



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the Office of the Auditor General's 2021 Annual Report



PARLIAMENT OF THE REPUBLIC OF FIJI
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CHAIRPERSON'S FOREWORD

The Office of the Auditor General ('OAG') provide a critical role in auditing the public accounts of the state, the control of public money and public property of the state, and all transactions with or concerning public or public property of the State in accordance with Section 151 of the Constitution of the Republic of Fiji.



The Audit Act of 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 its objectives effectively and economically in compliances with the relevant legislation.

This report provides the details of the review that was carried out by the Committee. The 2020 -2021 financial year was a challenging year for everyone and OAG managed to continue to carry out its core audit duties. Despite the challenges faced, OAG was able to achieve the following during the height of the COVID-19 restrictions:

- Issued 14 audit reports and also issued 42 draft management letters for comments
- Processed vacancies for 9 positions including contract renewals
- Virtually announced the winners for the 2021 OAG Drawings and Essays Competition
- Prepared the OAG 2021-2022 Annual Business Plan following a virtual workshop
- Facilitated the virtual assessment of OAG's application for the 2021 Fiji Business Excellence Awards
- OAG draft Financial Statements for FY 2020-2021 prepared under International Financial Reporting Standards for Small Medium Sized Entities (IFRS SMEs)
- Client, PAC and Employee Satisfaction Surveys
- In addition to the above, OAG staffs spent hundreds of hours attending virtual trainings, meetings, conferences and workshops.

The Committee has come up with few recommendations to improve its overall audit conduct. The Committee acknowledges the continuous support and collaboration provided by the Office of the Auditor-General during the deliberation of this report and other audit reports that were referred to the Committee.

I also 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 Radrodro. I also extend my appreciation to Hon. Mikaele Leawere who stands in as an alternate member pursuant to Standing Order 115 (5).

Finally, I would like to also sincerely thank all the PAC Committee Members and Secretariat for the compilation and finalisation of this bi-partisan report.

A handwritten signature in blue ink, appearing to be 'Alvick Maharaj', written in a cursive style.

Hon. Alvick 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)**

LIST OF ACRONYMS

CSAs	-	Commercial Statutory Authorities
FY	-	Financial Year
GCCs	-	Government Commercial Companies
NDP	-	National Development Plan 2017
OAG	-	Office of the Auditor-General
OBSEs	-	Off-budget State Entities
PWC	-	PricewaterhouseCoopers
SDGs	-	Sustainable Development Goals
SO	-	Standing Orders of Parliament
SAIs	-	Supreme Audit Institutions
SDGs	-	Sustainable Development Goals

INTRODUCTION

The 2021 Annual Report of the Office of the Auditor-General was tabled in Parliament on 7th February 2022 sitting and referred to the Standing Committee on Public Accounts, for its scrutiny.

Standing Orders 109(2) (d) allows Standing Committee on Public Accounts to examine 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.

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 program, budget, rationalisation, restructuring, functioning, organisation, structure and policy formulation.*

COMMITTEE MEMBERS

The substantive members of the Standing Committee on Public Accounts are:

- Hon. Alvick Maharaj (Chairperson)
- Hon. Joseph Nand (Deputy Chairperson)
- Hon. Ro Teimumu Kepa (Member)
- Hon. Virendra Lal (Member)
- Hon. Aseri Radrodro (Member)

Pursuant to Standing Order 115 (5), Hon. Mikaele Leawere stands in as an alternate member to Hon. Ro Teimumu Kepa stands in as an alternate member to Hon. Aseri Radrodro in few of the Committee meetings.

FUNCTIONS OF THE OFFICE OF THE AUDITOR GENERAL

The Standing Committee noted that pursuant to section 152 of the Fijian Constitution, the primary role of the Office of the Auditor General is to 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.

Moreover, the Audit Act 1969 further provides powers to 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 1996 which are now repealed, comprising Government Commercial Companies (GCCs) and Commercial Statutory Authorities (CSAs); and agencies specified as Off-budget State Entities (OBSEs) in the Financial Management Act 2004.

The Environment Management Act 2005 requires the Auditor-General to conduct a sustainable development assurance audit on natural resources managed by ministries, departments, authorities or local authorities.

