



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

# REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

## AUDIT REPORT ON FOLLOW UP OF HIGH RISK MINISTRIES/DEPARTMENTS





OFFICE of the AUDITOR GENERAL  
*Republic of Fiji*

**VISION**

**Promoting public sector accountability  
and sustainability through our audits**

To provide independent value adding  
audit services

**MISSION**

To provide an environment where  
our people can excel

**RESPECT**

We uphold respect  
in our relationships.

**INTEGRITY**

We are ethical, fair and  
honest in our duties.

**INDEPENDENT  
& OBJECTIVE**

We work independently  
and report objectively.

**VALUES**

**COMPETENCE**

We deliver to the best  
of our abilities and to  
the highest standard of  
professional conduct.

**TRANSPARENCY**

Our processes  
are transparent.

**CONFIDENTIALITY**

We maintain audit  
related information  
confidential.

**PROFESSIONAL FRAMEWORK**

International Standards for Supreme Audit Institutions

International Standards on Auditing

**LEGAL FRAMEWORK**

2013 CONSTITUTION OF THE  
REPUBLIC OF FIJI

AUDIT  
ACT 1969

ENVIRONMENT  
MANAGEMENT ACT

NDP AND OTHER  
LEGISLATION

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File: 102

02 December 2020

The Honorable Ratu Epeli Nailatikau  
Speaker of the Parliament of the Republic of Fiji  
Parliament Complex  
Gladstone Road  
**SUVA**

Dear Sir

## **AUDIT REPORT ON FOLLOW UP OF HIGH RISK MINISTRIES/DEPARTMENTS**

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 2016-2017 Auditor-General's Reports for High Risk Ministries/Departments.

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

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.

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.

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

## **FOLLOW-UP AUDITS FOR:**

- 1. Ministry of Rural and Maritime Development and National Disaster Management**
- 2. Republic of Fiji Military Forces**
- 3. Fiji Police Force**
- 4. Ministry of Education, Heritage and Arts**
- 5. Ministry of Health & Medical Services**
- 6. Ministry of Women, Children and Poverty Alleviation**
- 7. Ministry of Agriculture**
- 8. Ministry of Infrastructure and Transport**



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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 report covers the outcome of follow-up audits of audit recommendations provided in the 2017 audits for high-risk Ministries and Departments. The follow-up audits were carried out during the audit of the 2017/2018 Agency Financial Statements. The following reports and agencies were covered:

- **Audit Report on General Administration Sector 2017 – Parliamentary paper no. 07 of 2019** covering Ministry of Rural and Maritime Development and National Disaster Management, Republic of Fiji Military Forces, Fiji Police Force.
- **Audit Report on Social Services Sector 2017 - Parliamentary paper no. 08 of 2019** covering Ministry of Education, Heritage and Arts, Ministry of Health and Medical Services, Ministry of Women, Children and Poverty Alleviation.
- **Audit Report on Economic Services Sector 2017 - Parliamentary paper no. 09 of 2019** covering Ministry of Agriculture
- **Audit Report on Infrastructure Sector 2017 – Parliamentary paper no.10 of 2019** covering Ministry of Infrastructure and Transport.

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 the eight high-risk agencies are provided in **Appendix A**.

## 2.1 Conclusion

Majority of the recommendations made in the 2017 reports for different agencies were yet to be fully implemented. Only 39% of the recommendations were fully implemented, 27% were partially implemented and 34% were not implemented at all.

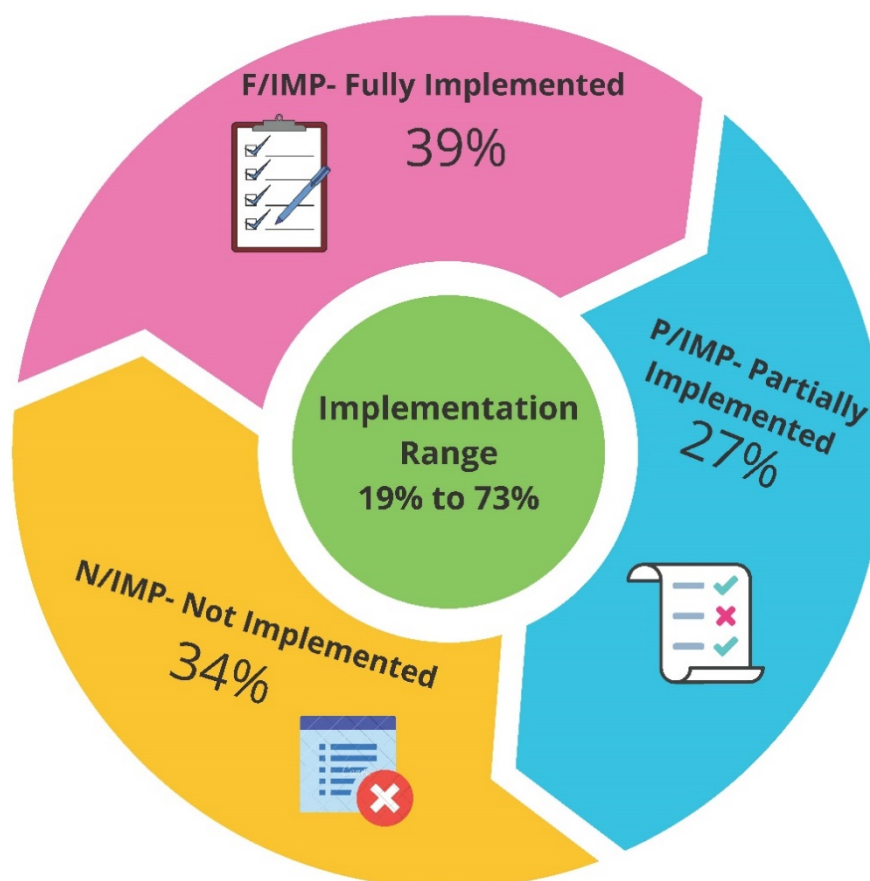
Necessary action should be taken to fully implement the remaining recommendations. There is a possibility that Permanent Secretaries of some agencies have not been regularly updated on the status of the implementation of recommendations by their accounting heads as required.

