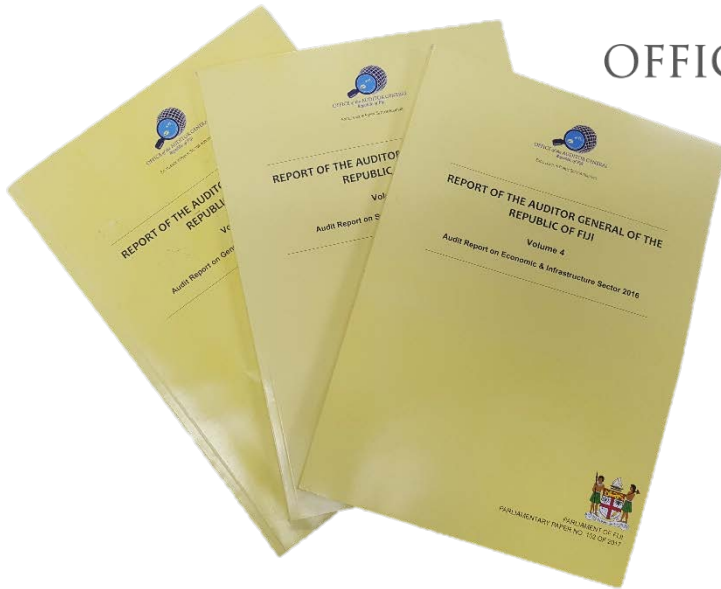




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## **REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI**

**Follow-up of Selected 2016 Auditor-General's  
Reports for various sectors**



PARLIAMENT OF FIJI  
PARLIAMENTARY PAPER No. 133 OF 2018



OFFICE *of the* AUDITOR GENERAL  
*Republic of Fiji*

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## **Follow-up of Selected 2016 Auditor-General's Reports for various sectors**



PARLIAMENT OF FIJI  
PARLIAMENTARY PAPER No. 133 OF 2018



OFFICE *of the* AUDITOR GENERAL  
*Republic of Fiji*

OFFICE OF THE AUDITOR-GENERAL – REPUBLIC OF FIJI

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**OUR VISION:**

Excellence in Public Sector Auditing

**OUR MISSION:**

- To provide world-class, independent and objective value-adding audit services
- To provide a working environment which allows our people to excel

# OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing



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File: 102

27 November 2018

The Honorable Dr. Jiko Luveni  
Speaker of the Parliament of the Republic of Fiji  
Parliament Complex  
Gladstone Road  
**SUVA**

Dear Dr. Luveni

## **2017 AUDIT REPORT ON FOLLOW-UP OF SELECTED 2016 AUDITOR-GENERAL'S REPORTS FOR VARIOUS SECTORS**

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on Follow-up of Selected 2016 Auditor-General's Reports for Various Sectors.

A copy of the report has been submitted to the Minister for Economy who as required under section 152(14) of the Constitution shall lay the report before Parliament within 30 days of receipt, or if Parliament is not sitting, on the first day after the end of that period.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ajay Nand', with a long horizontal line underneath.

Ajay Nand  
**AUDITOR-GENERAL**



Encl.

## **The Office of the Auditor-General – Republic of Fiji**

The Office of the Auditor-General is established as an Independent Office by the Constitution of Republic of Fiji. Its roles and responsibilities include determining whether the operations or activities of entities are being performed effectively, economically and efficiently and in compliance with all relevant legislation. These audits are carried out by the Auditor-General on behalf of Parliament.

At least once every year, the Auditor General must report to Parliament on the audits conducted and on *other significant matters* the Auditor-General wishes to bring to the attention of Parliament.

This report satisfies these requirements.

The Office of the Auditor-General notes the impact of its reports to Parliament on the ordinary citizens and strives for accuracy and high quality reporting including recommendations which are not only value-adding to the entity subject to audit but its customers, the general public as well.

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# 1.0 Follow-up of Audit Recommendations

The *Audit Act 1969* requires the Auditor-General to issue an audit memorandum to the responsible authority for each entity that is subject to an audit. The audit memorandum includes observations made during the audit and suggestions or recommendations for improvement which are reported to management and those charged with governance of an entity.

Every year the Auditor-General must report to Parliament on audits conducted and on other significant matters the Auditor-General wishes to bring to the attention of Parliament.

Although the Auditor-General reports to Parliament with recommendations to improve the performance or enhance accountability of public sector entities, the Auditor-General is not responsible nor does it have the powers to enforce the implementation of these recommendations.

As a matter of good governance, all public sector entities should have systems and processes to consider and implement recommendations of the Auditor-General.

Parliamentary committees also have a key role in reviewing findings and recommendations reported to Parliament.



## 2.0 Summary

This follow-up report covers audit reports tabled in Parliament in 2017:

- **Audit Report on General Administration Sector 2016 – Parliamentary paper no. 100 of 2017** covering Office of the Prime Minister, Ministry of Justice, Ministry of Foreign Affairs, Ministry of Defence, National Security and Immigration, Ministry of Civil Service, Judiciary, Fiji Corrections Services.
- **Audit Report on Social Services Sector 2016 - Parliamentary paper no. 101 of 2017** covering Ministry of Youth & Sports, Ministry of Women, Children & Poverty Alleviation, Ministry of Health & Medical Services, Ministry of Education, Heritage & Arts, Department of Housing.
- **Audit Report on Economic & Infrastructure Sector 2016 - Parliamentary paper no. 102 of 2017** covering Ministry of Lands & Mineral Resources, Ministry of Agriculture, Ministry of Local Government, Town Country Planning and Environment, Ministry of Fisheries & Forests, Ministry of Infrastructure & Transport

These reports to Parliament were the result of financial audits carried out on Agency (Ministries & Departments) Financial Statements for the year ended 31 July 2016.

This report examines the extent of implementation of the audit recommendations made in these reports. Detailed status update on follow-up audits done on reports of 17 agencies are provided in **Appendix A**.

## 2.1 Conclusions

Majority of the recommendations made in the 2016 financial audit reports for different agencies were yet to be fully implemented when the follow-up audit was carried out during the 2017 financial audit. However it is encouraging to note that 28% of recommendations had been partially implemented which reflects positively on the agencies. Necessary action should be taken to fully implement these recommendations.

There is a possibility that Permanent Secretaries of some agencies have not been regularly updated on the status of the implementation of recommendations by their accounting heads as required.

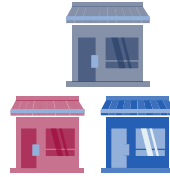
The implementation rate can be improved if recommendations made in this report are implemented and outstanding audit issues are included in the agenda of all monthly meetings of agencies.

## 2.2 Key findings



**52%**

Recommendations yet to be implemented



**3**

Agencies were yet to implement any recommendations



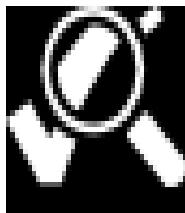
**1**

Agency fully implemented all recommendations



**61%**

Highest percentage implementation rate by Social Services sector



**28%**

Recommendations partially implemented

**17% to 80%**  
Implementation rate range

## 2.3 Recommendations

Permanent Secretaries must ensure that:

- (i) monthly updates on audit recommendations are submitted by Accounting Heads as required by Finance Instruction 60(1);
- (ii) relevant processes are put into place to ensure audit recommendations are implemented on a timely basis;
- (iii) controls are continuously implemented to avoid repeated audit findings; and
- (iv) performance indicators of Accounting Heads and other staffs include timely implementation of audit recommendations.

## 3.0 Background

Recommendations made in audit reports of selected ministries and departments in each budget sector were followed up during audit of the 2017 Agency Financial Statements. This follow-up audit was done in accordance with the *OAG Follow-up Audit Guidelines*. A copy of the guidelines is provided in **Appendix B**.

The follow-up audit provides an opportunity for recommendations made in audit reports which have been tabled in Parliament in prior years to be tracked and reported for implementation. It is the generally accepted view that control and other deficiencies identified during audits can be best resolved by addressing recommendations made in audit reports.

Reporting of results of follow up audit is intended to encourage those charged with governance in ministries and departments to fully implement all recommendations made. It is likely as control issues are addressed through implementation of recommendations, the number of recommendations made in audit reports will decrease over time and indicate value-adding through the audit process. This is consistent with the objectives of Supreme Audit Institutions like the Office of the Auditor –General of Republic of Fiji which is “making a difference to the lives of citizens.”

## 4.0 Implementation Status

4.1 The status of implementation of recommendations made in the 2016 audit reports by various agencies is shown in Table 1.1 below.