COMMITTEE RECOMMENDATION

Listed below are the Committee recommendations for Parliament to take note of:

- 1. That OAG partners with line Ministries, Heads (Permanent Secretaries), Provincial Councils and Municipal Councils to train their staff to prepare and submit quality draft annual financial statements for audit in a timely manner as set by the OAG;**
- 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; and**
- 3. 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 report to Parliament.**

COMMITTEE FINDINGS

1.0 Overview/Snapshot of the OAG 2021 Annual Report

- The Committee noted that for the financial year 2020/2021, a sum of \$5.0 million (2019/2020: \$5,606,269) was allocated to fund the operation and activities of the Office of the Auditor-General. The Office had utilized 93% of the budget compared to 100% in 2020.
- Also noted that the Office of the Auditor General had issued 70 Auditors' Reports compared to 78 in the previous year with a total of 17 reports were tabled in Parliament.
- The Committee noted that due to restrictions as a result of the COVID-19 pandemic, the office premises was closed with staff working from home from April to August 2021. This impacted planned outputs. However, during the work from home period, 14 Auditors' Reports were issued, 42 management letters were issued for comments and 5 Reports to Parliament were finalized.
- 45 online trainings were attended by staff.

2.0 Stakeholders Engagement - OAG update on the Drawings and Essays competition and the proposed workshops targeting Civil Society Organizations

The Office successfully initiated a nationwide essay and drawing competition from 15 March 2021. The competition was launched to create awareness on the topic "Role of the Office of the Auditor-General", following consultation and support of the Ministry of Education.

There were two parts to the competition targeting both the Primary and Secondary school students. The result of the competition was as follows:

- Drawing competition (Primary Schools)
 1. 1st prize winner of \$250 - Zulfaaz Ziyaan Rauv of Malamala Public School, Nadi
 2. 2nd prize winner of \$150 - Yastika Chand of Bhawani Dayal Primary School, Nasinu
 3. 3rd prize winner of \$100 - Simarleen Kaur of Votualevu Public School, Nadi
- Essay competition (Secondary Schools)
 1. 1st prize winner of \$500 - Helava Muliaina of Suva Muslim School, Suva
 2. 2nd prize winner of \$300 - Arsheya Andrew of Xavier College, Ba

3rd prize winner of \$200 - Kelvin Kaveesh Goundar of Bhawani Dayal Arya College, Nasinu. The winners were announced at a virtual award ceremony hosted by the Office on the 28 July 2021 and was also attended by the Permanent Secretary for Education.

Stakeholder Workshop:

The Committee was informed that a stakeholder engagement workshop targeting civil society organizations and planned by the Office and the UNDP, did not eventuate as it was postponed. It was noted that the main objectives of the workshop are to:

- Inform stakeholders on the roles and responsibilities, and expectations of the OAG.
- Obtain feedback from stakeholders on the work of OAG and their expectations.

The expected outcomes of the workshop are:

- Better informed stakeholders.
- Better reach and impact of audit results/report.

3.0 In reference to the Cyber-Security incident in April 2021, can the OAG enlighten the Committee on the automated audit software, Teammate, the Accounting Software Navision and Payroll software PayGlobal? Are there any backup systems in place?

TeamMate

The Committee noted that Teammate Server is located at the ITC Data Centre with backup done on a weekly basis by the ITC whilst the OAG IT Support Unit also performs a full back up on a quarterly basis.

Navision and Pay Global

Also noted that the payroll and accounting Server is located at the OAG Server room. The Office has a QNAP NAS storage system which the accounting and payroll data are backed up on a daily basis and are replicated to the DR Server at the ITC Data Centre.

4.0 In case of future Cyber incidents, what type of capacity does the data recovery server have to operate continuously and efficiently without disruptions?

The Committee was informed that the current Data Recovery Server is located at the ITC Data Centre. This site host all working replicas of Production Virtual Machines (VM) (Payroll and Accounting) and also host secondary copies of all backups from the Production Site. With this anticipation, all Servers will be backed up at Production. Secondary copy of backup which is located at Data Recovery Server and working replica of Production VMs hosted at the DR Site.

In case the Production Server is infected, the DR Server will be activated. For TeamMate, OAG relies on ITC's weekly back up setup and the quarterly full back up performed by the IT Support Team.

5.0 For adaptation and resilience purposes through COVID-19 and moving into the new normal, what were some of the best lessons learnt by the OAG as an organization?

The Committee was informed that some of the best lessons learnt are as follows:

- Invest in technology that can better facilitate remote auditing. Digitalization of client records will also enable effective remote auditing.
- Robust internet connectivity is essential for remote auditing and working from home. The importance

of having VPN access to be able to connect to the TeamMate Server hosted by ITC. The Office will have to work with ITC, taking into consideration the security of data and unauthorized access.

- The importance of having secured platforms to share data, specifically, data and information obtained from clients for audit purposes.
- It is important to develop and test your Data Recovery and Business Continuity Plans.
- Embracing virtual platforms for training and for connecting with staff and clients.

6.0 Will the OAG improve its audit conduct for Municipal Councils, Provincial Councils, Whole of Government, Government Commercial Companies, Commercial Statutory Authorities and Other entities whose audited reports are delayed in table in Parliament?

