

Public Sector Auditing in Fiji: Tracing its Development and Expansion

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Abstract

This paper examines the processes of public sector auditing, and its influence in Fiji over the period 1874-2003. Analyses of historical documents indicate that there were four major themes that influenced expansion of traditional auditing into performance auditing. This paper examines these. It also provides insights into the development of accountability practices as a result of changes in the Auditor-General's role. Conclusions drawn from the analysis indicate that traditional public sector auditing in Fiji expanded in accountability terms, possibly driven by public pressure through the media and elected representatives.

Introduction

Despite the unsettling effects of three major coups in Fiji since 1987, political governance in the country is still based on the Westminster system. In line with this the various constitutions in place have made provisions for the Office of an Auditor-General. Auditor Generals in Westminster systems are given the mandate by the legislature to audit the executive on behalf of the legislature, and to carry out public accountability obligations on behalf of the parliament (Funnell and Cooper, 1998; Jones and Pendlebury, 1992; Pallot, 2003; English, 2003; De Martins, Clark & Roberts, 1998). They do this by providing an independent and professional assurance that public sector resources have been managed properly, in accordance with the law, and that fraud has been prevented (Guthrie, 1991; Wilkins, 1995). Furthermore, literature on public sector audit-

ing indicates that traditional attest and compliance audits are now being supplemented by performance auditing as one possible means of furthering public sector accountability (Neale & Anderson, 2000; Mulgan, 1997).

This paper outlines and analyses the processes and influences by which auditing developed and expanded in the Fijian public sector within the context of public sector auditing and accountability over the period 1874-2003. An accountability perspective is adapted for the analysis. The analysis provides an understanding of the themes that led to significant expansion in public sector auditing.

Public sector auditing in Fiji can be traced back to 1874 (Fiji Audit Profile, 1997). Fiji was colonised by Britain in 1874 and remained a British colony till 1970. Being a British colony Fiji was subjected to British laws and regulations. Between 1874 and 1955, the British Audit Act and laws were applicable to public sector auditing in Fiji, as laws of general application. In 1956, the *Audit Ordinance* was endowed to Fiji, but again under British control and law; in 1969, this document was officially endorsed by the Fiji Legislative Council as the 1969 *Audit Ordinance*. The *Audit Act 1970* emerged from the *Audit Ordinance*. Public sector audit developments in Fiji, thus, had a strong British influence during the colonial period. This continued into independence and after, as the *Audit Act*, based on the British Audit Act, continued to regulate public sector audit in Fiji.

It is only recently that New Zealand, Australian and Canadian public sector finance regulations started having an impact on public sector auditing in Fiji. The Asian Development Bank Technical Assistance programme for improvement in the performance of the Fiji Audit Office (1995-1997) brought substantial Australian public sector auditing influence through the works of the Australian consulting firm of Stanton Partners, and the Victorian Audit Office (Auditor-General's Report 1997). Other examples bearing such non-British influences include the *Public Finance Management Act, 1999* which was modelled under the Victorian *Public Finance and Management Act* of 1992 and the *New Zealand Public Finance Management Act*. The *Public Finance Management Act*, however, was suspended in 1999, to be replaced by the *Financial Management Act 2004*; this remains modelled after the New Zealand equivalent.¹

¹ In 2005, the *Audit Act* was substantially amended. This paper does not include a discussion of the amendments, and their impact on the themes developed here.

Towards Performance Audit in Fiji

An analysis of documentary evidence, legislation and media reports from 1874-2003, establishes four major themes that appear to have shaped the evolution of performance auditing in Fiji. The themes are as follows: (i) independence/authority of the auditor-general, (ii) scope of audit, (iii) reporting requirements and (iv) factors that cause changes to take place.

To provide insights on how the four themes contributed to the development of public sector auditing in Fiji, this paper examines the data pertaining to auditing from 1874 to 2003, and uses these to trace the developments in the four themes. During the process of tracing the developments in the four themes, it was noticed that there were significant developments in the role of the Auditor-General during certain periods. These time periods have been labelled as eras and are associated with the developments in the role of the Auditor-General and accountability via the auditing process. Table 1 presents a summary of the major developments in each of the themes. A discussion of the themes outlined in table 1 follows.

Theme 1: Independence of the Office of the Auditor-General

Auditor independence forms the cornerstone of any auditing theory (Mautz & Sharaf, 1961). Users of audit reports view those preparing audit reports as neutral and unbiased in exercising their skill, expertise and professional judgement while forming an opinion on the audit findings. Fiji's various Constitutions from 1970 to now provided the framework for auditor independence. But even before this, the British Audit Act, being a law of general application, required that the auditor be independent at all times. Section 166 of the current Constitution provides for the independence of the Auditor-General in that in the performance of his/her duties or functions or the exercise of his/her powers, the Auditor-General is not subject to direction or control by any person or authority. This statement succinctly encompasses the first two phases of independence as described by Mautz and Sharaf (1961). The third phase of auditor independence can be gauged by the acceptance and reactions to audit reports and findings by the Parliament, the Public Accounts Committee and the public. To date the OAG's reports and findings have been accepted by the Parliament and the public. This demonstrates that they have confidence in the performance of the Fijian Audit Office.

Table I: Developments in the Role of OAG, 1874-2003

Era	Independence of the OAG	Scope of the OAG's mandate	OAG's right to investigate		OAG's right to report: To whom, when and what inclusive	OAG rights to follow up
			Choose	Access		
1874-1955: 'Colonial Compliance' Period	OAG not the end accountee; English reportee is.	Compliance with English law.	No	Yes	Compliance, not OAG's decision?	No formal right to follow-up
1956-1969: 'Verification of Records' Period	OAG Independence assured by Audit Ordinance 1956, Audit Ordinance 1969	Regularity audit only. Verification S8(2)	Yes – allowed by law but not explicit	Yes to all documents and records, stipulated in Act.	To Parliament on compliance with statutory rules.	Through PAC only
1970-1990: 'Stewardship Role' Period	Reflected through reporting	Regularity, plus check for control, waste and extravagance S6(2a-e); S13(2) for other entities	Yes-reflected by reporting	Yes, but limited by what is available	Greater audience Level of reporting and change in focus of reporting	Case of special inquiry, Suspension of PAC by govt (1987-90). Reduced follow-up
1991 to 2003: 'Focus on Efficiency'	Constraint - in some cases- clarification from Attorney General	Efficiency reports plus regularity audit Reporting twice a year in some cases	Yes but entity manager can object	Yes, entity manager can withhold records, (Military trust fund; Reserve Bank of Fiji).	Level of reporting, changes in format of reporting	Massive follow-up but only by PAC, and via efficiency audit

Colonial Compliance Era: 1874-1955

During the period 1874-1914, specific sums of money were allocated in the public sector budget and appropriated by the Legislative Council for the purposes of public sector auditing (Colonial Annual Report, 1876-1878; 1902 to 1910; Ordinance No. XX, 1875). This indicates that the concept of auditing was recognised by the colonial rulers. However, there is no documentary evidence to suggest that the Colonial Auditor-General was either independent or dependent on the controls of the executive government.