Table 1.1 Implantation Status of Audit recommendations

Ministry/Department	Total	Fully Implemented	F/IMP	P/IMP	N/IMP	N/UPD
<b>Audit Report on General Administration Sector 2016</b>						
Office of the Prime Minister	12	33%	4	8	0	0
Ministry of Justice	7	17%	6	1	0	0
Ministry of Foreign Affairs	9	44%	4	1	4	0
Ministry of Defence, National Security and Immigration	7	29%	2	0	5	0
Ministry of Civil Service	1	0%	0	1	0	0
Judiciary	3	0%	0	3	0	0
Fiji Corrections Service	4	100%	4	0	0	0
<b>Audit Report on Social Services Sector 2016</b>						
Ministry of Youth & Sports	5	80%	4	1	0	0
Ministry of Women, Children & Poverty Alleviation	10	50%	5	4	1	0
Ministry of Health & Medical Services	39	56%	22	10	7	0
Ministry of Education, Heritage & Arts	14	71%	10	4	0	0
Department of Housing	7	71%	5	0	2	0
<b>Audit Report on Economic Services Sector 2016</b>						
Ministry of Lands & Mineral Resources	17	47%	8	4	5	0
Ministry of Agriculture	3	33%	1	1	1	0
Ministry of Local Government, Housing and Environment	8	0%	0	3	5	0
Ministry of Fisheries & Forests	49	35%	17	13	18	1
<b>Audit Report on Infrastructure Sector 2016</b>						
Ministry of Infrastructure & Transport	19	53%	10	6	3	0

### LEGEND

F/IMP – Fully Implemented

P/IMP – Partially Implemented

N/IMP – Not Implemented

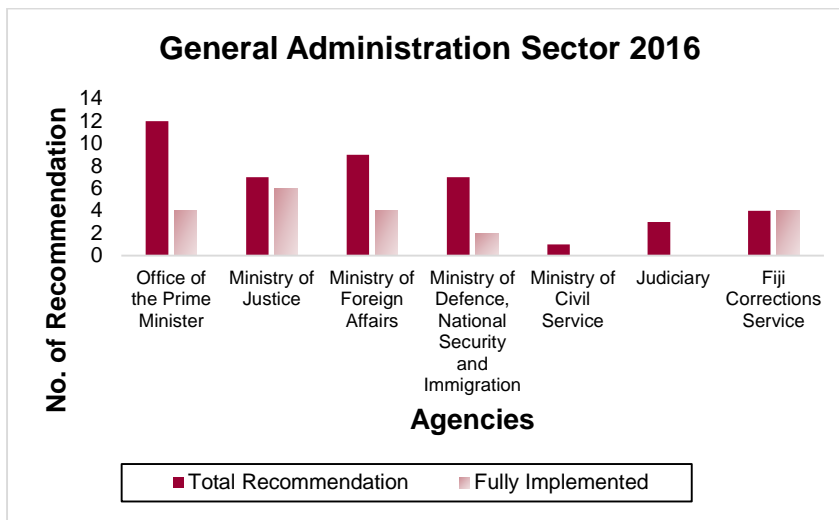
N/UPD – No update provided

4.2 As shown in Table 1.1 above, out of the 17 agencies for which audit recommendations were followed up for implementation:

- Only one agency had fully implemented all the recommendations.

- Three agencies were yet to implement any of the recommendations.
- The implementation rate for other agencies ranged from 17% to 80%.
- A total of 102 of the 214 or 48% of total audit recommendations were fully implemented. While the percentage implemented is less than 50%, 60 or 28% recommendations were in the process of being fully implemented (partially implemented).
- A total of 51 or 24% of recommendations were not implemented at all.

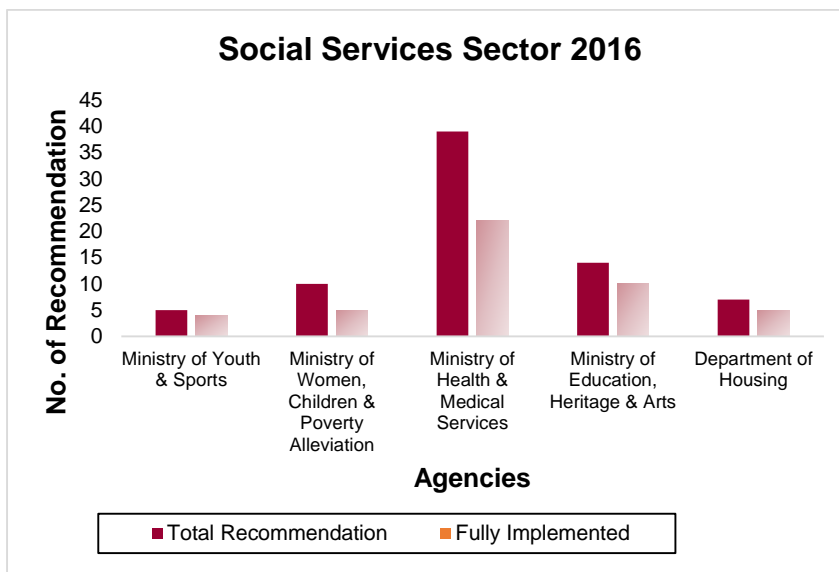
The graphical presentation of total recommendations against those fully implemented by sector is shown below.



Fiji Corrections Service had fully implemented all recommendations while Ministry of Civil Service and Judiciary were yet to implement any of the recommendations.

Recommendations fully implemented in this sector was 47%.

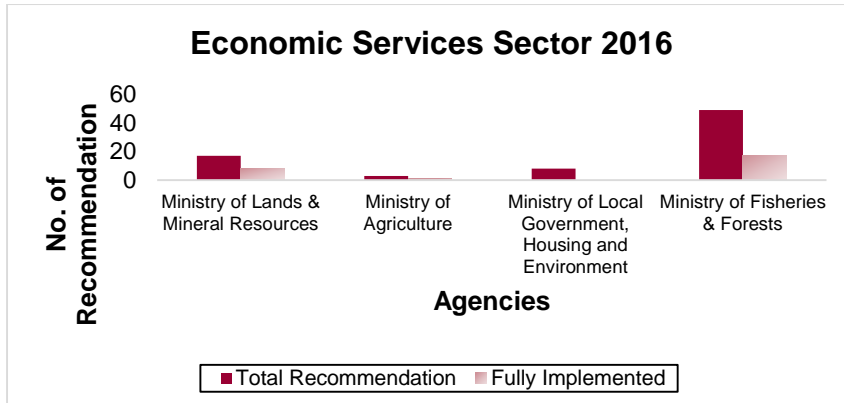
A total of 14 of 33% recommendations were partially implemented.



All agencies had fully implemented more than 50% of the recommendations with Ministry of Youth and Sports achieving the highest rating of 80%.

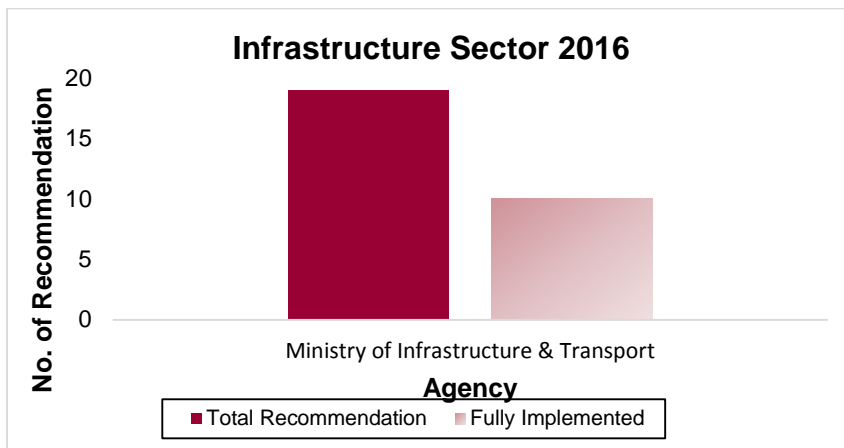
Recommendations fully implemented in this sector was 61%.

A total of 19 or 25% of recommendations in this sector were partially implemented.

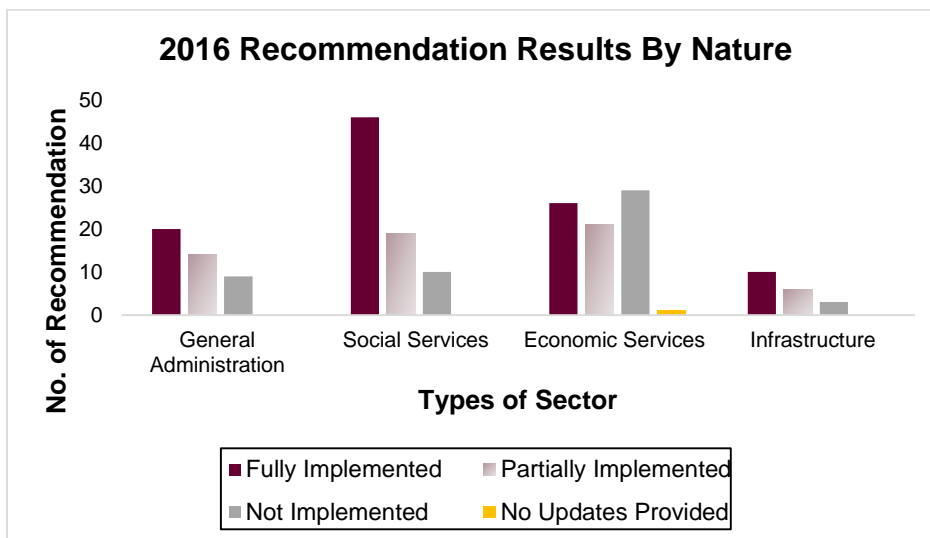


All agencies had fully implemented less than 50% of recommendations. Ministry of Local Government, Housing and Environment were yet to fully implement any of the recommendations.

This sector had the lowest implementation rate of 34%. A total of 21 or 27% recommendations were partially implemented.



