

Decades of Change in Auditing

A FIJIAN PUBLIC SECTOR STORY

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1987-2007

*This story is dedicated to former,
current and future auditors. I would like to thank my colleagues and
peers in the audit profession for their guidance and my family and friends for
their
never ending love and support.*

Ajay Nand

CHAPTER ONE

Having no regard to the traffic jam from 8 miles (my place of residence) to Suva, I reached the first day at work at around 9 am which was not very impressive. Little did I know that this was the first day of my twenty-year journey in the Office of the Auditor General (OAG) and the public service. At the time I joined the OAG, there were less than 40 staff and the Head Office was at its current location, Ratu Sukuna House in Suva, with branches at the Honson Building (Treasury Audit), a branch in Lautoka (Western branch) and an office in Ganilau House (Post & Telecommunications Audit). The staffs were mixed, young and old, male and female, and Fijians of Indian Descent and *iTaukei*. There was a handful of qualified staffs that were held in very high regard and some staffs were pursuing tertiary qualification at the University of the South Pacific (USP) either through part-time or extension studies. They funded their own studies and made up time for their part-time studies. Majority of the staff were not qualified and appeared not to be interested in further studies. Some staffs undertook specialized (audit related) training organized by the Public Service Commission (PSC) and overseas audit offices. This included six-month fellowship training at the General Audit Office and National Audit Office in USA and UK, respectively. My friends and colleagues constantly reminded me to obtain tertiary qualifications. I avoided their discussions on tertiary studies but reluctantly enrolled in the BA Programme at the USP in 1989 and took a unit in Constitutional & Legal Systems in the Pacific through the USP Fiji Centre (extension). Although I passed the unit, the 1987 constitution which I studied, was later abrogated due to the events which followed.

I was assigned to work at a Branch at the Head Office in the OAG which was led by a Principal Auditor. My immediate supervisor was Mr. Karam Chand Bidesi.

CHAPTER TWO

On 14 May 1987, we were auditing at the Ministry of Rural Development and Rural Housing which was based at Neptune House in Walubay, Suva, when the news of the first military coup broke out. Those days there were only two vehicles at OAG, one at the Head Office and the other at the western office. Staffs normally travelled to places where auditees were based in buses and claimed bus fares, if the cost of the fare was more than the normal fare to work place. While I travelled to Walubay by bus I cannot recall how we travelled back to the Head Office after receiving the news of the coup. We were not aware of what a 'coup' meant and there were a lot of rumours of what happened when we reached office. There was no television in Fiji in those days and radio reports indicated that the military had taken over the Fiji Labor Party-led government which had come into power a few weeks ago.

There were a lot of political speeches following the coup and surprisingly we participated in them. Although this was not a right thing to do as civil servants, no one seemed to know what was right in this situation. Following the events of May 1987, a lot of staffs were contemplating leaving for overseas. Those who were qualified or had families overseas willing to sponsor them were the ones leading the race to leave Fiji. Unfortunately I was neither qualified nor had relatives overseas who were willing to sponsor me. Job security was a matter of concern since I had just started work over a month ago and was still on probation.

There was looting and burning following the coup. On that day we were auditing at the Ministry of Health which was located at the LIC House, Suva, which was close to our Head Office. We returned to office as soon as the news broke and I made way to the bus station using all the back streets (since the crowd was moving along Victoria Parade to Albert Park). When I reached the bus stand there was only one bus which was full up to the steps and was leaving. I was fortunate enough to board that bus and on our way to Nausori, I saw people walking and running along the Edinburgh Drive towards Samabula. On reaching the road towards my home, I met a large number of people (including my mum) who were crying and walking towards the main road leading to Nausori waiting for their beloved ones to return home safely. Unfortunately Mr. Bidesi was not as fortunate as I was; while coming out of a shop he was caught in the stampede moving towards Albert Park and was hospitalized for a number of weeks due to the injuries he sustained. He was fortunate in the sense that staffs of a next door shop, Martin Fabrics Ltd dragged him inside the shop and later took him to hospital.

