



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the Audit Report on Follow-up of High Risks Ministries/Departments



PARLIAMENT OF THE REPUBLIC OF FIJI
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CHAIRPERSON'S FOREWORD



At the outset, this Committee report follows the Report of the Auditor General of the Republic of Fiji on the Follow-up Audit Report for High Risks Ministries and Departments.

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

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

This report examines the extent of implementation of the audit recommendations made on the above mentioned reports with responses from the Ministries and Departments. The Committee noted that this detailed status update was done on follow-up audits for the eight high-risk agencies.

The Committee was informed that majority of the recommendations made in the 2017 reports for different agencies were yet to be fully implemented. Only 39 per cent of the recommendations were fully implemented, 27 per cent were partially implemented and 3 per cent were not implemented at all. However, after the Committee's consultations with the respective eight (8) Ministries and Departments it has been confirmed that these agencies have shown progress in their implementation.

The respective Ministries and Departments should take necessary action to fully implement the remaining recommendations. There is a possibility that Permanent Secretaries of some agencies have not been regularly updated on the status of the implementation of recommendations by their accounting heads as required.

The implementation rate can be improved if recommendations made in this report are implemented and outstanding audit issues are included in the agenda of all monthly meetings of agencies. This can be achieved by the formation of Audit Committees by Permanent Secretaries. The role of the Audit Committee could be expanded to include findings or internal audits and matters relating to risk of agencies.

The Committee noted in its review that there were matters highlighted by the Office of the Auditor General were not seriously considered by some Ministries in relation to audit recommendations implementations as

reflected in the follow-up Audit Report. This was a matter of concern which the Ministries and Departments Heads needs to prioritise and take necessary actions where appropriate.

In view of the above, the Committee commends the efforts of those Ministries and Departments who have progressively implemented the relevant recommendations.

Despite the ongoing COVID-19 restrictions the Committee met on a virtual platform and at this juncture, I wish to thank my fellow committee members, namely: Hon. Joseph Nitya Nand (Deputy Chairperson), Hon. Ro Teimumu Kepa, Hon. Virendra Lal and Hon. Aseri Radrodro for their efforts and contributions in the scrutiny process of the Audit Report and in the final compilation of this 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)**

ACRONYMS

BOS	Board of Survey
CIU	Construction Implementation Unit
FS	Financial Statements
FY	Financial Year
FMIS	Financial Management Information System
JEE	Job Evaluation Exercise
LPO	Local Purchasing Order
MOA	Memorandum of Agreement
OAG	Office of the Auditor General
SO	Standing Orders of Parliament
TMA	Trading and Manufacturing Account
VQR	Vehicle Quarterly Report

INTRODUCTION

Background

Standing Order 109(2) (d) mandates the Committee to “...– including examining the accounts of the Government of the Republic of Fiji in respect of each financial year and reports of the Auditor-General, and for any other matter relating to the expenditures of the Government of the Republic of Fiji or any related body or activity (whether directly or indirectly) that the committee sees fit to review. The committee must only examine how public money has been dealt with and accounted for in accordance with the written law and must not examine the merits of the underlying policy that informs public spending”.

This report looks at the Report of the Auditor General on the Follow-up of High Risk Ministries/Departments, Parliamentary Paper No. 271 of 2021.

Copies of the relevant Auditor-General’s reports are available for perusal on the Parliament website www.parliament.gov.fj under “Parliament Business”.

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

The Committee scrutinized the Audit Report and review the following Ministries and Departments that were classified as high risk by the Office of the Auditor General –

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

It is important to note that because of the COVID-19 restrictions that were in place, the Committee continued to conduct its work in scrutinizing the audit report on a virtual platform through MS Teams and requested written responses from Ministries and Departments on audit issues that were raised.

Objectives of the Follow-up Audit

The two main objectives of the follow-up audit that was conducted by the Office of the Auditor General are as follow:

- (i) Verify on whether the audit recommendations has been implemented as per the action plan submitted by the Management of the line Ministries/Departments; and
- (ii) Whether the recommendation and plan of action achieve its intended purpose of mitigating the risks that had necessitated the recommendation in the first place.