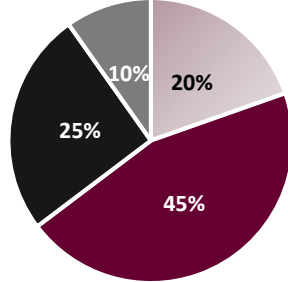
A total of 10 or 53% of recommendations were fully implemented. Six or 32% of recommendations were partially implemented.



A total of 46 recommendations were fully implemented in the Social Service sector followed by 26 in the Economic Services sector.

The Economic Services sector had the highest number of 29 recommendations that were not implemented. This sector also had the highest number of 21 partially implemented recommendations.

### Total Recommendation Implemented - 2016



- General Administration Sector
- Economic Services Sector
- Social Services Sector
- Infrastructure Sector

The Social Services Sector had the highest percentage of total implemented recommendations of 45% compared to the other three sectors.



# 5.0 Appendix A: Detailed Status Update

## 5.1 Office of the Prime Minister

Recommendations in Report on General Administration Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended Office of the Prime Minister :</b>				
1. Follow-up with the Water Authority of Fiji on water supply works project status and strategies expedite the project commencement and completion.	✓			
2. Formulate Standard Operating Procedures (SoPs) on utilization of funds held in Sports and Miscellaneous Trust Fund accounts.		✓		
3. Consider transferring the Sports and Miscellaneous Trust Fund accounts FMIS General Ledger Fund 9 with separate bank account.		✓		
4. Consider the need to maintain the Miscellaneous Trust account for proceeds from sale of books.		✓		
5. Must ensure that individual receipts for payments made through visa credit card are submitted to the Accounts Section within seven days of return from a trip.	✓			
6. Should ensure that immediate action is taken to recover any incorrect charges made to the credit card.	✓			
7. To make necessary arrangement for refund of the amount incorrectly charged.	✓			
8. Should follow up the pending documents from RFMF and keep track of on-going projects to ensure its timely completion.		✓		
9. Should ensure that monthly reconciliation for Mahogany Industry Council Trust Fund account is carried out and unreconciled item(s) are promptly investigated and resolved.		✓		
10. Formulate SoPs for the operations of the Mahogany Industry Council Trust Fund account.		✓		
11. Assess and formalize the rates used by FHCL to levy license fees to the Licensee.		✓		
12. Carry out independent monitoring and checks on the operations and billing process of the FHCL to Licensees.		✓		

## 5.2 Ministry of Justice

Recommendations in Report on General Administration Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended for the Ministry of Justice should:</b>				
1. Avoid bulk postings into the general ledger	✓			
2. Ensure that receipts and payments in the Trust Accounts are posted in the general ledger.	✓			
3. Ensure that the records of individual debtors are updated and reconciled against the Trust Fund Account Balance.		✓		
4. Investigate and rectify the variances noted between its reconciliation statements and the general ledger.	✓			
5. Ensure that proper and accurate monthly reconciliations are carried out.	✓			
6. Comply with the procedures relating to the preparation and submission of reconciliation statements.	✓			

### 5.3 Ministry of Foreign Affairs

Recommendations in Report on General Administration Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<p><b>It is recommended for the Ministry of Foreign Affairs should :</b></p> <ol style="list-style-type: none"> <li>1. Ensure that overseas missions bank balance is reconciled with the FMIS general ledger bank balance on a monthly basis and any foreign exchange gain or loss are adjusted immediately.</li> <li>2. Transfer the Fiji Consulate General Sydney account to the Ministry of Industry, Trade &amp; Tourism in consultation with the Ministry of Economy.</li> <li>3. Ensure that all revenues collected on behalf of other ministries/department by the overseas missions are deducted from their remittances and remitted to the respective Ministries/Departments.</li> <li>4. Formalize the administrative fees charged by the Mission for facilitating the request or applications for government services.</li> <li>5. Make direct deduction of salaries to recover all outstanding Accountable Advance.</li> <li>6. Ensure that all staffs attending trainings above \$2,000 are bonded in accordance with PSC bonding policy. Alternatively, the Ministry can develop its own bonding policy suitable to Ministry's needs.</li> <li>7. Ensure that Senior Accounts Officer-Missions and the Principal Accounts Officer perform regular reviews on Foreign Mission acquittals before being posted into the general Ledger.</li> <li>8. Ensure that Mission expenditures are posted on a monthly and transaction level basis to avoid future cash flow problems and maintain proper monitoring of actual expenditures incurred</li> <li>9. Develop and standardized policy on the payment of travel allowance for the diplomats on their official travel to Fiji.</li> </ol>			<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	

## 5.4 Ministry of Defence, National Security and Immigration

Recommendations in Report on General Administration Sector – 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended for the Ministry of Defence, National Security and Immigration:</b>				
1. Must ensure that revenue is posted to the correct allocation.			✓	
2. Should liaise with Ministry of Economy to create specific revenue general ledger allocations for revenue collected other passport revenue.			✓	
3. Should ensure that provisional tax is deducted from any commission payment or payments made under a contract of service.	✓			
4. Must ensure that the passport revenue as per the IBMS system and manual receipts are reconciled with the general ledger balance at the end of each month and variances are investigated and rectified.			✓	
5. Must ensure that supporting documentation is maintained for all funds remitted from overseas before these are posted to the general ledger and documentation is provided for audit verification.			✓	
6. Should ensure that underline accounts reconciliations are prepared within 3 days of receiving the monthly general ledger reports from the Ministry of Economy.			✓	
7. Should liaise with FRCS and offset the VAT overpaid with the current VAT payable.	✓			

## 5.5 Ministry of Civil Service

Recommendations in Report on General Administration Sector – 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended for the Ministry of Civil Service:</b>				
1. To liaise with Ministry of Economy and regularize the carried forward trust fund account balances and close off inactive operating trust fund accounts.		✓		

## 5.6 Judicial Department

Recommendations in Report on General Administration Sector – 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended for the Judicial Department should:</b>				
1. Ensure that Suitor's Trust, Maintenance Trust and Sundries Trust account bank statement balance, trust fund cash at bank balance in FMIS general ledger is reconciled on a monthly basis and any errors or omissions noted are investigated and resolved promptly.		✓		
2. Consider employing additional officers in the Fine Enforcement Unit is delays are caused by lack of human resources.		✓		
3. Carry out comprehensive review of arrears of revenue especially arrears over 5 years in view of establishing arrears which may not be recoverable.		✓		

## 5.7 Fiji Corrections Service

Recommendations in Report for General Administration Sector – 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended that the Fiji Corrections Service:</b>				
1. Must ensure that: <ul style="list-style-type: none"> <li>debtor reconciliations are prepared on a monthly basis and ageing report is prepared</li> <li>the reported variance is investigated and rectified and</li> <li>recovery action is instigated against long outstanding debtors.</li> </ul>		✓		
2. Must ensure that the: <ul style="list-style-type: none"> <li>reported variance is investigated and rectified</li> <li>credit facilities over to customers whose cheques have been dishonoured are reviewed and discontinued if necessary and necessary action is taken to recover debts arising from dishonoured cheques..</li> </ul>		✓		
3. Must ensure that: <ul style="list-style-type: none"> <li>SoPs are prepared and approved for the operation of the Prisoners Trust Fund Account and</li> <li>the closing balance as at 31 July 2016 is substantiated with relevant supporting documents.</li> </ul>		✓		
4. Should ensure that expenditures are recorded in the correct allocations.		✓		

## 5.8 Ministry of Youth and Sports

Recommendations in Report for Social Services Sector– 2018	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended that Ministry of Youth &amp; Sports should :</b>				
1. Formalize its SoPs and ensure all projects assisted are effectively monitored, establish a database to consolidate and capture information to assist in reviewing the effectiveness of the Youth Grant Program and improving policies and guidelines.	✓			
2. Ensure public tenders are called for any procurement of goods, services or works valued at \$50,001 or more, unless a Tender Board has approved an exemption in accordance with Procurement 30-(1).	✓			
3. Full payments of contractual are only made after receipt of completion certificate for contracted services.	✓			
4. Include provisions in its grant agreement to monitor grant funds utilized by Fiji Sports Council and carry out timely monitoring of the Capital Projects done by Fiji Sports Council under the grant agreement.	✓			
5. Make direct deduction from salaries to recover all outstanding Accountable Advances, investigate and rectify credit Accountable Advance balances and take appropriate action against officers responsible for not performing their duties.		✓		

## 5.9 Ministry of Women, Children and Poverty Alleviation

Recommendations in Report on Social Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended that Ministry of Women, Children &amp; Poverty Alleviation:</b>				
<b>Tropical Cyclone Winston Funds assistance to Welfare beneficiaries</b>	✓			
1. Prepare SoPs for any such programs implemented in the future.				
<b>Distribution Anomalies of HFHI Program</b>		✓		
2. Ensure that proper and detailed vetting processes are adopted to ensure accuracy of information processed to avoid mismanagement and fraudulent activity and in consultation with the Ministry of Economy should investigate the anomalies identified.				
<b>Unbudgeted Expenses – Diversion of Funds to Cater for DISMAC Operation</b>	✓			
3. Ensure that approval of Ministry of Economy is obtained for the transfer of funds.				
<b>Liability at Period End – Unpaid 2016 Overtime Payments</b>	✓			
4. Ensure current year's liabilities are settled within current year and expenditures incurred are charged to relevant allocation and to the correct accounting period.				
<b>Advance Payments at Year End – Misstatements in the General Ledger System</b>	✓			
5. Consult Ministry of Economy to adjust the August 2016 pay-outs to the new financial year commencing in August 2016 to avoid misstatement in the Statement of Receipts and Expenditure.				
<b>Misstatements of Social Protection Programs expenditure recorded in the General Ledger</b>	✓			
6. Must ensure that payments are made from the respective programs expenditure allocations and necessary adjustments are made in a timely manner and should properly plan the monthly pay-outs and ensure that sufficient funds are available before making payments from a particular program.				
<b>Care and Protection Program – Ineligible Recipients</b>		✓		
7. Ensure that review of recipients under the Care and Protection Program is carried out at least annually and proper mechanisms are put into place so that recipients who are being assisted for more than five years and children above the age of 18 years are easily identified and necessary actions are taken to terminate the provision of assistance to them.				
<b>Failure to Implement Internal Control – Payment Anomalies</b>		✓		

