



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the Office of the Auditor General's (OAG) 2020 Annual Report and Assessing the Office of the Auditor General's – Supreme Audit Institution (SAI) Performance Measurement Framework (Consolidated Report)



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CHAIRPERSON'S FOREWORD



I am pleased to present the consolidated committee report on the review of the **2020 Annual Report of the Office of the Auditor General and Assessing the Office of the Auditor General - SAI Performance Measurement Framework (PMF)**.

The Committee reviewed and consolidated the two abovementioned reports. This report provides the details of the review that were carried out by the Committee.

The Office of the Auditor General (OAG) is established under section 151 of the Constitution of the Republic of Fiji, and the Audit Act 1969 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 legislations.

The Auditor-General is responsible, on behalf of Parliament to audit the accounts of all government agencies, state-owned entities, statutory authorities, municipal councils and provincial councils except for its own office and those entities that may be exempted by law. The Auditor General carried out the audit in accordance with the relevant provisions of the standards on auditing issued by the Fiji Institute of Accountants or other relevant standards considered appropriate. Moreover, section 152 of the 2013 Constitution of the Republic of Fiji states that at least once in every year, the Auditor-General shall inspect, audit and report to Parliament on: –

- (a) The public accounts of the State;
- (b) The control of public money and public property of the State; and
- (c) All transactions with or concerning the public money or public property of the State.

The Supreme Audit Institutions (SAIs) play a critical role in strengthening governance, accountability and transparency in government. As such the Office of the Auditor General (OAG) is expected to promote transparency and accountability through good governance of its own affairs in an ethical manner in order to fulfil its mandate. To assist in this crucial role, it is important that OAG lead by example and be a model organization.

The decision to undergo a SAI PMF assessment was made by the Auditor-General in order to, provide an independent assessment of the current operations and audit practices of the Fiji Office of the Auditor-General (OAG), against the international standards, specifically, the International Standards for Supreme Audit Institutions (ISSAIs) and other established international good practices for public auditing.

For the OAGs Independence and legal framework, the work to update and modernise Fiji's audit legislation, the Audit Act 1969, commenced before the SAI PMF assessment was initiated. The review was carried out by a legal consultant and funded by PASAI and the review had already considered three (3) key issues for improvement identified from the assessment. The OAG has submitted the result of the review of the Audit Act 1969 to the Ministry of Economy for submission to Cabinet and is currently awaiting its official communication from the Ministry. In terms of financial independence, the Office now receives a one-line budget, a separate bank account and accounting/payroll system providing the Auditor-General some financial independence. For information, OAG now prepares its annual financial statements using the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) as the financial reporting framework.

It is important to note that the Office of the Auditor General is funded through an annual appropriation by Parliament. This enables the OAG to fulfil its audit mandate on public sector entities and these include financial audits, performance audits and special investigations. In the 2020 Financial Year, the budget appropriation stood at \$5,606,269 compared to \$6,623,600, which was a reduction of 15.36 per cent.

I wish to extend my appreciation to all the Honourable Members of the Committee who were part of the successful compilation of this bipartisan report namely Hon. Joseph Nand (Deputy Chairperson), Hon. Ro Teimumu Kepa, Hon. Virendra Lal, and Hon. Aseri Radrodoro.

On behalf of the Committee, I also acknowledge the Standing Committee on Public Accounts Secretariat for their timely support throughout the scrutiny process that were undertaken, compilation and finalization of this detailed report.



Hon. Alvick Avhikrit Maharaj
Chairperson

COMMITTEE MEMBERS

Pursuant to SO 118 (1), "A majority of the members of the standing committee shall constitute a quorum".
The substantive members of the Standing Committee on Public Accounts are:-



**Hon. Alvick Avhikrit Maharaj
(Chairperson MP)**



**Hon. Joseph Nitya Nand
(Deputy Chairperson MP)**



**Hon. Aseri Masivou Radrodro
(Opposition MP)**



**Hon. Ro Teimumu Kepa
(Opposition MP)**



**Hon. Virendra Lal
(Government MP)**

INTRODUCTION

The Office of the Auditor General (OAG) 2020 Annual Report and Assessing the OAG – SAI Performance Management Framework (Parliamentary Paper No. 7 & 264 of 2020) was tabled in Parliament on 8th and 10th of February 2020 respectively and was referred to the Standing Committee on Public Accounts for its scrutiny pursuant to Standing Orders 38 (2).

Standing Orders 109 (2) (d) allows the Standing Committee on Public Accounts to “.....*examine the accounts of the Republic of Fiji in respect of each financial year and reports of the Auditor-General, and for any other matter related to the expenditures of Government of the Republic of Fiji or an related body or activity (where directly or indirectly) that the Committee sees fit to review*”.

Standing Orders 110 (1) (c) authorises the Standing Committee to “scrutinise the government departments with responsibility within the committee’s subject area, including by investigating, inquiring into, and making recommendations relating to any aspect of such a department’s administration, legislation or proposed legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure and policy formulation”

1.1 GOVERNANCE

The Office of the Auditor General (OAG) is established under Section 151 of the 2013 Constitution of the Republic of Fiji. Section 152 requires the Office that at least once every year, the Auditor-General must inspect, audit and reports 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 money or public property of the State.

In addition, SO 103 states that “The Minister responsible for Finance must lay the Auditor-General’s report before Parliament in accordance with Section 152 (14) of the Constitution”. The Audit Act 1969 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 Enterprises Act, comprising of Government Commercial Companies (GCCs) and Commercial Statutory Authorities (CSAs) and agencies specified as Off-Budget State Entities (OBSEs) in the Financial Management Act.