Documentary evidence during this period indicates that the English reportee was the end accountee and not the auditor. The English accountee being the colonial Governor, was based in Fiji. The accountee compiled the annual report and the colonial auditor based in Britain countersigned it (Annual Reports, 1875-1887; 1902-1910). Although in 1914 an Audit Department was created in Suva for the purposes of undertaking public sector audits (*Journal of Legislative Council*; Legco, 107/1914), the colonial reportee was still complying with the reporting requirements of the colonial government.

The authority of the colonial Auditor was restricted to assuring that the annual accounts complied with the colonial government's reporting requirements. It appears that the colonial auditor under the colonial reporting requirements was not expected to perform his/her duty independently of the influence of the colonial government.

Verification Era: 1956-1969

From 1956 to 1969, the authority and the independence of the Director of Audit was formally and legally established in Fiji through the enactment of the following laws: Audit Ordinance 1956, Finance Ordinance 1965 (s9), and the Fiji (Constitution) Order 1966. The respective sections in these documents form the framework for the independence of the Audit Office. They stipulate that the Director of Audit 'would not be the subject of control by any party or authority'. This implies that the executive, including state agencies, would not be able to put undue pressure on the public sector auditor during the audit process because of the legal implications of the constitutional framework.

Section 8 of the 1956 Ordinance specifies that the Director of Audit acts on behalf of the Legislative Council while performing the duties of

carrying out an examination of, inquiry into and audit of the accounts of the public sector.

In terms of auditor independence, the auditor-general has no formal relationship with the audited entity. Thus the auditor-general is not to unduly have a personal interest in the audited entity, or even allow a personal interest to cloud his/her professional judgment on audit findings.

The 1956 *Audit Ordinance* (s10) provides the auditor with the authority to cite and report to the Secretary of Finance any irregularity that may have occurred in the receipt, custody or expenditure of any public fund or public property of any type, or in the accounting of public funds and properties. This provision contributes to auditor independence in terms of levels of reporting and checking for control mechanisms in the accounting systems of the government and government agencies. For example, Legislative Council Papers and media reports¹ that focussed and provided information on the audit reports compiled by the Audit Office, indicate the level of autonomy the Director of Audit had in performing the accountability role. The audit report findings quoted by the media indicate that the Director of Audit and the public sector auditors appeared uninfluenced by the audited entities and agencies and that the auditors were able to compile their findings without fear of reprisal.

The referred to Legislative Council papers and media reports also indicate that the audits focussed mostly on arithmetical verification of the appropriated public sector expenses and revenues against the documented amounts disbursed and received by the entities' accounting officers. For example, the media reports on the audited reports presented by the Director of Audit highlighted issues arising from the verification processes, which included improper documentation of disbursements and receipts. These highlighted implied instances of inappropriate procedures followed by the public sector entities in disbursing the funds, incomplete accounting records kept by most entities, and the use of inappropriate accounting systems.

During the 'verification era', the Fijian Director of Audit and the Fijian Audit Office displayed independence through in-depth reporting. The audit reports and findings indicate that the Director of Audit and the audit staff were not subjected to any external control or pressure either by the government or government agencies during the audit processes. The audit findings were confined to checking the arithmetical verifications of the disbursement and collection of government funds.

¹ See Papers, 3/63; 14/1965; 16/67, and media reports 'Long Look...' 1966; 'Department's Accounts' 1965, and 'Immigration Head Satisfied...' 1964.

Regularity Compliance Era: 1970-1990

The most significant development in auditor independence during this era was the development in the Auditor-General's powers and authority to, first, transmit special reports made on any matter incidental to his powers and duties under the *Audit Act 1970* (s12 (3)), and second, citing serious irregularities in the disbursement and receipt of public funds arising through attest auditing (s10).

Evidence from Parliamentary Papers (for example, Nos 22/90; 2/89, and 14/79) and media coverage of the Auditor-General's audit findings during this period indicate that the Auditor-General (hereafter referred to as AG) had on several occasions either requested for special audits, transmitted special audit reports to the Parliament, or had suggested that special inquiries be undertaken in financial operations of certain public sector entities.² The AG could do these because of the constitutional independence mandated to the Audit Office. Such engagements suggest that the AG was able to perform his accountability role³ in a powerful way to ensure that the parliament could hold public sector entities accountable in the way the entities used public funds.

From the above it can be inferred that auditor independence was strengthened by the publicity of audit findings and the support given to the AG by the Public Accounts Committee Reports. The Public Accounts Committee (hereafter referred to as PAC) Reports during the 1970-1980 era supported the AG's findings. On perusing the audit reports⁴ PAC validated the findings through its processes of deliberation and seeking explanations from the government and government agencies on the issues of non-compliance with regulations, existence of inappropriate controls on the management of public sector resources and other such incidents.

Efficiency and Effectiveness Era: 1991-2003

Developments in the area of auditor independence during this era were twofold. On one hand, the Audit Reports by the AG highlighted the

² This is evidenced, for example, by the following newspaper articles: 'Mayor, I welcome Inquiry', 1980; 'Money wasted by Government', 1975; 'Account Query runs into dead-end', 1974; 'Make MP's Pay: Accounts Inquiry', 1973.

³ AG accountability role refers to, as per the *Audit Act*, the audit and purpose of the audit of the public sector entities by the OAG to provide assurances to the public via the Parliament on the management of public sector entities.

