STANDING COMMITTEE ON PUBLIC ACCOUNTS


“No More Repeats”

PARLIAMENT OF THE REPUBLIC OF FIJI
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COMMITTEE MEMBERS

The members of the Standing Committee on Public Accounts are:

- Honourable Dr Biman C. Prasad (Chair)
- Honourable Balmindar Singh (Deputy Chair)
- Honourable Semi Tuleca Koroilavesau (Government Whip/Member)
- Honourable Sanjit Patel (Member)
- Honourable Aseri Masivou Radrodro (Member)
CHAIR’S FOREWORD

This is an important consolidated report for the future of Public Sector Accounting and Financial Management in Fiji. It is the first effort of the new Public Accounts Committee in clearing the backlog of work back from 2007, and is the first substantial test of new systems of accountability that come with parliamentary democracy. It should be noted that some previous Auditor-General’s reports have not been scrutinised and presented to parliament. The new committee is only looking at reports that were presented to the parliament in 2014 and these include those from 2007.

As the country makes a welcome return to parliamentary democracy, this report shines a light on poor past practice, while also providing reaffirmation to all 50 Members of Parliament, and the community of Fiji, of just how much work remains to reach the desired goal of ‘best practice’ governance.

Most in the Public Service are working very hard. It was clear through public hearings in conducting this review that the desire of many in the public service is to deliver. They deserve the support of the Parliament in their efforts to make this happen. This report may seem harsh and critical, but the motivation behind it is to get the systems and process in the public service working better, as a way of giving support to those working hard and ensuring “value for money” for taxpayers to whom we are all ultimately accountable. Those working hard and doing right by Fiji should welcome this report as a step forward for good governance.

By consolidating these three (3) years of the Auditor-General’s Reports assessment into the one report, the Public Accounts Committee is highlighting a concerning trend of systemic governance issues raised by the Auditor-General that were left unaddressed throughout this period. It is the repetition of twenty-nine (29) systemic public sector governance issues that this report highlights above all else. In public hearings, it was heartening to hear the Ministry of Finance was already addressing many of these issues. For example, it is noted that the Ministry, along with the International Monetary Fund and World Bank, have gone through a process of integrity testing their entire Budget cycle, and are now in the process of finalising a reform plan for future accountability. This, along with the welcome introduction of electronic internal financial management, are both moves that help address most of the issues raised.

It is therefore important to acknowledge that many of these 29 key issues have been addressed in subsequent years. Several, however, remain of concern in 2015. This should be of particular concern to all.

In looking at these reports, this has been a very thorough process. I would like to personally thank my fellow committee members – Deputy Chair Hon Balmindar Singh, Government MP’s Hon Semi Koroilavesau, Hon Sanjit Patel, and fellow Opposition MP Hon Aseri Radrodro. I thank them for their time, effort and patience in going back through 2007, 2008, and 2009, and for giving these reports the due diligence they deserve. The PAC has been so far a very good demonstration of how a bipartisan approach can work well in addressing some of the fundamental issues facing the public sector management of government funds.
I thank the Office of the Auditor-General and officials from the Ministry of Finance for their understanding and patient feedback in going through the same process. I also thank the UNDP for their support and assistance to the work of the PAC and it greatly assisted us so far in our work.

And of course, I thank Mrs Kalo Galuvakadua and Mr Joeli Ditoka and the PAC Secretariat for their ongoing efficient work. Our grateful thanks are also extended to Mr Robert Oakeshott our UNDP funded Technical Advisor who provided much valued guidance when the PAC called upon it. It is all appreciated by many.

Transparency and accountability in the collection and use of Fiji’s public money is a cornerstone of good governance and modernity. It is a culture that sits ‘hand-in-glove’ with true parliamentary democracy.

The People of Fiji are right to demand the highest standards of public sector accounting and audits. This report is the start of the new Public Accounts Committee doing what it can to make this happen. The Committee asks Parliament to support the recommendations in this report while it continues the extensive task of reviewing and scrutinising the 2010-2013 reports.

It is my honour to, on behalf of the Standing Committee on Public Accounts, commend this report to the Parliament.

Hon Dr Biman Prasad
Chair
May 2015
LIST OF RECOMMENDATIONS

Recommendation One:
That the Fiji Independent Commission Against Corruption (FICAC) provide a comprehensive report to the Public Accounts Committee, to be tabled in Parliament, on all actions taken on matters of corruption identified in the Auditor-General reports for 2007, 2008, and 2009. Public allegations of perceived corruption have been made by the Auditor-General. The FICAC is bound to respond to these allegations in public, and in full.

Recommendation Two:
That the Fiji Independent Commission Against Corruption (FICAC) and the independent Office of the Auditor-General develop an information-sharing process, via a Memorandum of Understanding, that allows swift action on any corruption concerns uncovered by the Auditor-General, rather than waiting for the Public Accounts Committee, or the Parliament, to get involved. Corruption must be dealt with as soon as it is identified, and must be dealt with in the most comprehensive way that resources allow.

Recommendation Three:
On the back of the 2012/2013 International Monetary Fund/World Bank ‘integrity test’ of the Fiji Budget Cycle, the Ministry of Finance should progress the Fiji Governance Reform Program as a matter of the highest priority.

Recommendation Four:
The Public Accounts Committee will meet with the Ministry of Finance and the office of the Auditor-General on a quarterly basis to receive a status report on how the Ministry is working on resolving each of these repeat concerns raised by the Auditor-General in 2007, 2008, and 2009, in relation to the twenty-nine (29) systemic governance issues highlighted by the Public Accounts Committee in this report.

Recommendation Five:
The Office of the Auditor-General to consider a performance audit of the skills and education of finance officers within each agency, and to provide recommendations where further support, education, or training is required.

Recommendation Six:
The Office of the Auditor-General to consider writing to the Public Accounts Committee, and all 50 Members of Parliament, at the start of its planning cycle, seeking suggestions for future performance audits. Suggestions made should be considered strongly by the Auditor-General.

Recommendation Seven:
That the Office of the Auditor-General consider a specific performance audit on gender issues across all-of-Government. This should include gender analysis within each agency on the best options for an audit of this kind.