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. The Office of the Auditor General was provided with an estimate budget of \$6,623,600 in the 2018-19 financial year. It should be noted that section 151-152 of the 2013 Constitution of the Republic of Fiji and the Audit Act 1969 allows the Office to operate autonomously.

COMMITTEE RECOMMENDATIONS

The Committee after carrying out a thorough review of the Office of the Auditor General (OAG) 2020 Annual Report and the Supreme Audit Institution Performance Management Framework (SAI PMF), the Committee in a bipartisan approach agreed on the following recommendations:

- 1. That the OAG to amend their strategic plan to ensure that its audit mandate is not disrupted due to unforeseen circumstances and events like the COVID-19 pandemic;**
- 2. That a proper training plan be developed to be in line with the audit training needs of the staff so that they are able to better improve their performances and productivity;**
- 3. The OAG should liaise with Ministries and Departments to allow for prompt facilitation of payments of outstanding audit arrears especially from municipal councils and provincial councils;**
- 4. The Office of the Auditor General needs to specifically identify strategies and work to improve on its current PEFA rating of C+, before the next assessment period;**
- 5. That the PASAI should conduct more regular reviews of the Office of the Auditor General in the future which would allow the Office to be on par with the International Auditing Standards;**
- 6. The Office of the Auditor General should consider exploring the use of technological infrastructure to assist in the conduct of their online audits in future;**
- 7. The Office of the Auditor General should take note on the areas of improvement and implement improvements before the next PASAI review commences;**
- 8. The Office of the Auditor General should follow-up with the line Minister on the review of the Audit Act 1969 to modernise to suit the current environment of doing business; and**
- 9. The Office of the Auditor General to conduct a comprehensive exit meeting to allow Ministries and Departments to rectify pertinent audit issues before tabling of audit reports to Parliament.**

COMMITTEE REVIEW FINDINGS

PART A: Office of the Auditor General 2020 Annual Report

3.1.1 The Reports of the Auditor-General

The Auditor-General is empowered by the 2013 Constitution, Audit Act 1969, Environment Management Act and Finance Management Act 2006 to carry out the following audits, investigations and reviews:

- a) Financial Audit
- b) Compliance Audit
- c) Performance Audit such as I.T, Environment and value for money – effectiveness, efficiency and economy
- d) Review of audits
- e) Monitoring and Evaluation of 5Year and 20Year National Development Plan

In 2020, the Office had resourced the following mandate to deliver Auditor-General’s mandate which is (i) financial audits, (ii) performance audit and (iii) value for money audits. As a means of communicating to its stakeholders, all reports tabled by the Office can be accessible through website www.oag.gov.fj

3.1.2 Report of the Auditor General of the Republic of Fiji

The following 16 audit reports which were being worked on by the OAG during the financial year and tabled in Parliament in the Financial Year 2020 are as follows:

No.	Report of the Auditor General of the Republic of Fiji –	Parliamentary Paper No.
1.	Provincial Councils Volume 3	43 of 2020
2.	Performance Audit on Management of Traffic Congestion	11 of 2020
3.	Performance Audit on the Administration and Management of Bus Fare Assistance through E- ticketing for the School Children, Elderlies and Persons with Disabilities	71 of 2020
4.	Audit Reports on: Audit on Management of the Workers Compensation Trust Fund, Audit of Social Welfare Scheme, Audit of Government Subvention Council of Rotuma and Audit of Fiji Procurement Office and the Construction Implementation Unit	151 of 2019
5.	2018 Audit Report on Infrastructure Sector	150 of 2019
6.	2018 Audit Report on Social Services Sector	149 of 2019
7.	2018 Audit Report on General Administration Sector	148 of 2019
8.	2018 Audit Report on Economic Services Sector	147 of 2019
9.	Provincial Councils Volume 2	146 of 2019
10.	Performance Audit Reports on Management of Rural Electrification Program and Progress of Implementation of Policies and Strategies in the Fiji Forest Policy Statement 2007	153 of 2019
11.	2018 Audit Report on Government Commercial Companies, Commercial Statutory Authorities and Other Entities	154 of 2019
12.	Audit Report on Statutory Authority – 2017-2018	155 of 2019
13.	Performance Audit of Effectiveness of Institutional Framework for Preventing Corruption	152 of 2019

No.	Report of the Auditor General of the Republic of Fiji –	Parliamentary Paper No.
14.	2017 Financial Statements of Government and 2016 – 2017 Agency Financial Statement of Ministry of Economy	127 of 2019
15.	Audit Report on Municipal Councils for 2014 –2017	128 of 2019
16.	Performance Audit on Coordination of Actions on Elimination of Violence against Women	129 of 2019

3.1.3 Impact of COVID-19

The COVID-19 pandemic affected the overall functionality of the OAG especially audit work and logistical services. The OAG was operating remotely from the period starting 4th-14th April 2020 in line from the directive of Government to close down all non-essential services. Despite this pushback, officers continue to fulfil their work responsibilities towards service provision for the general public.

3.1.4 Backlog of Accounts

There were a total of 177 draft financial statements received for the period 1st August 2019- 31st July 2020 of which 122 of the financial I statements were in backlog. This was mainly due to the –

- 1) Late submission of financial statements for audits
- 2) Relevant records were not provided or audit purposes in a timely manner
- 3) Institutions laxity to table issues raised in the audit reports including the resubmission of financial statements for audit.

3.1.5 Unsettled Audit Fees/ Audit Revenue

The committee had noted the delay in payments of audit fees and requests the OAG to liaise with the different Government Ministries to have payments done on time. During the 2019-2020 financial year, the unsettled revenue from audit fees increased by 25 per cent. This mainly comprised of outstanding fees from provincial councils.