8. Strengthen compliance with internal controls over payments and take appropriate action for any breaches.

**Fixed Assets Register Not Updated**

9. Ensure purchase of any item above \$2,000 is recorded in Fixed Asset Register immediately upon purchase.

**Late and Non-retirement of Accountable Advances**

10. Ensure that outstanding accounts are recovered on timely basis, recoveries are properly accounted and further advances are not issued to any officer who has outstanding advances



## 5.10 Ministry of Education, Heritage and Arts

Recommendations in Report for Social Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended that the Ministry of Education, Heritage &amp; Arts should :</b>				
<b>21.5 Anomalies on Building Grant</b>				
1. Ensure that the Assets Monitoring Unit and District Education Officers verify and inspect the construction of school buildings which have been completed.	✓			
2. Ensure that required documents are submitted with the building grant applications.		✓		
3. Obtain progress report and audited financial statements from the recipients of grants to ensure that all grant money are properly accounted for.		✓		
<b>21.6 Absence of Signed Agreement</b>				
4. Ensure that a grant agreement is signed with the Higher Education Commission prior to disbursement of any further funds.	✓			
<b>21.7 Administration of Free Education Grant (FEG)</b>				
5. The Ministry should regularly monitor the manner in which FEG recipients utilize the grant to ensure that they are utilized within the allocated percentage stipulated in the FEG Policy.		✓		
6. The Ministry should ensure that approvals are obtained from Permanent Secretary for Education for utilization of funds above the allocated percentage as stipulated in the FEG Policy.		✓		



**Recommendations in Report for Social Services Sector - 2016**

**Status**

	F/IMP	P/IMP	N/IMP	N/UPD
7. The Ministry should ensure that grants are paid to schools as per the audited school rolls.		✓		
8. The Ministry should stamp date received all audited financials submitted and maintain database of financials submitted for compliance and other purposes.		✓		
9. Ensure that all schools comply with the prescribed format of audited financial statement.		✓		
<b>21.8 Anomalies in Accountable Advance</b>				
10. Ensure that the staffs are regularly reminded to retire any accountable advance taken on timely basis following completion of trips.		✓		
11. Investigate the reason for officers not fully retiring accountable advances and instigate necessary recovery actions on officers who failed to retire advances within seven days upon return from duty.		✓		
12. Ensure that accountable advances are properly accounted and promptly reflected in expenditures within the accounting period.	✓			
<b>21.9 Backlog Audited Accounts for Grant Recipients</b>				
13. Closely monitor the submission of acquittal reports and audited financial statements to ensure the grant money are utilized for the purpose it was appropriated for.		✓		
<b>21.10 Stale Cheques/EFT in Unpresented Listing</b>				
14. Ensure strict adherence to controls such as review of bank reconciliations and timely follow up of stale cheques and pending EFTs by supervisors in the Accounts Section.	✓			

## 5.11 Department of Housing

Recommendations in Report for the Social Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended that Department of Housing should ensure that:</b>				
1. Salary and wages reconciliations are performed on a timely basis.	✓			
2. Proper planning is carried out to ensure that funds made available for development projects are utilized for intended purpose.	✓			
3. Processing time for applications is reduced to improve the Department's service delivery.			✓	
4. Current strategies for increased utilization of budget to increase home ownership is reviewed.			✓	
5. Monthly reconciliation for the various general ledger accounts are prepared, signed and submitted for Permanent Secretary's endorsement in a timely manner.	✓			
6. Signed reconciliation are submitted to the Ministry of Economy and copies retained by the Department for future reference.	✓			
7. Board of Survey is carried out in accordance with Section 49 of the Finance Instructions and a copy is available for audit verification.	✓			

## 5.12 Ministry of Health and Medical Services

Recommendations in Report for the Social Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended that Ministry of Health &amp; Medical Services:</b>				
<b>Part B: 22.11 Anomalies in Drawings Account Reconciliation</b>				
1. Carry out a Board of Survey on the Drawings account to verify the drawings accounts reconciliation and general ledger records;	✓			
2. Ensure that the Ministry's drawings account is reconciled on a monthly basis;			✓	
3. Review its un-presented cheques listing on a regular basis and make attempts to locate the payees and ensure cheques are presented before they become stale;			✓	
4. Measures are put in place to ensure that proper processes are strictly adhered to when processing payments in the FMIS system;		✓		
5. Consider maintaining a manual cashbook to record details of all payments made during the year; and		✓		
6. Vendor details including bank account details are regularly updated in the FMIS and properly checked before payments are processed.	✓			
<b>22.12 EFTs in the Unpresented Cheques Listing</b>				
The Ministry should:				
7. Ensure that reconciliation of the Ministry's drawings account is reconciled on a monthly basis.			✓	
8. Review the unpresented cheques listing on a regular basis and attempt to locate the payees and encourage them to present the cheques before they become stale; and			✓	
9. Consider maintaining a manual cashbook to record all the payment details made during the year for reconciliation purposes.	✓			
<b>22.13 Operating Trust Account balances carried forward from prior year</b>				
10. The Ministry should ensure that all the monies kept in the trust are cleared and paid to the respective payees accordingly on a timely basis during the month end; and				✓
The Ministry should also ensure that funds carried over from previous years are investigated and necessary measures are taken to clear them.				
<b>22.14 TMA Sales revenue understated in VAT Returns</b>				
11. The Ministry should: strengthen its supervisory checks in the accounts section; and investigate and take appropriate action to rectify the anomalies noted.	✓			
<b>22.15 Unexplained Variance (TMA Cash)</b>				

Recommendations in Report for the Social Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
12. The Ministry should ensure that: all reconciliations prepared are thoroughly checked by the Senior Accounts Officer; and the variances are investigated and appropriate action taken to rectify them	✓			
<b>22.16 Main Trust Fund Account Anomalies</b>				
13. The Ministry should:  Formulate SoPs for the administration of all trust funds; and ensure that the trust fund/bank reconciliations are prepared on a monthly basis.		✓		
<b>22.17 Accounting of TMA Expenditures</b>				
14. The Ministry should ensure that:  Internal requisition order is raised by the BPA TMA for FPBS to prepare invoices;  Payments are made on the invoices are submitted by the FPBS ; and  Posting to the general ledger is done regularly and reviewed for accuracy.	✓			
<b>22.18 Expenditure incurred without budget</b>				
15. The Ministry should ensure that expenditure ledger accounts are reconciled on a timely basis and any misallocations noted are adjusted to the correct allocations accordingly.	✓			
<b>22.19 Anomalies noted in the Sahyadri Trust Fund Account</b>				
16. The Ministry should: <ul style="list-style-type: none"> <li>• Ensure that all receipts and payments are promptly posted in the FMIS general ledger;</li> <li>• Maintain a cash book to record receipts and payments for each main trust fund account; and</li> <li>• Ensure that monthly reconciliation of the cash at bank balance, general ledger and cash book are performed.</li> </ul>		✓		
<b>22.20 Anomalies noted in the Cardiology Trust Fund Account</b>				
17. The Ministry should: <ul style="list-style-type: none"> <li>• Ensure that all receipts and payments are promptly posted to the FMIS general ledger;</li> <li>• Maintain a cash book to record receipts and payments for each main trust fund account; and</li> <li>• Ensure that monthly reconciliation of the cash at bank balance, general ledger and cash book are performed.</li> </ul>		✓		
<b>22.21 Late Submission of Draft Agency Financial Statement</b>				

Recommendations in Report for the Social Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
18. The Ministry should ensure to submit the draft agency financial statement in accordance with the Finance Instruction 2010 and directive issued by the Ministry of Economy.			✓	
<b>22.22 Significant control weaknesses and misallocation of revenue receipts</b>				
19. The Ministry should ensure that:	✓			
<ul style="list-style-type: none"> <li>Supervisory checks are strengthened and correct revenue allocations are legibly entered in the receipt books and posted to appropriate general ledger allocations.</li> </ul>				
<b>22.23 Payments made without contract being signed</b>				
20. The Ministry should:	✓			
<ul style="list-style-type: none"> <li>Ensure that contracts are signed before indents/purchase orders and payments are processed; and</li> <li>Follow up on the delivery of the pending items.</li> </ul>				
<b>22.24 Outstanding Patients Surgery Costs – Sahyadri Trust</b>				
21. The Ministry should:		✓		
<ul style="list-style-type: none"> <li>formalize the fee structure through a supplementary agreement;</li> <li>formulate a Standard Operating Procedures for the administration of the Sayhadri Trust Fund account;</li> <li>take necessary action to recover the amounts by patients ; and</li> <li>maintain a patient register including payment details, up-to-date cash book and prepare monthly bank reconciliations for the account.</li> </ul>				
<b>22.25 Anomalies in payments to Company F</b>				
22. The Ministry should ensure that:	✓			
<ul style="list-style-type: none"> <li>internal controls are strengthened to ensure all payments are processed within the year;</li> <li>payments are not made on photocopied documents; and</li> <li>all procurements are made through a LPO and in case of emergency/urgency, arrangements are with the Ministry of Economy to issue manual LPOs.</li> </ul>				
<b>22.26 Payments processed without payment Vouchers</b>				
23. The Ministry should ensure that payment vouchers are raised for all payments made with the relevant details recorded in the vouchers as required by the Finance Instructions.		✓		
<b>22.27 Local Purchase Orders not raised to engage Aeromedical Services</b>				
24. The Ministry should ensure that all procurements are made through LPOs. In case of emergency/urgency such as aeromedical mercy flights, arrangement should be made with the Ministry of Economy to issue manual LPOs	✓			