⁴ See 'Accounts in Chaos-Bhim', 1978; 'Cost of Groundings Unknown', 1978; 'Money Wasted by Government', 1975, & 'Council Accounts Contain defects', 1975.

mismanagement of public sector funds, fraudulent practices in public sector entities by public servants, and the lack of appropriate controls to ensure the use and management of public sector resources⁵. This intensive level of reporting suggests that the AG was not subject to undue pressure or control from an external party and was, therefore, able to perform the mandatory duties of an oversight body without prejudice or fear. Using constitutional independence vested in the Audit Office, the AG carried out efficiency and effectiveness audits in the Fijian public sector during 1996 and 1997.⁶

On the other hand, documentary evidence indicates that the AG had reservations on the independence of the Audit Office (hence forth referred to as AO) (Annual Reports, 1998, 1999 and 2000). The 2000 Annual Report of the AO states that the AO was not totally independent of executive control and that the lack of resources seriously constrained the operations of the AO. The budget appropriation of the Fiji AO has always been determined by the Ministry of Finance. It, therefore, is possible that the Ministry of Finance would not increase the budgetary allocation so as to enable the AO to undertake performance audits together with compliance audits. Undertaking performance auditing would mean more expenses for the AO. Through imposing a budgetary constraint the executive could ensure that performance audits are not carried out. In this manner the Executive, through the Ministry of Finance, could, and often did, place undue pressure and control on the operations of the AO.

The AG has the powers to appoint his own staff but the rules of the Fiji Public Service Commission apply to the appointment process. Appointments made can be challenged through the Public Service Commissions' Appeals Board. This basically removes the independence of the Office of the Auditor-General in appointing its own staff. The involvement of the Appeals Board can compromise the independence of the appointment and the appointee in a complex manner if the Appeals Board decision is overshadowed by the 'rules' of the traditional Fijian customary rights. For example if a particular decision on an appointment involves an indigenous Fijian chief or a member of chiefly family and a member of the Board is swayed by Fijian customary rules, then the final

⁵ See, for example, Parliamentary Papers 25/95, 26/95, 35/95, 36/95; 37/95 and 40/99; Ali, 2003; Deo, 2003; Lewa & Buimajor, 2003; Manueli, 2003a,b,c; Lewa, 2002a,b, ; 2000,a,b; and 1999; Rika, 2002; Wise, 1999; 'Abuse of Funds', 1999; and Editorial Comment, 1997.

⁶ See Parliamentary Papers 8/97; 21/97 and media reports, Editorial Comment, 'Arrest the trend now' (1997); Chand (1997), 'Auditor Finds Poor Service' (1997); Ragogo (1997); 'Auditor Slams Lack of Maintenance' (1997), and Jagmohan (1996, a-g).

decision may not be arrived at in an objective Westminster sense. In the Fijian customary system one never speaks or goes against the wishes of ones Chief or Village elder (Toren, 1990). Evidences of such types of compromises are found in the case of the Native Land Trust Board Audit of 1994, and the National Bank of Fiji Audits during 1992-1995. In these cases the AG had cited inappropriate practices and mismanagement of funds but had given the entities clear audit reports.

These examples portray different dimensions of auditor independence in the Fijian public sector. Though the AG is assured constitutional independence, the AG is not 'free' from executive control. The executive is able to suppress the independence of the AO through funding and staff appointments.

It can be concluded that the AG was able to exercise his constitutional independence in carrying out his public accountability role but independence of the AO could be suppressed. During the period, the AG maintained and built on the independence status via in-depth reporting based on compliance and regulatory audit but the independence was constrained by the executive through funding and appointment processes. The culture and traditional structure of the indigenous Fijian system of governance also had the potential to suppress auditor-independence in the public sector. Given the constraints which had become obvious in the efficiency and effectiveness era, it was possible that the OAG could have been constrained in performing his public accountability role to the maximum. The constraints could have been the reason for the withdrawal of performance auditing from the public sector.

Theme 2: The Scope of the OAG's Mandate

The scope of the OAG's mandate refers to the subject or the range of public sector entities that the OAG can audit. The subject of the audit is determined by law, in this case, the *Audit Ordinances* and the *Audit Act*.

Colonial Compliance Era: 1874-1955

The scope of the Colonial Auditor's mandate during this period appeared to be limited in terms of the small number of government departments in existence (five departments). Audit reports were prepared in Britain. The scope was a general audit for all government departments presented as a single account with lists of expenditures and revenues (Council Papers, 18/1892, 16/1893, 18/1897). The focus of the audits was

on cash inflows and outflows. Thus the scope was limited to compliance with English laws, which required the colonial Auditor to check for arithmetical accuracy of the records.

The Legislative Council, whose members were initially appointed by the British representative (Governor of Fiji), was responsible for providing the public with basic public goods and services like law and order, basic infrastructure and minimal health services. This suited the public sector at that point in time because Fiji had a relatively small population, and a much smaller urban population that relied of state services. One can, therefore, suggest that the scope of the colonial Auditor's mandate was suitable for the colonial public service at that point in time.

Verification Era: 1956-1969

The 1956 Audit Ordinance expanded the scope of the Director of Audit's mandate by providing the Director with authority to audit the government, government agencies and the accounts of any corporate body established by an Ordinance of the Legislative Council (s8, s9(1)). S8 of the 1956 *Audit Ordinance* provided the Director of the Audit with the authority to satisfy himself that.

- i. reasonable precautions were taken to safeguard the collections of public money and that the laws, directions or instructions relating to the collection of public money were duly observed, and
- ii that all appropriations or disbursements had been expended and applied for the purpose(s) for which the money was intended and authorised.

This clause expanded the scope of the Director of Audit's mandate to check for compliance with procedures and to verify that the appropriations were used for the intended purposes.

Examination of the audit reports and media coverage⁷ indicate that the Director of Audit was treating the government, the various government departments and government agencies as separate reporting entities. Each reporting entity was subjected to individual audit and, therefore, each entity had a separate audit report. By performing individual audits for every government entity the Director was providing assurance to the public and the Legislature that the management of every government en-

⁷ For example, of Parliamentary Papers: 3/63; 14/1965; 16/67, and media reports: 'Long Look at Government Accounts' (1966), 'Departments Accounts Under Fire' (1965), and 'Immigration Head Satisfied, Audit Not' (1964).

tity was complying with regulations. At the same time each individual entity and its management was being held accountable for the use of the appropriated funds allocated to them and for the management of the resources under their control.

During the verification era the audit scope had expanded from compliance with English reporting requirements to checking for arithmetical verification and compliance with procedures of disbursing expenses. The Director of Audit was performing the public sector accountability role by bringing to the Legislative Council's attention the issues of record keeping, and checking that the accounts were accurately kept and complied with rules and regulations by each of the public sector entity.