Mr. Bidesi's absence resulted in me being given the task to carry out my first audit on my own. The audit was a Trading and Manufacturing Account operated by Ministry of Trade and Commerce which was based at the Government Building (New Wing). Audit plans were not prepared in those days although test programs existed for standard audit areas. Instead a check list was used to identify all the auditable areas, the person who carried out the audit and the time taken (in days). Proper time management systems did not exist at that time although monthly timesheets were prepared and reconciled by each branch. These were submitted to the Deputy Auditor General. I do not recall if any further action was taken on the completed reconciliations. Audit sampling was not done properly and audit working papers mainly contained audit findings. Although an Audit Manual was in place, it was largely not updated and not strictly complied with. In addition, auditing and accounting standards which existed in the OAG were also not generally complied with.

CHAPTER THREE

In 1988 and 1989, I was mostly involved in regulatory/compliance and financial audits of municipal councils. Audit reviews were carried out by Senior/Principal Auditors on completion of audit conduct and reports were drafted by the Auditor-in-Charge. Reports and working papers were hand-written, reviewed by seniors and corrections made in red ink after which they were given to the two typists to type using a word processor or typewriter. An IT Audit Unit was established and was responsible for carrying out payroll audit at the government Electronic Data Processing (EDP) centre. However, the IT Audit team was not able to provide support to other branches across OAG. Government was using the Software International (SI) General Ledger (GL) system during this period and hard copies of the GL were mostly used in carrying out audits.

In 1990, I requested the Auditor General to approve full-time studies in Diploma in Business Studies at Fiji Institute of Technology (FIT). He declined due to shortage of experienced staffs following mass resignations after the 1987 coup. It is important to mention that the resignations resulted in significant erosion of the OAG knowledge-base as a number of qualified as well as experienced staffs had left. The vacuum created by the resignations could not be filled overnight and succession planning was not common in those days. The remaining staffs had to train the new recruits and carry the burden of completing audits on time.

In the same year, I was transferred to another branch in Head Office which was responsible for carrying out financial audits. This was done following a reorganization of the OAG as a number of financial audits were not completed on time. The transfer provided me great challenges and opportunities. At that time financial audits were not carried out using risk-based methodology but all amounts appearing in the financial statements were supported. Variance analysis was used to identify areas where large variances existed in expenditure/revenues in two different financial periods and explanations were obtained for these. Large amounts were further analysed to detect misallocations etc. Payments and revenue testing was done with some degree of subjectivity and a lot of emphasis was placed in the expenditure and revenue for the last three months of the calendar year. At one point the trend in payments testing technique became so obvious that auditees began to make payments which were defective in months which were not scrutinized in detail by us.

In those days auditees were not informed in advance of the commencement time of the audits. Instead surprise audits including cash survey was carried out. This practice had its advantages and disadvantages but was nevertheless accepted by the auditees. The authority for such practice was most probably derived from the Audit Act (Cap70) which allowed OAG staffs to carry out audits at any time and in any government or government-funded premises. The surprise was quite beneficial especially in a number of cases large amounts of shortages were established during cash and stock surveys. However, this did not augur well with the auditees who were engaged on other tasks which were considered to be more important than annual audits. Formal entry interviews were not carried out at the commencement of audits. The reports issued by OAG included Audit Inspection Reports (Compliance/Regulatory audits), Management Letters (Financial Audits) and Audit Reports (Financial Audits).

Audit inspection reports contained audit findings which were discussed after the audit. While comments from management were considered, these were not highlighted separately as such in the report. The report was more authoritative and demanding. Specific recommendations were not made in the report and impact of the audit finding was not discussed in most cases. These reports were issued to the head of the auditee institution. For financial audits, Management Letters contained more salient issues which were reported in the Audit Inspection Reports and were addressed directly to the head of the governing body, such as Chairman, Mayor, etc. This arrangement ensured that the governing body was made aware of important audit findings and he/she did not have to wait for the Management to present the Audit Inspection Report and any issues could be dealt with directly by the governing body.

