

# OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing

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File: 1336

13 June 2018

Hon. Mohammed Dean  
Deputy Chairman – Standing Committee for Public Accounts  
Parliament Complex  
SUVA

Dear Hon. Dean

## RESPONSE TO PUBLIC ACCOUNTS COMMITTEE QUESTIONS FOR OFFICE OF THE AUDITOR GENERAL ANNUAL REPORT 2015

Please find enclosed the response to the questions provided by the Committee with respect to the Office of the Auditor General Annual Report for 2015.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ajay Nand'. The signature is stylized and cursive.

Ajay Nand  
**AUDITOR GENERAL**

Encl

## *Response by the Auditor General to Standing Committee – Public Accounts*

### *Office of the Auditor General 2015 Annual Report*

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#### Question1

(Legal Framework) – Inform the Committee on the type of entities that OAG audits such as, Government Commercial Companies (GCCs), Commercial Statutory Authorities (CSAs), and Off- Budget State Entities (OBSEs). How does the Office determine which entities to audit for each category?

#### Question 1 Response

The determination of audits for Government Commercial Companies, Commercial Statutory Authorities is mandated under section 100 of the Public Enterprise Act 1996. An excerpt of Section 100 of Public Enterprise Act is provided in Appendix 1.

The definition of off budget sector agencies are provided under the Financial Management Act 2004 which is defined as a state entity that is not a budget sector agency. The budget sector agency as defined in the Financial Management Act 2004 states as a state entity that administer an appropriation for that year under an Appropriation Act or Financial Management Act 2004.

The list of classification for state entities for which the Auditor General audits are as follows:

Classification	Entity	Audit (Yes – Y)/ (No - N)
Government Commercial Company	Fiji Airports	Y
	Fiji Broadcasting Corporation Limited	Y
	Fiji Hardwood Corporation Limited	Y
	Fiji Public Trustee Corporation Limited	Y
	Food Processors (Fiji) Limited	Y
	Post Fiji Limited	Y
	Fiji Rice Limited	Y
	Unit Trust of Fiji (Management) Limited	Y
	Viti Corp Corporation Limited	Y
	Yaqara Pastoral Company Limited	Y
	Energy Fiji Limited	Y
	Assets Fiji Limited	Y

## *Response by the Auditor General to Standing Committee – Public Accounts*

### *Office of the Auditor General 2015 Annual Report*

<b>Classification</b>	<b>Entity</b>	<b>Audit (Yes – Y)/ (No – N)</b>
<b>Commercial Statutory Authority</b>	Fiji Meat Industry Board	Y
	Housing Authority	Y
	Public Rental Board	Y
<b>Re-organisation Entities</b>	Biosecurity Authority of Fiji	Y
	Water Authority of Fiji	Y
	Maritime Safety Authority of Fiji	Y
<b>Majority Owned Company</b>	Pacific Fishing Company Limited	Y
	Fiji Sugar Corporation	N
	Fiji Pine Limited	N
	Copra Millers of Fiji Limited	Y
	Air Terminal Services	N
	Fiji Airways	N
<b>Minority Owned Company</b>	Amalgamated Telecom Holdings	N
	Fiji Ports Corporation Limited	N
	Ports Terminal Limited	N

The Auditor-General does not decide which audits he/she should audit. The audit process commences upon receipt of draft financial statements of entities for which the Auditor-General is the auditor. In past a number of entities have decided to appoint other external auditors as their external auditor based in the decision of the Minister or Board, as may be appropriate.

The Auditor-General does not enforce the non-compliance with the respective legislation. Instead these are reported in the Auditor-General's Report to Parliament (2015 Auditor-General's Report on State –Owned Entities and Statutory Authorities).

Audits are outsourced by the Auditor-General and these are based on the level of complexity of the client and time the draft financial statements are received for audit and the legislative deadline by which the audit report must be issued.

## ***Response by the Auditor General to Standing Committee – Public Accounts***

### ***Office of the Auditor General 2015 Annual Report***

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Section 151(11) of Constitution states that “ A written law may provide that the accounts of a specified body corporate are not subject to audit by the Auditor-General but are to be audited as prescribed in that written law.” The Constitution further states that “if the written law under section (11) so provides, it must also empower the Auditor-General to review those audits and report the results of a review.”

The manner in which the review of financial statements audited by another person is to be done has not been specified in ensuing legislation. This has been included in the scope for review of the Audit Act 1969.

#### **Question 2 – Legal Aid Commission**

**Inform the Committee on why the accounts and records of financial transactions of the Legal Aid Commission are not audited separately (as a separate audit).**

#### **Question 2 Response**

The Office does not audit this entity.

The Commission under section 28 (2) of Legal Aid Act 1996 provides a legal framework to appoint its own independent auditor.

On 18 May 2018, the Legal Aid Commission submitted audited accounts from 2014 – 2016 audited by a private accounting firm for our records purpose.

#### **Question 3**

**The Committee notes that the financial statements of the Whole of Government are prepared in accordance with the International Public Sector Accounting Standards (IPSAS) under Cash Basis of Accounting. Why hasn't accrual based accounting been introduced in the public sector similar to what is practiced in the private sector?**

#### **Question 3 Response**

Cabinet Decision dated 20 July 2010 noted the progress towards adopting cash basis IPSAS and agreed to the adoption of cash basis IPSAS for whole of Government financial and reporting.

## **Response by the Auditor General to Standing Committee – Public Accounts**

### **Office of the Auditor General 2015 Annual Report**

---

The OAG will audit the draft financial statements as submitted by audit clients in accordance with the reporting framework being legislated.

Section 46(i)(a) of Financial Management Act 2004 provides that unless reliable accrual based accounting become available the financial statements is to be prepared in accordance with international accounting standards.

Since reliable accrual information still not being available, there were certain statements that are required to be prepared as provided in Section 46(i)(b). These includes the following:

- Statement of receipts and payments
- Statement of assets and liabilities including details of cash balances, investments, sinking funds and borrowings;
- Statement of contingent liabilities.

The transition to accrual account can only be best advised by Ministry of Economy for it is responsible for the preparation of the financial statement.

#### **Question 4**

**(Details of audits completed) – The Committee notes that in the case of Provincial Councils, only 4 audits against the targeted 14 audits were completed in 2015 as a result of non-submission and late submission of accounts. The Committee observes that this has been a recurring issue over the years. What is the OAG doing to ensure that Provincial Councils submit their accounts in a timely manner?**

Furthermore, the Committee was informed by the Ministry of iTaukei Affairs during its submission on the 2016 audited accounts that a total of 224 annual accounts (16 – iTaukei Affairs Board and 208 – Provincial Councils) were pending audit. We were informed that out of this, 89 accounts have been submitted to OAG of which audit conduct has been completed for 40 accounts and 49 accounts are pending audit. Please provide an update on the audit progress of these pending accounts.

#### **Question 4 Response**

The Auditor General is mandated under the I-Taukei-Affairs (Provincial Councils) Regulations 1996 to audit the Provincial Councils. Section 33(2) states that *“The accounts of the every Council shall be audited by the Auditor General”*. Section 33(3) further states that *“By the first day of April each year, accounts to be submitted to the Auditor General.”*

## Response by the Auditor General to Standing Committee – Public Accounts

### Office of the Auditor General 2015 Annual Report

The preparation and presentation of draft accounts is the responsibility of each Provincial Council, it is therefore the Provincial Councils responsibility to ensure that accounts are submitted in a timely manner in accordance with the requirement of Section 33 of the I-Taukei-Affairs (Provincial Councils) Regulations 1996.

The Auditor General will only be able to audit the draft accounts when they submitted to the Office of the Auditor General.