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. This can be achieved by the formation of Audit Committees by Permanent Secretaries. The role of the Audit Committee could be expanded to include findings or internal audits and matters relating to risk of agencies.

## 2.2 Key findings

The key findings for the eight high-risk Ministries & Departments during the 2018 audits for which audit recommendations were followed up for implementation are as follows:

### KEY FINDINGS



## 2.3 Recommendations

Permanent Secretaries as Chief Accounting Officers must ensure that:

- (i) there is a monitoring mechanism within their respective entity/agency to be able to monitor and assess how well Accounting Heads had implemented the recommendations made;
- (ii) monthly updates on audit recommendations are submitted by Accounting Heads as required by Finance Instruction 60(1);
- (iii) relevant processes are put into place to ensure audit recommendations are implemented on a timely basis;
- (iv) controls are continuously implemented to avoid repeated audit findings;
- (v) performance indicators of Accounting Heads and other staffs include timely implementation of audit recommendations; and
- (vi) establish Audit Committees to monitor the implementation of recommendations made in reports prepared by OAG and internal auditors.

## 3.0 Background

Recommendations made in audit reports of high-risk Ministries and Departments in each budget sectors were followed up during audit of the 2018 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.”

### Basis for High-Risk Audit Classification

Agencies are classified as high-risk audit due to various factors such as large number of year-end transactions; high budgetary funding, being implementing agencies for government policies, extremely complex transactions and the specialized nature of operation and may also include lack of good internal controls practices which have been highlighted in previous audits.

## Implementation Status

4.0 The status of implementation of recommendations made in the 2017 audit reports by various high -risk agencies is shown in Table 1.1 below.

**Table 1.1 Implementation Status of Audit recommendations**

Ministry/Department	Date of Follow Up Audit	Total	Fully Implemented	F/IMP	P/IMP	N/IMP	N/UPD
<b>Audit Report on General Administration Sector 2017</b>							
Ministry of Rural Development and National Disaster Management	13/02/19	6	67%	4	1	1	
Fiji Police Force	18/03/19	3	33%	1	1	1	
Fiji Military Forces	11/07/19	3	33%	1	1	1	
<b>Audit Report on Social Services Sector 2017</b>							
Ministry of Education, Heritage and	22/04/20	4	50%	2	1	1	
Ministry of Health and Medical	21/04/20	16	19%	3	4	9	
Ministry of Women, Children and Poverty Alleviation	22/10/19	14	21%	3	8	3	
<b>Audit Report on Economic Services Sector 2017</b>							
Ministry of Agriculture	24/04/19	11	73%	8		3	
<b>Audit Report on Infrastructure Sector 2017</b>							
Ministry of Infrastructure & Transport	30/5/19	20	40%	8	5	7	