This evolution is in many ways also parallel with the evolution of the Legislature in Fiji, from a purely nominated one of the early colonial period, to a mix of nominated and elected one, to a purely elected one.

Regularity Compliance Era: 1970-1990

Section 13 (ss1-4) of the *Audit Act 1970* provides the AG with the authority to audit the accounts of government corporate bodies and other bodies established by Fiji laws. The government corporate sector during the period included statutory bodies, government trading enterprises, government owned companies, and the National Bank of Fiji. This expansion in the audit scope indicates that the AG was empowered to audit each and every public sector entity, funded by the government.

S12 of the *Audit Act* stipulates that within a period of eight months after the close of each financial year, the AG should transmit the annual audited accounts of the whole of the public sector entities and agencies. The AG could seek extension to time from the parliament for submitting the reports. Documentary evidence pertaining to this era indicates that the time lag between the close of the financial year and annual audit reports ranged from two to three years. This happened because government departments and agencies were often late in submitting their financial reports for audit. As a result the audit reports were often delayed. Consequently, audit findings were not reflective of the immediate past situation and in some cases were not meaningful for the users as little or no action could be taken to seek redress years down the line of the event. The extended scope of the OAG mandate to performance of the accountability role of the Audit Office was, as a consequence, always limited because of the time lags between the end of the annual financial year of the operations of the entity and the audit processes and reports.

Furthermore, almost entire government and government agencies

followed cash basis of accounting. This had implications for the recognition and recording of assets, depreciation on the assets, and recognition of delayed or deferred payments. During the audit process, expenditure on non current assets could not be recognised as a cash outflow, and non current asset could not be recognised and recorded as an asset. Following this, there could be no recognition of depreciation on the asset. Similarly, payments which fall on the last day of the financial year could not be deferred to next year as a liability; if the payment was incurred in the current year but not paid in the current year then this would cause upsets in the cash flows of the current year. These instances would limit the scope of the OAG's mandate in terms of regularity audits.

Efficiency and Effectiveness Era: 1991-2003

There were significant developments in the scope of the OAG mandate during this era. This was due to the Institutional Strengthening Programme in the AOG, jointly funded by the Asian Development Bank and the Government. During the implementation of this project, the AG used the authority vested in him by s6 of the *Audit Act* and carried out performance audit in two major public sector entities. The scope of the OAG audit mandate had expanded from attest auditing to performance auditing.

The expansion in the scope meant that the AG would audit for economy, efficiency and effectiveness with which the public sector entities managed and controlled public resources. In carrying out the economy, efficiency and effectiveness audit the focus of the audits shifted from examining and inquiring for compliance and control, to examining and inquiring for performance in terms of outputs and outcomes. With a focus on performance, the AG was able to act in a more powerful way to help public sector entities achieve public accountability. This was possible by the process of having the management of the public sector entity address the issue of how resources were used to achieve the objectives of the entity. It is accepted that all public sector entities may not have identifiable objectives; in that case, the AG as the performance auditor would have to base performance judgments on outcomes and not outputs.

The 1990 Constitution (s148(2)) limited the scope of the OAG's mandate to audit all public sector entities. It empowered the AG to audit accounts of all authorities and officers of the government,

provided, that if it is so prescribed in the case of any body corporate directly established by law, the accounts of that body corporate shall be audited and reported on by any such person as may be prescribed.

Most public sector statutory bodies, and local governments, as well as the National Bank of Fiji used this provision under the 1990 Constitution, and the provisions in their own enabling legislation to opt for the services of private sector auditors for auditing purposes. Similar provisions existed in the 1970 Constitution, but then public sector corporate bodies were still audited by the AG. The movement to private sector audits was contributed to by the time lag between the end of the financial year and the audit reports. But a more credible reason is that the AOG audits were more in-depth, especially on matters of a general lack of accountability displayed by public sector entities. State bodies which could escape such scrutiny, tried to find their way out. The provisions of the 1990 Constitution and the enabling legislation of statutory bodies, and the subsequently enacted *Public Enterprise Act* (1996), provided these entities the legal route out of the AG's domain.

During this era, Fiji public sector had the services of two dynamic Auditor-Generals, Michael Jacobs, an Australian from the Victoria Audit Office in Australia and a local Eroni Vatuloka, who was a practising auditor in the Audit Office during Jacob's days. Vatuloka, taking over from Jacobs in 1999, grew to become a vocal AG. The extended scope of the OAG's mandate, which was performance auditing, was a direct result of Jacob's input into the Institutional Strengthening Programme. Jacobs was instrumental in setting up a performance audit section in the Audit Office. This section had its own staff who conducted performance audits for some of the public sector entities. Performance audit section staff were provided with training on how to conduct performance auditing. As the AG, Jacobs was instrumental in negotiating changes to the *Finance Act*, (Annual Report of the Audit Office, 1998, 1999).

Vatuloka continued the negotiations for changes to the *Finance Act* (and for a period the *Public Finance Management Act* (1999) that was shelved by a new government in 1999) with the Ministry of Finance in order to get adequate provisions on auditing and subsequent amendments to the *Audit Act*. As the AG, Vatuloka is also responsible for negotiating for full staffing for the Audit Office and for training for the staff of the Audit Office. Vatuloka recommended to the Ministry of Finance that revisions needed to be made to the *Audit Act* to expand the scope of public sector audit and for greater independence to the Audit Office. He also proposed that the AOG get a one line budget, along the same lines as the Legislature rather than it remain under the budgetary and audit control of the Ministry of Finance (Annual Report of the Audit Office, 2002 and 2003).

Thus, during the efficiency era, the AGs were instrumental in ex-

pending the audit scope to performance auditing. This was done because the previous audit reports had indicated a general lack of accountability in the public sector where public property and funds were concerned. The AG had been reporting on persistent mismanagement of public funds due to improper record keeping and a lack of control displayed by the public sector managers in the management of public property and other resources. This was of great concern to the Auditor-General, as well as the public. Hence the move to audit for performance was given momentum. Another contributory factor was Australian influence, through its aid program. Performance auditing history in the Australian public sector indicates that most of the State Audit Offices and the Australian Audit Office had moved into performance auditing by the 1980s.