Recommendation Eight:
FICAC build a system that prioritises issues raised by the Auditor-General, or the Public Accounts Committee. A thorough investigation of all corruption and gross maladministration issues already publicly raised by the Auditor-General from 2007-
2009 should occur, if it has not done so already. Any matters confirmed to be of a corrupt nature MUST be pursued.

**Recommendation Nine:**
The Ministry of Finance to take particular notice of the recurring themes from 2007, 2008, and 2009, and to provide assurance to themselves, and to the Parliament, that the 29 matters raised in this report have been addressed, or will be addressed as a matter of urgency.

**Recommendation Ten:**
The Ministry of Finance be allocated a ‘special allowance’ in the 2016 Budget to make sure these recurring themes from 2007, 2008, and 2009 are reviewed, audited, and where necessary, addressed with a proper works schedule that aligns with public sector accounting and auditing principles across all-of-Government.

**Recommendation Eleven:**
The Ministry of Finance appoint a project team to minimise and/or resolve all of the 29 systemic governance issues raised by the Auditor-General’s reports from 2007, 2008, and 2009. This project team is to initially review all timelines and timetables of relevance to each issue, to see if a smarter way of accounting and reporting can help staff resolve the matters, and then to develop a works schedule with realistic timelines to begin addressing those issues that remain outstanding.

**Recommendation Twelve:**
The Ministry of Finance establish a monitoring unit in addition to the compliance unit as a matter of urgency to provide much-needed oversight across all agencies, to ensure delivery on expected public sector accounting and auditing principles.

**Recommendation Thirteen:**
That the Ministry of Finance consider the concept of “earned autonomy” in future internal reporting from all agencies, based on the worrying trends highlighted by the 2007, 2008, and 2009 Auditor-General reports. Agencies that deliver on basic public sector accounting rules and standards earn more autonomy, with the benefit of less internal reporting requirements. Those that continually stand in breach of these standard internal reporting requirements earn more attention from Finance, and Government, until their performance improves.

**Recommendation Fourteen:**
With the large number of issues, discrepancies, and inconsistencies involving asset management across all-of-government, the Ministry consider strengthening its asset management unit within the central Ministry, taking full and consistent responsibility for all assets across all-of-government, as well as providing purchasing power to all agencies.

**Recommendation Fifteen:**
That the Ministry of Finance undertake a program of asset disposal as part of a renewed asset management program. Where any assets from any agency are held in excess to requirements, these should be disposed of at the appropriate market rate through a works program of asset disposal.

**Recommendation Sixteen:**
With the large number of issues, discrepancies, and inconsistencies involving vehicles across all agencies, the Ministry for Finance should consider centralising a
fleight management unit within the central Ministry, that takes full and consistent responsibility for all fleet management issues across all-of-Government, as well as providing purchasing power to all agencies. Benefits can then be shared on the purchase, maintenance, rollover, use, and costs in accident procedures.

**Recommendation Seventeen:**
That the Ministry of Finance place a priority on a centralised database of all staffing workloads in all agencies, that is updated as close to real-time as is feasible. This is to manage and review the staffing workloads in each agency, including the breakdown of full-time, part-time, casual and temporary staff. Red flags should be established where unusual staff workloads occur, particularly in relation to temporary staff.

**Recommendation Eighteen:**
With the large number of issues, discrepancies, and inconsistencies in trust fund management across all agencies, the Ministry of Finance should consider all options for improving trust fund management by all agencies, including rationalising and centralising trust fund management within the Ministry of Finance.

**Recommendation Nineteen:**
That the Ministry of Finance direct each agency to report on gender issues within their annual reports. Gender budgeting and reporting methods should be developed.

**Recommendation Twenty:**
The Ministry of Finance must develop new control systems that make payments on projects based on the actual delivery of the project. Too many examples have been raised by the Auditor-General reports of 2007, 2008, and 2009 to indicate payments have been made for projects that in reality were never delivered.

**Recommendation Twenty-One:**
All accounts MUST be covered by FMIS by year end 2015. Any accounts held by any agencies, and not recorded on FMIS beyond this date, should be treated as a serious breach of duty by the Permanent Secretary, CEO, and/or Finance officers. Any breach should be referred to Parliament by the Minister for Finance as soon as it is identified, with a full explanation by the Minister on why it occurred, what penalties have been applied, and what measures have been taken to prevent it happening again.

**Recommendation Twenty-Two:**
All agencies MUST submit annual reports from 2015 onwards in a timely manner. A failure to submit an annual report to the Ministry of Finance in the required timeframe is a serious breach of duty by the Permanent Secretary, CEO, and/or Finance officers. Any breach should be referred to Parliament by the Minister for Finance as soon as it is identified, with a full explanation by the Minister on why it occurred, what penalties have been applied, and what measures have been taken to prevent it happening again.

**Recommendation Twenty-Three:**
All agencies MUST use best endeavours to deliver reconciled reports that align with actual cash-at-bank. Where there are large discrepancies, this is to be viewed as a serious breach of duty by the Permanent Secretary, CEO, and/or finance officers. Such a breach should be referred to Parliament by the Minister for Finance as soon as it is identified, with a full explanation by the Minister on why it occurred, what
penalties have been applied, and what measures have been taken to prevent it happening again.

**Recommendation Twenty-Four:**
All agencies should immediately audit their ability, or inability, to deliver an Annual Report, participate in all FMIS and Ministry of Finance requirements, and to have appropriate internal controls to ensure actuals and reported statements are accurate. Through this audit, where they need staffing or training support or resourcing, they should provide a request to the Ministry of Finance and to their relevant Minister to pursue. It should be noted these requests from agencies should be viewed favourably.

**Recommendation Twenty-Five:**
All agencies should immediately audit all assets held, and provide a full list to the Ministry for Finance. Any assets undeclared by year end 2015 by any agency should be viewed as a serious breach by the senior officials within that agency.