#### Update of the audits

To update the audits of all 14 Provincial Councils to 2017, we are looking at the audits of 221 financial statements within three years (August 2017 to 31 July 2020). This is an enormous task that the Office of the Auditor General has committed to undertake as stated in its Strategic Plan FY 2017 – 2020. Of the 221 financial statements, 82 have been submitted for audit as detailed below:

Provincial Council	Draft Financials Received (Year)	No. of accounts audited/to be audited	Update
<b>Audit conducts completed: August 2017 – November 2017</b>			
Tailevu	2002 - 2007	6	All audited financial statements for Tailevu Provincial Councils have been issued for signing. All audited financial statements for Naitasiri, Cakaudrove, Namosi Macuata, Bua, Ba and Lomaiviti Provincial Councils are currently under review.
Naitasiri	2000 - 2007	8	
Namosi	2001	1	
Cakaudrove	2002 - 2007	6	
Macuata	2005 - 2007	3	
Bua	2003 - 2007	5	
Ba	2001 - 2007	7	
Lomaiviti	2006 - 2007	2	
		<b>38</b>	
<b>Audit conducts currently in progress: May 2018 – July 2018</b>			
Lau	2003 - 2007	5	Audit conducts are currently in progress.
Kadavu	2002 - 2007	6	
Nadroga	2002 - 2007	6	
		<b>17</b>	
<b>Audit conducts scheduled for August &amp; September 2018.</b>			
Rewa	2002 – 2007	6	

## **Response by the Auditor General to Standing Committee – Public Accounts**

### **Office of the Auditor General 2015 Annual Report**

<b>Provincial Council</b>	<b>Draft Financials Received (Year)</b>	<b>No. of accounts audited/to be audited</b>	<b>Update</b>
Serua	2002 – 2007	6	Audit conducts are scheduled for August and September 2018.
Namosi	2002 – 2007	7	
Ra	2000 – 2007	8	
<b>Audit conducts yet to commence</b>		<b>27</b>	
<b>TOTAL</b>		<b>82</b>	

The audits of Provincial Councils were suspended from December 2017 to mid-April 2018 as resources had to be diverted to the current audits.

Prior to December 2017, 38 audits were in progress during the months of August 2017 – November 2017 and its status are provided in table above.

#### **Question 5**

The Committee has noted that OAG did not complete all of its programmed work in 2015 in terms of its target to audit entities for the financial audit groups, performance audit group, and special investigations. Please update the Committee on the impediments to not reaching your targets and its implications.

#### **Question 5 Response**

The impediments of not reaching the targets included the following:

- The position of the Auditor General was vacant during the FY 2015 until January 2017 and the role and function could not be fully exercised as legislated;
- Delay to submit the accounts on due dates for audit;
- Records requested for audit were not provided on time;
- High staff turnover and does takes time to retrain Officers

## ***Response by the Auditor General to Standing Committee – Public Accounts***

### ***Office of the Auditor General 2015 Annual Report***

---

The implication when the Auditor General post was left vacant, the Office was unable to properly exercise its role and function as required under the Constitution and the Audit Act.

No submission of accounts on a timely basis and providing timely clarification/information affects the annual work plan.

#### **Question 6**

**4.3 (Economic Services and Infrastructure Group) - Please enlighten the Committee on the nature of the Mataqali Trust mentioned under Other Audits.**

#### **Question 6 Response**

The nature of the Mataqali Trust is as follows:

The Mataqali Trust account refers to the Trust accounts prepared by those Landowning Units that deposit land into the Land Bank under the Land Use Act 2010. There need to be a minimum of 60% consent from the land owning unit before land is deposited.

The Mataqali Trust is made up of one or more (but less than 5) elected qualifying members of the land owning unit that act as Trustees for the respective trusts. [s 5(1) Land Use Regulation 2011]

The Prime Minister appoints the Trustees from the names submitted. [s 5(2) Land Use Regulation 2011]

Lessees who lease land from the Land Bank pay for lease premium and land rent to the Mataqali Trust through the Ministry of Lands and Mineral Resources.

Trustees are required to convene an Annual General Meeting before the end of 31 January every year where audited annual financial statement of accounts are endorsed and the election of new trustees conducted. [s 5(8) Land Use Regulation 2011]

The Office of the Auditor General must audit the Annual Financial Statements of Accounts for the land owning unit for any calendar year. [s 5(7) Land Use Regulation 2011]

During the FY 2015, there were no financial statements received for audit.

*Response by the Auditor General to Standing Committee – Public Accounts*

*Office of the Auditor General 2015 Annual Report*

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**Question 7**

The Committee notes that the audit fees received in 2015 decreased by 3.3% when compared to the previous year due to fewer audits conducted. Please advise the Committee on why fewer audits were conducted as compared to 2014

**Question 7 Response**

Our audit clients are invoiced when audits are completed. The impediment for decrease in audit fees was mostly due to non - submission of financial statements, records not provided on time thus audits were not completed for invoice to be raised.

The audits fees as shown in the financials are fees actually received during the year.

The assertions of few audits conducted could be misinterpreted as the facts remains audits were in progress but could not be completed due impediments faced by the Office discussed earlier.

Moreover, there are audits performed by the audits without charging fees because of the constitutional function of the Offices.

Appendix 1

**s 102**

PUBLIC ENTERPRISE ACT 1996

**[PEA 102]**

DIVISION 4 — AUDITS, REPORTS ETC

**[PEA 100] Audit**

**100** (1) Every Government commercial company and commercial statutory authority is required to be audited at least once in every year.

(2) The audit is to be conducted in accordance with—

- (a) the audit provisions of the Companies Act 2015 and (subject to paragraph (b)) other legal requirements; and
- (b) the Audit Act 1969, except where the audit is conducted by a person appointed by the board under subsection (3)(b).

(3) The audit is to be conducted—

- (a) by the Auditor-General or a person authorised or contracted under the Audit Act 1969 to carry it out, unless the Government commercial company or commercial statutory authority is exempted from audit under that Act by the regulations under that Act; or
- (b) by a person appointed by the board, if the company or authority is so exempted from audit.

(4) The person appointed by the board under subsection (3)(b) is to be—

- (a) the person that the Minister for Economy directs the board in writing to appoint; or
- (b) if the Minister for Economy gives no such direction, the person chosen by the board.

(5) This section applies notwithstanding any other law or any contrary provision in a company's articles.

[subs (5) am Act 31 of 2016 s 174, opn 1 Dec 2016]

(6) This section applies also to a subsidiary of a Government commercial company or commercial statutory authority.

[s 100 subst Act 17 of 2004 Sch 1, opn 1 Jan 2005]

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD IN THE BIG COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON 14<sup>TH</sup> JUNE, 2018 AT 9.41 A.M.**

**Submittee/ Interviewee: Office of the Auditor-General (OAG)**

In Attendance:

1. Mr. Ajay Nand – Auditor-General
  2. Mr. Sairusi Dukuno – Deputy Auditor-General
  3. Mr. Dineshwar Prasad – Director
  4. Mr. Moshin Ali – Director
  5. Ms. Finau Nagera – Director
  6. Mr. Abele Saunivalu – Director
- 

DEPUTY CHAIRPERSON.- Honourable Members, members of the media, Parliamentary secretariat staff and in particular the staff from the Office of the Auditor-General of Fiji. We welcome you, Auditor-General and your team to our meeting. We are here to discuss your responses in regards to certain questions we sent regarding the 2015 Annual Report. So, without further ado I request you to briefly introduce us your team and perhaps from there take us through the responses that you have formulated. Thank you.

MR. A. NAND.- Thank you Mr. Deputy Chairperson and Members of the Standing Committee on Public Accounts. We have our written submission and we will go over that and at the same time provide clarifications to which the Committee may have as I am responding to this submission. That is the order we will follow. The first question was in regards to the type of audits which we audit. How do we determine which ones to audit? Basically, the Public Enterprise Act empowers us in respect of Government Commercial Companies, Commercial Statutory Authorities and Budget State Entities to audit.

The Statutory Authorities and its respective legislation, the Auditor-General is appointed as the auditor or some other auditor which is also specified in that legislation. So, we have submitted a list of those entities which we audit and this list is also included in our 2015 Report on Government Commercial Companies and Statutory Authorities which is before the Committee as well as a list of the ones we do not audit.

The Committee has requested clarification on whether we decide which ones to audit. In fact we do not. The legislation empowers us whether or not to audit. In the case when we are appointed the auditors and the Minister or the Board, those charged with governance, they decide to appoint another auditor. It is entirely up to them. So, in that respect the Auditor-General could go to court but the intent not to engage with the Auditor-General becomes clear when the Auditor-General is not appointed the auditor of a State Entity. That is the point we wanted to inform the Committee where the audits are outsourced, where we are the auditors, the Auditor-General is appointed an auditor, we determine the complexity of the audit and the timeline in which we receive the draft accounts. For example, if the legislative

deadline is 30<sup>th</sup> April and we receive the accounts on 1<sup>st</sup> April, sometimes we would like to outsource that, to get it out quickly.