Thus, there has been a gradual expansion in the scope of the OAG's audit mandate during the four eras. In the colonial compliance era, the scope was limited to examining cash flows and reporting on cash flows. In the verification era, the scope extended to each government department being audited as individual entities, with the auditor auditing to check that the accounts of each of the government departments and government agencies were kept faithfully and in accordance with prescribed procedures. In the regularity era, the OAG mandate strengthened via in-depth reporting regarding compliance with procedures and record-keeping. The audit reports during this period focussed on the methods of disbursements and receipts, and on accounting and procedural controls in place for the financial operations of the entity. During the efficiency era, the scope expanded to auditing for performance.

But there were serious limitations to the extent to which the AOG could utilise the expanded scope. One of the major limitations was the time lag between the close of the financial year for the public sector entity, and the tabling of the financial reports with the Minister of Finance for audit purposes. By the time the financial reports were submitted to the Finance Ministry and the Auditor-General began the audit, many records could not be located; public servants either retired, or were promoted, or moved to other sections. Another limitation was the cash basis of accounting used by the government and government agencies; this limited the audit scope to checking for cash reports only.

Despite the limitations, the expansion of the audit scope enabled the AG to help bring to the Parliament's attention the extent of accountability demonstrated by the public sector entities and the government in the use of public funds, properties and other resources.

Theme 3: Reporting Requirements

For the purpose of this paper reporting requirements have been spilt into three sub-themes. These include the OAG's right to investigate, report, and follow-up. These sub-themes are related to the theme of reporting requirements. In order to report, the OAG has to investigate. After the investigation, the findings are analysed and reported. After the report, there is usually a follow-up to determine the action taken for improving the deficiencies or in strengthening the positives highlighted by the audit findings.

The OAG's Right to Investigate

The OAG's right to investigate is derived from the *Audit Act 1970*. This provided the OAG with mandatory authority to investigate the accounts of all accounting officers. Accounting officers are defined in the Act as

every public officer who is charged with the duty of collecting, receiving or accounting for, or who is charged with the duty of disbursing, or who in fact disburse, any public money and every officer who is charged with the receipt, custody or disposal of, or the accounting for, public stores or other property in the possession of government or who in fact receives, holds, disposes of or accounts for public stores or other public property in the possession of government.

The Act provides the OAG with powers to investigate any individual, entity or agency who uses or is given the responsibility to deal with, public funds. The *1997 Constitution* and the *Audit Act* provide mandatory powers to the AG to investigate the accounts, records and operations of the whole of government, government agencies and statutory bodies. The right to investigate also includes the OAG's right to access information and the OAG's right to determine the purpose of the audit. The importance of the OAG's right to investigate would help determine the effectiveness with which the OAG can perform the accountability role of an oversight body.

Colonial Compliance Era: 1874-1955

The OAG did not have the legal right to investigate during this era. The English reportee reported on the public accounts and the colonial

Auditor (based in Britain) vouched for the reports. Since the colonial Auditor signed-off the colony's annual accounts, it is assumed that the colonial Auditor would have cited the financial records before signing the reports. However, there is no evidence on whether all the financial records were sent to England for the colonial Auditor.

Verification Era: 1956-1969

During this era the Director of Audit derived the rights to investigate from the 1956 Audit Ordinance. S8-9 of the Ordinance empowered the Director of Audit to examine, inquire into and audit the accounts of the government, government agencies and any persons or institutions that had the custody, use of or received public funds and property. The law also allowed for exemptions to the rights to investigate if the law under which the body corporate was established indicated otherwise.

The Ordinance (s8(2)) specified the objectives of the audit process. Evidence from parliamentary reports (Papers, 3/63; 14/1965; 16/67), and media reports⁸ indicate that the Directors did not have much choice in deciding which entity to audit but had the ability to decide on the objective of their audit for particular entities. For example, a media reported that the Director of Audit carried out audit checks in the Department of Agriculture to establish if the expenses were properly authorised and if the revenues collected were properly recorded (*The Fiji Times*, 13 July 1966).

The Directors' right to access information was provided for in the Ordinance. S11(2) provided the Director of Audit with mandatory access to information on records, books, vouchers, documents, cash, stamps, securities, stores or other government property. There is no evidence that during this period, public sector entities and custodians of public property and funds decline to give the Director of Audit free access to information necessary to perform the audit duties.

Regularity Compliance Era: 1970-1990

The developments in the AG's rights to investigate can be traced through the analysis of documentary evidence because the statutory rights remained the same as in the verification era. Parliamentary and media reports provide ample evidence that the AG used his rights to choose the

⁸ 'Long Look at Government Accounts' (1966), 'Departments Accounts Under Fire' (1965), and 'Immigration Head Satisfied, Audit Not' (1964).

objectives of the entities he examined.⁹ Often during this era the AG chose to investigate the internal accounting control systems of public entities to establish whether controls were appropriate or otherwise. This was probably done because of the public's rising demand for greater public sector accountability as well as increases in public sector spending.

In some cases the AG's investigation focused on fraudulent practices and mismanagement of funds. The push for this type of investigation was public pressure to wipe out alleged corruption in the state sector (see 'Council Ignored Advice', 1977). In some cases government ministries decided what the objective of the audit ought to be; this power was allowed under s13(2) of the *Audit Act*. One example is a media report that the Minister for Local Government had called for the audit of the financial affairs of the Nausori Town Council for the years 1982 and 1983 (Matai, 1983). The objective of the investigation was to check for mismanagement of funds and corrupt practices by the management of the Nausori Town Council. The *Audit Act* allows the AG to choose specific objectives as well as to carry out special audits on request.

The AG is given due legal authority to access all records and information for audit purposes. During this era, there is no evidence to suggest that the AG was denied access to any information during an audit process. This right was not challenged during this period. One possible reason for this may be that public servants who keep the records of financial transactions have explanations for their record keeping. Another possible reason may be that the entities follow a cash basis of record keeping; under this, if cash is received without a receipt being issued or if the receipt is issued of a lower amount than the amount accepted then there is no possible way to trace the receipt or to trace the actual cash received.

Efficiency and Effectiveness: 1991-2003

During this era, there was significant expansion in the AG's right to choose the objective of his audit. The Audit mandate to the rights to information did not change but the AG's choice of the audit objective expanded by incorporating auditing for performance.