PART B: Supreme Audit Institution (SAI) Performance Management Framework

This assessment framework report is the first ever independent review of the Office of the Auditor General under the SAI PMF which was solely carried out by PASAI and also received during the year. It had addressed areas where the OAG had excelled in and those where it needed great improvement. The SAI Performance Management Framework Report makes reference to three (3) key action plans for improvements which are as follows –

- 1) OAG will continuously seek to improve the policies, processes, procedures and systems that it uses to deliver on the mandate of the Auditor General and lead by example;**
- 2) OAG will also continue to promote transparency and accountability through good governance of its own affairs in an ethical manner in order to fulfil the mandate of the Auditor-General; and**
- 3) The SAI PFM assessment identified numerous key issues that require improvements to enhance or contribute to OAG’s delivering its mandate and activities efficiently and effectively.**

3.2.1 Opportunities for Improvement

There are 6 domains that were assessed under the SAI PMF and these includes –



From this, one key area for improvement was drawn from each domain which needed more room for improvement; one of each follows the chronological order of domains stated above:

- The need for legislative enhancement in closing the gap for the OAG to fully access the right to information.
- The significance of having an Overall Audit Plan in place.
- The need for a compliance audit manual in accordance with international standards in this case the ISSA and other good international practices.
- Proposed review for administrative support functions.
- The need to review and modernize the Audit Act of 1969 to authorize the power to the Auditor General to communicate directly with the judiciary or table audit findings to prosecuting agencies.

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The UN Resolution acknowledges the role of Supreme Audit Institutions (SAIs) in fostering government accountability for the use of resources and their performance in achieving development goals under Goal 16 – To promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. The OAG plays a critical role in ensuring efficient and transparent use of resources and the achievement of target 16.6, which is to develop effective, accountable and transparent institutions at all levels.

Through the execution of its mandate, the OAG promotes efficient, accountable, effective and transparent public administration and governance in achieving nationally and internationally agreed development plans. The SAI can also be considered as an oversight mechanism under the review and monitoring frameworks, as evident in its inclusion in the National Development Plan (NDP) 2017. The Committee notes that OAG is currently undertaking performance audits and that relates to SDGs.

GENDER ANALYSIS

Gender is a critical dimension to parliamentary scrutiny. Standing Order 110 (2) requires committees to consider gender equality and ensure that the impact on both men and women is explored in all matters. The policies that govern the operations of OAG have been developed so as not to discriminate between gender in the areas of recruitment, employment and compensation, career and professional development.

The OAG currently adopts the Open Merit Based Recruitment and Selection ('OMRS') policy developed by the Ministry of Civil Service. The Committee notes that the OAG is positively promoting gender balance in the audit office and 56 per cent of employees are females. Men account for 44 per cent of the total workforce as there is also 12 vacant positions for the year 2020. Some are holding top senior positions in the OAG serving as senior officer and managers.

CONCLUSION

The Standing Committee on Public Accounts acknowledges and takes note the key highlights of the Office of the Auditor General for the year 2020. The review of the Office's Annual Report and the Assessing the Office of the Auditor-General – SAI Performance Measurement Framework were conducted in a timely and succinct manner in light of the COVID19 pandemic which has enabled the Members of the Public Accounts Committee to scrutinize and provide to Parliament a more reliable and a cohesive report that will further strengthen the audit office to deliver in a timely manner in future.

The Committee notes the efforts of the OAG in pursuing to undertake a review of the Audit Act 1969 in addressing some of the shortfalls in the current legislation and recommending changes to meet and address the challenges and developments taking place in the public sector auditing environment and incorporating international best practices. In line with the OAG's Strategic Objective that is "Move towards full autonomy-OAG to have the functional and organisation independence required to accomplish its task" the Committee is optimistic that the review will achieve its intended objective.

The Committee also acknowledges the significant contributions from local and international audit institutions in identifying key areas and strengthening Public Financial Management in its efforts to uphold good governance practices.

The Committee is looking forward to the Office of the Auditor-General working closely with all stakeholders in addressing all cross cutting audit issues that were continuously highlighted during annual audits and it is also important that it improves on all areas that were highlighted by the SAI during its PMF review.

The Committee wishes all Honourable Members a Happy 2022.

We, the undersigned Members of the Standing Committee on Public Accounts agree with the contents of this report:



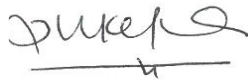
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(PAC Member/MP)



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Hon. Ro Teimumu Kepa
(PAC Member/MP)



.....
Hon. Aseri Masivou Radrodoro
(PAC Member/MP)

APPENDICES

**APPENDIX 1:
PUBLIC ACCOUNTS COMMITTEE QUESTIONS**

Office of the Auditor General 2020 Annual Report

(PP No. 264 of 2020)

1. Can the Auditor General assure the Committee that the relocation of its office to Vatuwaqa will not negatively impact its performance of its audit on government Ministries and departments?
2. How/where is OAG benchmarking its audit methodologies? (PASAI/AUSTRALIA/NE ZEALAND/SOLOMONS Standards?)
3. In terms of conducting its work, can the Auditor-General assure the Committee the relationship between the auditors and government Ministries in addressing the timely delivery of its report to Parliament?
4. With Government adopting the IFRS, what role is the AG playing in ensuring that provincial councils, municipal councils and public enterprises are adopting the international reporting standards?
5. How have the AG address the issue of delays or the timeliness of Government Ministries submitting its FS for audits?
6. 2020 PEFA Assessment, is the OAG content with the assessment given by the evaluators as well as the external audits and what are the office's plans to improve its audit rating?
7. High risk Ministries and Departments, how does the Office select/identify Ministries and Departments that are high risk?
8. How does the AG wish to address the delay in the submission of its FS for audits especially GCCs, GSAs, SAs and other entities?
9. Outstanding Audit Fees. How is the AG going to mitigate against this rising trend?
10. Any plans to offer iTaukei and Hindi translation of its audit reports?
11. Engagement of audit contract services in the future
12. Annual Leave expenses of \$78,000 increase of \$6000 in 2019?
13. How does the Office of the Auditor General ensure that it meets SDG 16?
14. In their work plan, are they achieving their Annual Work Plan, how are they achieving their achievements against their Operational Plan and if there is any specific areas they need/time to achieve their targets?