**LEGEND**

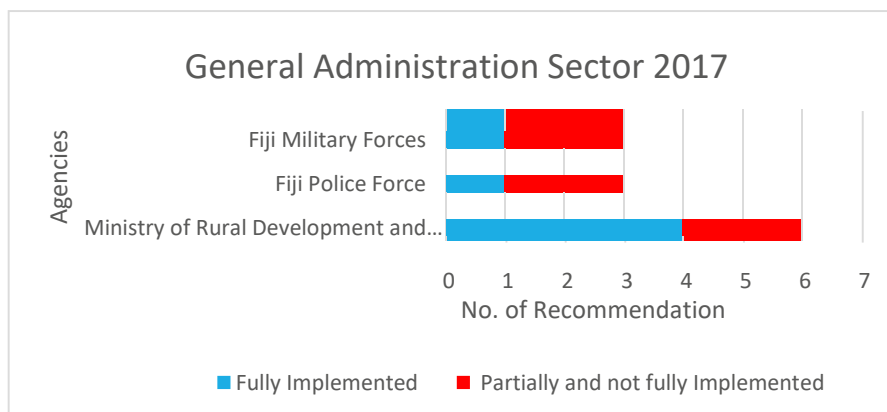
**F/IMP** – Fully Implemented

**P/IMP** – Partially Implemented

**N/IMP** – Not Implemented

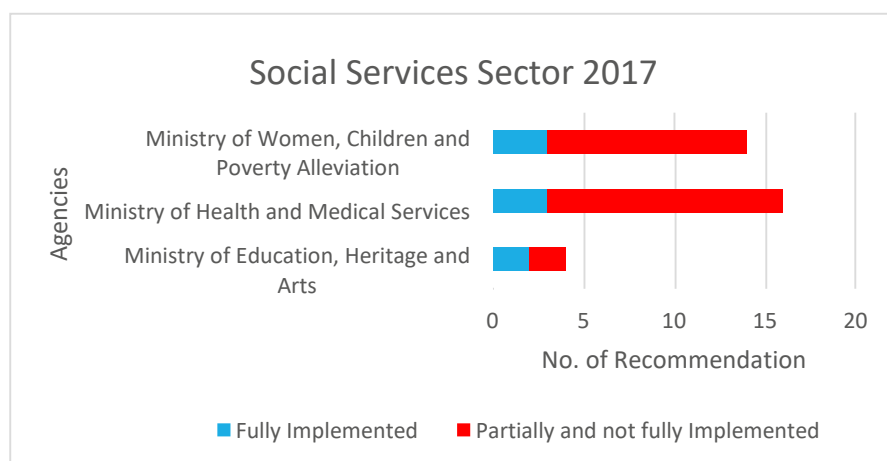
**N/UPD** – No update provided

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



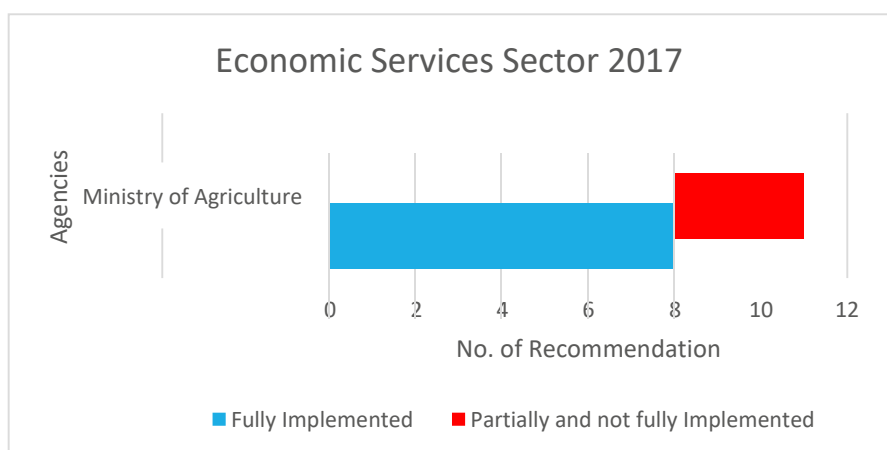
Ministry of Rural Development and National Disaster Management had the highest number of recommendation with more than 67% implemented.

A total of 6 of the 12 recommendations for this sector were either partially or not being



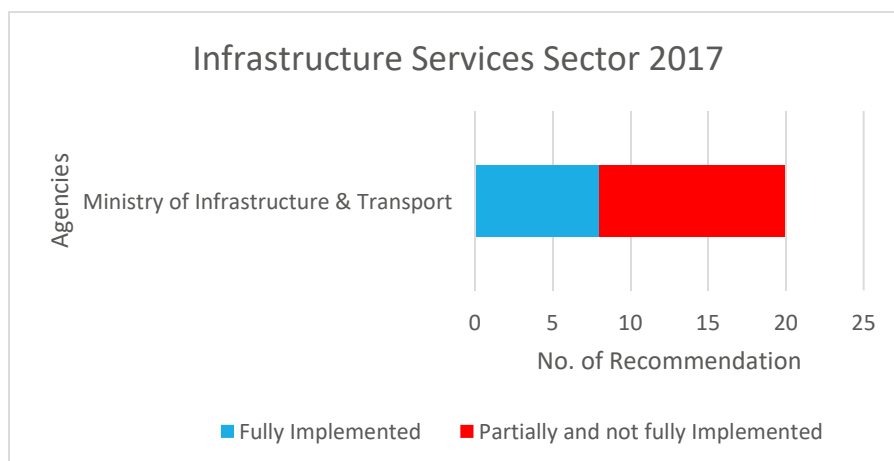
A total of 34 recommendations for this sector with 8 or 24% recommendations being fully implemented.

A total of 26 or 76% recommendations were either partially or not fully implemented



Ministry of Agriculture had implemented 8 or 73% of the total 11 recommendations.

A total of 3 or 27% recommendations were either partially or not fully implemented.



Ministry of Infrastructure & Transport had fully implemented 8 or 40% of the total 20 recommendations.

A total of 12 or 60% were either partially or not fully implemented.



**Ministry of Rural  
and  
Maritime Development  
and  
National Disaster Management**

## 5.0 Appendix A: Detailed Status Update

### 5.1 Ministry of Rural and Maritime Development and National Disaster Management

Recommendations in Report for General Administration Sector – 2017	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<p>Follow up for the recommendations for the Ministry of Rural and Maritime Development and National Disaster Management was done in 13/02/19. It is recommended that the Ministry:</p> <p><b>Variance in Operating Revenue</b></p> <p>1. Ensure that:</p> <ul style="list-style-type: none"> <li>strict timelines are set for all District Offices to submit the carbon copies of the receipts and related source documents to the Headquarters on a timely basis and appropriate actions are taken for any non-compliance; and</li> <li>All revenue receipts are updated in the subsidiary revenue reports and posted into the general ledger and reconciled on a regular basis. Any variances identified should be investigated and promptly rectified.</li> </ul> <p><b>Procurement facilitated from the Inter-Departmental Clearance (IDC) Account</b></p> <p>2. Ensure that:</p> <ul style="list-style-type: none"> <li>The practice of directly processing payments from the IDC account is ceased and proper cash flow forecasts are done to ensure that funds are available for required expenditures; and</li> <li>Supervisory and control checks in the operation of the IDC Account are strengthened to avoid discrepancies highlighted reoccurring in the future.</li> </ul> <p><b>Unauthorized Journal Vouchers</b></p> <p>3. Ensure that all journal vouchers are verified and approved by authorized officers before they are posted into the general ledger.</p>				