Audit Reports were issued for financial audits. Although the reports stated that audits were carried out in accordance with the Fiji Standards on Auditing, this was not generally the case. Very few Audit Reports were qualified and reports containing emphasis of matter were unheard of. The Audit Report was issued with the Management Letter and was addressed to the head of the governing body.

CHAPTER FOUR

From 1991 to 1995, I was fully involved in the audit of the National Bank of Fiji (NBF) and assisted the Team Leader for the audit. I took a lead role in audit of Fiji National Provident Fund (FNPF), which I was involved in till 1996 when the auditors for FNPF were changed and Auditor General was removed as auditor after amendment to the FNPF Act. The NBF/FNPF audits were very challenging as strict deadlines had to be met. While FNPF accounts were never qualified, the accounts of NBF were first qualified in 1978 and then in 1995. The various issues affecting the bank's lending portfolio were highlighted to the Management and Board of NBF each year. While some blame of the bank failure was placed on the OAG, critics did not properly analyse the records of NBF to determine the issues raised by OAG to the bank's board and management and the apparent lack of action by those in power and authority to address critical issues reported by AG. Proper and objective analysis would have revealed that had the bank management and board taken appropriate and timely action on the issues highlighted by the AG, the bank would not have collapsed and suffered loss reported at \$220m.

During these times, the Auditor General's Report to Parliament were in two volumes; the first volume contained audit findings on the various audits conducted during the year and the second volume contained the Report on Government Accounts and Finance for the financial year.

The early nineties saw the creation of a new position in the public service which was titled Graduate Trainees. The primary objective of government was to attract graduates from the University of the South Pacific into the public service to fill the vacancy left by the departure of qualified and experienced public servants following the events of 1987. A number of graduates were also recruited into the OAG and occupied the position above the Senior Examiner of Accounts. This created some discomfort for staffs below this level that were experienced and/or were training to obtain BA qualification at USP. In addition some graduates had an attitude problem since they regarded themselves as superior due to the qualification they had. I had the opportunity to supervise a number of graduates while being a Senior Examiner of Accounts. While graduates responded positively and cooperated, some held the view that I was not educated hence lacked people skills. My experience with the graduates revealed that some lacked basic accounting knowledge and could not pass simple journal entries for audit adjustments or carry out bank reconciliations. This did not only cast doubt on their qualification but the quality of education provided at USP at that time.

However, a number of graduates were very intelligent and tried to bring positive changes on how work was done at OAG. In most cases, their innovations were not given sufficient recognition by the OAG management. Graduates were allowed to complete their studies (meet Fiji Institute of Accountant requirements) on a part-time basis. This was seen as a burden by other OAG staffs who were not qualified since they (graduates) were given time-off for USP studies which was not always made up despite the requirement by PSC that this be done. This issue also created the divide between qualified and unqualified staff. Following the introduction of VAT, a number of graduates left OAG to join the VAT Unit of FRCA as VAT Auditors or Assessors. Others resigned after completing two-year work experience with OAG and migrated to Australia. The ulterior motive of the graduates joining OAG became very prevalent.

The resignation of Graduate Trainees created a lot of vacancies in the OAG and indicated that they did not have a genuine desire to serve in the public sector (as career civil servants did) and were using OAG as an institution to gain the requisite work experience required by the overseas government for immigration purposes.

CHAPTER FIVE

Sometimes in 1995, a group of OAG staffs requested that the Auditor General to write to the Asian Development Bank (ADB) and request for technical assistance for the institutional strengthening of the OAG. The request was considered favourably by the ADB and a firm known as the Stanton Partners of Australia was engaged by ADB to deliver the Institutional Strengthening Project (ISP). The project was to considerably change the way OAG operated.