Documentary evidence suggests that the Auditor-General decided to choose his audit objectives for the Colonial War Memorial Hospital and

⁹ Parliamentary Papers 28/70, 19/71, 11/73, 28/73, 16/74, 2/75, 11/75, 13/76, 14/76, 19/77, 35/79, 4/81, 10/81, 56/86, 26/87, 2/89, and 22/90. Media Reports: 'Quiz on Accounting at PWD' (1984), 'Racket Claim in Audit Report' (1984), 'Account System at FAB Queried' (1984), and 'Staff Sold Government Stores Illegally' (1978)

the Customs Department for the year 1996 (Parliamentary Papers No 8/97 & 11/97). For both the entities the AG chose to investigate the effectiveness and efficiency of operations and management of resources. From his findings the AG formed the opinion that the two entities generally lacked in performance because neither had clearly defined objectives while the management in both had no long-term goals. The entities operated on a daily needs basis thus demonstrating a lack of vision, management guidance and a lack of leadership.

These examples indicate that the AG was able to perform his accountability role in a powerful manner by having the right to choose the objective of his audit in both the organisations. Also, by informing the Parliament, that the Hospital and the Customs department were not operating effectively and efficiently, the AG demonstrated to the Parliament the need for action to be taken by the government to streamline the performances of the two entities.

In 1996, the Reeves Commission Report (on constitutional amendments) suggested that the *Audit Act* be reviewed and performance audit become a mandatory part of the revised Act. This recommendation was based on various reports of allegations of corrupt practices within the Executive. The recommendation was not adopted until 2005, largely due to a lack of political will by the government to sustain performance audit reports and to have its performance audited to establish accountability.

During this period, Fiji began to witness cases where the AG was refused access to information for audit purposes. In 1996, for example, the Ministry of Information denied the Auditor-General access to information on its contract information with Television New Zealand (Jagmohan, 1996). This was in breach of s7(2) of the *Audit Act*, which entitled the Auditor-General to have access to all records, books, accounts, vouchers, documents, cash, stamps, securities, stores or other government property. While law is one matter establishing legal rights, in a country like Fiji, actual practice has often been mixed. Ultimately, where the executive controls physical access to the accounts premises, the Executive is able to impose its control on the AG. A similar case exists for the Reserve Bank of Fiji.

The *Audit Act* allows the AG to seek clarification from the Attorney-General on matters of interpretation of the law in regards to the powers and duties of the Auditor-General (S7(1e)). The AG used this provision in 1998 when the head of Fiji Military Forces had denied the Auditor-General access to a Military Trust Fund (Chand, 1998). The Attorney-General gave a positive opinion in September 2004. However, the military continued to refuse access to the AG. The AG took the matter to the

court, and after a significant time lag got the approval to examine all records pertaining to the Trust Fund.

During the efficiency era, the AG exercised his rights to investigate by choosing the objectives for auditing the entity. He was successful in most cases. In having the ability to choose the objectives for audit the AG had managed to strengthen his accountability roles. But the new development during this period has been that state entities began to not only refuse access of the AG to certain records, but also to question the basis of this authority. The AG in his capacity as an oversight body can, however, only raise issues of accountability or lack of it, but does not have the mandate to require the entities to be accountable.

The OAG's Right to Report

The 1956 Audit Ordinance (s8(2)) outlined the types of issues the Director of Audit had the right to report on. This focussed on how the public sector entities kept their accounts and the controls maintained for proper authorisation of expenditures. The right to report also included the right to examine if the management was in compliance with appropriate rules and regulations while disbursing public funds or collecting revenue or while documenting financial transactions. The Director of Audit had the right to check whether the appropriated funds were used for the intended purpose(s).

The *Audit Act 1970* (s6) empowers the AG with similar but extended rights on issues of what to report on. The extended rights include checking for fraud or extravagant use of funds. The right to report empowers the AG to act in ways to hold the government, government agencies and other government bodies accountable in the way public funds and resources are used.

The Constitution requires the AG to undertake public sector auditing on behalf of the parliament to enhance public sector accountability. Given this constitutional requirement, the AG reports audit findings to the parliament by transmitting the report to the Minister of Finance who then tables it in the parliament. This procedure was changed following the 1998 amendment to the *Audit Act* (s12(3) of Act No 7 of 1998), through which the AG was required to transmit audit reports directly to the Speaker of the House of Representatives who then was responsible for tabling it in the Parliament. This amendment encourages the tabling of the reports in a timely manner for appropriate deliberation and actions to improve public sector accountability, and reduces the Executive's control of the timing of the tabling of the reports in the Parliament.

Colonial Compliance Era: 1874-1955

The English reporter compiled the audit report during this period. The colonial Auditor presented the report not to the Fijian Legislative Council, but to the British legislature. Since the financial reports were written, technically, for the British Sovereign, the colonial Auditor had no right to decide on what to report on and whom to present the report to.

Verification Era: 1956-1969

S8(2) of the *Audit Ordinance, 1956* provided the Director of Audit statutory rights to report on the records, documents, books and vouchers kept by government ministries, departments and agencies. An analysis of Parliamentary Papers and media reports¹⁰ indicates that the Director of Audit utilised the mandated right to report on record keeping aspects, custody of government properties, and financial accounts of the entities audited. Audit reports on recordkeeping abilities within the public sector accounting cadre indicates that the accounting officers lacked the ability to properly document invoices, vouchers and receipts. Due to improper documentation it was difficult for auditors to verify the arithmetical accuracy of records. Improper and incomplete documentation also made room for mismanagement of cash and other corrupt practices which are difficult to establish. Since cash reporting formed the basis of accounting the problem of establishing the amount of cash received or disbursed without proper evidence, tended to result in the audit officers not being able to establish the extent of accountability displayed by the entities under audit.

Regularity Compliance Era: 1970-1990

The AG's right to report on the records, documents, books and vouchers, stamps, and properties in the custody of or kept by government ministries, departments and agencies was provided for in the *Audit Act*. During this period, the AG reported on how records on use of public funds and properties were kept and maintained. The reports also focussed on compliance with procedures, and consistency with the requirements of fund appropriation.¹¹

The expanded scope of reporting highlighted discrepancies and

¹⁰ Parliamentary Papers 3/63, 14/1965, 16/67, and media reports 'Long Look at Government Accounts' (1966), 'Departments Accounts Under Fire' (1965), and 'Immigration Head Satisfied, Audit Not' (1964).