Recommendations in Report for General Administration Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<ul style="list-style-type: none"> <li>Supervising officers are vigilant in performing their supervisory check;</li> <li>Provisional tax deductions are correctly made from payments made to contractors for providing services to the Ministry;</li> <li>Provisional tax is charged to the correct expenditure general ledger and remitted FRCS on a timely basis.</li> </ul>		✓			
<b>Absence of Risk Management Framework</b>					
5. Should:					
<ul style="list-style-type: none"> <li>Work towards preparing a risk management framework; and</li> <li>Following preparation of the framework, a governance and accountability function that supports the operations of the Ministry by providing financial and operational risk management and management of external reporting obligations, should be established.</li> </ul>				✓	
<b>Presentation of Main Trust Account</b>					
6. Work towards opening separate bank accounts for various trust fund currently recorded under the Provincial Development Trust Fund Account and prepare separate statements of receipts and payments.			✓		

# Republic of Fiji Military Forces

## 5.2 Republic of Fiji Military Forces

Recommendations in Report for General Administration Sector– 2017	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<p>Follow up of the recommendations for the Republic of Fiji Military Forces was done in 11/07/19. It is recommended that Republic of Fiji Military Forces:</p> <p><b>Anomalies in the Main Trust Fund – Engineers Project Fund Account</b></p> <p>1. Ensure that:</p> <ul style="list-style-type: none"> <li>Monthly bank reconciliations for the Engineers Project Fund Account is correctly carried out;</li> <li>Cash book or the Engineers Project Fund Account is properly maintained and updated;</li> <li>Instructions and requirements stipulated in the Finance Instructions and Finance Manual are complied with;</li> <li>Immediate action is taken to address the control weaknesses highlighted; and</li> <li>There is regular evaluation of internal controls to determine their effectiveness, identify weaknesses and implement measures to address them.</li> </ul> <p><b>Absence of Risk Management Framework</b></p> <p>2. Should work towards establishing a risk management framework that would support the operations by providing financial and operational risk management and management of external reporting obligations.</p> <p><b>Effectiveness of the Internal Audit Function</b></p> <p>3. Should:</p> <ul style="list-style-type: none"> <li>Develop an internal audit charter outlining the internal audit functions purpose, authority, responsibility and position within the Force;</li> <li>Following the establishment of the internal audit charter, an annual audit program should be developed based on risk assessment of key functional units within the Force;</li> <li>Internal Audit Team should carry out reviews on the effectiveness of its internal controls, systems and processes particularly in the areas of risk and provide recommendation where deficiencies exist; and</li> <li>For the purpose of effectiveness and accountability, the internal Audit function should directly report to the Force Commander.</li> </ul>				
	✓			
			✓	
		✓		

# Fiji Police Force

### 5.3 Fiji Police Force

Recommendations in Report for the General Administration Sector – 2017	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
Follow up of the recommendations for the Fiji Police Force was done in 18/03/19. It is recommended that Fiji Police Force:				
<b>Anomalies noted in the Revolving Fund Account</b>				
1. Should:				
<ul style="list-style-type: none"> <li>Review and rectify the outstanding balances in the Revolving Fund Account; and</li> <li>Properly maintain all relevant supporting documents for the Revolving Fund Account.</li> </ul>		✓		
<b>Irregularities in the Operating Trust Fund Accounts</b>				
2. Should review and rectify the carry forward balances from prior years.			✓	
<b>Non-Clearance of Withholding Payable Account</b>				
3. Should:				
<ul style="list-style-type: none"> <li>Review and rectify the anomalies noted in the withholding Payable Account; and</li> <li>Properly maintain all relevant supporting documents to substantiate the balances reflected in the reconciliation</li> </ul>	✓			



# Ministry of Education, Heritage and Arts

## 5.4 Ministry of Education, Heritage and Arts

Recommendations in Report for the Social Services Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<b>Follow up of the recommendations for the Ministry of Education, Heritage and Arts was done in 22/04/20. It is recommended that the Ministry:</b>					
<b>Under Utilization of Capital Expenditure Budget</b>					
1.	Should ensure that proper planning is carried out for the implementation of its capital projects.		✓		
2.	Should <ul style="list-style-type: none"> <li>Ensure that all capital projects submissions are done through Public Sector Investment Programme process; and</li> <li>Consider including the Minister's initiatives allocation in their budget submission.</li> </ul>	✓			
<b>Building Grant</b>					
3.	Should only release building grants to school which have fully complied with the Capital Grants for Non-Government Schools Policy.	✓			
<b>Finalization of Financial Statements</b>					
4.	Should ensure that: <ul style="list-style-type: none"> <li>Accurate financial statements are submitted by the due date; and</li> <li>Approved additional spending are regularized on a timely basis.</li> </ul>			✓	

# Ministry of Health & Medical Services

## 5.5 Ministry of Health & Medical Services

Recommendations in Report for Social Services Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
Follow up of the recommendations for the Ministry of Health was done in 21/04/20. It is recommended that the Ministry:					
<b>Absence of Risk Management Policy</b>					
1. Should:					
• Work towards establishing a governance and accountability function that support the operations of the Ministry by providing financial and operational risk management of external reporting obligations; and			✓		
• Following the establishment of the governance and accountability function, a risk management framework should be developed and continuously used.					
<b>Finalization of Financial Statements</b>					
2. Ensure that documents are provided on a timely manner for audit review and financial statements are submitted by the due date.				✓	
<b>Internal Control Assessment not carried out</b>					
3. Should:					
• Internal control assessment are carried out on a monthly basis; and					
• Internal control assessment report are submitted to the Permanent Secretary as stipulated under Section 17.1.10 of the Ministry's finance manual.	✓				