Recommendations in Report for the Social Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>22.28 Payment Records not stamped "Paid"</b>				
25. The Ministry should: <ul style="list-style-type: none"> <li>ensure that all vouchers and supporting documents are promptly stamped "PAID" and filed; and</li> <li>ensure that the roles and responsibilities of the Cashier are properly segregated and supervised.</li> </ul>		✓		
<b>22.29 Payments made on photocopied invoices</b>				
26. The Ministry should ensure that all payments are processed on original copies of invoices and the use of photocopied invoices is ceased with immediate effect.	✓			
<b>22.30 Missing Records</b>				
27. The Ministry should: <ul style="list-style-type: none"> <li>ensure that all payment vouchers are properly filed and kept in secured place; and</li> <li>investigate and locate the missing payment vouchers.</li> </ul>			✓	
<b>22.31 Delay in Procurement of Scales</b>				
28. The Ministry should ensure that a proper procurement plan is put in place to ensure that terms and conditions of the contracts are complied with at all times.	✓			
<b>22.32 Written confirmations not obtained for engaging 2nd/3rd aeromedivac service options</b>				
29. The Ministry should ensure that: <ul style="list-style-type: none"> <li>written confirmations are obtained from the cheaper options (option 1 and 2) if they are not able to provide the service on a particular date; and</li> <li>if it is not possible to obtain the written confirmation due to emergency situations, this should be formalized subsequently.</li> </ul>	✓			
<b>22.33 Delivery Lead times</b>				
30. Given the significant delays noted in delivery, the Ministry should ensure that a proper inventory planning is done to ensure that required drugs/vaccines/consumables are in adequate stock at all time; and The Ministry should report the matter to the Fiji Procurement Office for necessary action.		✓		
<b>22.34 Procurement above Delegated Authority</b>				
31. The Ministry should ensure that: <ul style="list-style-type: none"> <li>Section 2.2.1 of the Finance Manual is complied with; and</li> <li>the approval limit for Director FPBS be specified, approved and included in the Finance Manual.</li> </ul>	✓			
<b>22.35 Payments made from incorrect Capital Projects vote</b>				

Recommendations in Report for the Social Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
32. The Ministry should ensure that capital projects are properly planned and expenditures incurred are charged to correct allocations	✓			
<b>22.36 Delays in Lodgements of Revenue to the Bank</b>				
33. The Ministry should ensure that: <ul style="list-style-type: none"> <li>all revenue collected is banked intact promptly;</li> <li>revenue receipts issued are reconciled to the revenue collector's analysis sheets and verified to the bank lodgement forms on a daily basis by supervising officers; and</li> <li>the substantial delay in lodgement is investigated and disciplinary action is considered against responsible officers.</li> </ul>		✓		
<b>22.37 Anomalies in trust fund account payments</b>				
34. The Ministry should formulate SoPs for the administration of the Fiji Overseas Children Trust Fund account; and Strengthen supervisory checks over the operation of the account		✓		
<b>22.38 In-service training</b>				
35. The Ministry should ensure that: <ul style="list-style-type: none"> <li>the human resource development and training policy is revised and updated;</li> <li>bond records are properly filled and maintained;</li> <li>appropriate action is taken to recover the amount paid for the officers tuition fees; and</li> <li>Appropriate disciplinary action is taken against officers responsible for failing to perform their work diligently</li> </ul>	✓			
<b>22.39 Schedule of Open Indents and Commitment at year end not provided</b>				
36. The Ministry should ensure that: <ul style="list-style-type: none"> <li>proper control mechanisms are put into place to ensure that schedule of open indents or commitments are maintained; and</li> <li>expenditures pertaining to current period are met from the year's budgetary provisions.</li> </ul>	✓			
<b>22.40 Provisional Tax Not Deducted</b>				
37. The Ministry should ensure that: <ul style="list-style-type: none"> <li>that Provisional Tax of 5% is deducted from future claims from the contractors listed above;and</li> <li>taxation regulations are complied with at all times.</li> </ul>	✓			
<b>22.41 Unauthorized use of Journal Voucher for cash flow adjustment</b>				
38. The Ministry should ensure that proper procedures are adhered to at all times when faced with cash flow issues or insufficient budgetary allocations by way of an approved cash flow adjustments or virement.	✓			

F/IMP P/IMP N/IMP N/UPD

**22.42 Excess and out of stock drugs reports as at 31 July 2016 not provided**

39. The Ministry should put in place measures to ensure that monthly stock reports are prepared and submitted to management on a timely basis and are available for audit verification on request.





## 5.13 Ministry of Lands and Mineral Resources

Recommendations in Report for Economic Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended that Ministry of Lands and Mineral Resources should :</b>				
<b>Department of Lands</b>				
1. Ensure that a Gift Register is maintained and reconciliations are prepared in a timely manner as required by the Finance Manual 2013 and Finance Instructions 2010.	✓			
2. Ensure that the retention sum deducted from the progress payments are deposited into the trust fund account			✓	
3. Maintain a register to record details of all retention sum deducted	✓			
4. Ensure that the clauses in the contractual agreement in relation to deduction of retention sums are strictly adhered to.	✓			
5. Ensure that the ledger balances are reconciled to the general ledger reports in a timely manner and errors or misallocations are adjusted accordingly.		✓		
6. Ensure that the monthly trust fund reconciliations are prepared in a timely manner in accordance with Schedule 9 of the Ministry of Lands and Mineral Resources Finance Manual 2013.	✓			
7. Ensure that the trust cash book and trust ledger records are properly maintained and updated.			✓	
8. Ensure supervisory controls and checks are strengthened in the Accounts Section to avoid such discrepancies from occurring in future.		✓		
9. Ensure that the Drawings Account is reconciled monthly and any errors, omission or misallocation noted are investigated and adjusted accordingly.		✓		
<b>Department of Mineral Resources</b>				
10. Ensure that the monthly trust fund reconciliations are prepared in a timely manner.	✓			
11. Ensure that stale and voided cheques are cleared in a timely manner.			✓	
<b>Prior Year</b>				

	F/IMP	P/IMP	N/IMP	N/UPD
<p><b>Rental Being Charged on Expired Leases</b></p> <p>12. ensure that:</p> <ul style="list-style-type: none"> <li>• Lease rentals are not charged on expired leases</li> <li>• Necessary processes are taken after the expiry of leases</li> </ul>	✓			
<p><b>13. Arrears of Revenue</b></p> <p>Accounting Heads to:</p> <ul style="list-style-type: none"> <li>• Ensure correct figures are supported before finalizing the arrears of revenue report.</li> <li>• Take appropriate steps vigorously follow up for recovery of long outstanding debts.</li> <li>• Follow up the outstanding debts in accordance with the debt recovery procedures prescribed in the Ministry's Finance Manual.</li> <li>• Review the effectiveness of the Taskforce Unit that was established to enforce the collection of land rent.</li> </ul>			✓	
<p><b>14. Anomalies in the Underline Accounts Reconciliation</b></p> <ul style="list-style-type: none"> <li>• Reconciliation statements are prepared on a monthly basis and the statements should be properly checked and signed off.</li> <li>• Ensure compliance with the procedures relating to the preparation of reconciliation statements as stated in the Finance Manual to strengthen the reconciliation process.</li> <li>• Ensure that all balances in its books of accounts are accurate and adequately supported.</li> <li>• The Ministry should ensure correct calculation of VAT payments made to FRCS.</li> </ul>		✓		
<p><b>15. Salary and Wages Reconciliation not prepared on Time</b></p> <ul style="list-style-type: none"> <li>• Ensure that regular payroll (salaries/wages) reconciliations are performed on a fortnightly/weekly basis and that the reconciliation statements are thoroughly checked by the Principal Accounts Officer to minimize or avoid incorrect payments of Salaries and Wages.</li> </ul>	✓			
<p><b>16. Payments made after the Discount Period</b></p> <ul style="list-style-type: none"> <li>• Take advantage of the discounts offered by the Councils by planning the requisitioning of funds with the Ministry of Economy within the discount period given by the Municipal Councils</li> </ul>	✓			
<p><b>17. Legislation Governing Crown Lands Act</b></p> <ul style="list-style-type: none"> <li>• consider making proposals to review legislations governing the Department to ensure that all the different legislations are harmonized.</li> </ul>			✓	