Some audits are a bit complex, we are still building capacity and once we have that capacity, we will do it ourselves but for the time being we will continue to outsource. When outsourcing happens the Chartered Accountant firm does the audit work, but when the file comes to our office, the team beside me, they carry out an independent review and when it is submitted to me, I do another review as the Auditor-General and then the Auditor-General signs on the Audit Report.

So in an organisation where the Auditor-General is totally not the auditor then the Auditor-General does not sign the Audit Report. Where the Auditor-General signs the audit report, in case of outsourced audit, then he or she may report to Parliament if there are any significant matters which are to be reported to Parliament but in cases where the Auditor-General does not sign the audit report, we have powers to review.

As I have mentioned in my submission, we have powers to review but it is the form and content of the review as not being legislated. The Constitution states that where we are not the auditor, the law should empower us to be able to carry out a review but I have not come across any legislation which specifically empowers us to review. There were no guidelines issued since 2006 when the Audit Act was amended on how the review is to be done. So, we may decide to go and do a review but the client, the State entity concerned may always refuse. It needs a bit of legal backing as well or the intent or the willingness for the State entities where the Auditor-General is not the auditor to be able to co-operate with us and provide us the information we would need to carry out a review and report to Parliament. So that is the response we have for the first question and if Members have more questions, I will be happy to clarify.

DEPUTY CHAIRPERSON.- Sir, as per your table of Government Commercial Companies, there is a company, Assets Fiji Limited.

MR. A. NAND.- Yes.

DEPUTY CHAIRPERSON.- To be honest, this is the first time I am hearing about it.

MR. A. NAND.- It is a newly established company. The next one is *Walesi* Fiji Limited. *Walesi* is the latest one and Assets Fiji Limited as well. I think this company is part of Fiji Ports Corporation Limited (FPCL).

MS. F. NAGERA.- They have not submitted their accounts.

MR. A. NAND.- Yes, we have not received their accounts.

DEPUTY CHAIRPERSON.- Assets Fiji Limited deals with what?

MR. A. NAND.- It holds the shares of Government, I believe in FPCL but I am not really sure of that.

DEPUTY CHAIRPERSON.- Honourable Members, any question on the first response?

HON. A.M. RADRODRO.- Auditor-General, thank you for your explanation and written response. Just on the alignment with your legal framework as per the Constitution and all these other small written laws, I think what you are basically focussing on is financial auditing but you have other types of audit that you can carry out like Government Commercial Companies (GCCs), Commercial Statutory Authorities (CSAs) and Off-Budget State Entities (OBSEs). Has the Auditor-General also considered performing those other different types of auditing of those institutions that you do not audit rather than just relying on the relevant sections of the Public Enterprise Act where, or even in those particular situations were you also considered in their process of appointment of their auditors? Did you also submit? Did you also tender?

MR. A. NAND.- Honourable Radrodro, thank you for the question. I think the first question deals with whether we do any other audits apart from financial audits. We do performance audits.

HON. A.M. RADRODRO.- (Inaudible)

MR. A. NAND.- No, those restrictions where the Auditor-General is appointed as an auditor. Where the Auditor-General is not appointed as an auditor, we are not allowed to access the records of those.

HON. MEMBER.- (Inaudible)

MR. A. NAND.- No, the legislation for example, the Legal Aid Commission specifies a Chartered Accountant firm which is a member of the Fiji Institute of Accountants, so what can we do?

The second question in regards to companies which have decided to appoint their own auditors whether we play a role? We do not. We are not even consulted. There was a recent case where one of the GCCs went out and appointed their own auditor. They did not even inform us, we found out the other way. As I mentioned, Honourable Members, it is the intent of those charged with governance to decide on whether they want the Auditor-General to audit or someone else to audit. When we audit, we report to Parliament or if there are any significant findings that is what we can assure.

HON. A.M. RADRODRO.- OAG empowers this relevant section - Section 11 in your response?

MR. A. NAND.- Yes.

HON. A.M. RADRODRO.- It says that it must also empower the Auditor-General to review those audits and report the results. Is your office also conducting those separate reviews from those kinds of audits?

MR. A. NAND.- No, in fact we are waiting for the legislation to come in. These powers were given to us long ago to review but for some reason, we have not done those

reviews perhaps because there is no legislation. As I earlier mentioned, if you want to do a review, what is the form and content. If the legislation gives a form and content, everyone is required to comply. If we decide a form and content of the review, the other state entity may not agree. Where do we go? And that is what we have captured in the proposed or the current review of the Audit Act for that to be specified in the Audit legislation what a review is? It will make things clearer and easier for all of us.

HON. A.M. RADRODRO.- For those entities that come under the audit of the Auditor-General, that is on the decision of the entities themselves, they can pull out from your audit and appoint another.

MR. A. NAND.- They can and they have done that.

HON. A.M. RADRODRO.- And there is no prescribed criteria to that effect?

MR. A. NAND.- Yes, whether they comply or not with the legislation, who is going to enforce it, what are the penalties? It is beyond the control of the Auditor-General.

HON. A.M. RADRODRO.- I find it a bit weird on your legal framework, the Constitution is paramount. All these other issues align themselves to the Constitution.

MR. A. NAND.- Yes, That is exactly what we are now working on, The Audit Act, the last review was done in 2006, the Constitution is 2013 and there were a lot of legislations which came in in between. So I think the current review of the Audit Act and of course it will come through the Parliamentary process is going to strengthen these areas a bit more. But in terms of the reviews, we are going to do some more research. It is a review which we will carry out in respect of a company which has been already audited by an auditor. It is where you are going to review the work of another auditor. It is something we have to look into in totality on what is the practice overseas and do some reviews based on agreed terms of engagements.

HON. A.M. RADRODRO.- For example institutions like USP they have been receiving grants from Government. Fiji National University and the other universities have been receiving great amounts of grants from Government. Currently, there is no review done by OAG in terms of Government grants that has been handed out to them. So how have you considered yourself because according to the Constitution you should follow all those grants.

MR. A. NAND.- The Parliament should also empower us to carry out that audit. If Parliament in cases where for example, FNU has approved the legislation which says the Auditor-General should not audit. So, what is the intention of Parliament? I respect the policy decision of Parliament and I think it is unfair for me to comment beyond that. Where we are empowered, we do the audits, the grant payments which are made will check the compliance with the terms of condition of the grants and that is it; that is what we can do.

HON. A.M. RADRODRO.- Can you do any other type of ...?

MR. A. NAND.- No, we cannot, because the legislation specifically says we are not the auditor, so we just stay away from those entities, unfortunately.

HON. A.M. RADRODRO.- (Inaudible)

MR. A. NAND.- I am sorry, I am not a lawyer and we could take it for Constitutional redress. But again as I had mentioned, it is the intent of those charged with governance whether they would like the Auditor-General to audit or they would like some other auditor to audit and we have reported that. We can only report, so we reported that in our 2015 Report and maybe the Committee as part of its deliberation may wish to ask some of the entities that question.

HON. A.M. RADRODRO.- I think we can also recommend the limitations of OAG in terms of compliance with the relevant legal framework of the Constitution. They are not empowered to do follow ups of all the Government grants.

DEPUTY CHAIRPERSON.- Yes, I see you have put it very technically too. I have been hearing and observing and I do concur that it is vague to think that the general responsibility has been bestowed upon the office. But actually in doing the actual audit work, especially in relation to certain entities is also something to think about as they also have the powers not to choose you. So it is a bit of a technical and policy matter and I do respect that you did not comment further, you just said that if you are empowered you will, if not, you will not. We will also see how we can take that as a recommendation. But nonetheless, it does not seem fair that some of these entities escape our scrutiny simply because they have that independence to decide. Some of them come through our scrutiny, so it seems a bit unfair. I mean there seems to be bit of unfairness in terms of balancing the whole process of these entities subject to scrutiny.

Let us suppose if another firm does the audit, they find a lot of significant matters, and with some of these entities we find some significant matters so we straightaway table it in our report. Once it goes to Parliament, then the relevant Ministries, Departments and entities who receive our report, they act on those issues that we have highlighted. But in the case of those entities who miss out on our scrutiny and there are significant matters identified by those firms they hire, so in that case they decide themselves what to do or the Board does?

MR. A. NAND.- The Board decides and they an audit report but then the Annual Report is their business, not the audit findings.

DEPUTY CHAIRPERSON.- Yes.

MR. A. NAND.- That is a correct statement, Honourable Deputy Chairperson.