Recommendations in Report for Social Services Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<b>Arrears of Revenue</b>					
4.	Should take appropriate steps to reduce the arrears of revenue.			✓	
<b>Board of Survey Report Not Completed</b>					
5.	Should:				
	<ul style="list-style-type: none"> <li>Ensure that the Board of Survey Report for all Divisions are carried out annually in accordance with Section 49 of the Finance Instruction and Section 24 of the procurement regulations 2010; and</li> </ul>	✓			
	<ul style="list-style-type: none"> <li>Also submit Asset and Inventory Verification Form to ascertain the physical balance and book balance of assets.</li> </ul>				
<b>Conflict of Interest</b>					
6.	Should ensure that:				
	<ul style="list-style-type: none"> <li>All employees strictly adhere to the Public Service Code of Conduct;</li> </ul>				
	<ul style="list-style-type: none"> <li>Its procurement process is strengthened to avoid breaching of code on conduct; and</li> </ul>				
	<ul style="list-style-type: none"> <li>That the requirements of Code of Ethics is emphasized to employees and any conflict of interest should be declared on a timely basis</li> </ul>	✓			
<b>Non-Clearance of Balance in Revolving Fund Account (RFA)</b>					
7.	Should:				
	<ul style="list-style-type: none"> <li>Ensure that the advance account balance is reconciled and recovery procedures instigated against officers who failed to retire advances.</li> </ul>		✓		
	<ul style="list-style-type: none"> <li>Provide adequate training, supervision and monitoring to staff at Accounts section</li> </ul>				
<b>Payroll Variance between FMIS and Person to Post Listing</b>					
8.	Should ensure that:				
	<ul style="list-style-type: none"> <li>Person to post listing for Established Staff and GWE are updated at all times;</li> </ul>				
	<ul style="list-style-type: none"> <li>Salaries and wages reconciliation are thoroughly checked before a copy is sent to Ministry of Economy;</li> </ul>		✓		
	<ul style="list-style-type: none"> <li>Monthly reconciliations between FMIS general ledger and Payroll Report are accurately carried out; and</li> </ul>				
	<ul style="list-style-type: none"> <li>Any variance noted should be investigated and adjusted accordingly.</li> </ul>				

Recommendations in Report for Social Services Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<b>Procurement Anomalies</b>					
9.	Should strengthen internal control for payments and ensure procurement process is strictly followed to avoid the anomalies.			✓	
<b>Expenditure Charged to Wrong Allocation</b>					
10.	Should ensure that:				
	<ul style="list-style-type: none"> <li>All transactions are posted to the correct allocations in the FMIS General Ledger; and</li> <li>Identify the incorrect entries and correct them through the virement process on a timely manner.</li> </ul>			✓	
<b>Variance in Pharmaceutical Stock</b>					
11.	Should:				
	<ul style="list-style-type: none"> <li>Ensure that stocks are updated in the EPICOR system when received and dispatched; and</li> <li>Investigate the variance and take appropriate action.</li> </ul>			✓	
<b>Vehicle Quarterly Reports Not Prepared</b>					
12.	Should ensure that:				
	<ul style="list-style-type: none"> <li>Quarterly vehicle reports are prepared and submitted to the Accounting Head to be included in the Quarterly Management Report; and</li> <li>Quarterly vehicle reports are submitted to the Ministry of Economy.</li> </ul>		✓		
<b>Purchases Made Without Tender Board Approval</b>					
13.	Should ensure that Tender Board approval is sought for the procurement of goods and services valued more than \$50,000 as required under Section 2.3.1 of the Department's Finance Manual.			✓	
<b>Fixed Asset Register Not Updated</b>					
14.	Should ensure a compliance with Section 46 of the Finance Instruction 2010.			✓	
<b>Lack of Monitoring in the Administration of Grant</b>					
15.	Ensure that audited accounts are submitted to ensure grant monies are utilized for the purpose it was given.			✓	

Recommendations in Report for Social Services Sector – 2017	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>Anomalies in Sahyadri Trust Fund Account</b>				
16. Should:				
<ul style="list-style-type: none"> <li>• Reconcile and investigate the variance between the closing bank statement balance and FMIS general ledger;</li> <li>• Ensure that trust receipts are posted in the correct financial period;</li> <li>• Maintain a listing of patients under the Sahyadri trust; and</li> <li>• Maintain a cash book to record receipts and payments for each main trust fund account.</li> </ul>			✓	



# Ministry of Women, Children and Poverty Alleviation

## 5.6 Ministry of Women, Children and Poverty Alleviation

Recommendations in Report on Social Services Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<p>Follow up of the recommendations for the Ministry of Women, Children and Poverty Alleviation was done in 22/10/19. It is recommended for the Ministry:-</p> <p><b>Annual Board of Survey</b></p> <p>1. Should ensure that the Board of Survey for all Divisions are carried out annually in accordance with Section 49 of the Finance Instruction 200 and Section 24 of the Procurement Regulations 2010</p> <p><b>Internal controls not implemented resulting in payment anomalies</b></p> <p>2. Should strengthen compliance with internal controls over procurement of goods and services</p> <p><b>Missing Payment Voucher and Other Records</b></p> <p>3. Should:</p> <ul style="list-style-type: none"> <li>Locate the missing documents and produce them for audit purposes; and</li> <li>Ensure proper and systematic storage of payment vouchers for easy identification and retrieval.</li> </ul>					
			✓		
				✓	
			✓		