Types of Audit Opinions Issued

In accordance with International Standard of Auditing, the Office of the Auditor General ('OAG') expresses an **unmodified opinion (unqualified)** when the financial statements are prepared in accordance with the Financial Management Act 2004, Financial Management (Amendment) Act 2016, Finance Instructions 2010, Finance (Amendment) Instructions 2016 and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, were not noted in the audit, which would affect the financial statements of an entity.

The OAG will issue a **modified opinion (qualified)** when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

An **adverse opinion** is expressed when OAG, having obtained sufficient appropriate audit evidence, conclude that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

The OAG issues a **Disclaimer of Opinion** when the OAG is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and we conclude that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

The OAG include an **Emphasis of Matter** paragraph in the audit report to highlight an issue that will help the user better understand the financial statements. The OAG also include an **Other Matter** paragraph to highlight a matter that is relevant to users' understanding of the audit report.

Recommendations made in audit reports of high-risk Ministries and Departments in each budget sectors were followed up during audit of the 2018 Agency Financial Statements. This follow-up audit was done in accordance with the OAG Follow-up Audit Guidelines. A copy of the guidelines is provided in

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

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

Basis for High-Risk Audit Classification

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

Implementation Status

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

Table 1.1 Implementation Status of Audit recommendations

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

KEY

F/IMP – Fully Implemented

P/IMP – Partially Implemented

N/IMP – Not Implemented

N/UPD – No update provided

GENERAL RECOMMENDATION

The Committee notes the work done by the respective Ministries and Departments and recommends that those earlier recommendations not fully implemented be implemented.

KEY FINDINGS

1. Ministry of Rural and Maritime Development and National Disaster Management

Follow-up Audit Recommendations with the Implementation Status Update

The Committee noted in the follow-up audits that were carried in 2019 that out of the six (6) recommendations, the Ministry of Rural and Maritime Development and Disaster Management has fully implemented four (4) recommendations with one (1) recommendation partially implemented which is the presentation of the Main Trust Account and one (1) recommendation not implemented which is the absence of the Risk Management Framework.

Committee Comments/Recommendation:

The Committee has noted the Ministry's response and further recommends that the Ministry of Rural and Maritime Development and National Disaster Management fully implement those recommendations that are yet to be implemented.

2. Republic of Fiji Military Forces

Follow-up Audit Recommendations with the Implementation Status Update

The Committee noted in the follow-up audits that were carried in 2019 that out of the three (3) recommendations, the Republic of Fiji Military Forces has fully implemented one (1) recommendation with (1) recommendation partially implemented and one (1) not implemented.

The Committee noted in the RFMF's response that there was no Risk Management Framework in place and this recommendation was not implemented. However, the RFMF have informed the Committee that it will develop its Risk Management Framework and should be finalized by end of August 2021.

It was also noted in the RFMF's response that a draft Internal Audit Charter has been submitted to management for its review and endorsement and this recommendation was partially implemented in the audit report.

Committee Comments/Recommendation:

The Committee recommends that RFMF provide an update on the progress of the Risk Management Framework and the status of the Internal Audit Charter.

3. Fiji Police Force

Follow-up Audit Recommendations with the Implementation Status Update

The Committee noted in the follow-up audits that were carried in 2019 that out of the three (3) recommendations, the Fiji Police Force has fully implemented one (1) recommendation with (1) recommendation partially implemented and one (1) not implemented.

The Committee noted in the Force's response that the irregularities in the Operating Trust Fund Accounts and this recommendation was not implemented. However, the Fiji Police Force have updated the Committee that the analysis made whereby it was determined that there was no loss of government fund but rather misallocations (2007-2015) were identified. Therefore, consultation was done with the clearance from the vendors and the source documents justifying misallocations. Also noted that soon the Force will seek approval from the Ministry of Economy to have this long outstanding previous years balance written off.

The Force's response to the Committee noted that the anomalies in the Revolving Fund Account highlighted that the outstanding RFA balance as at July 2017 was \$102,376.91 and this recommendation was partially implemented. However, the amount was reduced to \$17,052.66 in June 2018. The outstanding amount was further reduced in July 2018 resulting in the unidentified outstanding balance of \$6,908.69. The amount has been consistent from July 2018 till now is \$6,908.69. Efforts have been made to further reduce the balance but have not identified the officers who still have the outstanding advances to clear.

Committee Comments/Recommendation:

The Committee seeks clarification on the issues relating to Revolving Fund Account (RFA) outlined in the OAG report and the timeframe to establish the Internal Audit Committee.