DEPUTY CHAIRPERSON.- So, they have that leeway that whether you want to act or not, it is entirely upon them. But we understand that those who come before the Public Accounts Committee, reports are tabled in Parliament and our Parliament Report is considered very important. So it is considered as important, immediate measures are taken and we have seen so many improvements. One of the things that we have been recommending a lot is the inclusion of more Board members and over time we have seen significant changes because of what we have been reporting. Almost all the entities now have Board members. So, it seems a bit unfair that some of them are able to escape this scrutiny and some of them have to go through this. So, we have to decide how well we can put that as a recommendation.

Honourable Lalabalavu, any question. It is a very interesting discussion.

So, we will move onto the next one.

MR. A. NAND.- Yes, thank you Honourable Deputy Chair. The next one is the Legal Aid Commission. I think the Committee will be interested to know who the auditor is and this is just one example we have. It says under the legislation that the Legal Aid Commission can appoint their own auditors, it is in the 1996 legislation.

The Legal Aid Commission appointed their own auditor and they submitted the audited accounts to us for information. So, that is the status of Legal Aid Commission and there are other legislations as well where we are not the auditors, so it is up to the policy decision of the Government and we respect that.

DEPUTY CHAIRPERSON.- We will not have any further discussion on that because it is not part of your Annual Report but just out of interest, we asked and we thank you for your response to that. We will move on to the next one.

MR. A. NAND.- Thank you, Honourable Deputy Chairperson. The next question is with regards to the adoption of accrual accounting by the Government of the Republic of Fiji. Currently we are using cash basis IPSAS plus a bit of legislative requirements in respect of sections of the FMIR also in our submission. But I think there are plans to move towards accrual accounting which is full accrual accounting and when that is done perhaps, we will be able to consolidate the State entities together with all of the Government accounts, and that is the trend which is happening worldwide. All the accounts are consolidated into one financial statement at Government level and reported to Parliament. But currently we do not really have the details of the road map which the Ministry of Economy has to migrate from IPSAS cash basis to IPSAS accrual basis. It has to be a journey, it takes approximately seven to ten years to mature into accrual accounting but we are aware that the asset valuation exercise has commenced.

There is some framework being established by the Ministry of Economy and that is the biggest hurdle in any organisation adopting accrual accounting is to book the fixed assets. So, the framework has commenced the preparation of the framework. I believe there is a consultant which has been engaged, but the other details as I had mentioned of the road map, we are not sure of that and Ministry of Economy are the best people to respond to that question.

DEPUTY CHAIRPERSON.- Thank you. Just take note of that. When the Ministry of Economy will come we will ask them about this. Honourable Members, any questions?

HON. MEMBERS.- No.

DEPUTY CHAIRPERSON.- We will move onto the next one.

MR. A. NAND.- The next question is in regards to the Provincial Councils. Our response is detailed here. I think there has been an issue about Provincial Council audits for a long time. I recall, one time we updated all the accounts till 1995. There have been delays

and we have now received a lot of accounts from the Ministry of *iTaukei* Affairs and they have also made a commitment to submit all the outstanding accounts by end of this year. That puts a lot of challenge on us as well. We have appointed a group of about 10 people to work. We have committed to have the Provincial Council accounts audited and updated in the next two years, likewise the Municipal Councils. Using a combination of outsourcing and insourcing, we are doing it within based on resources. The thinking is that we could get a big team of project staff who can do the audit. Unfortunately, auditing is not like that. Honourable Members are aware that auditing requires a lot of experience and we cannot be using temporary staff to carry out audit works, so that is not even a short term solution. So in our current strategic plan, we have made a commitment to update all the audits in the next three years by 2020. We have been tracking along well, it is timely because it is a time lapse. Some records are missing, we have issued on a number of cases disclaimer of opinion which means we are not able to give an opinion on the accounts. Basically from the user perspective, they are no good.

We are trying to resolve this as much as possible not to give a disclaimer of opinion, to give at least an opinion which can be qualified so that the user of the audited financial statement will get some value out of it. We can assure the Committee that when we report the progress we make and we also put a report on the audited Provincial Councils to Parliament as and when the audits are completed. That is the submission we have.

DEPUTY CHAIRPERSON.- Thank you, Honourable Members, any question on that?

HON. RATU N.T. LALABALAVU.- Deputy Chairperson through you, Auditor-General just some clarification on the Ministry of *iTaukei* Affairs, do they have internal auditors with them?

MR. A. NAND.- No, they do not.

HON. RATU N.T. LALABALAVU.- Nothing at all?

MR. A. NAND.- Yes, they do not, and I am very glad you asked that question, Honourable Lalabalavu because I think that would assist a lot in managing..... The Board has but not the Ministry.

HON. RATU N.T. LALABALAVU.- FAB has got?

MR A. NAND.- Yes, but we are also giving credit where it is due, the Ministry is working very hard to give us the accounts. They are very cooperative, it really feels good for our people to be engaged in those audits. There are ten people at the GCC Complex for 3 months. I also had the opportunity to meet the PS for the Ministry and he assured us, we also advised that if needed, we will provide some basic training on record keeping to the Administrators, the Accountants, the Treasurers in the respective Provincial Councils so as to build capacity and empower them. Whenever within our network a lot of good people can provide us that training, we would also be able to run a workshop in consultation with the Ministry so as to empower the people. It is not that the people in all cases do not want to prepare the accounts, some of them do not have the capacity in terms of knowledge to be able to prepare the accounts. That is what we have suggested. I am sure in time to come we will get together and start empowering the people who are responsible for the preparation of the

Provincial Council accounts to be able to do it themselves instead of the Ministry preparing the accounts for them.

HON. RATU N.T. LALABALAVU.- Another supplementary question, Deputy Chairperson, why I am raising this supplementary question is simply because Provincial Councils are now deemed as an arm of Government. Long are the days where their officials are regarded as quasi-civil servants and all that. Having said that, having them regarded as part of Government's arm and also in view of each Provincial Council now venturing into business ventures, the arrow seems to be back to square one; if you cannot take care of Provincial Council matters especially the accounts, can you look after a business entity? The question really that I think is, having said that, where does your office come in here? Now being deemed as an arm of Government and taxpayer's money is ....

MR. A. NAND.- Honourable Ratu Lalabalavu, this is in regards to the investment companies or Provincial Councils?

HON. RATU N.T. LALABALAVU.- No, to the Provincial Councils.

MR. A. NAND.- Yes, our operation has been always, when the accounts are submitted, we will audit and report and we have reported to Parliament as well on the audits which we have done, but where the audits are delayed, it is something which has accumulated over years. So, if two years accounts is not submitted then it starts to go onto five years then to ten years. Our position has been very clear. In previous years, it has been the issue. I have been with the Audit office for a long time now and this has been an issue where the accounts are submitted late, we form a taskforce, we update the accounts. The last one as I mentioned was 1995, we updated all the audits of Provincial Councils by 1995 and then again there was delay in the submission of accounts and then it accumulated.

So, the root cause is the delay in submission of accounts to us for audit, which is the primary challenge for us because if they do submit their accounts on time, we will either do it or we will outsource it but if we do not receive the accounts on time, we cannot do much. We can only report to Parliament that these entities have not submitted their accounts. I hope I have answered your question, Honourable Member.

HON. RATU N.T. LALABALAVU.- Mr. Deputy Chairperson, you have indicated that there is an auditor with the iTaukei Affairs Board.

MR. A. NAND.- There is an internal audit team at the Board level.

MS. F. NAGERA.- There is an internal audit team with the iTaukei Affairs Board. They go and check internal controls but they report to their Board.

HON. RATU N.T. LALABALAVU.- Under the Ministry? It is like we are having two streams here.

MS. F. NAGERA.- The preparation of accounts that we have received is done by the iTaukei Affairs Board and we understand that the CEO of iTaukei Affairs Board is the PS for the Ministry of iTaukei Affairs. So, there is a taskforce at the iTaukei Affairs Board that is currently preparing this account. There are a number of them there who prepare the accounts.

So for the batch of accounts that we have received, we have received 81 financial statements to audit. It is a very significant task and that is up to 2007. They are currently working on preparing accounts from 2008 to 2017 (another ten years), so that is about 140 accounts that we will have to receive and audit. The preparation of accounts is centralised at the *iTaukei* Affairs Board, it is not done by the Councils but I think the Treasurers in the Councils come to the *iTaukei* Affairs Board Office and prepare the accounts together with the team that is there at the *iTaukei* Affairs Board.

MR. A. NAND.- Just to add onto what Ms. Finau has said, the Internal Audit Team with the Ministry of Economy would be the auditors for the Ministry.