Recommendations in Report on Social Services Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<b>Fixed Asset and Expendable Items Register not maintained p-to date</b>					
4.	Should ensure that all fixed assets and expendable items are promptly recorded in the Fixed Assets and Expendable Items registers when purchased.		✓		
<b>Anomalies in the Social Welfare Programmes</b>					
5.	Should:				
	<ul style="list-style-type: none"> <li>Comply with the Standard Operating Procedures for the Social Welfare Programs; and</li> <li>Refresher training to be held for Social Welfare Officers to emphasize the importance of complying with the Standard Operating Procedures while processing the applications.</li> </ul>		✓		
<b>Pending Applications for Social Welfare Scheme</b>					
6.	Should develop strategies to ensure that applications are processed in a timely manner.		✓		
<b>Anomalies in Hire of Vehicles</b>					
7.	Should:				
	<ul style="list-style-type: none"> <li>Ensure that accident report is prepared for vehicles involved in accidents used by the Ministry in accordance with section 12.6 of the Financial Manual;</li> <li>Consider taking insurance while hiring rental vehicles;</li> <li>Provide explanation as to why a non-employee was used to take out hired vehicles on behalf of the Ministry;</li> <li>Ensure that drivers maintain running sheets for hired vehicles and vehicles are used for official purposes only.</li> </ul>	✓			
<b>Maintenance of Running Sheets for rented vehicle</b>					
8.	Should:				
	<ul style="list-style-type: none"> <li>Further investigate this matter and take appropriate action; and</li> <li>Ensure that running sheets are maintained for all vehicles used by the Ministry,</li> </ul>	✓			
<b>Anomalies noted in SLG 84 Accounts</b>					
9.	Should ensure that:				
	<ul style="list-style-type: none"> <li>Monthly reconciliations and acquittals are prepared and submitted to Ministry of Economy;</li> <li>Carry forward balances for prior years is verified and rectified; and</li> </ul>			✓	

Recommendations in Report on Social Services Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<ul style="list-style-type: none"> <li>Journal vouchers passed in the FMIS general ledger are adequately supported and approved by the Senior Accounts Officer.</li> </ul>					
<b>Stale Cheques not journalized from Drawings Account</b>					
10. Should ensure that stale cheques are reviewed monthly and appropriate action taken in accordance with Section 33(2) of Finance Instruction 2010.		✓			
<b>Anomalies in the Revolving Fund Account (RFA)</b>					
11. Should:					
<ul style="list-style-type: none"> <li>Provide adequate training, supervision and monitoring of staffs in Accounts section;</li> <li>Investigate and rectify credit entries in the RFA reconciliation;</li> <li>Ensure that the outstanding accountable advances is reconciled and recovery procedures instigated against officers who did not retire advances; and</li> <li>Ensure that all journal adjustments are supported and reviewed by the Principal Accounts Officer before posting to the general ledger.</li> </ul>			✓		
<b>Unsubstantiated Operating Trust Balances</b>					
12. Should:					
<ul style="list-style-type: none"> <li>Investigate and rectify carry forward balances from prior years; and</li> <li>Improve its reconciliation process to include detailed listing of closing balance on a monthly basis.</li> </ul>			✓		
<b>Absence of Risk Management Policy</b>					
13. Should work towards establishing a governance and accountability function that support the operations of the Ministry by providing financial and operational risk management of external reporting obligations.				✓	
<b>Finalization of Financial Statements</b>					
14. Should ensure that accurate financial is submitted before due date and timely responses are provided for management letters issued.			✓		

# Ministry of Agriculture

## 5.7 Ministry of Agriculture

Recommendations in Report for Economic Services Sector – 2017	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<p><b>Follow up of the recommendations for the Ministry of Agriculture was done in 24/04/19. It is recommended that the Ministry:</b></p>				
<p><b>Non-+Preparation of Wages Reconciliation</b></p>				
1. Should ensure that salaries and wages reconciliations are prepared on a timely basis.	✓			
<p><b>Anomalies in Salary Reconciliation Balances</b></p>				
2. Should ensure that:				
<ul style="list-style-type: none"> <li>salary reconciliations are prepared on a timely basis, properly checked and verified by supervising officer to ensure that all differences between current and previous pay are reconciled; and</li> <li>Salary reconciliations are prepared on a regular basis and is verified to the amounts in the FMIS general ledger.</li> </ul>	✓			
<p><b>Government Wage Earners paid from Established Staff Votes</b></p>				
3. Ensure that the proper procedure for virement of funds is adhered to and all payroll charges for government wage earners are appropriately charged to the correct allocations.			✓	
<p><b>Governance Issues – Trading and Manufacturing Account Operations</b></p>				
4. Should ensure that :				
<ul style="list-style-type: none"> <li>The business plan is approved by the Permanent Secretary and a copy is submitted to Ministry of Economy by 30 June every year;</li> <li>Specific policies and procedures are developed to guide key financial processes and controls for the management of its TMA sales, expenditure, personnel expenditure, inventory and its liabilities; and;</li> <li>Monitoring activities of the TMA operations and financial performance is strengthened.</li> </ul>	✓			
<p><b>Inventory Obsolescence and Mortality of Livestock</b></p>				
5. Take corrective measures such as proper procurement planning, frequent stock monitoring, improve public awareness and adequate trainings to livestock supervisors and farm hands.	✓			