Assessing the Office of the Auditor General – SAI Performance Management Framework

(PP No. 7 of 2021)

Provide an update to the Committee on how the Office of the Auditor General is ensuring that the assessment undertaken by SAI are achieved under the 6 domains and their corresponding key performance indicators.

APPENDIX 2: PUBLISHED WRITTEN EVIDENCE

Office of the Auditor General of the Republic of Fiji

PUBLIC ACCOUNTS COMMITTEE

QUESTIONS

Office of the Auditor-General ('OAG') 2020 Annual Report

1.0 AUDITOR-GENERAL'S FOREWORD

1.1. **How will the relocation to Vatuwaqa Office affect the OAG's audit conduct?**

Before discussing the effect on audit conduct after the relocation to Vatuwaqa Office, Honorable Members, the Office accommodations are the responsibility and coordinated by Construction Implementation Units (CIU) with Ministry of Economy. The Office are not provided appropriation for the rental of office property. This also applies to motor vehicles which are also facilitated by the Ministry of Economy.

The relocation of the Office will certainly increase travelling time to and from clients located in the city. However, with the entire office on a single floor as opposed to three in current location, staff interactions will improve and there is positivity from the open door concepts in the Office layout.

Secondly, there will be an increase in fuel and oil cost for our Office vehicles due to distance to/from clients located in Suva.

Ministry of Economy has allocated 2 x 15 Seater leased vehicles to assist in the transportation of staff. Our Nadi Office staff are currently using the Pajero vehicle for transportations to various client's offices/meetings/workshops and others. Executive Management will use the vehicle allocated to the Auditor-General for official engagements as use of the 15-seater vehicles will not be desirable.

On a positive note, most of our staff are located along Suva/Nausori corridor and distance to reach Office is reduced.

1.2. **How does the OAG benchmarking its Audit Methodologies?**

The three types of audits (i) financial, (ii) compliance and (iii) performance audit methodologies are all benchmarked to the International Standards for Supreme Audit Institutions (ISSAI) issued by INTOSAI. This is the standard which is used by most Supreme Audit Institutions in the world although some countries or Auditors-General have adopted them as their own.

Currently we are using International Standards on Auditing as use of ISSAI for financial audits is going thru a transition process. Moreover, ISSAI is also aligned to International Standards on Auditing.

1.3. **What role has the OAG plays to ensure Government Ministries and Departments, Government Commercial Companies and Statutory Authorities, Municipal Councils and Provincial Councils improves its accounting systems and processes?**

The OAG identifies gaps in internal controls following its audits which are communicated to them in management letters with recommendations which once implemented will address any deficiencies noted. It is up to the management of the entities/agencies whether or not to implement them although these are followed up in subsequent audits.

There have been suggestions previously that implementation of audit recommendations be included as a major KPI on annual performance assessments.

OAG also issues best practice guides for use by clients under its Customer Advisory Services and has shared on-line training opportunities with agencies such as Ministry of Local Government (municipal council staffs) I-Taukei Affairs Board for provincial council staffs.

The Office will continue to issue a Report on Follow up of High Risk Ministries/Departments annually.

1.4. **In the case for special area of audit for example environmental audit, what strategy does the OAG have to conduct the audit on this such special area of audit? Are the OAG equip and resourced to conduct the audit. If the OAG have the resources, what resources does OAG have and if the OAG don't have the resources required, what is OAG plans on this?**

In order to identify and conduct Performance and Compliance audits, OAG uses the INTOSAI Core Principle; ISSAI-P 12: The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens as a guiding principle.

A three-year planning exercise is conducted to identify and plan for Performance and Compliance audits. In the planning process, the Performance Audit Services Group scan the different sectors and areas of specializations for topics on which performance audits are conducted. This process includes writing to clients and stakeholders to identify or recommend audit topics for considerations.

Auditor-General with the support of Assistant Auditor-General/Deputy Auditor-General provides direction for each strategic planning process.

The development of annual plans for performance auditing in OAG typically involves:

1. area watching;
2. internal scanning;
3. scoring and prioritisation of topics; and
4. drafting of annual planning documents.

This scanning processes topics identified are assessed for its auditability and importance in terms of the value-adding it can provide.

In developing proposals for Auditor-General to consider and approve for audit topics, assignments to develop proposals for audit topics can be given for a sector, sub-sector or a more specific audit area.

Each proposal as approved by Auditor-General for an audit topic should be documented in the working paper template and should include the following information:

- A brief background of the audit area and indications of or risks for poor performance
- A brief assessment of the audit topic using the five selection criteria
 - Within the OAG's audit mandate;
 - Materiality of the subject matter (financial, social and political);
 - Risks for performance problems;
 - Auditability;
 - Potential for adding value and promoting change;
- A recommendation whether or not to carry out a pre-study.

On completion of the strategic planning exercise, the approved audit topics are prioritized into yearly plan according to the resources available.

OAG Strategies to conduct audit on specialized areas including Environment Audits, Extractive Industries audits, Climate Change, SDGs/NDP audits, IT System Assurance audits, IT Data Analytical/Big Data audit, Special Investigations and Review of audits.