**Recommendation Twenty-Six:**
All future contracts of employment for senior public servants, in particular Permanent Secretary’s, should include a contracted agreement that the senior official will participate in all FMIS and Ministry of Finance central requirements. Any breach of these requirements is then seen as a serious breach of performance contract.

**Recommendation Twenty-Seven:**
That the “tax gap” be acknowledged as a serious threat to the integrity of the tax system in Fiji, and a focus be placed on the amount of revenue not being collected that should have been collected on an annual basis. Whether through VAT or FNPF reconciliations, recovery of fines, recovery of student loans, conversion of loans to grants, land and accommodation being treated at below market rates, or write-offs of loans, these are all costs to Government that add up. Cabinet should consider the all-of-Government implications of this lax attitude to “tax gap” in Fiji, and consider all options in seeking ways to improve.

**Recommendation Twenty-Eight:**
Executive Government and Cabinet should consider the staff to work ratio within each agency. The Public Accounts Committee heard from several agencies that they simply didn’t have the human capital to do the most basic of accounting and reporting tasks expected of them. This is a budget and policy issue holding back good governance in Fiji.

**Recommendation Twenty-Nine:**
Executive Government and Cabinet should institute and effect as soon as practicable the Accountability and Transparency Commission as provided by Section 121 of the 2013 Constitution, as a matter of urgency in Fiji. It is noted that the Auditor-General has shown numerous examples of maladministration in Fiji in the years 2007, 2008, and 2009. While many examples raised fall short of corruption, they also fall well short of even minimum standard public sector governance. Fiji needs to strengthen its integrity and oversight body to address such matters.

**Recommendation Thirty:**
Executive Government and Cabinet should consider the purpose of all TMA’s and the charges used for the operation of the TMA and satisfy itself that each TMA exists to provide a necessary essential service to the Fiji Islands that could not otherwise be
provided by the private sector. If Cabinet cannot satisfy itself on the essential service test, strong consideration should be given to the range of options to remove the TMA's from the government accounts, either through asset sale or other means.

**Recommendation Thirty-One:**
Executive Government and Cabinet should approve a letter from the Prime Minister or Speaker of the Parliament going to all Auditors-General from 2007-2014, indicating thanks for the extensive work that has been undertaken by them as independent officers, including through times of crisis for the Fiji Government. This letter should clearly confirm to each of them that they are “Friends of Fiji”, and are welcome within the country at all times.

**Recommendation Thirty-Two:**
Executive Government and Cabinet should consider ceasing the practice of being guarantor of last resort for various agencies unless it is serving a defined social obligation. Where it provides guarantee, it should charge an appropriate fee similar to what is charged by the commercial banks. This is because of the continued failure of agencies to meet their payments, leaving Government paying loans that it should not be paying, and hurting the budget of Government as a consequence.

**Recommendation Thirty-Three:**
Executive Government and Cabinet should consider an amendment to the Auditor-General’s Act that allows the Auditor-General to ‘follow the money trail’ concept on behalf of all taxpayers dollars in Fiji. Model legislation can be based on the 2011 amendments to the Australian Auditor-General’s Act that now allows for full auditing of dollars wherever they land.
CHAPTER 1: INTRODUCTION

Background

Without a Parliament in Fiji, there was still an ‘interim’ Public Accounts Committee for more than six years. It examined Auditor-Generals reports for some years. This work was released but not widely publicised nor tabled in a functioning Parliament.

With the new Fiji Parliament from September 2014, the new Public Accounts Committee agreed by consensus to table all reports from 2007 onwards.

In clearing this backlog of work, the first question for the new committee was the status of the work of the ‘interim’ Public Accounts Committee from 2007-2009.

It was agreed that a report for 2007, 2008 and 2009 would be tabled as one Consolidated Report to Parliament, with a focus on key recurring themes throughout these years. It was also agreed that reference would be made to the work of the 2007-2009 Public Accounts Committee work, but that the Committee would not rely solely on it.

For this same period, it was also agreed to release all documents to the Parliament, and the public of Fiji, as a way of addressing the backlog of reports throughout this period. This includes tabling the work of the ‘interim’ 2007-2009 Public Accounts Committee, and their media releases.

In working through the Auditor-General and Public Accounts Committee reports for 2007, 2008 and 2009, the Committee spent five days in January 2015 working through each item of the Auditor-Generals reports, the ‘interim’ Public Accounts Committee reports, as well as responses received from the Ministry of Finance and other agencies.

This proved to be an extensive process, involving officers from the Auditor-Generals’ office and the Ministry of Finance, as well as calling in technical advice from the United Nations Development Program – Pacific Centre. As part of this process, several days were put aside where a range of public decision-makers were questioned.
Released as part of this reporting process are the following documents:


- The Minutes of Public Meetings of the Public Accounts Committee held 24 January 2015 to 10 April 2015.

- A Review of Fiji Public Accounts Committee reports from a gender perspective by UN Women Fiji Multi-country office.

- Copies of Letters sent to the Ministry of Finance, FICAC, and other agencies as part of working through the backlog of 2007, 2008, and 2009 Auditor-General's Reports.

Issues raised by the Auditor-General throughout these three years were separated into three categories of priority:

- Matters for the Fiji Independent Commission Against Corruption (FICAC);

- Issues Repeatedly Recurring from 2007-2009; and


Apart from the issues for FICAC, and issues that are repeated, there is only a small handful of issues unaddressed across all agencies. The Public Accounts Committee decided to focus their attention in this report on getting serious corruption matters responded to by FICAC, as well as focusing on the systemic governance issues facing Fiji.
Matters for the Fiji Independent Commission Against Corruption (FICAC)

It is of grave concern to the Public Accounts Committee that so many cases alleging gross maladministration, or corruption, have been made in the three Auditor-Generals reports of 2007, 2008, and 2009.

Each allegation is a threat to good governance in Fiji.

By consensus of the Public Accounts Committee, all references by the Auditor-General involving allegations of gross maladministration or corruption is being compiled and will be referred to FICAC. The Public Accounts Committee has asked for urgent feedback on what specific actions have been taken by FICAC to resolve the matters raised. Due to the public nature of all the allegations raised by the Auditor-General, there is an expectation that FICAC has, in some way, at least made initial investigations with some of the matters already.