DEPUTY CHAIRPERSON.- So, what has actually happened when there was a backlog. Whilst we had discussions with the representative from *iTaukei* Affairs Board, they said that they have set up a special team to specifically look into this work. The preparation of financials for all those years have not been happening. So, I believe they have completed more than 90 percent of the accounts.

MR. A. NAND.- Still a number of accounts left to be updated in the current date and time. For 2007 I think we have received 221.

MS. F. NAGERA.- Mr. Deputy Chairperson, all the 14 provinces have submitted accounts up to 2007. I think it was just yesterday that Naitasiri provided 2008 to 2010 so that is the first province that has submitted, but our work right now is to update all of 2007 and then move on from there. But we are expecting the whole 140 draft financials to come by the end of 2018.

DEPUTY CHAIRPERSON.- Naitasiri.

HON. RATU N.T. LALABALAVU.- Honourable Deputy Chairperson through you, I think that is a big achievement. When I was Minister for Fijian Affairs the usual rhetoric is that the *coup* happened. Before 2006 when I was Minister for Fijian Affairs, there were outstanding accounts going years back. Now to hear that 2007 is provided by the province of Naitasiri, it has well advanced and I think that is a big achievement with the way forward.

MR. A. NAND.- I agree Honourable Member. I think the first step towards accountability is when you prepare your draft accounts and submit for audit. So as you have very well said Honourable Lalabalavu, it is a positive indicator.

HON. A.M. RADRODRO.- Deputy Chairperson, another supplementary question. While we are talking about Provincial Councils, will the *iTaukei* Affairs Board also produce an account on its own?

MR. A. NAND.- Yes.

MS. F. NAGERA.- Thank you, Honourable Radrodro. The *iTaukei* Affairs Board audit also is in backlog. We currently have accounts from 2003 to 2007 which we are trying to update and then after that they will have to submit the accounts from 2008 to 2017.

HON. A.M. RADRODRO.- Completed from 2008 to 2017.

MS. F. NAGERA.- Honourable Deputy Chairman, we have yet to receive the draft accounts from 2008 to 2017. We have received the draft account from 2003 to 2007 which we are currently working on. It is a challenge when the accounts come together at once and having the resources to be available to audit but we are working on updating the accounts.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question to the Auditor-General. Now that you have highlighted delays in the respective Provincial Councils and the *iTaukei* Affairs Board, have you discussed any strategies to improve going forward say from 2018? Going forward on how best that we can improve this so that you do not get a repeat in the future because of connectivity, *coup* and other things?

MR. A. NAND.- I think the Ministry and the Board, the competency of staff looking after the accounts of Provincial Councils has improved significantly. As I have mentioned, we also wish to partner with them to provide that knowledge to the ones who are in the islands most probably out of stations who need some assistance in preparing the accounts. So gradually I think when the accounts are coming in, it shows that people have the ability to prepare the accounts. The challenge is in terms of record keeping because historically things can go missing. But going forward, we expect that once the audits are updated, the accounts come in on time then it will make it easier for us to complete the audits on time as well.

HON. MEMBER.- (Inaudible)

MR. A. NAND.- In fact we are auditing from an investment perspective, so we do look at the holdings and the commercial activities from an investment perspective.

DEPUTY CHAIRPERSON.- Thank you. We will move on to the next issue.

MR. A. NAND.- Thank you, Honourable Deputy Chairperson. The Committee has requested clarification on the audit programme which we did not complete in 2015. There were a couple of reasons which has been stated in the submission which includes the Auditor-General's position not filled at that time. The submission of the accounts was delayed which was the biggest issue and challenge for us. Secondly, the records were not provided. We also lost a number of staff during the period 2015-2016. Perhaps the matter which I would like to raise with the Committee is that, we have observed that there are a lot of delays in submission of responses to management comments. There are a lot of delays in return of signed accounts and from my governance's perspective it is a concern. We give a maximum of 14 days for responses. Entities do not respond at all or even acknowledge sometimes that they have received the management letter. And we would not like to rush a report to Parliament like what happened last year because we have to meet some legislative deadline and we are putting ourselves at risk. In the next report I think those are some of the issues we will be raising. This is something which I am not sure which existed previously but I find it very, very challenging not to be able to receive a response to a draft management letter. It takes two months for some entities to respond. When you send the audited accounts for signature and return the issue of the Audit Report it takes weeks. It does not augur well with the process of governance where we want the entities to be co-operating in the audit process.

So that something which is related to the question that the Committee has asked as to, why have some of the programmes not been completed? We cannot issue an Audit Report if

the signed accounts are not received for example on time. If this cut-off date happens and say at the end of December or end of July, then the Audit Report is signed the following month it simply cannot be completed in the current audit year. So those are the challenges which we face and we will bring it to the attention of Parliament through our reports, I think that is the best way we can raise our concerns. But just as we discussing this issue I thought I will bring it to the attention of the Committee as well on the challenges which we face.

DEPUTY CHAIRPERSON.- Sir, in terms of legislative guidelines, I feel that especially in this case where the management is not making their comments on time. Does the legislation specify who is supposed to make those comments? Probably when your report goes there, they might be thinking either you do it or you sign it or you make the comment. When it comes to in actuality who specifically takes this responsibility, what does the legislation say about that?

MR. A. NAND.- Thank you, Honourable Deputy Chairperson. In fact the legislation is not very prescriptive. It says those charged with governance; the Board, the Permanent Secretary and the CEO. Those are the people who are charged with governance. It is only ethical, it is only good that they take accountability of those matters.

DEPUTY CHAIRPERSON.- So, it is just general?

MR. A. NAND.- It is not specified.

DEPUTY CHAIRPERSON.- It is not specified?

MR. A. NAND.- No.

DEPUTY CHAIRPERSON.- Those who are charged with governance.

MR. A. NAND.- Yes, those charged with governance who are responsible for the assets, liabilities and everything about an entity. They are the ones who should be concerned, they are the ones should be asking, have you responded?

DEPUTY CHAIRPERSON.- They can even say, it is supposed to be the Minister. He is also responsible for governance. So it is very general.

MR. A. NAND.- Sorry, Honourable Deputy Chairperson, in fact we addressed the report to the Permanent Secretary for example or to the CEO of a state entity, that should be the person responding. He or she should be coordinating with those charged with governance, as I mentioned. In some entities there are Audit Committees, the Auditor-General's Report goes through the Audit Committee that is the highest level of governance as expected.

Those are the challenges we face in the Public Service, most of the bigger entities have Audit Committees and they really go through the Audit Reports or the management letters which are issued by the external auditor. It is something which, if someone does not comply, what is the penalty? In the private sector you would have a KPI, a CEO would have a KPI and KPI says response to Draft Management Letters (DML) from the external auditor - five days turnaround time. If you do not comply, it affects your performance and whatever

reward which comes through. I am really not sure whether we have such systems and processes which are linked to performance.

DEPUTY CHAIRPERSON.- Sir, in your line of work when you try to follow-up, like a particular entity has not given their management comments on time and when you try to follow up with them, from your experience what are some of the reasons they give for the delay?

MR. A. NAND.- A couple of times I had to sign the letters or e-mail the letters myself. What we need is submitted but there is no explanation provided for the delay.

DEPUTY CHAIRPERSON.- So when you follow up, like they are supposed to comment within 14 days, so they do not. As the ones responsible, the office tries to follow up with them. What are some of the reasons they give for the delay? Do they actually give you the reasons?

MR. A. NAND.- I think in one or two cases, I have been informed that the PS was not around to vet the report because for some reason or other. They are administrative processes but the root cause most probably is the lack of will to respond.

DEPUTY CHAIRPERSON.- Exactly.

MR. A. NAND.- It is worrying. Sometimes what happens is some clients are waiting on addressing the recommendations, I think that is an important point as well. They want to make everything look good and then respond and say all right, we have done this now, you guys can come and check, because they know it will be reported to Parliament. Sometimes it causes lot of delays, sometimes what happens when we issue a draft audit report which contains some qualification issues, the client decides to, “no, no, no”, we want a clean report, we will fix this” and that delays the audit process for months. Those are some of the reasons.

DEPUTY CHAIRPERSON.- But there is no specific guideline on who will in actuality take the responsibility. It is just the people in charge of governance?

MR. A. NAND.- Yes.

DEPUTY CHAIRPERSON.- It can be anyone. The PS can tell the CEO, the CEO can say it should be the PS, or someone can say it should be my Finance Manager since he is looking after so....