The consultant carried out a comprehensive review of the operations of OAG and made specific recommendations to change the way OAG carried out its operations. The recommendations included closure of the Lautoka Branch and centralizing of OAG operations to the head office, training and professional development of staffs, review of the Minimum Qualification Requirement; to include Bachelor of Arts qualification and Fiji Institute of Accountants (FIA) membership for all positions and alignment of OAG audits to international practices, development of policies for operations of OAG, review of OAG organizational structure and creation of Director positions, time management (weekly timesheets), performance management and preparation of corporate & strategic plans for OAG. The recommendations were endorsed by government through a steering committee comprised of the Public Service Commission, Ministry of Finance and OAG which was established to monitor the ISP.

The consultants (either intentionally or unintentionally) gave more recognition to the qualified staffs (graduates) who were in employment through appointment or those who had completed their degree on a part-time basis. Hence staffs were divided into “qualified” and “unqualified” employees. As a result of the division, most unqualified staffs were left out. This was supported with the view of OAG management that staffs who were not qualified either to obtain tertiary qualification or move out of OAG either by way of sideways transfer or resignation. This created a lot of fear and anxiety amongst the unqualified employees of OAG. While some viewed the tertiary qualification requirement very positively, others resented this change and wrote to the union, Fiji Public Service Association (FPSA) to raise their concerns. The union did intervene but did not receive much success. The unqualified staffs were now divided and the consultants engaged staffs who were willing to obtain tertiary qualification into the various committees which had been formed in the OAG as part of the ISP. These committees included Policy Development and Research Committee (PRDC), Quality Assurance Committee, Training and Development Committee and later the Audit Qualifications Review Committee and Occupational Health and Safety Committee. The involvement of staffs into these committees drew a lot of criticism from staff opposing the changes.

I was given the opportunity to work with the consultants in aligning the NSW Audit Office audit manual to suit the OAG by changing Australian standard references to the relevant Fijian Accounting and Auditing standards. I was also the part of the Policy Research & Development Committee. This was a very good learning experiencing for me but the continued reference as unqualified staff took the toll onto me and in late December 2006 I wrote to the AG and again requested that I be allowed to study on a full-time basis in either Diploma in Business Studies at the Fiji Institute of Technology, BA in Accounting or Masters in Business Administration at USP. The AG declined my request due to staff shortage. Instead he nominated me to be attached to NSW Audit Office (which was fully funded by ADB through the consultants) for a period of nine weeks starting January 2007.

In addition the AG approved that I continue to study on a part-time basis towards the BA program at USP.

My attachment to the NSW Audit Office was very rewarding since I joined the induction programme which was undertaken for the new graduates. I also did some work at the Sydney Water Authority and Sydney Superannuation Fund while being attached with the NSW Audit Office. Prior to my attachment, we were introduced to desktop computers and laptops for the first time. Most staffs learnt how to use MS Word, MS Excel & MS PowerPoint by themselves with guidance from other staffs that had knowledge of computers. However computers created new challenges for both qualified staff and unqualified staffs because they had to type their own reports and prepare test programs which were previously prepared manually. Since the number of computers available was limited, they were mostly issued to senior staffs. With staffs typing their own reports, typists employed by the OAG suddenly did not have work and were eventually transferred from OAG. The other challenge for the staff was to type reports directly from working papers instead of preparing hand written reports and then typing them. Particular emphasis was made that this was not done.

The use of computer was very exciting and more exciting was reading printed reports which were typed by staff. When someone was using a computer, staffs would gather and watch the task being carried out. Use of MS Excel enabled graphical presentations which was unheard of before. It was amazing to see that a staff was trying to find the cursor which he thought had moved out of the screen while another senior staff would press the space bar or move the mouse as soon as the screen saver appeared on the screen of his desktop computer. The OAG budget was substantially increased in 1997. Funds were allocated for purchase of computers and other office equipment and increases were also made for staff training and salaries and allowances due to increase in staff establishment. The new staff numbers were based on the revised organizational structure which created the position of a Director of Audit. Staffs that were supporting the changes were given opportunity to act in higher positions while some were also promoted.