The **Appendix 1** has a table that identifies the areas of specialization as per our Strategic Plan 2021-2025 and capacity building activities in these specialized areas. Notably, currently we are unable to appoint officers for some posts given budget constraints.

1.5. PEFA Assessment 2019, is the OAG content with the rating C+ given, and what is OAG plans to improve its rating?

Provided below the PEFA assessment for the two dimensions with PI 30-1 was rated C+.

PI-30. External audit

PI-30 examines the characteristics of external audit. It has four dimensions and uses M1 (WL) method for aggregating dimension scores:

PI-30 Summary of scores and performance

Indicator/Dimension	Score	Brief justification for score
PI-30 External Audit	C+	
30.1 Audit coverage and standards	A	The OAG audits the financial statements of all ministries individually and audits the combined whole of Government financial statements. The audit practices of the Office of the Auditor General are aligned with the International Standards for Supreme Audit Institutions/International Standards on Auditing.
30.2 Submission of audit reports to the Legislature	B	In the past three years audit reports have been submitted with three months in two of the years and within 6 months in the other.
30.3 External audit follow-up	C	28% of recommendations had been partially implemented.
30.4 Supreme Audit Institution independence	C	The Office of the Auditor General has full access to information and its ability to allocate its budget to fulfil its obligations according to its priorities. The head of the Office of the Auditor General is appointed (and removed) outside of the executive. However, despite these features, it does not operate fully independent from the executive in terms of the approval of its budget even though it can spend its budget without interference.

Second Dimension on PI-31 as below where B+ rating was given.

PI-31 Summary of scores and performance

Indicator/Dimension	Score	Brief justification for score
PI-31 Legislative scrutiny of audit reports	B+	
31.1 Timing of audit report scrutiny	D*	Audit report scrutiny takes place over a period up to 12 months after receipt of the audited reports. The omission of the dates of the formal approval makes it impossible to establish the timeframe, requiring *
31.2 Hearings on audit findings	A	There are in-depth hearings on all of the 4 volumes of the audit reports with officials from the ministries and the office of the Auditor General. There are verbatim reports of all the sessions on the Parliamentary website
31.3 Recommendations on audit by legislature	A	The PAC issues recommendations and follows up on them either in writing or in its hearings.
31.4 Transparency of legislative scrutiny on audit reports	A	All hearings are in public with media attendance.

From the outset, the Office during the assessment in 2019 were given rating of C+ and B+ for two dimensions PI-30 and PI-31 respectively. The challenge to the Office is maintaining or to move one level up until the next review.

The Office will continue to carry out Follow-up audits for high risk Ministry/Departments annually. A recommendation in our Follow up Audit Reports to Parliament where we highlighted for Permanent Secretary to consider establishing audit committees to monitor the implementation of recommendations. The Final Management Letter to our audit clients would continue to include the trend of implementation of audit recommendations during annual audits.

The Office noted that internal audits is now being strengthened following amendments to Financial Management Act. This is positive development by the Government.

Implementation of audit recommendations is something we will continue to do in our annual audits and report and discuss with audited clients on the implementation rate.

The independence issue from a technical and budgeting aspects faced by the Office has been discussed with the Committee. The Office would be grateful if the Committee could recommend to Government to consider and prioritize the review of Audit Act 1969.

Section 152(7) provides that adequate funding and resources be made available to Auditor-General to enable him to independently and effectively exercise his powers and perform his functions and duties. This is something we have to endure with Ministry of Economy and thus planned reform by Auditor-General in terms of resourcing is stalled until there is funding provided. The Ministry has been able to provide resourcing and funding for Assistant Auditor-General where appointments has been done. However, we will continue to pursue for Senior Managers during budget consultations. In addition, some vacant positions funding was also withdrawn in the current budget.

The scrutiny of report would be at the prerogative of Standing Committee of Public Accounts but we can continue to assist the Committee in terms of provision of sample questions which will assist in their independent scrutiny of the reports of Auditor-General. The Office acknowledges the support of the Committee from time to time on their views of past reports and the manner it handles in their scrutiny. However, it is noted that the MOU drawn between the Office and the Committee following a UNDP workshop in 2019, remains to be actioned.

1.6. **How does the OAG address the Ministries and Departments, Government Commercial Companies, Government Statutory Authorities, Municipal Councils, Provincial Councils who delays in the submission of their Financial Statements for audits?**

The responsibility to prepare financial statements and timely submission for audit remains with Board of Directors and Management of the audited entity.

The Office has set up audit teams to deal with backlog audits for example provincial councils and work with audited clients to update audits in backlog.

Initially these are followed up with agencies and heads of entities. It is also escalated to the line ministries. It is then included in the report for parliament for PAC action. The untimely submission of acceptable draft financial statements for audit remains a concern to the Office and necessary action needs to be taken with urgency.

1.7. **Please explain which SDGs does the OAG focus on and what is the progress in its implementation?**

(i) SDG – Gender Equality

The female is dominating the Office with 56% and 44% being male during the financial year 2020. The Office has approved the establishment of In-House Women's Committee chaired an Assistant Auditor-General who acts as the spokes-person to the Executive Management. The Office has not dealt with any serious matter being reported to the Auditor-General or law enforcement agencies.

The breakdown of gender is shown in page 26 of the Annual Report.

Of the total 49 females, 15 of these are holding supervisory level from Senior Auditor or Senior Administration level to Assistant Auditor-General.

However, the appointments to these position are based on open merit recruitment policy. The Office would continue to implement zero-tolerance for any sexual harassment complaints.

There is continued recognition of women and participation of breast cancer awareness during October every year in conjunction with OAG social club to coordinate on the awareness and encourage health check for our Women employee on voluntary basis. International Women's Day is also celebrated by the Office every year.