MR. A. NAND.- Yes. In each Ministry can develop their own guidelines based on best practise and I think it is very valid point that you, Sir, have raised. Maybe the Committee may wish to recommend along those lines, again this is something which comes as a policy matter for individual Ministries and Departments but to ensure smooth auditing process, it will assist us a lot.

HON. A.M. RADRODRO.- (Inaudible)

DEPUTY CHAIRPERSON.- Yes, that is the limitation.

HON. A.M. RADRODRO.- (Inaudible)

MR. A. NAND.- No.

DEPUTY CHAIRPERSON.- So you did mention a very interesting point that some of these entities have a special audit team and these teams may comprise of the ones in charge of governance probably, or is it just the finance people?

MR. A. NAND.- All right. There are Audit Committees which are in case of a company or a statutory body made up of members of the Board. The internal auditor, the Manager Internal Audit or Head of Internal audit reports to the Committee. So whenever a report comes from an external auditor, it also goes to the Committee. The Committee asks management and management would provide that response then the Committee will ask them the relevant questions before the response comes to the auditor again. Likewise the Internal Audit's Report also goes to the Committee and the Committee will ask questions on controls, ask management what is happening? It is a very interactive process and that is something we would like to go towards in the public sector. We have a number of ministries where they are called inter-audit functions. But we need to see more of those Committee set-ups in the Public Service.

DEPUTY CHAIRPERSON.- Thank you for that. Honourable Members, any questions? No? We will move on to the next issue.

MR. A. NAND.- Thank you, Honourable Deputy Chairperson. Question 6 is in regards to the *Mataqali* Trust I think I will ask Finau to take us through this response.

MS. F. NAGERA.- Thank you, Honourable Deputy Chairperson. The *Mataqali* Trust, the trust accounts are prepared by the landowning unit that deposits land into the Land Bank under the Land Use Act 2010. Under the Land Use Regulation 2011, the Auditor-General is mandated to audit the Annual Financial Statement of the landowning unit. We have just done one, for the year ended 2011 which was done in 2013. We have not received any other Financial Statement since the last audit for 2011 which was done in 2013.

So in the 2015 Annual Report, we have reported that there was no audit done simply because there was no draft Financial Statement submitted. I think when that was done in 2013 up to-date, we have not received any other Draft Financial Statement from the *Mataqali* Trust. And whether the *Mataqali* Trust still exists under the legislation or whether they are preparing annual accounts, we do not really have information on that.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question. How many *Mataqali* Trust altogether? Which one is this?

MS. F. NAGERA.- The Auditor's Report that was issued in 2013, the Auditor-General signed the Auditor's Report for the *Mataqali* Trust of *Vanua* Lekutu and Navakasiga, *Mataqali* Nalutu, *Mataqali* Noro and *Mataqali* Naicobo, so there were four that we audited. There may be more now but those were the four that were audited in 2013.

HON. RATU N.T. LALABALAVU.- Question through you, Honourable Deputy Chairperson. Auditor-General thank you for the statement regarding there was only one

financial statistician have been auditing in 2013 Annual Report. Can you guide the Committee, these are the complications that might come if the laws are not clear. What I am trying to say here, Auditor-General is that the Native Land Trust Act is a statute - Cap. 140. This one here is the Land Use Act of 2010 setting up Trust for each individual *mataqali* where your office is required to audit the financial statements.

So for a particular *mataqali* they can be faced with two land laws so to speak. One is under the Native Land Trust Act where the Native Land Trust Act is the sole trustee of all native landowning units in Fiji, whereas this one here drops it off. Can you guide the Committee as to how do you maneuverer your way around challenging legislations that come before you?

MR. A. NAND.- It is a very difficult question to answer. In fact the straight forward ones; Public Enterprise is quite a straight forward one. We are faced with so many challenges trying to seek compliance to that. We take it as a policy decision of Parliament. From our end, we pick it up from there and try to encourage or look forward to self-compliance by the entities which are responsible for compliance by those legislations. In fact I think just digressing a bit in 2008 we had a case against the Reserve Bank of Fiji and we said we wanted to become their auditors. So the case went before court and according to the judgement it was not necessarily so, but we could review the audit.

If there is a matter we take it to Court, it does not reflect an agreement. It reflects that a third party has to deal with it all the time and we are trying to work in an agreement with the entities which we audit. It is an open process. They allow us to audit, we audit and we report. If there are significant matters, it gets reported to Parliament and that is how the process has been all the while. But with several legislations in place sometimes it is confusing and I think that is a bigger intent of ours is to review the Audit Act to capture all this perhaps in one documents to make things clearer for the Auditor-General on which legislation to look at.

DEPUTY CHAIRPERSON.- There are a lot of issues that we are discussing which are policy matters and obviously we have to keep in mind that probably we cannot challenge that, but this is a very open discussion, it does not restrict our opinion on certain matters. It is just at the end of day whether we choose to abide by that, that is the most important thing to consider. So that was a very interesting question but unfortunately it is a policy matter. I can see where the Auditor-General is coming from.

HON. A.M. RADRODRO.- Mr. Deputy Chairperson just a supplementary question to this *Mataqali* Trust. You are required to audit the financial statements, *Mataqali* Trust Account that is being kept at the Landowning Unit or PM's Office?

MS. F. NAGERA.- When we audited it was under the Ministry of Lands.

HON. A.M. RADRODRO.- So far you only audited four?

MS. F. NAGERA.- Yes, those were the 2011 accounts.

HON. A.M. RADRODRO.- In terms of the total land that was banked at the Land Bank, that would require individual *mataqali* ....

MS. F. NAGERA.- We do not have that information, the number of *Mataqali* Trust probably would have increased since 2013.

HON. A.M. RADRODRO.- Where would you get that information from?

MS. F. NAGERA.- The accounts was submitted to us by the Ministry of Lands. So Ministry of Lands would have that information.

HON. A.M. RADRODRO.- So this are monies as per your explanations here, these are lease monies?

MS. F. NAGERA.- These are the *mataqali* that have deposited land into the Land Bank, so it comes under the Land Bank.

HON. A.M. RADRODRO.- As per your explanation, leases who ....

MR. A. NAND.- Lease money.

MS. F. NAGERA.- Yes.

HON. A.M. RADRODRO.- Can you just inform the Committee in terms of auditing the disbursement of this lease money in the ones that you have audited. Is it also the receipts or receipts and disbursements expenditures?

MS. F. NAGERA.- For example, in a statement of receipts and expenditure for a *Mataqali* Trust, the receipts would be the land use compensation that probably would be paid by Government and the expenditures would be the bank fees and charges, distributed compensation probably these are the compensations that have been distributed to the members. The land use compensation includes the *qoliqoli* compensation so this is for one *mataqali* but if the Committee would like to have a look at the financial statements ....

DEPUTY CHAIRPERSON.- We will only have a look at the financial statement once it is tabled in Parliament.

MR. A. NAND.- Yes. Mr. Deputy Chairman, once this is tabled in Parliament we will let the Committee have a copy.

DEPUTY CHAIRPERSON.- Exactly but if...

HON. A.M. RADRODRO.- (Inaudible)

MR. A. NAND.- It should be in 2011. We will have to go and look at the reports maybe the Ministry of Lands report is there.

DEPUTY CHAIRPERSON.- It will be tabled sometimes next year, we can see that.

HON. A.M. RADRODRO.- (Inaudible)

MR. A. NAND.- I think it would have a different bank account.

MS. F. NAGERA.- They would maintain a separate bank account.

MR. A. NAND.- Yes. So they would have a list of people who should receive that money and we will check whether the money has been paid, that is what we can do.

HON. A.M. RADRODRO.- (Inaudible)

DEPUTY CHAIRPERSON.- But the trustees of this is decided by the Honourable Prime Minister even though this scheme comes under the Ministry of Lands.

MR. A. SAUNIVALU.- Mr. Deputy Chairperson, the *mataqali* nominates, the Prime Minister appoints the trustees according to the legislation.

DEPUTY CHAIRPERSON.- So, the Office of the Auditor-General receives the accounts prepared by the finance people in the Ministry of Lands and Mineral Resources.

MS. F. NAGERA.- Mr. Deputy Chairperson, we receive the accounts from the Ministry of Lands and any issues or any queries that we have during the audit, we direct that to the Ministry of Lands. We had dealt with the Principal Accounts Officer then at the Ministry of Lands so the Ministry of Lands would have prepared the accounts.