As a specific recommendation for the future, the Public Accounts Committee, through this report, is recommending that the Auditor-General and FICAC develop internal processes to immediately address corruption allegations when discovered, rather than waiting for any reporting timetable.

This is because these issues are of a most urgent, and most serious nature. If corruption has been found, it must be dealt with immediately. This is to allow for proper natural justice for the individuals involved, as much as it is for building a healthier system of Government. It is preferred that matters involving allegations of such a serious nature are dealt with as soon as they are uncovered. This is the same attitude that should exist throughout the entire civil service, known as ‘whistling while you work’ (whistleblowing). No one, at any level of public service, should tolerate corruption in the workplace in a modern Fiji, either below them or above them. FICAC is in place to be used by anyone with an allegation worthy of concern. The PAC encourages it to be used.

Having said this, the Public Accounts Committee is not a court of law, nor is it the responsible body for corruption allegations. It does not have the resources to deal with corruption allegations. Its job is to focus on the systemic issues of good governance.
When individuals are named by the Auditor-General, the Public Accounts Committee will bring FICAC before the Committee and ask them what they have done about the Auditor-General's allegations. It is therefore preferable that FICAC and the Auditor-General develop an information-sharing system that allows swift action on any corruption concerns uncovered, rather than waiting for the Public Accounts Committee, or the Parliament, to get involved.

**Recommendation One**

*That the Fiji Independent Commission Against Corruption (FICAC) provide a comprehensive report to the Public Accounts Committee, to be tabled in Parliament, on all actions taken on matters of corruption identified in the Auditor-General reports for 2007, 2008, and 2009. Public allegations of perceived corruption have been made by the Auditor-General. The FICAC is bound to respond to these allegations in public, and in full.*

**Recommendation Two**

*That the Fiji Independent Commission Against Corruption (FICAC) and the independent Office of the Auditor-General develop an information-sharing process, via a Memorandum of Understanding, that allows swift action on any corruption concerns uncovered by the Auditor-General, rather than waiting for the Public Accounts Committee, or the Parliament, to get involved. Corruption must be dealt with as soon as it is identified, and must be dealt with in the most comprehensive way that resources allow.*

**Issues Repeatedly Recurring from 2007-2009**

There were 29 issues of a serious systemic nature that have been repeatedly raised by the Auditor-General over the three years in question.

In no order of priority, these are:

- The denial of the Auditor-General to some accounts by some agencies, in breach of the Laws of Fiji, in particular section 111 of the Income Tax Act and section 7(2)(a) of the Audit Act.
◆ The laxity of certain agencies to public sector accounting standards and in breach of the public sector accounting law of Fiji. As an example, many agencies failed to produce an annual report in one, or all, of the years in question.

◆ On-going problems with the Financial Management Information System (FMIS) not capturing all the revenue and expenditure activities of all-of-Government.

◆ Discrepancies identified between what certain departments and agencies provided as a record of holdings, compared to their actual cash-at-bank.

◆ The continued under-performance of Fiji’s Trading and Manufacturing Account (TMA’s), with dividend returns for 2007 coming from only 6 of 30 entities, only 7 of 30 in 2008, and only 8 of 31 in 2009. Up to 5 TMA’s remained inoperative throughout this period.

◆ Repeat problems with Trust Fund Accounting identified across most agencies.

◆ Revenue substantiation, otherwise known as “Tax Gap”, is raised in all three years. The gap between revenue that should have been collected as compared to what was actually collected is unusually high and full of inconsistencies.

◆ The ‘staff to work ratio’ is blamed by several agencies for their failure to perform expected functions.

◆ Government repeatedly being left to make payments after acting as guarantor of last resort for several under-performing agencies, or projects.

◆ Several examples of overseas loans not being centralised through the FMIS.

◆ Several examples of the poor accounting practice of converting loans to grants, with the obvious cost to the Fijian taxpayer.

◆ Many examples of very low rates of loan and debt recovery across most agencies.

◆ Too many examples of failure by outer Ministries/agencies to submit reconciliations to the Ministry for Finance.
Repeated concerns about contingent liabilities.

Repeated concerns about the low rate of student loan recovery.

Repeated concern about the recurring practice of un-presented cheques, or “December cheques”.

Repeated examples of infrastructure projects being incomplete, or non-existent, despite full payment being made, including essential infrastructure like airports and ports.

Repeated examples of systemic vehicle fleet management problems across Government.

Repeated examples of ‘extravagance’ of expense at various Fiji missions overseas.

Repeated failure to pursue revenue from Court fines.

Repeated use, or misuse, of ‘accountable advances’ by various agencies.

Repeated variance in VAT compliance by agencies.

Repeated variance in FNPF compliance by agencies.

Repeated evidence of poor tender and/or procurement practice.

Repeated evidence of over-expenditure on salaries, wages and conditions by various agencies, particularly the portfolios of RFMF and Police.

Repeated reference by the Auditor-General to poor drug purchasing, leading to an unusually high expiration of necessary drugs for Fiji.

Repeated concerns about the risk of misappropriation from various agencies.

Repeated concerns about the unusually high staff vacancy rates in various agencies.

Repeated concern about the backlog of “accident cases” awaiting Solicitor-Generals advice.
In 2015, it should be noted that the Committee has confidence that many of these issues are in the process of being addressed, or have been addressed. As an example, from the public evidence to hearings in January 2015, the Ministry for Finance indicated work had been done with the International Monetary Fund and the World Bank to review the Fijian budget cycle, with several recommendations to be introduced to the Ministry that will assist in minimising these systemic issues identified. According to the evidence given, these recommendations are soon to be adopted. This process is welcomed. It should be strongly supported by the Parliament.

However, the recommendations made, nor the recommendations to be implemented, are not clear to the Public Accounts Committee at this early stage. Through other means, Parliament should seek more information on this particular process, and satisfy itself that reforms are underway in a substantial, and sustainable way for Fiji.