(ii) Environment

The Office has moved away of manual recording of its audit work-papers to use of automate audit management system, TeamMate. All audit projects are recorded in TeamMate. Staff leave was digitized in 2020 through use of payroll software.

The Office has commenced working on Electronic Database Management System where it will commence reducing the use of paper and encourage digitization of records. There is funding constraint on the project but it will take little steps until it has been able to obtain funding for this project.

1.8. How does the OAG measured its achievements against its Annual Corporate Plan targets?

The Office has developed a 5 years' strategic plan.

The Office has been able to develop a Balance Score Card which was developed internally during March 2021 for the monitoring of KPIs as per Strategic Plan.

Targets in Annual Corporate Plan are cascaded to the IWPs of Assistant Auditor-Generals and Deputy Auditor-General. These are evaluated at the end of six months and end of each financial year. There is incentive for bonus payment subject to funding availability and contracts are renewed for consistent performance.

The Office has not been able to pay bonus last financial year due to funding constraints but will be on the look out to reward staff for this financial year if funding is available. The Office is mindful of the COVID 19 challenges but staff have adjusted themselves to enable them to carry out their roles and responsibility.

2.0 REPORTS TO PARLIAMENT

2.1. What is the criteria and how does OAG determines those high risk Ministries and Departments as the OAG reported in one of its recent report to Parliament?

The SoP for the Engagement Quality Control Review Policy outlines the following as I quote:

A reviewer shall be assigned to the highest risk audits determined as part of the annual risk assessment of audit engagements which forms part of annual audit planning.

At the discretion of the Auditor-General or the Deputy Auditor-General or on application by the Assistant AG/Director to the Auditor General or the Deputy Auditor-General other audits may be subjected to EQCR.

Engagement Director, in assessing audit engagements to be submitted for EQCR should consider the following to determine whether an audit should be subjected to EQCR:

- concerns about the entity's ability to continue as a going concern
- entity is in the process of being divested, transferred, amalgamated or disaggregated
- history of qualified opinions or qualification is being seriously considered
- significant interest from members of Parliament, media or public
- complexity of the engagement.
- Audits that has been assessed as High

Unquote

The basis for high risk audit classification are also due to various factors such as large number of year end transactions, high budget funding, being implementing agencies for government policies, extremely complex transactions and the specialized nature of the operation. They may also include lack of good internal control practices which are highlighted in prior years' audit.

These high risk are subject to our Engagement Quality Control Review Policy where there is concurrent review of selected high risk audits to be performed by Assistant Auditor-General and Deputy Auditor-General.

2.2. **Will the OAG continue to translate more audit reports in I-Taukei and Hindi languages?**

Yes, subject to availability of funding. Plans were also in place to provide audio for executive summary and making them available to persons with disabilities, prior to budget reductions.

There are plans to hold stakeholder engagement workshop and also work on developing citizen audit reports which enable audit reports to be easily understood by our stakeholders. This is something we are working with our partners who are working with us.

2.3. In terms of the conduct of its audit work, if the OAG can assure the PAC on its work relationship with the Internal Audit of Government and how it could improve its reporting to Parliament?

OAG uses the reports which are shared by Internal Audits (IA) team in determining its audit scope for a particular audit. The IA has been very selective in sharing their reports with OAG hence opportunities to use these reports during audits has been lost. It depends on the building of trust between internal audit and external audit has for a common goal. Making IA more independent can address the mistrust issue as the Head of IA also reports to PS Economy who manages MOE and other related agencies.

Improving the reporting process is an on-going process unless PAC has some specific points which needs to be addressed.

3.0 OAG FINANCES

3.1. What progress and plans in place in the collection of outstanding audit fees of \$418,000 owed to the OAG for the audits that were carried out?

The Office would continue to carry out annual audits and have allowed clients to make arrangement to clear its arrears. At times, withhold audit reports unless there is assurance of payment arrangements are in place.

The Office made a record collection during FY 2020 of \$905,292 compared to \$446,872 or 102% increase in collection compared to FY 2019.

The Office managed in 2021 to have a collection of \$664,100 with accounts receivable of \$258,830 during 2021. With these unaudited figures for 2021 it reflected that there is a reduction in receivable and we will continue to pursue this.

The major debtors being the audit for Provincial Council and Municipal Councils.

The plan of action to recover the arrears is thru courtesy calls/reminders, client visits and at times, the Office does withhold audit reports until some arrangements are done.

All audit fees received is paid into CFA.

3.2. What is OAG plans in engage audit contracts in the future?

The Office can engage more contract audits but dependent on budget availability.

While audits in backlog can be outsourced, from our experience it can be challenging with acceptable financial statements received for audits submitted late which impact the timely completion of audits.

The Office in the long term wishes to carry out the audits in-house but the increase number of audits in backlog is something it has been managing this for a while.

In addition, Tier 2 audit service providers have not been responding to the invitations for tender hence outsourced audits are only being carried out by these Big CA firms. This year, only one Tier 2 firm responded, We have also noted that the audit fees charged by CA firms has increased considerably compared to previous years.

3.3. Can the OAG elaborate on its annual leave expenses of \$70,000 which was an increased from 2019?

The \$70,000 includes annual leave for staff earned during the 12 months and not utilized plus unutilized leave balances from prior years.

The Office has been encouraging staff to utilize leave but due to work demand staff have been unable to utilize these overdue leave. At times, Officers with high leave balances have been directed to take leave. At times, Audit Groups have come up with leave plans as approved by Assistant Auditor-Generals but have been deferred due to high work load.

3.4. What is the OAG plans in mitigating the rise in trend of the accounts receivable?

The accounts receivable for FY 2020 was \$418,518 compared to \$334,823 in 2019 and these reflects the increase in audit invoices raised during the year.