4. Ministry of Education, Heritage and Arts

Follow-up Audit Recommendations with the Implementation Status Update

The Committee noted that out of the four (4) recommendations, the Ministry of Education, Heritage and Arts managed to fully implement two (2) recommendations with (1) recommendation still partially implemented and one (1) recommendation is yet to be implemented.

The audit highlighted that the recommendation for under utilization of Capital Expenditure Budget, “*should ensure that proper planning is carried out for the implementation of its capital projects*” was partially implemented. The Ministry’s response on this recommendation highlighted that the Ministry will ensure timely implementation of capital projects. In this regard, the Director Asset Monitoring Unit will provide monthly update to Head Corporate on implementation which is aligned to Annual Work Program and Quarterly Project Performance Reporting. Also noted, that the MEHA has had discussions with Ministry of Economy to ensure all new requirements/guidelines and criteria’s from their end is communicated and confirmed before-hand. This will prevent capital project submissions from floating back and forth the respective ministries and effectively negate any delays arising from these reasons.

The audit also highlighted that the finalization of financial statements was still an issue in which the recommendation was not implemented. However, the Ministry’s responded that it has set strict deadlines on all of its critical deliverables including the submission of financial statements, which is reflected in the IWPs for the Finance section, thus there should not be any further delays in the submission of the financial statements going forward. Therefore, AFS 2019 -2020 has been submitted on 30th October 2020 as per deadline set in the Closing of Accounts Circular 2019-2020. Ministry of Economy and Office of the Auditor General has received the dispatch.

Committee Comments/Recommendation:

The Committee notes the Ministry’s response to the audit issues that were raised.

5. Ministry of Health and Medical Services

Follow-up Audit Recommendations with the Implementation Status Update

The Committee noted that out of the sixteen (16) recommendations, the Ministry of Health and Medical Services managed to fully implement three (3) recommendations with four (4) recommendations still partially implemented and nine (9) recommendations are yet to be implemented.

Committee Comments/Recommendation:

The Committee recommends that the Ministry of Health and Medical Services fully implement those recommendations that are yet to be implemented.

6. Ministry of Women, Children and Poverty Alleviation

Follow-up Audit Recommendations with the Implementation Status Update

The Committee noted that out of the fourteen (16) recommendations, the Ministry of Women, Children and Poverty Alleviation managed to fully implement three (3) recommendations with eight (8) recommendations still partially implemented and three (3) recommendations are yet to be implemented.

Committee Comments/Recommendation:

The Committee recommends that the Ministry of Women, Children and Poverty Alleviation fully implement those recommendations that are yet to be implemented.

7. Ministry of Agriculture

Follow-up Audit Recommendations with the Implementation Status Update

The Committee noted that out of the eleven (11) recommendations, the Ministry of Agriculture managed to fully implement eight (8) recommendations and three (3) recommendations are yet to be implemented.

Committee Comments/Recommendation:

The Committee recommends that the Ministry of Agriculture fully implement those recommendations that are yet to be implemented.

8. Ministry of Infrastructure and Transport

Follow-up Audit Recommendations with the Implementation Status Update

The Committee noted that out of the twenty (20) recommendations, the Ministry of Infrastructure and Transport managed to fully implemented eight (8) recommendations with five (5) recommendations still partially implemented and seven (7) recommendations are yet to be implemented.

Committee Comments/Recommendation:

The Committee recommends that the Ministry of Infrastructure and Transport fully implement those recommendations that are yet to be implemented.

CONCLUSION

The Committee after reviewing the audit report, found that attention is drawn to some Ministries and Departments that continue to delay the implementation of audit recommendations and this resulted in some to be classified as high risk agencies.

Given the time that has lapsed, Permanent Secretaries in their capacity as Chief Accounting Officers of Ministries and Departments need to work closely with the Office of the Auditor General to address those audit issues that were raised.

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



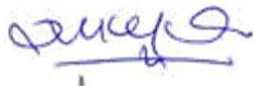
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(PAC Member/MP)



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Hon. Aseri Masivou Radrodro
(PAC Member/MP)

APPENDICES

APPENDIX 1

PUBLISHED WRITTEN EVIDENCE

The following written evidences including supplementary evidences that are covered in this review report can be accessed on the Parliament Website using the following link: <http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/>