In 1999, Mr. Ramesh Chandra Dutt retired as AG and an ex-patriate, Mr. Michael Jacobs from Australia was appointed as AG for a term of three years. The vacancy of Deputy Auditor General (DAG) which was created by the passing away of Mr. Isoa Vakabua was filled by Mr. Eroni Vatuloka, who was suitably qualified, was a career civil servant having worked in many Ministries and Departments including PSC and Ministry of Finance. DAG was specifically tasked to implement the Institutional Strengthening Project.

From 1999 to 2000, several changes were made in OAG which included introduction of performance auditing or value-for-money audit, and IT audits. These audits were new to OAG although senior staffs had learnt about them while on training & attachment overseas. During this period, a lot of staffs enrolled for studies at USP while those who had commenced studies earlier graduated and were either promoted or resigned to migrate or work in other local agencies and companies. Staffs that were unqualified and could not cope with studies or the pressure arising from changes, obtained transfer to Ministry of Finance Internal Audit Division or to other divisions within the Ministry. Staffs that remained were given the opportunity to study on a part-time basis at USP through scholarships which were provided under a special arrangement made by the OAG with PSC.

The view of OAG Management at that time was that staff would only be sent to USP for full-time studies if they had completed more than ten units of their degree programme. However, this view was seen to be reconsidered when approval was given for full-time studies for two senior Management staff that had not completed any unit.

It is important to note that prior to commencement of the IS Project, four senior staffs of the OAG were sent to Fiji Institute of Technology (FIT) to complete Diploma in Business Studies on a full-time basis. They were half way through the program but were recalled because a young graduate who had been appointed as Director of Audit believed that these staffs were relaxing and having a good time at FIT. This decision was seen to be very harsh and lacking maturity by the unqualified staffs, including those staffs that were supporting the changes which fuelled the division amongst OAG staffs.

CHAPTER SIX

As mentioned earlier, the group of unqualified staffs was divided and the gap widened in this period as some of the staffs agreed to pursue studies at USP either on full-time or part-time basis. To make studies more challenging, staffs were required to obtain Chartered Accountant membership at FIA. This meant that staffs pursued a degree single major in Accounting and Economics which really proved difficult for the unqualified staffs since most of them had not pursued any form of studies after leaving secondary school many years ago. In addition some staff had their children attending USP or were about to complete their secondary school education. Others had very active social lives and were part of religious and charitable groups. These factors made studies at USP very challenging even on a full-time basis. Some staffs had the view that this category of staffs should be exempted from pursuing degree programmes and most probably allowed to enrol on the MBA program offered by USP which was targeted at more matured individuals. However the views of OAG management did not change and majority of this category of staffs enrolled into the Management and Public Administration program at USP under duress as they were of the view that the accounting/economics would be too difficult for them.

Thus began the most difficult journey in the career for unqualified staffs. The threat which existed that unqualified staffs may lose their jobs (knowing well that the union was now virtually ineffective) created a lot of fear and anxiety amongst the staffs. Although some staffs (qualified) tried to provide support, there was no relaxation of the policy by management. OAG Management did not make any effort to allay the fears which had divided the OAG.

The new DAG made a very strong impact upon his arrival to OAG. He was qualified and had experience on how the government machinery worked. His major contribution included reorganizing the OAG into audit groups (Financial Services, Economic & Infrastructure, and Social Services & General Administration) in accordance with the distribution of departments/ministries in the budget estimates. A Performance Audit and Special Investigation Group (PASIG) was also established. By this time, the Environment Management Act was also enacted and environmental audits was also included in the PASIG portfolio. The statutory bodies, government commercial companies and commercial statutory authorities, Municipal and Provincial Councils were allocated according to their line Ministries.