The Office collection during FY 2020 was \$905,292 compared to \$446,872; 102% increase compared to FY 2019. This was a record collection by the Office during the FY.

The Office managed to have a collection of \$664,100 with accounts receivable of \$258,830 during 2021.

The backlogged audits would continue to impact on the raise of accounts receivable. The Office will continue to work with entities to ensure that fees are

reasonable subject with the cooperation of clients to provide accounting records which will enable timely completion of the audits.

Appendix 1 – Question 1.4

Specialised audit Areas	OAG Strategic Plan 2021-2025	Resources as per strategic Plan	Capacity
Environment Audit ○	<ul style="list-style-type: none"> ➤ Senior Manager (SM) Environment Audits ➤ Manager Environment Audit 	<ul style="list-style-type: none"> - Vacant - Appointed 	<p>Acting SM is an experienced Audit Manager and his expertise is extensive used in the office and by PASAI to assist in the SAI Performance Measurement Framework in the PASAI region</p> <ul style="list-style-type: none"> - Has conduct Environment course offered by Bi-lateral partners such as India etc
○ Climate Change	<ul style="list-style-type: none"> ➤ One specialised Climate Change Senior Auditor 	<ul style="list-style-type: none"> - Appointed 	<ul style="list-style-type: none"> - Appointed officer completed Master degree with honours on Climate Change from the Nanjing Audit University.
○ Extractive Industries	<ul style="list-style-type: none"> ➤ One specialised Extractive Industries Senior Auditor 	<ul style="list-style-type: none"> - Appointed 	<ul style="list-style-type: none"> - The officer was developed internally and has produced or was involved in a number of recent OAG PA reports

Specialised audit Areas	OAG Strategic Plan 2021-2025	Resources as per strategic Plan	Capacity
			<p>and is very active on the INTOSAI Working Group on Extractive Industries.</p> <ul style="list-style-type: none"> - Has also completed online courses to assist her with her work.
<ul style="list-style-type: none"> o Environment and SDGs 	<ul style="list-style-type: none"> ➤ One general Environment Senior Auditor ➤ 	<ul style="list-style-type: none"> - Appointed 	<ul style="list-style-type: none"> - This is a newly appointed position after post holder resigned during the year. - Officer is undertaking online courses to build his capacity in the area.
IT audits	<ul style="list-style-type: none"> ➤ Senior Manager IT 	<p>An Audit Manager has graduated with a Master's degree in IT and acting on the position [budget removed]</p> <p>Budget restrictions, one acting on the post.</p>	
<ul style="list-style-type: none"> o System Assurance o 	<ul style="list-style-type: none"> ➤ One specialised Senior Auditor ➤ 	<p>An IT specialist has been appointed on the position and has contributed to the development on this area of speciality.</p> <p>Has been offered to undertake CISA certification course online.</p>	
<ul style="list-style-type: none"> o Data Analytical/Big Data 	<ul style="list-style-type: none"> ➤ One specialised 	<p>An auditor is acting on the position and we</p>	

Specialised audit Areas	OAG Strategic Plan 2021-2025	Resources as per strategic Plan	Capacity
	<ul style="list-style-type: none"> ➤ Senior Auditor 	are unable to make appointment given the constraints on the budget.	
<ul style="list-style-type: none"> • Special Investigations 	<ul style="list-style-type: none"> ➤ One specialised Manager Special Investigator ➤ One specialised Senior Special Investigator 	<p>Manager position.</p> <p>Senior Auditor has been appointed as lead in this specialised area. A graduate auditor was also appointed to work with him in the area.</p>	

ASSESSING THE OFFICE OF THE AUDITOR-GENERAL – SAI PERFORMANCE MESAUREMENT FRAMEWORK – ACTION PLAN FOR IMPROVEMENTS

Domain	Key Planned Action (KPA)	Status of KPA as at 26/10/21	Comments
A - Independence and Legal Framework	<p>1. Review and amendments to the Audit Act 1969:</p> <ul style="list-style-type: none"> • to provide greater clarity around financial independence/autonomy to ensure OAG has the right for direct appeal to Parliament if resources provided is insufficient • to explicitly provide immunity to the Auditor-General and staff of OAG in the normal discharge of legislated duties • to close gaps that may hinder rights of access to information by the Auditor-General in the normal discharge of legislated duties 	In Progress -	<p>1. The work to update and modernise Fiji's audit legislation, the Audit Act 1969, commenced before the SAI PMF assessment.</p> <p>2. The review was carried out by a legal consultant and funded by PASAI. The review has already considered the three key issues for improvement identified from the assessment.</p> <p>3. OAG has submitted the result of the review of the Audit Act 1969 to Ministry of Economy for submission to Cabinet. Awaits the communication from the Ministry.</p> <p>4. In terms of financial independence, the Office now receives a one-line budget, a separate bank account and accounting/payroll system providing the Auditor-</p>

Domain	Key Planned Action (KPA)	Status of KPA as at 26/10/21	Comments
			<p>General some financial independence.</p> <p>5. OAG now prepares its annual financial statements using the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) as the financial reporting framework.</p>
B - Internal Governance & Ethics	<ol style="list-style-type: none"> 1. Document the practices/processes of developing and monitoring of the strategic plan, business plan and overall annual audit plan. 2. Factor in stakeholder expectations in the development of strategic plan. 3. Develop an Annual Overall Audit Plan. 4. Customise the INTOSAI Code of Ethics to Fiji OAG's context. 5. Develop and document process of assessing OAG staff understanding the individual staff declaration of the adopted Code of Ethics. 6. Policies and procedures for the major areas covering operations to be regularly reviewed. 	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>	<ol style="list-style-type: none"> 1. Process of developing plans has been completed in a document known as OAG Strategic Planning Framework 2. In the approved Strategic Plan for FY 2021 – 2025, stakeholder expectations had been factored in the plan through the various surveys conducted by OAG over the years. 3. An Annual Overall Audit Plan has been developed and approved for FY 2020 – 2021. 4. An OAG Code of Ethics is now in place with further revision for alignment to INTOSAI COE.