Until the Public Accounts Committee can fully satisfy itself that these issues from 2007, 2008, and 2009 are resolved, or are being resolved, and due to an on-going concern about the repeated failure to address standard public sector accounting and audit practice, the Committee has agreed to meet on a quarterly basis with the relevant Ministry of Finance officials to seek status reports on the progress of works on each of these issues. The goal is to ensure the issues raised are being addressed in a systemic way for the future. This quarterly meeting process will cease when the Public Accounts Committee members have confidence that good progress is being made on all issues of concern.

**Recommendation Three**

*On the back of the 2012/2013 International Monetary Fund/World Bank ‘integrity test’ of the Fiji Budget Cycle, the Ministry of Finance should progress the Fiji Governance Reform Program as a matter of the highest priority.*

**Recommendation Four**

*The Public Accounts Committee will meet with the Ministry of Finance and the office of the Auditor-General on a quarterly basis to receive a status report on how the Ministry is working on resolving each of these repeat concerns raised*
by the Auditor-General in 2007, 2008, and 2009, in relation to the twenty-nine (29) systemic governance issues highlighted by the Public Accounts Committee in this report.


The Office of the Auditor-General
In evidence provided to the Committee, as well as the Auditor-General report findings, it became increasingly evident that key financial officers within each of the reporting entities may not have the required skills, and/or resources, and/or training, and/or support to meet the public sector reporting standards of a modern Fiji.

The Public Accounts Committee does not have the resources to further work on this issue, but if further evidence is made available, it may choose to pursue the matter in the future. That is why a recommendation is made for the Audit Office to consider a more detailed performance review of these issues within each agency, to provide a platform for the Parliament to either have assurance that these suspicions are misplaced, or if they are not, to address this issue in more detail in the future.

Recommendation Five
The Office of the Auditor-General to consider a performance audit of the skills and education of finance officers within each agency, and to provide recommendations where further support, education, or training is required.

Even though the office of the Auditor-General is an independent office, free from any influence from any party or person, effective communication with elected MP's should be the standard. When planning the work schedule for the upcoming performance reviews, a practice undertaken in other jurisdictions, which would be welcomed amongst Fijian MP's, is for the Auditor-General to write to all 50 elected MP's and invite their suggestions for possible performance audits to be considered. This process in no way binds the Auditor-General's office to any suggestion, but it does show respect to the elected Parliament, and may uncover an idea that the Audit office may have missed in their own internal planning.
**Recommendation Six**

The office of the Auditor-General to consider writing to the Public Accounts Committee, and all 50 Members of Parliament, at the start of its planning cycle, seeking suggestions for future performance audits. Suggestions made should be considered strongly by the Auditor-General.

The UN Women – Fiji office have been working hard to try and increase awareness of, and commitment to, gender-based budgeting and reporting across the public sector of a modern Fiji. During five days of public hearings in January 2015, the Public Accounts Committee received a briefing from their officials, as well as receiving a report undertaken by them on the PAC reports from 2007-2009 that were done prior to the Parliamentary election of September 2014. Through this process, it was identified that the Fiji Parliament is the only Parliament in the world to have a mandated requirement to undertake gender reporting in its committee work. The Public Accounts Committee, as one of the key committees of the new Parliament, acknowledges this mandate, and alerts other parliamentary committees as well as public sector agencies that Fiji now is positioning itself as a leader in the field of gender-based reporting. This is already attracting interest and attention from other jurisdictions, as experienced by the Public Accounts Committee in its work with UN Women. Therefore, several recommendations are made to legitimise this mandate, including further work requested from the Audit Office.

**Recommendation Seven**

That the office of the Auditor-General consider a specific performance audit on gender issues across all-of-Government. This should include gender analysis within each agency on the best options for an audit of this kind.
CHAPTER 2: THE FIJI INDEPENDENT COMMISSION AGAINST CORRUPTION (FICAC)

As Fiji returns to Rule of Law through a democratically elected Parliament, the role of FICAC is central in building trust in the new, and welcome, system of Government. Unaddressed issues from 2007 must be treated as a matter of priority, as the Public Accounts Committee, on behalf of the Parliament, works to ‘clean up’ many outstanding issues from the past eight (8) years.

The Public Accounts Committee sends a very strong message to FICAC and the public sector of a modern Fiji that no issues involving allegations of corruption throughout this period will be considered ‘out-of-date’, nor does an allegation remain unaddressed if a public sector official has moved positions, including out of the public sector, or the country, altogether. These are no longer excuses that satisfy a modern Fiji.

The PAC is very strong in its view that FICAC must address corruption allegations quickly and thoroughly. Any resource restraints allowing this to happen should be reported by FICAC to its administrative authority, or to the Parliament.

**Recommendation Eight**

*FICAC build a system that prioritises issues raised by the Auditor-General, or the Public Accounts Committee. A thorough investigation of all corruption and gross maladministration issues already publicly raised by the Auditor-General from 2007-2009 should occur, if it has not done so already. Any matters confirmed to be of a corrupt nature MUST be pursued.*
CHAPTER 3: THE MINISTRY OF FINANCE

Many of the issues raised in the 2007, 2008, and 2009 reports of the Auditor-General should not have to wait for the Public Accounts Committee to report to Parliament in order to have them addressed. It is noted the Ministry of Finance, as the central agency, has already taken steps to try to address many of the issues raised in the 2007-2009 reports. However, through submissions received from the Ministry itself, updates from the Auditor-General, and public hearings in January 2015, it has become clear that several of the systemic issues identified by the Auditor-General remain problematic. It is therefore timely to remind the Ministry of its important central agency role, and to also support the Ministry in any resourcing requirements that allow it to perform this critical all-of-Government function for Fiji.

**Recommendation Nine**

The Ministry of Finance to take particular notice of the recurring themes from 2007, 2008, and 2009, and to provide assurance to themselves, and to the Parliament, that the 29 matters raised in this report have been addressed, or will be addressed as a matter of urgency.

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**Recommendation Ten**

The Ministry of Finance be allocated a ‘special allowance’ in the 2016 Budget to make sure these recurring themes from 2007, 2008, and 2009 are reviewed, audited, and where necessary, addressed with a proper works schedule that aligns with public sector accounting and auditing principles across all-of-Government.