Recommendations in Report for Economic Services Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<b>Variances in Inventory quantity during annual stock take</b>					
6. Should:					
<ul style="list-style-type: none"> <li>Ensure that proper inventory records are maintained and stock cards are updated on a regular basis; and</li> <li>Consider monthly stock take to detect and investigate stock variances.</li> </ul>				✓	
<b>Anomalies in TMA closing inventory for drugs</b>					
7. Should:					
<ul style="list-style-type: none"> <li>Value inventories at the lower of cost and net realizable value;</li> <li>Review the reorder levels for all drugs to avoid losses due to expired drugs;</li> <li>Implement proper inventory management system to reduce the cost of expired drugs; and</li> <li>Ensure all divisions submit monthly return of expired drugs to the Headquarters.</li> </ul>	✓				
<b>Anomalies noted in Main Trust Fund (LWRM)</b>					
8. Should:					
<ul style="list-style-type: none"> <li>Strengthen its supervisory checks in place at the accounts section to ensure payments are made out from correct allocation</li> <li>Make available for audit verification all source documents relating to the above project payments made out from Operating Fund Account;</li> <li>After verification process make necessary adjustment in the Main Trust Fund account to reflect the correct outstanding balance.</li> </ul>	✓				
<b>Unsubstantiated TMA VAT charges</b>					
9. Should investigate the VAT payable balance and take appropriate action to rectify the anomalies noted.				✓	
<b>Long Outstanding Underline Accounts</b>					
10. Should ensure that proper supervisory checks are in place to ensure that all balances are accurate and adequately supported and errors from previous months were rectified.	✓				

Recommendations in Report for Economic Services Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<b>Unauthorized losses recorded in the statement of Losses</b>					
11. Should strictly adhere to its Finance Manual to only disclose approved write-offs in the Statement of Losses.		✓			



# Ministry of Infrastructure and Transport

## 5.8 Ministry of Infrastructure and Transport

Recommendations in Report for Infrastructure Sector – 2017	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<p><b>Follow of the recommendations of the Ministry of Infrastructure and Transport was done in 30/5/2019. It is recommended that the Ministry:</b></p>				
<p><b>Variance between TMA Building Cash Book with its Bank Reconciliation</b></p>				
<p>1. Should ensure that:</p> <ul style="list-style-type: none"> <li>• Review functions around bank reconciliation are strengthened;</li> <li>• Cash book is properly reconciled to bank reconciliation statements and to general ledger;</li> <li>• Signed copies of the monthly bank reconciliations are filled and securely kept at the Divisions as well as at the Headquarters; and</li> <li>• Variance of \$27,221 to be rectified.</li> </ul>		✓		
<p><b>Anomalies in Joinery and Plumber Shop Sales (DEWCE)</b></p>				
<p>2. Should ensure that:</p> <ul style="list-style-type: none"> <li>• Proper and updated records are kept for all sales such as quotations, invoicing, receiving of funds, issuing of job record sheets and status of work;</li> <li>• Job Record Sheets are issued for all work carried out, supported with a sales invoice and receipt for payment received;</li> <li>• Monthly sales reconciliations are carried out and any discrepancies noted is rectified; and</li> <li>• Journal adjustments are adequately supported.</li> </ul>		✓		
<p><b>Deficiency in Inventory Controls</b></p>				
<p>3. Ensure that reconciliations are carried out between the tally cards and the physical stock count and rectify any variances</p>				

Recommendations in Report for Infrastructure Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
	arising. In addition, the tally cards should be updated promptly after movement in the inventory.	✓			
<b>Adjustment for VAT not Supported</b>					
4.	Should:				
	<ul style="list-style-type: none"> <li>Provide supporting documents to support the adjustment of \$322,428 in the financial statements; and</li> <li>Also ensure that monthly reconciliations of VAT are carried out and any variances noted are investigated and rectified.</li> </ul>		✓		
<b>Anomalies in Reporting of Trading and Manufacturing of Trading and Manufacturing Accounts (TMA's)</b>					
5.	Should ensure that adequate disclosures are made in the financial statements for the users of the financial statements to make informed decisions.			✓	
<b>FEA Grid and House Wiring Refunds in the Energy Trust Account</b>					
6.	Should ensure that necessary action is taken to substantiate the closing balance held in the Trust Fund Account.			✓	
<b>Lack of Monitoring of Capital Projects carried out by CSA's</b>					
7.	Should ensure that quarterly site visits are carried out in order to verify the acquittal reports submitted by the entities receiving grants from the Ministry.	✓			
<b>Non-compliance with Service Agreement by Post Fiji Limited</b>					
8.	Should:				
	<ul style="list-style-type: none"> <li>Ensure that PFL submits bill collection payments due to the Ministry within the first four days on the following month of receipt of the Customers PDF files for the previous calendar months services;</li> <li>Carry out performance review of the services provided by PFL; and</li> <li>Take appropriate disciplinary action against those responsible for non-compliance with the service agreement reporting requirements for arrears of revenue.</li> </ul>	✓			

Recommendations in Report for Infrastructure Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<b>Lack of Implementation and Dissemination of Knowledge gained from Training</b>					
9. Should:					
<ul style="list-style-type: none"> <li>Ensure that timely reports are prepared by all officers who undertake an attachment, training, workshop or visit;</li> <li>Head of Departments coordinate staff presentations or lessons learnt and or knowledge and skills gained from training courses attended;</li> <li>Training recommendations are assessed, approved and effectively implemented ; and</li> <li>Three months after any training, supervisors and trainees to assess the effectiveness of the training undertaken on the actual job performance.</li> </ul>	✓				
<b>Anomalies in Project Management for Construction of New Offices and Workshops for Government Shipping Services</b>					
10. Should ensure that:					
<ul style="list-style-type: none"> <li>the section responsible for project management is properly resources;</li> <li>contracts are vetted by the Solicitor General's Office;</li> <li>agreed terms and conditions such as work program, payment schedules are adequately documented in the contract;</li> <li>terms and conditions of the contract as approved by the Government Tender Board are complied with;</li> <li>separate project files are maintained for individual projects carried out by the Ministry with all the necessary supporting documents filed; and</li> <li>proper handling over is done when officers resigned.</li> </ul>	✓				
<b>Person-to-Post Listing not Regularly updated and reconciled with General Ledger</b>					
11. Should ensure person-to-post listing is regularly updated and reconciled with general ledger.				✓	
<b>Delay in filling of vacant positions</b>					
12. Should identify positions which need to be filled and prioritize filling these positions.				✓	
<b>Anomalies in Revenue Collection for Cartage of Freight allocation</b>					
13. Should ensure that:					
<ul style="list-style-type: none"> <li>Fare on the new routes are authorized by the Fijian Competition Commission prior to it being charged; and</li> <li>Details such as number of passengers travelling, cargo details and rates applied are recorded in the receipts.</li> </ul>		✓			