DEPUTY CHAIRPERSON.- They are the ones who ....

MR. A. NAND.- Their Accounts Section most probably would have prepared the accounts.

DEPUTY CHAIRPERSON.- Not the ones from the Office of the Prime Minister?

MR. A. NAND.- Because the account is maintained at the Lands Department and I think they would be the one.

DEPUTY CHAIRPERSON.- Thank you. We only thought they will look after the management and the regulation part of it. We did not know that they even prepared the accounts.

MS. F. NAGERA.- Mr. Deputy Chairperson, when we carried out this audit, we did not deal with the trustee, we dealt directly with the officials of the Ministry of Lands.

DEPUTY CHAIRPERSON.- Ministry of Lands.

HON. MEMBER.- (Inaudible)

DEPUTY CHAIRPERSON.- Exactly.

MS. F. NAGERA.- Deputy Chairperson, we liaise with those that submit their accounts to the OAG. It was submitted by the Ministry of Lands.

MR. A. NAND.- Perhaps they prepared the accounts on behalf of the trustees and submitted, who signed the accounts?

HON. RATU N. LALABALAVU.- Are they operating outside the ambit of that role or ...

MS. F. NAGERA.- The audited accounts were signed by the *Liuliu ni Yavusa* and a trustee. When the draft accounts are provided to us, the signatories were already provided in the accounts.

MR. A. NAND.- Perhaps the Ministry of Lands was just facilitating that on behalf of the trustees. Once we receive, most probably we will follow up the other accounts which are pending and prepare a report to Parliament on this. I think it is important that Parliament knows that. I am not sure whether we have reported this 2011 audit but we will be providing a report to Parliament. If there is a report which has already been done by either the Ministry of Lands or one of the many reports we have issued since 2011, we will provide a copy of the report to the Committee to deliberate on this matter.

DEPUTY CHAIRPERSON.- Yes, we were just hoping to seek some background information on that. I know that the specific comments on the audit report itself can only be discussed once it is tabled in Parliament.

MR. A. NAND.- Yes.

DEPUTY CHAIRPERSON.- So, as we speak of it, it is with the office and sooner or later it will be tabled. Any more questions on the land bank?

HON. A.M. RADRODRO.- The *Mataqali* Trust, are there any fees deducted for administration cost by the Ministry of Lands?

MR. A. NAND.- Bank charges.

HON. A.M. RADRODRO.- Do they charge any administration cost?

MR. A. NAND.- They are just managing it on behalf of them. No, they are not charging any fees.

DEPUTY CHAIRPERSON.- Thank you.

MS. F. NAGERA.- It is not reflected in the financial statement that we received.

DEPUTY CHAIRPERSON.- Yes and even if it is, right now we cannot ask but we are just asking out of interest but not necessarily to put it as part of the report. So, we will move on to the last response.

MR. A. NAND.- Thank you, Honourable Deputy Chairperson. The last question deals with the audit fees which we charge. As per the Audit Act, the Minister responsible for Finance determines the rate of audit fee we charge. Currently this audit fee that we are charging had been set many years ago. Last year or early this year we submitted a request to

the Honourable Minister for Economy providing a proposal for audit fees. This is under consideration by the Honourable Minister. Once the Minister approves the new rates, we will charge them. The question relates to the arrears of audit fees which we receive. Not all agencies we bill for the audits we carry out. For example, Government ministries and departments, we do not invoice for the work we do. It is part of the requirements. But Statutory Authorities and Government Commercial Companies, we do bill them. We charge a small percentage of overhead cost which is paid into the consolidated funds. So, we do not actually keep this money. Out of all the fees we charge, we collect and pay it to the consolidated fund and we also reflect that in our accounts. So the arrears would vary over different years. I think for last year we collected almost half a million in arrears in respect of audit fees.

In real terms you would like to recover the cost of your service, but currently we do not charge audit fees to all the entities we audit. I think that is the response we have for this question.

DEPUTY CHAIRPERSON.- Honourable Members, any question on that? Now, I believe that would be all and I thank you Auditor-General and your team for the responses. We have one more.

HON. A.M. RADRODRO.- Deputy Chairperson, just one last one Auditor-General, the environmental management audit. The report says that you are still trying to work into forming the auditors in this particular area knowing that climate change and COP23 Presidency is in Fiji. Can you just advice on the progress in terms of staffing for environmental management audits?

MR. A. NAND.- Thank you Honourable Radrodro for the question, through you, Deputy Chairperson, I think the definition of Performance Auditing is anything apart from financial audits. So, performance audit includes IT, environmental audits and other audits. It is a very huge area, in fact we were building capacity from the time we received the powers to carry out environmental audits. Unfortunately, over time a lot of people left. Currently we have one senior staff who is assisting us in carrying out environmental audits but now we have decided, we re-established the internal audit function from July last year and we are building capacity. We also are a member of an international working group on environmental audits through which we also receive assistance in terms of capacity building to carry out environmental audits. It is firmly rooted in our strategic plan and I think in the next two years the Committee will receive or the Parliament will start receiving reports on some of the environmental audits which we carryout. It is a very huge subject and climate change is the recent addition in terms of environmental audits. Thank you Deputy Chairperson.

DEPUTY CHAIRPERSON.- Honourable Members? Thank you Auditor-General for your indulgence, time and for addressing a variety of issues, some issues were very interesting to be discuss. We take note of some of the concerns that you have raised and as usual we will try to incorporate as much as possible in our reporting and we do take note of the challenges. Some of the challenges as a result of the legal framework, unfortunately we cannot comment to change the law, it will remain as it is but through some very careful recommendations, I am sure things can be considered. Once again I thank you for your very hardworking team.

As we have discussed, next week will be the last week of engaging your good office. We do not know what will happen afterwards. It all depends on the decision of Parliament, so on that note we would be missing a lot on these submissions. The work needs to go on and irrespective of the fact that we are here or not, we are sure that with your professional work and the drive to do all that, you have been doing already. Before we break for tea, are there any final comments from you, Sir.

MR. A. NAND.- Thank you Deputy Chairperson and thank you Honourable Members for your words of wisdom and advice to us as well as during the submission. My team and I have appeared before the Committee to assist and support the Committee; that is our primary role, it is not an extra load for us. We are bound, required and we are expected to assist the Committee in whatever way possible. We are always at your disposal and we have also ensured that we are represented at the highest level in the meetings of this Committee.

We thank you for the various invitations you have sent us during the past 18 months since I have been around as Auditor-General. I believe we have established a very professional relationship as an Audit Office, we appreciate a lot. The Auditor-General does not have someone to lean on in times of disaster. So this is a Committee which, with any Auditor-General in the old family respects and appreciates the support whenever it comes. With these words, on behalf of the executive management team, all our staff, a sincere appreciation for all the invitations and comments and your compliments. *Vinaka vakalevu.*

The Committee adjourned at 10.55 a.m.



## Guiding questions for Office of the Auditor General annual report submission

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1. Can you advise why the 2015 OAG Annual Report was not tabled in Parliament?
2. How does the OAG evaluate its service delivery (in terms of providing efficient & effective service) to its customers?
3. Does OAG align itself to any of the Sustainable Development Goals (SDGs)? If so, can you further enlighten the Committee on this?
4. What measures are in place for OAG to retain experienced and qualified staff?
5. The 2016 & 2017 Annual Report states that OAG in its effort to move towards full autonomy will be “opening an office in the Western Division”. Can you provide an update on this?
6. The major challenges stated in the 2016 & 2017 Annual Report include loss of key employees, managing information security and business continuity risks. What measures have been put in place to address these challenges?
7. What are the major challenges faced whilst auditing public accounts? How does OAG plan to overcome these challenges?
8. How does OAG promote Gender Equality at its workplace?
9. Highlight some of OAG’s future plans and initiatives?