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**Recommendation Eleven**

The Ministry of Finance appoint a project team to minimise and/or resolve all of the 29 systemic governance issues raised by the Auditor-Generals reports from 2007, 2008, and 2009. This project team is to initially review all timelines and timetables of relevance to each issue, to see if a smarter way of accounting and reporting can help staff resolve the matters, and then to
develop a works schedule with realistic timelines to begin addressing those issues that remain outstanding.

**Recommendation Twelve**

*The Ministry of Finance establish a monitoring unit in addition to the compliance unit as a matter of urgency to provide much-needed oversight across all agencies, to ensure delivery on expected public sector accounting and auditing principles.*

Public sector accounting standards are forever evolving. The Public Accounts Committee, in looking back over the reports for 2007-2009, is aware of ‘best practice’ changes that have been made and continue to be made. One emerging concept is the idea of ‘earned autonomy’, whereby agencies earn less reporting requirements to the central agency if they have a proven track record of performance, and are penalised with more reporting requirements if they have a track record of underperformance. The Commonwealth Financial Accounting Review (CFAR) in Australia has the concept of “earned autonomy” as central to the future reform in this neighbouring jurisdiction. It is a model the PAC thinks the Ministry of Finance should at least consider, and where appropriate, adopt in its dealings with other agencies and departments.

**Recommendation Thirteen**

*That the Ministry of Finance consider the concept of “earned autonomy” in future internal reporting from all agencies, based on the worrying trends highlighted by the 2007, 2008, and 2009 Auditor-General reports.*

*Agencies that deliver on basic public sector accounting rules and standards earn more autonomy, with the benefit of less internal reporting requirements. Those that continually stand in breach of these standard internal reporting requirements earn more attention from Finance, and Government, until their performance improves.*

Between 2007-2009, the Auditor-General, and now the Public Accounts Committee, have identified an unusually large number of issues, discrepancies, and inconsistencies involving asset management across all-of-government. These are
listed in the reports from 2007-2009. Because of these concerns, the Ministry for Finance needs to take much greater command and control of the issues identified. One option is to strengthen its centralised asset management unit within the central Ministry, so as to take full and consistent responsibility for all assets across all-of-government, with the benefit of improved purchasing power to all agencies. Common standards on how and when assets are purchased, used and sold should at the very least be applied across all-of-Government and these standards must be embedded in induction training programmes for all new public service staff in addition to regular refresher training programmes.

It may also be worth embedding these standards across all-of-government Annual Corporate Planning indicators.

**Recommendation Fourteen**

*With the large number of issues, discrepancies, and inconsistencies involving asset management across all-of-government, the Ministry consider strengthening its asset management unit within the central Ministry, taking full and consistent responsibility for all assets across all-of-government, as well as providing purchasing power to all agencies.*

**Recommendation Fifteen**

*That the Ministry of Finance undertake a program of asset disposal as part of a renewed asset management program. Where any assets from any agency are held in excess to requirements, these should be disposed of at the appropriate market rate through a works program of asset disposal.*

**Recommendation Sixteen**

*With the large number of issues, discrepancies, and inconsistencies involving vehicles across all agencies, the Ministry for Finance should consider centralising a fleet management unit within the central Ministry, that takes full and consistent responsibility for all fleet management issues across all-of-Government, as well as providing purchasing power to all agencies. Benefits*
Several admissions were received by agencies through public hearings so far that staffing levels did not allow certain functions to be performed. This is of concern to the PAC. Whether due to poor practice, or forced creativity in dealing with staff shortages, the PAC also was informed of discrepancies in overtime pay, and unusual use of temporary staff. Structures need to be in place to identify breakdowns in ‘best practice’ use of staffing within each department and entity, and the Ministry needs to take command and control of all problems associated with any shortfall in staff numbers within any department or agency. Where necessary, more resource and staffing support should be provided.

**Recommendation Seventeen**

*That the Ministry of Finance place a priority on a centralised database of all staffing workloads in all agencies, that is updated as close to real-time as is feasible. This is to manage and review the staffing workloads in each agency, including the breakdown of full-time, part-time, casual and temporary staff. Red flags should be established where unusual staff workloads occur, particularly in relation to temporary staff.*

The use, and perceived misuse, of trust funds, was a common theme from Auditor-General’s Reports from 2007-2009. The PAC has given this some thought, and again believes this is a matter for the central Ministry to address as a matter of urgency. There are examples and options from other jurisdictions on how to improve trust fund management, but once again, it is the PAC’s view that the central agency of Ministry of Finance should take a lot more command and control of all the trust fund accounts, and work to deliver common, transparent, accountable public sector standards in the future management of these funds.

**Recommendation Eighteen**

*With the large number of issues, discrepancies, and inconsistencies in trust fund management across all agencies, the Ministry of Finance should consider all options for improving trust fund management by all agencies, including rationalising and centralising trust fund management within the Ministry of Finance.*
As stated previously, UN Women – Fiji office have been working hard to try and increase awareness of, and commitment to, gender-based budgeting and reporting across the public sector of a modern Fiji. During five days of public hearings in January 2015, the Public Accounts Committee received a briefing from their officials, as well as receiving a report undertaken by them on the PAC reports from 2007-2009 that were done prior to the Parliamentary election of September 2014. Through this process, it was identified that the Fiji Parliament is the only Parliament in the world to have a mandated requirement to undertake gender reporting in its committee work. The Public Accounts Committee, as one of the senior committees of the new Parliament, acknowledges this mandate, and alerts other parliamentary committees as well as public sector agencies that Fiji now is positioning itself as a leader in the field of gender-based reporting. This is already attracting interest and attention from other jurisdictions, as experienced by the Public Accounts Committee in its work with UN Women. To embed the concept of gender-based reporting within the Fiji public service, the PAC formed a view that the most practical cultural shift that it could recommend is that all departments and agencies commit to gender-based reporting and budgeting within their own annual reports. If any agency requires assistance in doing this, UN Women – Fiji office can provide advice, direction, and support to ensure it is done in a quality, meaningful manner.