## 5.14 Ministry of Agriculture

Recommendations in Report on Economic Services Sector – 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended for the Ministry of Agriculture:</b>				
1. To make concerted effort together with Agriculture Marketing Authority to prepare annual financial statements for year 2010 to 2017 and submit to the Auditor General for audit.			✓	
2. To ensure that funds are utilized for the purpose it was appropriated for in the budget.	✓			
3. All fixed assets owned by the Ministry are properly recorded in the Fixed Assets Register.		✓		

## 5.15 Ministry of Fisheries and Forests

Recommendations in the Report for Economic Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended that the Ministry of Fisheries and Forests:</b>				
<b>Governance Issues</b>				
1. Must ensure that the strategic plan for the period 2016-2021 is finalized as soon as possible.	✓			
2. Must also ensure that there is regular evaluation of internal controls and corrective action is taken to resolve the weakness identified.			✓	
<b>Weakness in Internal Control for Operating Fund Account</b>				
3. Should ensure that assets with value in excess of \$2,000 are recorded in the Fixed Asset Register.			✓	
4. Should ensure that monthly reconciliation of underline accounts is prepared and submitted to Ministry of Economy before the 15 <sup>th</sup> of each month.		✓		
5. Should ensure that wages reconciliation for Pay 18 to 32 are prepared and submitted to Ministry of Economy.	✓			
<b>Trading and Manufacturing Activity Support Initiative</b>				
6. Should ensure that Cabinet approval is obtained for unbudgeted expenditure.				✓
7. Should ensure work plans are developed to ensure proper utilization of funds and a detailed acquittal is prepared for the utilization of the funds.			✓	

Recommendations in the Report for Economic Services Sector - 2016		Status			
It is recommended that the Ministry of Fisheries and Forests:		F/IMP	P/IMP	N/IMP	N/UPD
8.	Should ensure internal control weaknesses within the TMA account are strengthened prior to the implementation of the project.			✓	
<b>Payment of Subsistence Allowance</b>					
9.	Must ensure that written directions in the General Order are complied with at all times.	✓			
<b>Provisional Tax not Deducted</b>					
10.	Should comply with the requirements of FRCS for provisional Tax deductions from payments to all contracted service providers.		✓		
<b>Revenue</b>					
11.	Should ensure that reconciliation is prepared between the TRS system and the FMIS general ledger and the variances noted are investigated and rectified.			✓	
<b>Anomalies in Underline Accounts</b>					
12.	Should reconcile the Drawings, Operating Trust and SLG 84 account to the FMIS general ledger and any variances noted should be investigated and necessary adjustment made.			✓	
13.	Should also ensure that travelling advances are cleared within 7 days of the completion of the travel or recovery should be made from the salaries of staffs concerned.			✓	
<b>Inappropriate Usage of Project Funds Provided Through SLG 84</b>					
14.	Should ensure that project funds are only used for the purpose it was provided for by the donor agencies or other government departments.		✓		
15.	Should ensure agreements between donor agencies and the Ministry are made available for audit verification.		✓		
<b>Weakness in internal controls for TMA operations</b>					
16.	Must ensure that the business plan is prepared in accordance with the TMA policy.			✓	
17.	Must ensure performance report is prepared and submitted to the Ministry of Economy.			✓	
18.	Must ensure stock listing is provided and submitted together with the stock take report.			✓	
19.	Must ensure internal controls within the trading and manufacturing activity are strengthened.			✓	
20.	Must ensure daily banking lodgements are done.	✓			
<b>Anomalies in the Trading and Manufacturing Account</b>					
21.	Should ensure that TMA balances are properly supported and rectify errors detected to ensure balances are correct.			✓	

**Recommendations in the Report for Economic Services Sector - 2016**

**Status**

**It is recommended that the Ministry of Fisheries and Forests:** F/IMP P/IMP N/IMP N/UPD

22. Should ensure that proper reconciliations are carried out and any variances noted are investigated and adjusted accordingly. ✓

**Unsupported petty cash expenditure**

23. Should ensure that an Imprest is only held for incidental payments. ✓

24. Should ensure that proper procedure for holding an Imprest account as per the Department of Fisheries Finance Manual is followed. ✓

25. Should ensure cash reconciliation is submitted on a timely basis. ✓

26. Should ensure relevant supporting documents are provided for petty cash expenditures. ✓

**Anomalies in the Fisheries Main Trust Fund Account**

27. Should ensure that the variance highlighted is investigated and rectified. ✓

28. Should ensure that supporting documentation is maintained for adjustments made and provided for audit review when required. ✓

29. Should ensure that a proper trust listing is maintained. ✓

**Authorized cheque signatory list not up to date**

30. Should ensure that file of the names, designations and signatures of officers authorized to operate bank accounts are updated. ✓

31. Should ensure that cheque signatories for the Trust account are changed. ✓

**Follow-Up On Previous Year Issues – 2015 Audit Issues**

**Trading and Manufacturing Activity Account**

32. Should ensure that monthly reconciliation process be strengthened to mitigate various issues highlighted. ✓

33. Should ensure that errors and discrepancies highlighted during the reconciliation process be corrected promptly, and in consultation with the Ministry of Economy where necessary. ✓

34. The draft Agency Financial Statements including the Trade and Manufacturing Accounts are thoroughly checked, balances substantiated and clarified with the Ministry of Economy before they are submitted for audit. ✓

**TMA Stock Figures (Qualification issue)**

35. Should ensure that an officer who is independent of the Ministry is present to oversee the stock take process. ✓

**Medical and Police Reports for New Recruits not Provided**

**Recommendations in the Report for Economic Services Sector - 2016**

**Status**

**It is recommended that the Ministry of Fisheries and Forests:** F/IMP P/IMP N/IMP N/UPD

36. Should ensure that proper vetting of applicants is conducted prior to the appointment of officers as required under General Orders 203. ✓

37. Should ensure that medical reports and police clearance reports are obtained and kept in the respective files to support vetting process carried out. ✓

**No Individual Work Plan**

38. Should ensure that IWP's are developed by each employee and are agreed to by the Ministry and the employees. ✓

39. Should ensure that a copy of the IWP is maintained in the employee's personal file ✓

**Drawings Reconciliations**

40. Should investigate and rectify the variances noted between its reconciliation statements and the general ledger FMIS. ✓

41. Should ensure that monthly reconciliations are carried out properly and accurately. ✓

42. Should ensure that reconciliation of all underline accounts are performed monthly, properly checked and approved on time. ✓

43. Should ensure that procedures relating to the preparation of reconciliation statements as stated in the Finance Manual are complied with to strengthen the reconciliation process. ✓

44. Should ensure that all balances in its books of accounts are accurate and adequately supported ✓

**Misallocation of Expenditures**

45. Should ensure that all purchases made are charged to the correct allocation ✓

46. Should ensure that all necessary expenditure to be incurred for the year is identified and adequately provided for in the Ministry's budget. ✓

47. Should ensure that accounting information gathered are fairly represented so that proper decision making could be made. ✓

**Utilization of Capital Expenditure Funds for Other Projects**

48. Should ensure that the funds are utilized for their intended purposes as set out in the budget and to avoid unnecessary over expenditures. ✓

**Settlement of Previous Years Outstanding Accounts**

49. Should ensure that the current year's expenditures are settled within the current financial period and not carried forward to the next financial year. ✓

## 5.16 Ministry of Local Government, Housing and Environment

Recommendations in Report on Economic Services Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<p><b>It is recommended for the Ministry of Local Government, Housing &amp; Environment should ensure that:</b></p> <ol style="list-style-type: none"> <li>Salary and wages reconciliation are performed on a timely basis and filed accordingly.</li> <li>Monthly reconciliations for the various general ledger accounts are prepared, signed and submitted for Permanent Secretary's endorsement in a timely manner; and signed reconciliations are submitted to Ministry of Economy and a copy is retained by the Ministry for records purposes.</li> <li>System of record keeping is reviewed and strengthened; and_all the payment vouchers and supporting documents are made available for audit purposes.</li> <li>VAT is charged at the correct rate; and liaise with FRCS for any adjustments to its VAT account.</li> <li>The waste transfer station project is properly planned and implemented.</li> <li>Proper planning is carried out for all capital projects and these implemented in a timely manner with progress reports provided to all key stakeholders.</li> <li>Grant recipients submit their acquittals in a timely manner; and not provide new grants unless acquittals have been provided for previous grant payments.</li> <li>Grant recipients provide the audited financial statements on a timely basis.</li> </ol>			<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	

## 5.17 Ministry of Infrastructure and Transport

Recommendations in Report on Infrastructure Sector - 2016	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>It is recommended for MOIT to ensure that :</b>				
1. Reconciliations between the Consolidated TMA Bank Account balance and FMIS General Ledger balance are thoroughly checked by the Senior Accounts Officer and variances noted in the reconciliation are investigated and appropriate action is taken to rectify them.		✓		
2. Accounts receivables schedules are updated and reconciled with the FMIS general ledger on a monthly basis.	✓			
3. Appropriate action is taken to rectify the anomalies in VAT and ensure that adequate training is provided to its accounting staff especially in accounting of TMA operations.	✓			
4. Consultation is made with Ministry of Economy to consider reducing the cash ceilings for the Fuel and Oil and Plant Hire TMA's.			✓	
5. Proper monitoring and supervision is provided to subordinate staffs in the Joinery TMA and Joinery Worksheets are updated prior to determining the sale price.	✓			
6. Prices quoted to the customers of Joinery TMA are properly calculated to include the total cost of materials, labour and mark-up charged.	✓			
7. Necessary controls in Joinery and Plumber Shop TMAs are implemented.	✓			
8. Necessary controls in the Plumber Shop and Plant Hire TMAs are implemented and the variance in sales between the JRS and general ledger is reconciled.		✓		
9. Consultation is made with Ministry of Economy FMIS section on the correct classification of the trust accounts.	✓			
10. Take pro-active action is taken in the monitoring of the timely implementation of "grid extensions" projects as per the "Grid Extension agreement" addressing the key issues noted in the implementation of the agreement and enquire with the contractor on the status of the "grid extensions" projects since 2013 or any that may be pending prior to this.	✓			
11. Liaison is made with the village Turaga Ni Koro and Divisional Engineers for the access to customers' residence.		✓		