Domain	Key Planned Action (KPA)	Status of KPA as at 26/10/21	Comments
	<ul style="list-style-type: none"> 7. Document the process/procedures currently used by OAG for the Engagement Quality Control Review (EQCR). 8. QA policy should include the process for selecting audits for QA reviews, the frequency of QA reviews and the review of a sample of outsourced audits. 	Completed	<ul style="list-style-type: none"> 5. This has already been developed and approved. All staff have signed off the declaration. 6. The review of all major policies commenced have been completed. Timelines for review are also documented in each policy. 7. An EQCR policy including processes and procedures have been developed and approved. A number of high risk audits have already been identified in the Annual Overall Audit Plan for EQCR for FY 2020/2021, including outsourced audits. 8. The QA Policy has been revised to address the KPAs.
C - Audit Quality and Reporting	<ul style="list-style-type: none"> 1. Financial Audit Coverage <ul style="list-style-type: none"> a. Align the resources to the audits (including the backlog audits) b. Teams are allocated the specific audits which will ensure that there is momentum in performing the audits. c. Implement strategies to resolve any deficiency in resourcing such as 	On-going	<ul style="list-style-type: none"> 1. Budget is a challenge where budget resources are not being supported with budget request. 2. Aligning of resources and close monitoring to avoid significant leakages of productive time is an ongoing process throughout the FY.

Domain	Key Planned Action (KPA)	Status of KPA as at 26/10/21	Comments
	<p>recruiting project officers on a need basis.</p> <p>d. Stringent control measures to be put in place to avoid significant leakages from the productive time.</p> <p>2. Timely submission of financial audit results - AG's Report to Parliament to be tabled within 6 to 9 months</p> <p>3. Implementing financial audits - there is a need to strengthen two areas in financial audit, the risk assessment process and having a clear guideline on the amount of audit testing to be done in response to the assessed risk.</p> <p>4. Coverage, Selection and Objective of Compliance Audit - Document a systematic process of selecting compliance audit topics and selecting entities to be subjected to compliance audit to ensure reasonable coverage of entities within a period.</p>		<p>3. This is an on-going process. The current Strategic Plan has captured the requirement to present to Parliament the results of audits within 6 to 9 months after completion.</p> <p>4. The Quality Assurance function has carried out awareness sessions on improving the risk assessment process. In addition, self-learning where staff with issues in correctly identifying the risks are directed to revisit the manual and relevant materials, and auditing standards. This is on-going.</p> <p>5. Covered in the Compliance Audit Manual adopted on 19/01/20.</p>
D - Financial Management, Asset and Support Service	<p>1. Review adequacy of IT infrastructure (computers, software, IT network) in the past 3 years, and any proposals for improvement to be addressed.</p> <p>2. Report on any inadequacies in assets and infrastructure in Annual Report (or similar).</p>	<p>Review assessment – Completed</p> <p>Completed</p>	<p>1. IT Needs Assessment was done by Vodafone but budget constraints impacts on the implementation of recommendations.</p> <p>2. Annual Board of survey are undertaken with</p>

Domain	Key Planned Action (KPA)	Status of KPA as at 26/10/21	Comments
	3. Review of administrative support functions and any proposals for improvements addressed.	Completed	<p>recommendation being actioned subject to consultation with MoE.</p> <p>3. Recent changes to the OAG Structure from 1 August 2020 have captured improvements required in the administrative support functions.</p>
E - Human Resources and Training	<p>1. Capacity build to meet the required qualification and experience in HR Management required by the Office.</p> <p>2. Develop a Human Resources Strategy.</p> <p>3. Clear demarcation for clarity on HR responsibilities as the HR function is spread across a number of positions across OAG.</p> <p>4. Develop and document a policy and the process for selecting staff for training.</p> <p>5. Develop individual staff professional development plan.</p> <p>6. Develop and structure the training plan according to the training needs of staff under the three streams of audit - financial auditors, performance auditors, compliance auditors.</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>	<p>1. A new People Management Specialist has been appointed with MQR for HR</p> <p>2. HR Strategy developed and approved.</p> <p>3. A HR Manual providing clarity on HR responsibilities has been developed and approved in October 2020.</p> <p>4. A Staff Training and Development Guideline was developed and approved in October 2020.</p> <p>5. The work on developing professional development plans for individual staff has been completed</p>

Domain	Key Planned Action (KPA)	Status of KPA as at 26/10/21	Comments
			6. Restructuring the OAG Training Plan to clearly capture the training needs of technical staff involved in the three audit streams completed.
F - Communications and Stakeholder Management	<ol style="list-style-type: none"> 1. Develop communication processes to guide OAG's interaction with the Judiciary and/or Special Prosecuting Agencies. 2. Seek feedback from Civil Society Organisations/the public on the accessibility and usability of the Auditor-General's Reports to Parliament. 	<p>In-progress</p> <p>In-progress</p>	<ol style="list-style-type: none"> 1. Audit Act 1969 does not provide this power to the Auditor-General to share confidential matters to judiciary/special prosecuting agency. The communication processes can only be developed when the review to the Audit Act incorporate this aspect. 2. Stakeholder Engagement workshop is being planned with UNDP assisting to develop Citizen Audit Report