¹¹ See Parliamentary Papers 24/70, 28/70, 7/71, 19/71, 11/73, 13/73, 28/73, 16/74, 2/75, 11/75, 13/76, 14/76, 5/77, 19/77, 35/79, 4/81, 9/81, 10/81, 56/86, 26/87, 2/89, & 22/90.

compliances. One discrepancy was that between the appropriated amounts and the amounts disbursed by certain public sector entities. Another was between cash collections receipted and the cash collections deposited. Non-compliance with banking regulation in giving loans to clients in the National Bank of Fiji were also highlighted, as were the high incidences of government vehicles involved in accidents.¹² Clearly, the AG was performing his accountability roles through in-depth reporting on the compliance issues and by focusing on entities' accounting systems.

Efficiency and Effectiveness: 1991-2003

The OAG used his statutory rights, provided by s12(3) of the *Audit Act 1970*, and audited for performance in some of the public sector entities (Parliamentary Paper 8/97; Chand, 1997, and Ragogo, 1997). Reports indicate that the OAG was concerned about the performance of public sector entities, and the manner in which the management of these entities used public funds and resources to provide services to the public.

The OAG transmitted the performance audit reports to the parliament under the prescribed procedures. As a result the Parliament and the public were made aware of the financial operations and management control practices used by the audited entities. The performance audit reports also indicated the manner and the appropriateness of the methods used by the entities, which were trying to achieve the required level of services they were expected to provide the public.

Although the statute provides the OAG with the right to report and the OAG had managed to successfully expend the rights to report on the performance of some entities, the management of the entity could prevent the OAG from exercising this right. In such instances the law proves ineffective; the AG can tackle such resistance through the assistance of the judiciary, but this unnecessarily delays the process. Another problem has been that entity management often tends to outrightly deny the findings of the AG's reports, or disagree with the OAG's rights to report.¹³

The OAG's duties and responsibilities have expanded over a period of time. These changes have been a result of developments in the OAG's right to report. The developments in the OAG's right to report have ex-

¹² See, for example Parliamentary Papers (4/81, 35/79, 14/79, and 19/77), and media reports ('Racket Claimed in Audit report', 1984; Matai, 1983; 'Bank searches for \$233,528', 1979; and 'Money Wasted by Government', 1975).

¹³ See, for example, Manuelli (2003), Hildebrand (2003), McGowan (2002), 'PM Agrees on AG Powers' (2001), Wise (1997), and Jagmohan (1996).

panded from reporting on statutory compliance to reporting on efficiency and effectiveness. The OAG has been the major catalyst for these changes. Support from the Public Accounts Committee, and public outrage at alleged wastage and abuse of public funds highlighted through the media, helped the OAG in the quest for an expanded reporting right. Reactions to audit reports by various user groups suggest that the reports are useful in informing users on public sector accountability or lack of it.

The OAG's Right to Follow-up

The OAG's right to follow-up refers to the action(s) the OAG is empowered to take to ensure that the audit findings are acted upon. To date neither the *Audit Act* nor any other law empowers the OAG to take actions on his audit findings. The OAG is empowered to report his audit findings and provide an opinion on the findings. In most cases the AG suggests ways for improvements to enhance accountability. But the authority of the AG ends here. The constitution empowers the Public Accounts Committee to examine the AG's report, and make recommendations to the Parliament for adoption and implementation.

Colonial Compliance Era: 1874-1955

The colonial Auditor had no formal or implied right to follow-up on his reports. Documentary evidences pertaining to this era indicate that the decision to follow-up on the audit reports rested with the British Sovereign rather than the Legislative Council of Fiji.

Verification Era: 1956-1969

The developments in the Director of Audit's right to follow-up on audit reports can be traced through an analysis of the Legislative Council papers. This is because neither the *Audit Ordinance* nor the Constitution provided for mandatory follow-up rights.

Documents examined indicate that while the PAC generally supported the audit findings, the PAC itself failed to take concrete action on those entities/officials found by the AG to be in breach of procedure or process.¹⁴ But minor issues had been taken up by the PAC. The audit

¹⁴ See Parliamentary Paper 16/67, and media reports 'Long Look at Government Accounts' (1966), 'Departments Accounts Under Fire' (1965), 'Immigration Head Satisfied, Audit Not' (1964).

findings, for example, indicated that the public sector entities kept inappropriate and incomplete records. Hence the records could not be verified in terms of appropriations and financial transactions. The PAC, in its various reports suggested to the government that the government ensure that public sector accountants or clerks be provided training to update their skills on record keeping and maintaining complete records and accounts. PAC's supportive report on the audit findings indicated support for the Director of Audit's accountability role.

Regularity Compliance Era: 1970-1990

S12(2) of the *Audit Act 1970* empowered the OAG to transmit special reports to the Minister of Finance to be tabled by the latter in the parliament. This was the case until 2000. From 2001, under amendments to the Audit Act, the reports were transmitted directly to the Speaker of the House of Representatives who then tabled it in the Parliament. Under law, the only followup action that the AG could take was to follow-up with another audit report or a special investigation. This could be done either at the request of a member of the public or on his own discretion. 'Mayor, I Welcome Inquiry' (1980), and 'Shipyard Report' (1972) indicate that the AG recommended and then carried out special investigation reports in some government departments. The departments that were subject to special investigations, were those that on a continuous basis had received audit reports indicating failure of compliance with procedures and inappropriate accounting systems. This indicates that although the OAG does not have explicit rights to undertake follow-up remedial exercises by virtue of his powers in the *Audit Act* the AG can undertake follow-up audit reports. Since audit reports are eagerly awaited by the media and public, departments with adverse initial reports could be embarrassed by numerous followup reports that continue to show a lack of remedial action taken by the executives or fund managers.

Analyses of the Parliamentary Papers (2/75, 14/76, 27/76, 14/79, 9/81) indicate continued support of PAC to the OAG reports and findings. In an environment where every report carried negative findings, PAC support indicates the need for follow-up exercises on OAG audit reports.

Efficiency and Effectiveness Era: 1991-2003

The developments in the OAG's right to follow-up on audit reports can be traced by the impact of performance audit reports during the years 1996 and 1997. As a result of a performance audit report on the Customs

Department, the department was restructured as suggested by the OAG. It was split into separate divisions according to the nature of its activities and each division developed strategies to achieve specified objectives. Performance auditing, however, was withdrawn from the public sector after 1998.