	F/IMP	P/IMP	N/IMP	N/UPD
12. Individual projects costs are properly accounted in the respective ledgers and all projects are completed within the agreed time frame.	✓			
13. Records relating to project works are properly maintained and provided for audit review; retirement of accountable advance are journalized correctly; receipt books for the Energy Trust Fund are used in numerical sequence and all unused receipts are properly recorded in a register; and current year's expenditures are settled within the current financial period and not carried forward to the next financial year.	✓			
14. Payment of VAT for the tendered shipping companies under the Shipping Franchise Scheme Program is paid from SEG 6 and not SEG 13.	✓			
15. Airports Fiji Limited complies with the Cabinet Decision and reimburse the FMS 50% of the costs of meteorological services provided; review of the cost structure on the provision of meteorological services to the aviation industry is carried out; and revenue is correctly posted in the FMIS general ledger.			✓	
16. Liaison is with the Water Authority of Fiji to locate the documents relating to the payment of retention deposit monies from the contractors.		✓		
17. The Department of Government Shipping Services tally cards are updated regularly to record movement of stores; and appropriate disciplinary action taken against those responsible for not performing their duties diligently.			✓	
18. Capital projects are properly planned and reviewed to avoid delays. Delay damages are claimed from the contractors for works not completed as per the contract. Terms and conditions of the contract are complied with at all times.		✓		
19. Arrears records are updated on a monthly basis to fairly represent arrears of revenue; and concerted effort is made to recover the arrears to avoid write offs.		✓		

# 6.0 Appendix B: OAG Follow-up Audit Guidelines



OFFICE *of the* AUDITOR GENERAL  
*Republic of Fiji*

# OAG Follow Up Audit Guidelines

(March 2018)

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## 6.1 INTRODUCTION

### 6.1.1 Purpose

The purpose of this guideline is to provide direction to staff of OAG when monitoring and determining if management of the auditees have taken appropriate and timely action on reported recommendations and audit findings. Audit groups should use this guideline for conducting follow up audits, use professional judgement in its application, and be prepared to justify any departure and seek additional guidance if considered necessary.

### 6.1.2 Applicable Standards

- ISSAI 10: The Mexico Declaration on SAI Independence
- ISSAI 12: The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens
- ISSAI 20: Principles of Transparency and Accountability
- ISSAI 300: Fundamental Principles of Performance Auditing
- ISSAI 3000: Standards and Guidelines for Performance Auditing Based on INTOSAI’s Auditing Standards and Practical Experience
- ISSAI 3100: Performance Audit Guidelines – Key Principles
- ISSAI 3200: Guidelines for the Performance Auditing Process

### 6.1.3 ISSAI Requirements

6.1.3.1 ISSAI 10 enforces the significance of follow-up mechanism for Supreme Audit Institutions (SAIs). SAIs are required to *“have their own internal follow-up system to ensure that the audited entities properly address their observations and recommendations as well as those made by the Legislature, one of its commissions, or the auditee’s governing board, as appropriate.”*

6.1.3.2 SAIs are also required to *“submit their follow-up reports to the Legislature, one of its commissions, or the auditee’s governing board, as appropriate, for consideration and action, even when SAIs have their own statutory power for follow-up and sanctions”* (INTOSAI ISSAI 10, 2007: 6).

### 6.1.4 Objective of Follow up Audits by OAG

6.1.4.1 Follow-up audits are carried out to ascertain whether appropriate and timely corrective action has been taken to implement Management’s action plans, and to advise Parliament on the progress of these issues.

6.1.4.2 The follow-up process is important in ensuring that the role of OAG in adding value to the auditees is achieved. Unless management of the auditees implements the action plans agreed to with the OAG, the deficiencies or inefficiencies identified will continue to exist and impact on the area.

## 6.2 FOLLOW-UP PROCEDURES

### 6.2.1 Focus of Follow-up Audits

6.2.1.1 Follow-up auditing is not restricted to the implementation of recommendations. It focuses on whether the audited entity has adequately addressed the problems raised in the audit report, and the underlying situation after a reasonable period of time.

6.2.1.2 When conducting follow-up of an audit report, the auditor should concentrate on findings and recommendations that are still relevant at the time of the follow-up and adopt an unbiased and independent approach. The follow-up process is mainly implemented to monitor the results of an audit and ensure that responsive action plans have been effectively implemented by the auditee.

## 6.2.2 **Primary Objectives for Follow-up Auditing:**

6.2.2.1 The two main objectives of follow-up auditing are as follows:

- Was the recommendation implemented as per the action plan submitted by management?
- Did the recommendation and plan of action result in the intended effect of mitigating the risk that had necessitated the recommendation in the first place?

6.2.2.2 It is important for both the SAI and the audited entity to know the extent to which corrective action has taken place to resolve previously reported issues.

## 6.2.3 **Planning of Follow-up Audits**

6.2.3.1 In the initial planning of a follow-up, the audit team should consider the following critical questions:

- **Timeliness:** Is the time appropriate for the follow-up process (has the audited entity had enough time to address the issues and take subsequent actions after they were reported)?
- **Scope:** Should the follow-up audit address only the implementation of the recommendations?
- **Evolution of the problems:** Does the initial problem or issue identified evolve with time?
- **Extent of the risks:** What is the extent of the risk associated with issues raised in the original report?

6.2.3.2 Audit teams must bear in mind that the focus of the follow-up should be to determine the progress achieved in resolving the issues originally identified.

6.2.3.3 It is important to note that issues may evolve with time, and focusing strictly on recommendations may miss a new concern, just because the recommendations may not be fully relevant to new circumstances or the evolution of the issue. So audit teams should consider the evolution of the issues appropriately and on a timely basis.

## 6.2.4 **Status of Action taken by Audited Entity (Management's Proposed Actions)**

6.2.4.1 Audit teams should discuss with management of the auditees on the proposed actions to address reported recommendations and audit comments. These proposed actions should be provided to the team and should be recorded as a management response in the final report with a committed implementation and/or action date.

6.2.4.2 The follow-up process may begin with a request to the entity for an update on the status of the action taken to implement the recommendations from prior years' audits. The request may include the following questions:

- What steps have the entities taken to achieve the needed improvements?
- How well are entities progressing in those efforts?

## 6.2.5 **Form of Follow-up Responses**

6.2.5.1 The audit team is required to receive follow-up responses from management in writing, as this helps to reinforce and confirm management responsibility for follow-up action and progress

achieved. Written responses ensure an accurate record of actions, responsibilities and current status.

6.2.5.2 Audit teams should request and/or receive periodic updates from management responsible for implementing agreed-on actions to evaluate the progress management has made, particularly in relation to high-risk issues and corrective actions with long lead times.

## **6.3 AREAS TO BE COVERED FOR FOLLOW-UP**

### **6.3.1 Procedures for Follow-up Activities**

**6.3.1.1** Procedures for follow-up activities should be established and should include:

- The recording of a time frame within which management should respond to agreed-on recommendations.
- An evaluation of management's response.
- A verification of the response, if appropriate
- Follow-up work, if appropriate.
- A communication procedure that escalates outstanding and unsatisfactory responses and/or actions to the appropriate levels of management and to those charged with governance.
- A process for obtaining management's assumption of associated risk, in the event that corrective action is delayed or not proposed to be implemented.

**6.3.1.2** An automated tracking system or database should be maintained for carrying out follow-up activities.

**6.3.1.3** Factors that should be considered in determining appropriate follow-up procedures are:

- The importance and impact of the findings and recommendations
- Any changes in the client's environment that may affect the importance and impact of the findings and recommendations
- The complexity of correcting the reported situation
- The time, cost and effort needed to correct the reported situation
- The effect if correcting the reported situation should fail

### **6.3.2 Responsibility for Follow-up Procedures**

**6.3.2.1** Responsibility for follow-up actions, reporting and escalation rests with Directors of Audit and the Audit Managers.

**6.3.2.2** Clearance of an outstanding issue can only be made by a Director of Audit. An issue can only be cleared when Management response confirms that the action plan has been implemented or provides adequate/sufficient information evidencing that the issue is redundant. A template for clearance of issues is attached in Appendix 1.

**6.3.2.3** The form for clearance of audit issues should be completed, supported by relevant supporting evidence and submitted with the recommendation of the Audit Manager for approval by Director of Audit.

### **6.3.3 Timing and Scheduling of Follow-up Activities**

**6.3.3.1** The OAG shall carry out follow-up audits at least annually.

**6.3.3.2** A follow-up should be conducted no later than two years after the completion of an audit. However, some audits may need to be followed up sooner than others, due to the significance and nature of the issues raised in the original report.