Recommendations in Report for Infrastructure Sector – 2017	Status			
	F/IMP	P/IMP	N/IMP	N/UPD
<b>Internal Control Deficiency in inventory management – Government Shipping Services</b>				
14. Should consider appointing an experienced Storeman who should be given responsibility of maintain and updating inventory and related records.			✓	
<b>Rural Electrification Projects</b>				
<b>Performance Bond Requirement not strictly adhered to by the Ministry</b>				
15. Should ensure performance bonds and other matters relating to contract management are properly carried out so that the	✓			
<b>Projects on hold due to Land Consent</b>				
16. Should ensure that proper due diligence is exercised prior to awarding of contracts.			✓	
<b>Non-compliance with directives from GTB</b>				
17. Should:				
<ul style="list-style-type: none"> <li>• Ensure that the decision of the Government Tender Board in implemented; and</li> <li>• Investigate the matter internally and take appropriate actions to avoid recurrence</li> </ul>	✓			
<b>Bills for Solar Home Systems Collected and not Remitted by Post Fiji</b>				
18. Should:				
<ul style="list-style-type: none"> <li>• Enter into an agreement with PFL for the postmaster billing payment facility for customers of solar home systems; and</li> <li>• Liaise with PFL for the payment of arrears for the Solar Home System.</li> </ul>	✓			
<b>Main Trust Fund receipts not used for maintenance of Solar Home Systems</b>				
19. Should liaise with Ministry of Economy and find a solution for better utilization of funds held in the Energy Trust Fund Account.			✓	

Recommendations in Report for Infrastructure Sector – 2017		Status			
		F/IMP	P/IMP	N/IMP	N/UPD
<b>Main Trust Fund Reconciliation not performed monthly</b>			✓		
20. Should ensure that:					
<ul style="list-style-type: none"> <li>Monthly reconciliations are prepared between the trust account and the FMIS general ledger and any variances arising are properly investigated and resolved; and</li> <li>Supervisory and review functions are strengthened in order to comply with the Finance Manual at all times.</li> </ul>					

## 1.0 Appendix B: OAG Follow-up Audit Guidelines



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

# OAG Follow Up Audit Guidelines

(March 2018)

Ajay Nand



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## 1.0 INTRODUCTION

### 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.

### 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

### 1.3. ISSAI Requirements

- 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.”*
- 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).

### 1.4. Objective of Follow up Audits by OAG

- 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.
- 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~~.

## 2.0 FOLLOW-UP PROCEDURES

### 2.1 Focus of Follow-up Audits

- 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.
- 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.

### 2.2 Primary Objectives for Follow-up Auditing:

- 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?
- 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.

### 2.3 Planning of Follow-up Audits

- 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?
- 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.
- 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.

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

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. 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?

## 2.5 Form of Follow-up Responses

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.

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.

## 3.0 AREAS TO BE COVERED FOR FOLLOW-UP

### 3.1 Procedures for Follow-up Activities

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.

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

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

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

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

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

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

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

- 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.
- 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.
- 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.

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.

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

### 3.5 Follow-up Activities in Audit Groups Work Plans

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.

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.

## 4.0 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**

Scale	Result	Justification
0	<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.
1	<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".

2	<b>Preliminary Progress</b>	<p>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>Planningstage</i>)</p> <p>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.</p>
3	<b>Material Progress</b>	<p>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>)</p> <p>This refers to "Material Progress" in the implementation of recommendations.</p>
4	<b>Substantial Progress</b>	<p>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>)</p> <p>This refers to "Substantial Progress" in the implementation of recommendations.</p>
5	<b>Best Achievement</b>	<p>This scale represents the status of "Best Achievement". (<i>Full implementation</i>)</p> <p>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.</p>

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

## 5.0 PREPARATION OF REPORT FOR FOLLOW-UP RESULTS

5.1.1 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.

5.1.2 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.

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

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

5.1.4 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).

5.1.5 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.

5.1.6 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.

## 6.0 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.

## 7.0 ASSUMING THE RISK OF NOT TAKING CORRECTIVE ACTION

7.1.1 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.

7.1.2 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.

- 7.1.3 Acceptance of risk should be documented and formally approved by executive management and communicated to those charged with governance.

## **8.0 POSSIBILITIES OF RE-AUDIT**

- 8.1.1 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.
- 8.1.2 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.
- 8.1.3 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.

## 9.0 APPENDIX 1: TEMPLATE FOR

### CLEARANCE OF ISSUES AFTER



### FOLLOW UP AUDITS ISSUES/RECOMMENDATIONS CLEARANCE

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: \_\_\_\_\_

## 10.0 REFERENCES

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

Accessed from

<https://www.sayistay.gov.tr/tr/Upload/95906369/files/dergi/pdf/der100m5.pdf> *IS Audit and*

*Assurance Guideline 2402 Follow-up Activities*

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