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**Joint statement on zero tolerance to fraud in Australia’s aid program to Samoa and commitment to improving public financial management systems**

During the 2013 Samoa Australia Partnership for Development Talks on 14 August 2013 the Governments of Samoa and Australia agreed that:

* Fraud and corruption impedes development where it occurs.
* The Government of Samoa will investigate any allegation of fraud in the Australian aid program in Samoa (“the aid program”) vigorously and in a timely manner, to ensure the accountability and effectiveness of Australian aid.
* A program of continuous improvement to Samoa’s public financial management and procurement systems is essential to increase government effectiveness and efficiency and improve development outcomes and service delivery.

The Governments of Samoa and Australia recognise that fraud and corruption can have corrosive effects on poverty reduction and national development by diminishing the quality and availability of essential public services. The negative effects of fraud and corruption fall disproportionately on vulnerable people and those enduring economic hardship. They reduce business and investor confidence and constrain economic growth. Perceptions of fraud and corruption lower trust in public institutions such as the police force and the judicial system, and can contribute to political and social instability.

The Government of Australia acknowledges the Government of Samoa’s leadership and demonstrated record of governance reforms that reduce opportunities for fraudulent or corrupt action. These include public financial management, procurement and public service recruitment reforms. The Government of Samoa continues to implement a Public Financial Management Reform Plan that prioritises and progresses reforms to achieve greater transparency and accountability. Australia will continue to provide aid through Samoa’s national systems and processes subject to periodic satisfactory assessments as set out in Annex 1 of this statement. The two Governments have agreed on key public financial management risks and a program of risk treatments, which will be periodically updated in accordance with Annex 1.

More than half of the aid program’s funds are now delivered through the Government of Samoa’s systems. Fraudulent use of these funds would compromise the effectiveness of the program and could diminish its credibility in the eyes of the Australian and Samoan stakeholders and the public. Both Governments acknowledge the risk of possible fraud and corruption and are determined to prevent such occurrences. Both Governments are committed to a ‘zero tolerance’ approach.

The Governments of Samoa and Australia therefore jointly agree that:

* The Government of Samoa must immediately, and within no more than five days of discovery, report in writing to Government of Australia any detected, suspected, or attempted fraudulent activity involving or relating to the aid program.
* Any suspected fraud within the aid program will be thoroughly and comprehensively investigated by the Samoan authorities in accordance with the laws of Samoa.
* Every effort will be accorded by Samoan authorities to recover any funds lost due to fraud or corruption.
* Cases of fraud in the aid program will be reviewed quarterly by the two Governments, and as part of this process, issues relating to the reporting, investigation and prosecution of cases can be raised and resolved.
* Samoa’s investigative bodies will provide progress updates on investigations as required.

The Governments of Samoa and Australia jointly commit to improving Samoa’s procurement and financial systems to ensure that aid funds are disbursed effectively, efficiently, economically and ethically providing the greatest possible value for money and improving the lives of people in Samoa, including those in greatest need.

Both Governments pledge to ensure that the aid program is transparently programmed, managed and effectively delivered for the benefit of the people of Samoa. The Government of Australia will look to continue increasing the proportion of aid program funding directed through the Government of Samoa. Both Governments reaffirm their commitment to the principles of aid effectiveness.

Agreed and signed at: Apia on 11 December 2013

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| For the Government of Samoa  .............................................  Lavea Tupa’imatuna Iulai Lavea  Chief Executive Officer  Ministry of Finance | For the Government of Australia  ...................................................  Dr. Stephen Henningham  Australian High Commissioner to Samoa |

**Annex 1**

**Management of Joint Assessments of Samoa’s public financial management and procurement systems.**

In its Partnership for Development with Samoa, Australia has embraced a policy of increasing the use of Samoa’s public financial management and procurement systems to administer aid funds, where the risks associated with using these systems are justified by the development benefits that are expected to arise as a result. This provides an opportunity to further strengthen Samoa’s systems and achieve other development benefits, but at the same time represents an increased risk of inefficient and/or fraudulent use of Australian aid funds.

The Government of Samoa has adopted a Development Cooperation Policy (2010) which also encourages its development partners to make greater use of its systems and procedures. This policy promotes Samoan ownership of development cooperation programs and greater utilisation of its systems. At the same time the policy commits to improving the effectiveness of those systems and harmonising aid with sector planning processes and sector wide approaches.

Australia and Samoa agree that to facilitate the transition to and manage the risks of increased use of government partner systems, risk assessments are required to be carried out, firstly on the national public financial management and procurement systems (Assessment of National Systems), and secondly on the public financial management and procurement systems of specific sectors where Australia and Samoa are considering utilising components of Samoan government systems for the delivery of Australian aid.

*Assessment of National Systems*

The Assessment of National Systems (“ANS”) provides an overview of key strengths and weaknesses of national public financial management and procurement systems, and an assessment of the risks of using them for the delivery of Australian aid. The ANS informs the decision on the use of government partner systems and informs the policy dialogue on public financial management and procurement reforms. The first ANS for Samoa was conducted in 2011. The following operational arrangements will apply:

* The ANS will be reviewed and updated every two years;
* Reviews of the ANS will be conducted jointly by Samoa and Australia and will be timed to coincide with the annual review of Samoa’s PFM Reform Plan;
* Reviews will be coordinated with public financial management assessments carried out by other development partners where possible;
* The review process and report will be independent and will provide recommendations to both governments; and
* Identified risks and treatments will be set in an agreed risk treatment plan to be known as the Australia Samoa Joint Financial Management and Procurement Risk Status Summary.

*Sector Level Assessments of public financial management & Procurement Systems*

Sector level assessments provide an independent assessment of the financial management and procurement capacity of sectors or agencies and of the associated risks of Australian aid being managed by those sectors or agencies. They allow the partners - Australia and Samoa - to determine whether, having regard to the benefits, the risks of delivering Australian aid through those sectors or agencies will be acceptable and whether any special measures need to be taken to strengthen their systems or capacity. The following operational arrangements will apply:

* Sector level assessments will be jointly reviewed and updated annually;
* Sector level risks and mitigation measures will be managed and monitored using existing sector coordination and governance arrangements;
* Agreed risks will be set out in the Australia Samoa Joint Financial Management and Procurement Risk Status Summary; and
* The Samoan Ministry of Finance will be responsible for ensuring that revisions to risks in the Australia Samoa Joint Financial Management and Procurement Risk Status Summary are also incorporated into each sector’s risk management strategy.

The recommendations from both national and sector level assessments and reviews will be used to update the agreed program of risk treatments. It will be updated to incorporate emerging risks, and will separately record any risks that have been successfully addressed or resolved.