The PAC was suspended after the 1987 coup, only to be reinstated in 1992. After its reinstatement PAC continued to provide positive support for the OAG audit findings, and persistently recommended to the government that public servants and institutions lacking in accountability, should face the necessary penalties (Parliamentary Papers 18/2000, 70/99, 9/99). PAC's recommendations were consistent with the OAG's recommendation where the AG suggested the implementation of surcharges on over-expenditures as provided for under the *Finance Act*. The AG also suggested that public sector entities engage the services of internal auditors. This indicates that the OAG is actively trying to ensure that the public sector in Fiji becomes accountable.

Media reports (Manueli, 2003; Lewa, 2000; Rika, 2001; 'Abuse of Funds', 1999) indicate that the AG's reports have instigated several special investigations. Some of these investigations were handled by the police as the audit reports had implicated fraudulent and corrupt practices.¹⁵ This indicates that there are other venues and institutions, which can be used to undertake follow-up action on the AG's reports, findings and recommendations.

The OAG, however, does not have explicit legal rights to undertake direct follow-up action in terms of implementing the recommendations. It becomes the responsibility of the PAC, the Finance Ministry, and the Parliament to undertake direct followup action.

Theme 4: Factors that Cause Changes to Take Place

The role of the OAG is important for the public sector because the OAG is given the mandatory authority to audit institutions that use and control publicly owned resources and finances. The public demands an effective and efficient public sector, and an effective, efficient and accountable public sector. The public sector consumes between 25% and 30% of the GDP, and has often been responsible for deficit budgets. The

¹⁵ In 2000, for example, the media (Lewa, 2000) reported that the OAG in 1999 had stated that there were instances of fraudulent and corrupt practices regarding the use of public money by one of the local town council. The Minister for Local Government reported the audit findings to the Fiji police requesting a police investigation.

2002 Annual Report of the OAG states its primary purpose as: providing Parliament with information necessary to enhance public sector accountability.... Auditing is an essential part and integral element of government accountability. The general public, as well as various interest groups, public servants, and members of Parliament are interested in whether publicly owned resources are being used in compliance with legislation and regulations, for purposes for which they are intended and with some level of economy, efficiency and effectiveness (2003: 22).

Over time, there has been an expansion in the scope and mandate of the OAG. This included greater degree of OAG's independence, a larger scope of audit, and an expansion in the OAG's rights to investigate and report. The OAG has also attempted to expand its powers to followup on the recommendations for possible improvements in public sector accountability. The agents who enabled these influences to take effect were the Auditor-General, the PAC, the media and the general public.

Documentary evidence on performance auditing in Fiji's public sector show that the AG was one of the most important and effective catalysts in initiating and bringing out changes in the scope and mandate of the OAG. The AG managed to expand on the statutory duties and powers given to the OAG by using various provisions of the *Audit Act*, the *Finance Act*, 1981 and the constitutions, over a period of time to develop the OAG's independent status, the OAG's scope of audit, right to investigate, rights to report and rights to follow-up. As a result of the expansion of the roles, the AG was able to perform the accountability role entrusted to the OAG by the Constitution.

The PACs also had a significant influence on the emergence of performance auditing over the years. PAC's contribution to the development and emergence of performance auditing was through its continued support to the AG's audit findings, established via their own investigations to substantiate the AG's findings.¹⁶ PAC normally commences its work by examining audit reports and suggestions, and follows up by thorough investigations of the entity under consideration. On this basis, it makes specific suggestions and recommendations which it considers would bring about improved control and management of public finances.

The media, especially after 1970, has also played a vital role in the emergence of performance auditing in Fiji's public sector. It is the media that takes the audit and PAC reports to the public. While the media

thrives on publicising the negatives, for example, misuse or mismanagement of public funds and public properties, when such negatives are backed by the findings of an institution as credible as the OAG, the public takes notice. In the process of increasing its circulation, the media raises the profile of the OAG and audit reports. A continuous educational process ensues. This process tends to strengthen the call for financial discipline, efficiency and accountability.

The public, in turn, uses the media to make its call for public sector accountability, and places pressure on their elected representatives to take action on abuse of public funds. The public expects the government to respond to their demands of accountability. Often public pressure leads to the government instigating special inquires in the form of special audits. But occasionally, public pressure also results in the government acting to introduce major changes in the way the audit system works and the way recommendations are treated.

Thus, the OAG's concern for public sector accountability, combined with the pressure for public sector accountability from the PAC, the public and the media saw the emergence of a greater move towards performance auditing in Fiji's public sector.

Conclusion

Public sector audit developments in Fiji as evidenced by archival records over the period 1874-2003 indicate that auditing evolved from colonial compliance to adoption of performance auditing. Four dominant themes of audit development emerged from archival analysis. Three of these themes were directly linked to the processes of auditing; these included the independence/authority of the auditor-general, the scope of audit and the reporting requirements. The fourth theme concerned the influences external to the audit processes that led to the emergence of the current state of the audit process.

Over the 1874-2003 period, the role of the Auditor-General expanded from arithmetical verification of public sector expenditure to testing for economy, efficiency and effectiveness of public sector expenditure. According to archival evidence, the Audit Office and the Auditor-Generals were instrumental in paving the way for the evolution of public sector auditing. The Auditor-Generals used mandatory powers bestowed to them through the *Audit Act* and other statutes to expand the audit scope and strengthen the independence of the Audit Office. Through extensive audit reporting and an expansion in the audit scope the audit office was able to highlight the development and or the decline of public sector ac-

¹⁶ See, for example, Parliamentary Papers 2/75, 14/79, 4/81, and 18/86.

countability. In doing so, the Auditor-General was able to perform the accountability roles entrusted to the Audit Office by various Fijian Constitutions at various points in times.

The media played a significant role, though indirectly, in the expansion of the audit scope and processes of strengthening the independence of the audit office. Archival evidences indicate that the media usually publicised the negative aspects of the audit findings and contributed towards highlighting the lack of public sector accountability, thereby pressing the public and other stakeholders to call for greater accountability in the management of public sector resources.

The Public Accounts Committees, which examine the auditor-general's findings, add credence to the audit findings when they agree with the audit findings that highlight a lack of accountability in the management of public sector resources. The PACs also provide a continuous pressure on the OAG to perform efficiently.

The OAG's concern for public sector accountability combined with the pressure for public sector accountability from the PAC, the public and the media saw the emergence of greater degree of acceptability of performance auditing in the Fijian public sector. However, the Audit Office is only an oversight body; it can raise issues of accountability but cannot implement accountability.

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