18 April 2018

### **Disclaimer**

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## Annual Report Summary-Office of the Auditor General (OAG) 2015

### Standing Committee on Public Accounts

**Vision**-“Excellence in Public Sector Auditing”

**Mission**-“Develop a culture of excellence in OAG and promote good governance”

	2015	MPs Comments
<b>Principal Activity</b>	<ul style="list-style-type: none"> <li>To assist the government and the public entities better manage and account for the public resources.</li> <li>The Auditor General is required by section 152 of the Constitution to report to Parliament on the public accounts of the state; the control of public money and public property; all transactions with or concerning the public money or public property of the state.</li> <li>The Auditor General provides independent assurance to Parliament and the public at large that public sector entities have used public funds for the purposes they have been appropriated and in accordance with legislations, financial management rules and regulations.</li> </ul>	
<b>Act in place</b>	<ul style="list-style-type: none"> <li>The Office of the Auditor General (OAG) is established under section 151 of the Constitution of the Republic of Fiji whilst section 152 requires that at least once every year the Auditor General must inspect, audit and report to Parliament on the public accounts of the State, the control of public money and public property of the State; and on all transactions with or concerning public or public property of the State.</li> <li>Moreover, the Audit Act further specifies the powers of the Auditor General to audit the whole of government financial statements and the reports of all entities of government. It also empowers the Auditor General to conduct performance audit of government entities to assure Parliament that the entities are achieving their objectives effectively and doing so economically and in compliance with all relevant legislation. The Act also extends the scope of audits to include those that are specified under the Public Enterprise Act, comprising Government Commercial Companies (GCCs) and Commercial Statutory Authorities (CSAs); and agencies specified as Off-budget State Entities (OBSEs) in the Financial Management Act.</li> <li>The Environment Management Act requires the Auditor General to conduct a sustainable development assurance audit on natural resources managed by ministries, departments, authorities or local authorities.</li> <li>The audit practices of the Office of the Auditor General are aligned with the International Standards on Auditing. These standards guide the OAG in the conduct of its professional work.</li> <li>The Office of the Auditor General has also developed its Audit Manual to guide staff in field audit work. The audit manual is constantly reviewed to take into account changes that impact developments in auditing practices.</li> </ul>	



<p><b>Organization Structure</b></p>	<pre> graph TD     AG[AG] --- SS[Senior Secretary]     AG --- DAG[DAG]     DAG --- CS[Corporate Services]     DAG --- FS1[Financial Services]     DAG --- CG1[Central Government 1]     DAG --- CG2[Central Government 2]     DAG --- FS2[Financial Services]          CS --- DCS[Director Corporate Services]     DCS --- Training[Training]     DCS --- Policy[Policy]     DCS --- IT[IT]     DCS --- Accounts[Accounts]     DCS --- BSEC[BSEC]     DCS --- RO[Registry/Front Office]          CG1 --- CG1_Staff["1 Director 2 Audit Managers 6 Senior Auditors 6 Auditors 5 Assistant Auditors 2 Graduate Auditor"]     CG2 --- CG2_Staff["1 Director 2 Audit Managers 6 Senior Auditors 5 Auditors 5 Assistant Auditors 1 Graduate Auditor"]     FS2 --- FS2_Staff["2 Directors 4 Audit Managers 4 Senior Auditors 7 Auditors 3 Assistant Auditors 1 Graduate Auditor"] </pre>	
<p><b>Achievements/Major Highlights</b></p>	<ul style="list-style-type: none"> <li>• OAG managed to complete 72% of the planned work in 2015 compared to 85% in 2014.</li> <li>• Seven reports on the audits completed in 2015 of which four have been submitted to the Speaker and the Minister for Finance to be tabled in Parliament. (Details of the 7 reports completed are stated on page 35 of the Annual Report).</li> </ul>	



- **Government entities** that were audited as at 31 December 2015 are as follows:

Entity Type	Targeted Audits	No. Completed	% Completed
Government Ministries & Departments	49	49	100%
Statutory Authorities	34	25	74%
Government Commercial Companies (GCC)	21	18	86%
Provincial Councils	14	4	29%
Municipal Councils, Rural Local Authority	15	7	47%
Special Purpose Audits (ADB Funded)	1	1	100%
Other Audits – Mataqali Trust, Project	3	2	67%
Performance Audit & Special investigations	10	0	0
<b>Total</b>	<b>147</b>	<b>106</b>	<b>72</b>

- The **Financial Services Group (FSG)** is responsible for the audit of the Ministry of Finance and its line departments, the accounts and finances of Government, statutory bodies which are required to report their performances to the Minister for Finance. In addition, the group was responsible for the research & development including IT audits. FSG completed the following audits in 2015.

Entity Type	Targeted Audits	Completed	% Completed
Ministry/Department	9	9	100
Statutory Authority	2	2	100
Government Commercial Company	3	3	100
Provincial Council	3	0	0
Rural Local Authority	1	0	0
<b>Total</b>	<b>18</b>	<b>14</b>	<b>77</b>



- The **Social Services Group (SSG)** is responsible for the audits of Ministries and Departments and associated entities in the social services sectors of the Government. SSG completed the following audits in 2015:

Entity Type	Targeted Audits	No. Completed	% Completed
Ministry/Department	8	8	100
Statutory Authority	8	7	87.5
Government Commercial Companies	1	1	100
Provincial Councils	3	1	33
Municipal Councils	3	1	33
Projects	2	2	100
<b>Total</b>	<b>25</b>	<b>22</b>	<b>80</b>

- The **Economic Services and Infrastructure Group (ESIG)** is responsible for the audits of Ministries and Departments and the associated entities in the economic services and infrastructure sectors of Government. ESIG completed the following audits in 2015:

Entity Type	Group Total	No. Completed	% Completed
Ministry/Department	10	10	100
Statutory Authority	10	6	60
Government Commercial Companies (GCCs)/ Commercial Statutory Authorities (CSAs)	9	6	67
Provincial Council	3	0	0
Special Purpose Audits	1	1	100
Other Audits – Mataqali Trust	1	0	0
<b>Total</b>	<b>34</b>	<b>23</b>	<b>68</b>



- The **General Administration Group (GAG)** is responsible for the audits of Ministries and Departments and associated entities in the General Administration sector of the Government. The General Administration Group (GAG) completed the following audits in 2015:

Entity Type	Targeted Audits	No. Completed	% Completed
Ministry/Department	22	22	100
Statutory Authority	6	6	100
Government Commercial Companies	4	4	100
Provincial Councils	3	3	100
<b>Total</b>	<b>35</b>	<b>35</b>	<b>100</b>

- The **Performance Audit and Special Investigation Group [PASIG]** is responsible for conducting performance audits and environment audits as well as special investigations, if and when assigned. In 2015, a total of 10 Performance Audit reports were tabled in Parliament in two Volumes of the Audit Report on Performance Audit of December 2014. However during the year 2015, a total of 6 Performance audits were at its finalization stages from the planned audits of 10. The factor that hampered these performance audit reports being at its finalization stages due to required information could not be provided on time.
- The total revenue collected for the year was \$546,275 compared to \$563,238 in year 2014, a decrease by \$16,963 or 3%. The decrease was due to less audit fees collected in the year compared with previous year’s collection.
- The total expenditure incurred by OAG for the year was \$3,329,803 compared to \$3,613,591 in 2014, a decrease by \$283,788 or 8%. The decrease in expenditure was due to decrease in operational expenses which resulted from less printing cost of Audit reports to Parliament and the substantive Auditor General post is still being vacant for the year 2015.
- The arrears of revenue at the beginning of the year were \$236,105 compared to \$80,828.97 because \$110,555 has been written off by MOF for long overdue account. (Details of arrears of revenue are stated on page 37 of the Annual Report).



Financial Position (Company's)		2015 \$	2014 \$
	Total Revenue	546,275	563,238
	Total Expenditure	3,329,803	3,613,591
<b>Audit Opinion</b>	<p>Ernst &amp; Young Chartered Accountants have audited the accompanying special purpose Statement of Financial Operations of the Office of the Auditor General, which comprise the statement of receipts and expenditure, statement of output costs, appropriation statement, statement of losses for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory notes.</p> <p>In the Auditor's opinion, the Statement of Financial Operations presents fairly, in all material aspects, the financial operations of the Office of the Auditor General for the year ended 31 December 2015 in accordance with accounting policies stated in Note 2. <i>(Details of Note 2 are stated on page 30 of the Annual Report).</i></p>		
<b>Gender Analysis</b>	OAG had 44 male officers and 33 female officers as at 31 December 2015.		

23 May 2018

**Disclaimer**

The Annual Report Summary was prepared to assist the Standing Committee on Public Accounts in its review of the Office of the Auditor General 2015 Annual Report. Although every effort has been made to ensure accuracy, it should not be taken as a complete or authoritative guide to the Report. The Research and Library Team shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice. The Research and Library Team accepts no responsibility for any references or links to, or the content of, information maintained by third parties. Other sources should be consulted in the review of the Report.