**Recommendation Nineteen**

*That the Ministry of Finance direct each agency to report on gender issues within their annual reports. Gender budgeting and reporting methods should be developed.*

During the public hearings so far, the office of the Auditor-General gave specific examples of departments making payments for projects that the Audit office then went to examine, only to find nothing. This should be deeply concerning for a modern Fiji. These matters have been referred to FICAC for follow-up. To avoid such occurrences in the future, the Ministry for Finance needs to look at the control systems it has in place, and assess the control systems each department and agency has in place. Where improvements to a common standard must be made, they should be done as a matter of urgency, with all support required to make it happen.
Recommendation Twenty

The Ministry of Finance must develop new control systems that make payments on projects based on the actual delivery of the project. Too many examples have been raised by the Auditor-General reports of 2007, 2008, and 2009 to indicate payments have been made for projects that in reality were never delivered.
CHAPTER 4: SENIOR EXECUTIVES OF ALL AGENCIES: PERMANENT SECRETARY’S, CHAIRS, CEO’S, AND SENIOR FINANCE OFFICIALS

The FMIS was introduced into the Fiji public sector in 2005. It has now had a decade to embed itself and have all issues in its management resolved. By now, it should be working. What was very clear in the 2007, 2008, and 2009 reports from the Auditor-General was that problems with FMIS were extensive. While it is expected most of these have been resolved, the following recommendations are made out of respect to the audit work done throughout that period, and to remind senior executives of all agencies of the central importance of public sector accounting standards to their performance as a public official.

The Public Accounts Committee is of a strong view that performance of senior officials should be closely linked to their commitment to ‘best practice’ public sector accounting. It is unacceptable if some of these behaviours identified by the audit office through 2007-2009 are on-going, and these problems must be addressed as a matter of the highest priority.

To emphasise this point, the Public Accounts Committee has made three recommendations that make further breaches of basic public sector accounting standards a matter for the Minister to report to Parliament. This is done to elevate the issues involved, and to make sure they are treated with the upmost importance by all involved. These recommendations place senior officials on notice that breaches of the like identified by the Auditor-General from 2007-2009 are no longer acceptable in a modern Fiji.

**Recommendation Twenty-One**

All accounts MUST be covered by FMIS by year end 2015. Any accounts held by any agencies, and not recorded on FMIS beyond this date, should be treated as a serious breach of duty by the Permanent Secretary, CEO, and/or Finance officers. Any breach should be referred to Parliament by the Minister for Finance as soon as it is identified, with a full explanation by the Minister on why it occurred, what penalties have been applied, and what measures have been taken to prevent it happening again.
**Recommendation Twenty-Two**

All agencies MUST submit annual reports from 2015 onwards in a timely manner. A failure to submit an annual report to the Ministry of Finance in the required timeframe is a serious breach of duty by the Permanent Secretary, CEO, and/or Finance officers. Any breach should be referred to Parliament by the Minister for Finance as soon as it is identified, with a full explanation by the Minister on why it occurred, what penalties have been applied, and what measures have been taken to prevent it happening again.

**Recommendation Twenty-Three**

All agencies MUST use best endeavours to deliver reconciled reports that align with actual cash-at-bank. Where there are large discrepancies, this is to be viewed as a serious breach of duty by the Permanent Secretary, CEO, and/or finance officers. Such a breach should be referred to Parliament by the Minister for Finance as soon as it is identified, with a full explanation by the Minister on why it occurred, what penalties have been applied, and what measures have been taken to prevent it happening again.

**Recommendation Twenty-Four**

All agencies should immediately audit their ability, or inability, to deliver an Annual Report, participate in all FMIS and Ministry of Finance requirements, and to have appropriate internal controls to ensure actuals and reported statements are accurate. Through this audit, where they need staffing or training support or resourcing, they should provide a request to the Ministry of Finance and to their relevant Minister to pursue. It should be noted these requests from agencies should be viewed favourably.
**Recommendation Twenty-Five**

All agencies should immediately audit all assets held, and provide a full list to the Ministry for Finance. Any assets undeclared by year end 2015 by any agency should be viewed as a serious breach by the senior officials within that agency.

**Recommendation Twenty-Six**

All future contracts of employment for senior public servants, in particular Permanent Secretary’s, should include a contracted agreement that the senior official will participate in all FMIS and Ministry of Finance central requirements. Any breach of these requirements is then seen as a serious breach of performance contract.
CHAPTER 5: EXECUTIVE GOVERNMENT AND CABINET

The Public Accounts Committee is of the view that there are issues identified by the Auditor-General from 2007-2009 that are beyond the consideration of FICAC, the Ministry of Finance, any department or agency, or any senior official.

Instead, the issues to be addressed have strategic policy considerations, and these can really only be addressed with the full support and prioritisation of the Executive Government, and Cabinet in particular.

It is not the place of the Public Accounts Committee, nor the Fiji Parliament, to instruct Cabinet. However, in this clean-up of reports from the past decade, it has become evident to all Committee members that some of the systemic issues in question need leadership from the Cabinet to resolve them. The issue of “tax gap” for example, is a substantial issue identified by the Auditor-General, and is one that impacts the revenue and expenditure of all departments and agencies. Cabinet needs a clear strategy to address this, otherwise the integrity of the entire Fijian tax system comes into question.

**Recommendation Twenty-Seven**

That the “tax gap” be acknowledged as a serious threat to the integrity of the tax system in Fiji, and a focus be placed on the amount of revenue not being collected that should have been collected on an annual basis. Whether through VAT or FNPF reconciliations, recovery of fines, recovery of student loans, conversion of loans to grants, land and accommodation being treated at below market rates, or write-offs of loans, these are all costs to Government that add up. Cabinet should consider the all-of-Government implications of this lax attitude to “tax gap” in Fiji, and consider all options in seeking ways to improve.