**6.3.3.3** The timing of the follow-up activities should take into account the significance of the reported findings and the effect if corrective actions are not taken. The timing of follow-up activities in relation to the original reporting is a matter of professional judgement dependent on a number of considerations, such as the nature or magnitude of associated risk and costs to the auditee.

**6.3.3.4** Agreed-on outcomes relating to high-risk issues should be followed up soon after the due date for action and may be monitored progressively.

**6.3.3.5** The implementation of all the management responses may be followed up on a regular basis (e.g., each quarter) for different audit engagements together, even though the implementation dates committed to by management may be different. Another approach is to follow up individual management responses according to the due date agreed on with management.

#### **6.3.4 Nature and Extent of Follow-up Activities**

**6.3.4.1** The auditee will need to be given a time frame within which to respond with details of actions taken to implement recommendations.

**6.3.4.2** Management's response detailing the actions taken should be evaluated, if possible, by the audit team who performed the original audit. Wherever possible, audit evidence of action taken should be obtained.

**6.3.4.3** Where management provides information on actions taken, appropriate testing or other audit procedures should be undertaken to confirm the true position or status prior to concluding further follow-up activities.

**6.3.4.4** As a part of the follow-up activities, audit teams should evaluate whether unimplemented recommendations are still relevant or have a greater significance. The team may decide that the implementation of a particular recommendation is no longer appropriate. This could occur where application systems have changed, where compensating controls have been implemented or where business objectives or priorities have changed in such a way as to effectively remove or significantly reduce the original risk. In the same way, a change in the client's environment may increase the significance of the effect of a previous observation and the need for its resolution.

**6.3.4.5** The audit team's opinion on unsatisfactory management responses or action should be communicated to the appropriate level of management.

#### **6.3.5 Follow-up Activities in Audit Groups Work Plans**

**6.3.5.1** Audit Managers are responsible for scheduling follow-up activities as part of developing audit work schedules. The scheduling of follow-ups should be based on the risk and exposure involved, as well as the degree of difficulty and time needed in implementing corrective actions. A Follow-up Register can be maintained by the teams for clients under their portfolios.

**6.3.5.2** There may also be instances where the Director of Audit judges that management's written response shows that action already taken is sufficient when weighed against the relative importance of the audit observation or recommendation. On such occasions, actual follow-up verification activities may be performed as part of the next audit that deals with the relevant system or issue.

### **6.4 ASSESSMENT OF MANAGEMENT'S ACTION PLAN**

Reporting on follow-up conclusions is of vital importance. Audit teams must endeavor to provide a complete and clear view of the post-audit situations. The readers of the reports should not meet with any vague overall considerations. An assessment criteria is provided in the table below:

**Table 1: Assessing Managements Action Plan**

<b>Scale</b>	<b>Result</b>	<b>Justification</b>
<b>0</b>	<b>Non Applicability</b>	Here the auditors indicate “Non-applicability” where the recommendation is obsolete or no longer applicable due to time lapses, new policies, etc.
<b>1</b>	<b>No Progress/ Insignificant Progress</b>	In this case, the main response of the audited entity to the follow-up is just restricted to generating some informal plans.  Therefore the audit team’s Director may qualify their opinion as “No Progress” or “Insignificant Progress”.
<b>2</b>	<b>Preliminary Progress</b>	Here the auditors observe that the formal plans for organizational changes have been created and approved by the appropriate level of management, with appropriate resources and a reasonable timetable. <i>(Planning stage)</i>  In the follow-up report the audit team’s Director may conclude that the audited entity has some “Preliminary Progress” within the concept of addressing the previous recommendations.
<b>3</b>	<b>Material Progress</b>	This scale indicates that the audited entity has begun necessary preparations for implementation, such as hiring or training staff, or developing or acquiring the necessary resources to implement the relevant recommendation. <i>(Preparation for implementation)</i>  This refers to “Material Progress” in the implementation of recommendations.
<b>4</b>	<b>Substantial Progress</b>	The audit team observes that the enabling structure and processes are in place and integrated in some parts of the organization, and some achieved results have been identified as well. <i>(Substantial implementation)</i>  This refers to “Substantial Progress” in the implementation of recommendations.
<b>5</b>	<b>Best Achievement</b>	This scale represents the status of “Best Achievement”. <i>(Full implementation)</i>  In the report the audit team’s Director concludes that the enabling structures and processes are operating as intended and implemented fully in all intended areas of the organization.

Source: *Follow up Mechanism: A Missing Link in the Audit Cycle* Pg.119, taken from Public Service Commission of Canada, Audit Manual (2006), Chapter7, Audit Follow-up Phase



## 6.5 PREPARATION OF REPORT FOR FOLLOW-UP RESULTS

**6.5.1** In the early stages of the follow-up audit, the audit team should provide the entity’s management with the scale shown in Section 4.0. At the end of the follow-up, the audit team should present and discuss the results with entity representatives and prepare a report.

**6.5.2** Ideally, the original audit team members should carry out the follow-up audit. There are two main methods for preparation of the follow-up audit reports:

- Every original audit team may prepare their separate follow-up audit reports. In this case, the final follow-up audit reports are not consolidated and the procedures of each report are conducted by the original audit teams.
- Prepare directly consolidated audit reports depending on the individual follow-up reports of the audited entities. By this way, the general issues and the assessments of the public management system with regard to follow-up mechanisms are systemically channeled through the public debate and parliamentary discussions.

**6.5.3** A suggested template for reporting on follow up audits individually is provided below:

**Figure 1: Template for Individual Audit Follow-up**

<b>Audit Report:</b> _____ <b>Auditee:</b> _____ <b>Date Issued:</b> _____			
Issue No.	Recommendation	Action Taken <i>(as per report from management)</i>	Status <i>(Implementation of Recommendations)</i>
			F/IMP
Prepared By: _____		Date: _____	

Source: AFROSAI-E Performance Audit Handbook (2013) Pg.131

**Key:**

**F/IMP**-Fully Implemented; **N/IMP**-Not Implemented; **P/IMP**-Partially Implemented; **N/UPD**-No update provided

**6.5.4** A report on the status of agreed-on corrective actions arising from audit reports, including agreed-on recommendations not implemented, should be presented to the appropriate level of management and to those charged with governance (e.g., the audit committee or board).

**6.5.5** If, during a subsequent audit, the team finds that the corrective action that management had reported as ‘implemented’ had in fact not been implemented, they should communicate this to the appropriate level of management and those charged with governance. If appropriate, the audit team should obtain a current corrective action plan and planned implementation date.

**6.5.6** When all the agreed-on corrective actions have been implemented, a report detailing all the implemented and/or completed actions can be forwarded to executive management and those charged with governance.

## **6.6 FOLLOW UP REPORT TO PARLIAMENT**

The OAG shall report to Parliament on progress in implementing recommendations at least once annually. Reports on follow-up audits carried out on selected audits may also be reported.

## **6.7 ASSUMING THE RISK OF NOT TAKING CORRECTIVE ACTION**

- 6.7.1** Executive management of the auditee may decide to accept the risk of not correcting the reported condition because of cost, complexity of the corrective action or other considerations. The board (or those charged with governance) should be informed of executive management's decision on all significant engagement observations and recommendations for which management accepts the risk of not correcting the reported situation.
- 6.7.2** If the audit team believes that the auditee has accepted a level of residual risk that is inappropriate for the entity, they should discuss the matter with OAG's executive management. If the audit team and auditee remain in disagreement with the decision regarding residual risk, they, along with executive management, should report the matter to the board (or those charged with governance) for resolution.
- 6.7.3** Acceptance of risk should be documented and formally approved by executive management and communicated to those charged with governance.

## **6.8 POSSIBILITIES OF RE-AUDIT**

- 6.8.1** Another important aspect with regard to follow-up mechanism is to consider the possibilities for re-audit. The audit team should distinguish the needs for re-audit from that of the issues to be assessed within the follow-up mechanism.
- 6.8.2** In reviewing the situation for audit follow-up, the audit team may find that the issues have evolved and need to be redefined. New issues may also be identified and judged important for assessment and reporting to Parliament.
- 6.8.3** Accordingly, on account of a risk based perspective, the key issues should be correctly differentiated from general follow-up requirements and identified for re-audit separately.

**6.9 APPENDIX 1: TEMPLATE FOR CLEARANCE OF ISSUES AFTER FOLLOW UP AUDITS**



**REFERENCE:** \_\_\_\_\_

**RECOMMENDATION:**

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**OAG VERIFICATION/COMMENTS:**

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**Verified By:** \_\_\_\_\_

**Checked By Audit Manager:** \_\_\_\_\_

**Verified Date:** \_\_\_\_\_

**Checked Date:** \_\_\_\_\_

**Director of Audit Clearance:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## 6.10 REFERENCES

*Follow up Mechanism: A Missing Link in the Audit Cycle.* By Dr. Sayıstay Uzman Denetçisi.

Accessed from <https://www.sayistay.gov.tr/tr/Upload/95906369/files/dergi/pdf/der100m5.pdf>

*IS Audit and Assurance Guideline 2402 Follow-up Activities*

Accessed from <http://www.isaca.org/Knowledge-Center/ITAF-IS-Assurance-Audit-IS-Audit-and-Assurance/Pages/Guideline-2402-Follow-up-Activities.aspx>

*AFROSAI-E Performance Audit Handbook (2013)*