The Committee was advised that the Office will continue to improve the timeliness of reporting of the outcomes of audits to Parliament. In April 2021, OAG issued to clients a revised reporting guidelines, which included changes that the OAG hopes will impact the timeliness of audits and the reporting of audit outcomes to Parliament.

It was noted that the OAG has recently increased the number of audits that it is outsourcing depending on funding availability. For FY 2022/2023, the Office has been allocated \$650,208 (FY 2021/2022 - \$160,208) to outsource audits, an increase of \$490,000 from the allocation provided in the FY 2021/2022 budget.

7.0 Special Investigation – What type of resources does the OAG have to assist other entities who request for special purpose audits?

The Committee noted that special purpose audits requires the Auditors to report on specific financial information/areas for specific purposes to specific users, in comparison with the audit of general purpose financial statements. For example, the audits of loan funded projects as required by the donors. Project audits are carried out by the financial audit Groups.

The OAG also conducted special audits upon request. The resources used for these requests can be from both the financial and performance audits. The Committee noted that the OAG structure has exhibited a special audit unit, this has yet to be fully resourced.

7.1 On what basis does the OAG decide to outsource its clients for external audit?

The Committee was advised that Section 7A (1) of the Audit Act 1969 empowers the Auditor-General that it may by contract authorize a person to conduct on behalf of the Auditor-General to carry out an audit or special investigation. The Office, in 2017, developed a policy on Engagement of Audit Service Provider (POL 17/2017). This policy is established to address independence and confidentiality considerations and is also publicly available on the OAG website.

The basis to outsource audits, depending budget allocated, can arise from the following:

- Updating of backlog audits.
- Requirement of expertise.
- Resource constraints in terms of shortfall in annual man-hours.

- Unplanned audits requests.

The fees payment of \$134,679 made by ITAB relate to the audits of 42 financial statements for the 14 Provincial Councils for the years 2008 – 2010, which have already been tabled in Parliament.

The current status of the audits of Provincial Councils are as follows:

8.0 Status of Audits

8.1 The Committee noted that Fee payments of \$134,679 was made by the I-taukei Affairs Board (ITAB) for the auditing of Provincial Councils. The Committee was informed of the current status of audit of the Provincial Councils that are yet to be tabled in Parliament with details tabulated before the Committee and is attached to this report as appendix.

8.2 The OAG advised the Committee on the current status of audit of the Municipal Councils that are yet to be tabled in Parliament (also attached in the appendix is the Status of Audits for Municipal Councils).

8.3 Also attached in this report is the list of debtors with their pending outstanding audit fees owed to the Office of the Auditor General. It was also noted that the Office of the Auditor General also listed the status of audits for other audits such as Statutory Authorities and Government Commercial Companies etc.

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.*

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 OAG plays a critical role in ensuring efficient and transparent use of resources and the achievement of **SDG target 16.6, which is to develop effective, accountable and transparent institutions at all levels.** In this regard, the Committee notes that whatever questions raised by the Auditors in terms of the utilization and management of Government expenses it is related to the achievement of SDG target 16.6.

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 Committee noted that there are policies that have been developed to govern the operations of OAG so as not to discriminate between gender in the areas of recruitment, employment and compensation, career and professional development.

It is pleasing to note that OAG currently adopts the Open Merit Based Recruitment and Selection Policy developed by the Ministry of Civil Service.

The Committee noted the importance of Gender Equality while scrutinising the Office of the Auditor General's 2021 Annual Report and commended the work done by the Office in considering the importance of gender equality in its workforce and further to the annual activities/programmes. This can be evident in its organisation structure in which both men and women are sharing senior positions within the organisation.

CONCLUSION

The Standing Committee on Public Accounts noted that the core function of the OAG Office is to inspect, audit and report on the public accounts, property and transactions of the State as legislated in the Constitution and Audit Act 1969.

The review of the Office's 2021 Annual Reports was conducted in a very tactful and comprehensive manner. This would enable the committee for Public Accounts to submit to Parliament a more reliable and a cohesive report.

The Committee is looking forward to the Office of the Auditor-General working closely with all Ministries and Departments Heads in addressing all cross cutting audit issues that were continuously highlighted during an audit.

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



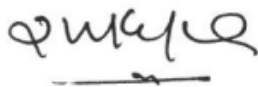
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(Deputy Chairperson)



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Hon. Virendra Lal
(Member)



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Hon. Ro Teimumu Kepa
(Member)



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Hon. Aseri Masivou Radrodoro
(Member)

APPENDIX

**WRITTEN SUBMISSION BY THE OFFICE OF THE AUDITOR-
GENERAL**