internal audit framework built on the IPPF and best practice principles with capacity development components installed. The challenges faced and still to overcome relate to the ongoing political instability, the tension of retaining the beautiful elements of the island culture, yet changing practices that clash with the desire to live in the modern global community.

Like others working in the Solomon Islands, I grappled with the ambiguities of the wantok system, where family has the highest priority even if it means acting corruptly; where commitment to your job is secondary to your commitment to family, but at the cost of slow and non-functioning systems; where the delights and simplicity of village life are complicated by wanting modern facilities and technology; where the desire for greater education means gravitation to the urban centres which struggle to cope with the growing demands on infrastructure; of giving scholarships, but not providing jobs; of desiring a better life but being unable to attain it with limited resources.

For the Solomon Islands, indeed for many developing countries with similar circumstances, there are undoubtedly more mountains to climb and oceans to cross in order to achieve the Millennium Development Goals and make their part of the world a better place to live. The establishment of an internal audit function, based on international Standards, in addition to training the Solomon Islands auditors and the other elements discussed in this article has contributed in some small way to the Solomon Islands achievement of these goals.

References

5. NSW Department of Premier and Cabinet, Performance Review: Internal Audit Capacity in the NSW Public Sector, 2008 (www.dpc.nsw.gov.au)

Note: except for the map of the Solomon Islands (sourced from en.wikipedia.org), all photographs are the author's own and subject to copyright.