The Public Accounts Committee received evidence from several agencies that their staffing numbers had been cut back, or their workload has increased at a rate not matched by increased staff. In some submissions received, very basic public sector audit and oversight could not be done due to these staff shortages. This increases risk of maladministration and corruption within the public sector, and should be of concern to Cabinet. As this evidence came from several sources, the committee members formed a view that this is best referred to Cabinet for wider considerations.
in regard staff to work ratio’s within each department and agency, and whether this needs to be addressed to ensure ‘best practice’ public sector accounting in a modern Fiji. The staff to workload ratio issue is also something the impending Government’s Public Service reform might also consider during that process.

**Recommendation Twenty-Eight**

*Executive Government and Cabinet should consider the staff to work ratio within each agency. The Public Accounts Committee heard from several agencies that they simply didn’t have the human capital to do the most basic of accounting and reporting tasks expected of them. This is a budget and policy issue holding back good governance in Fiji.*

It is a considerable gap in the oversight of the Fiji public sector that an Ombudsman does not exist. Corruption matters are now covered by the Fiji Independent Commission Against Corruption (FICAC), but there is no independent oversight body for maladministration – issues that fall short of corruption, but are related poor governance or performance. The 2013 Constitution provides, at section 121, for an Accountability and Transparency Commission and the Public Accounts Committee recommends that this Commission is instituted and effected as a matter of urgency.

**Recommendation Twenty-Nine**

*Executive Government and Cabinet should institute and effect as soon as practicable the Accountability and Transparency Commission as provided by Section 121 of the 2013 Constitution, as a matter of urgency in Fiji. It is noted that the Auditor-General has shown numerous examples of maladministration in Fiji in the years 2007, 2008, and 2009. While many examples raised fall short of corruption, they also fall well short of even minimum standard public sector governance. Fiji needs to strengthen its integrity and oversight body to address such matters.*

The Public Accounts Committee was confronted by the large number of discrepancies in the accounting and oversight of Fiji’s TMA’s. This led to further consideration by the PAC as to the actual purpose of many aspects of the TMA’s currently in operation. This purpose could not easily be seen in several cases – for example, a Fijian government owned flock of sheep. Again, PAC felt the best way to deal with these matters in a systematic way was to refer the matters to Cabinet, and
to invite them to consider the purpose and intent of each TMA currently in operation. TMA's can be defended if they are losing money, but still serve a necessary purpose of fulfilling an essential service for the Fijian Islands that the private sector could not otherwise fulfil. This is the only grounds a loss-making TMA can be defended. In all other circumstances, the policy question must be constantly asked as to whether services can be contracted to Government at a cheaper, and more reliable rate. If so, a process to allow this to happen should occur, with Cabinet being the appropriate body to lead in this “public interest” testing of all TMA's still in operation.

**Recommendation Thirty**

Executive Government and Cabinet should consider the purpose of all TMA's and the charges used for the operation of the TMA and satisfy itself that each TMA exists to provide a necessary essential service to the Fiji Islands that could not otherwise be provided by the private sector. If Cabinet cannot satisfy itself on the essential service test, strong consideration should be given to the range of options to remove the TMA's from the government accounts, either through asset sale or other means.

Going through the backlog of reports starting in 2007, it is noticeable that several Auditors-General have been involved in reporting on the public affairs of Fiji. Considering the context of these times, the PAC views it as fair to express an acknowledgement that this was a very difficult time for auditing the public sector, with significant threat to personal safety based on some of the information contained in the reports in question. This courage of reporting is noted by the Public Accounts Committee, and should be noted by the new Fijian Parliament on the tabling of these reports. Importantly, it should also be noted by Executive Government. The PAC therefore invites Cabinet to consider this, and to take remedial steps to make sure past and present Auditors-General are known as ‘Friends of Fiji’, and that they feel they are welcome and respected residents of Fiji into the future.
Recommendation Thirty-One

Executive Government and Cabinet should approve a letter from the Prime Minister or Speaker of the Parliament going to all Auditors-General from 2007-2014, indicating thanks for the extensive work that has been undertaken by them as independent officers, including through times of crisis for the Fiji Government. This letter should clearly confirm to each of them that they are “Friends of Fiji”, and are welcome within the country at all times.

The Auditor-General has identified a worrying trend of Government being the guarantor of last resort on several unviable projects, and then being left paying excessive amounts on the same project, due to a failed enterprise. PAC believes this practice should cease, and that the Fijian Government no longer acts as a guarantor of last resort on any project. As an example, in New South Wales, the Sporting Guarantee (Loans) Act 1990 is on the statute to make such ‘last resort’ guarantees, but Executive Government has agreed never to use this legislation again. For the same reasons Fiji should do the same. The Executive could take advice from the NSW Government officials on how they have made this happen.

Recommendation Thirty-Two

Executive Government and Cabinet should consider ceasing the practice of being guarantor of last resort for various agencies unless it is serving a defined social obligation. Where it provides guarantee, it should charge an appropriate fee similar to what is charged by the commercial banks. This is because of the continued failure of agencies to meet their payments, leaving Government paying loans that it should not be paying, and hurting the budget of Government as a consequence.

Committee members of PAC were all interested to know that the Auditor-General had limitations on the reach of their oversight powers, and therefore could not ‘follow the money trail’ of Fijian taxpayers dollars through to its end use in many cases. These limitations are a disservice to Fiji. As modern Governments around the world rely more and more on private sector partnerships in particular, consideration should be given to a legislative change that allows the Auditor-General more reach in its audit and oversight. As an example, this was done in Australia in 2011, and has been used successfully by their Audit Office already.
**Recommendation Thirty-Three**

*Executive Government and Cabinet should consider an amendment to the Auditor-Generals Act that allows the Auditor-General to ‘follow the money trail’ concept on behalf of all taxpayers dollars in Fiji. Model legislation can be based on the 2011 amendments to the Australian Auditor Generals Act that now allows for full auditing of dollars wherever they land.*
APPENDIX 2: REVIEW OF PUBLIC ACCOUNTS COMMITTEE REPORTS FROM A GENDER PERSPECTIVE BY UN WOMEN – FIJI MULTI-COUNTRY OFFICE

1 Copies of responses to the Public Accounts Committee can be obtained from the Committees Secretariat