DAG also made changes to how OAG Finance & Administration was managed by creating positions of the Administration Officer, Executive Officer and Clerical Officer to carry out the support function which were previously carried out by staffs carrying out audits. This freed up valuable audit resources which were relocated to audit teams. New positions were created for Director of Audit and Audit Managers (Principal Auditors) or Team Leaders for each audit group. A Management Committee (MC) comprised of Auditor General, Deputy Auditor General and Directors of Audits was formed. The MC met every month where audit progress, finance and administration and reports of various special committees were presented and discussed. The meetings of MC were very important since it provided updates to AG/DAG on how planned audits were progressing. Monthly meetings were also held between Group Directors and their Team Leaders (Audit Managers) to gauge the work performance of staffs and highlight any problems which needed to be addressed by management.

DAG also had a very genuine interest in the reports which were issued by OAG which included audit reports to Parliament and the OAG Annual Report which was presented to the Speaker of the House of Representatives. For the first time in the history of OAG, an Annual Report of OAG was presented to the Speaker of the House of Representatives. DAG contributed significantly in the design, layout and contents of the Annual Report. Around this time, there was a lot of talk on “*Who audits the Auditor*”. In response to this, the financial accounts of OAG were first time audited by a Chartered Accounting firm which was appointed by the Speaker. The audit report and audited accounts were included in the Annual Report.

DAG had a growing interest in the reports issued to Parliament by OAG which resulted for the first time in 2000 when a report on Audit of Municipal Councils was presented to Parliament. The report contained various audit findings highlighted in the Management Letters (MLs).

It is important to highlight that the IS Project changed the way in which audit reports were issued by OAG. The reports were more structured and contained the standard (law, policy, regulation, procedure etc. requirement), audit finding, implication of the finding, recommendation(s) and management comments. Draft MLs were sent to auditees and were allowed 21 days to respond. Once comments were received these were incorporated in the report and an Exit Interview was held with senior auditee personnel where the audit findings were discussed and recommendations made were confirmed. Issues which were satisfactorily resolved were removed from the Final ML which was issued soon after the Exit Interview.

Going back to the report on Audit of Municipal Councils, the report showed a lot of information using trend analysis, pie charts and bar/line graphs. This was seen as a new generation in audit reporting in the public sector and was very well received by the Public Accounts Committee and the general public when these were published in the media. Soon reports were issued to Parliament in various categories such as Economic Services, Provincial Councils and Statutory Authorities and audits carried out by PASIG. The featured reports of PASIG included a performance audit carried out in the country’s largest hospital, the CWM Hospital in Suva. The audit highlighted the efficiency of the outpatients department and waste disposal methods employed in hospitals as part of environmental audit. Both reports generated a lot of interest when these were tabled in Parliament and reported in the media.

The reports issued by OAG were now more balanced allowing a participatory approach by the auditees. However the attitude of some public servants remained unchanged as to the role of OAG. AG was still viewed as a watchdog over government finances and often branded as a “toothless tiger” by the media because the AG did not have the power to ensure that recommendations were implemented by the auditees. This was more the role of the Public Accounts Committee which deliberated on the reports issued by AG to Parliament, sought explanations from auditees and prepared its report and submitted it to the government with recommendations. In most cases, there was not much political will to see that these recommendations were implemented. Hence the challenge remained for OAG to report on previous recommendations which were not implemented. Thus, the status quo remained in respect of implementation (or lack of) of audit recommendations.

It is ironical that government as a body responsible for making policies for the country did not play an active and direct role in the implementation of the audit recommendations. This was the role of the Permanent Secretaries, Heads of Departments, CEOs, Lord Mayors, Chairperson and other personnel leading the auditees subject to audit by OAG. In most cases, the recommendations could have been implemented through a bit of innovation, effort and cost. What lacked was the will of the persons who were charged with the responsibility for implementing them.

DAG also made a very genuine attempt to update the audits of provincial councils, some of which had not been audited for the past 10 years, by allocating the audits to various audit groups and later setting up a task force to audit them. In most cases, the accounts provided by the provincial councils were not complete or reconciled and in some cases there were significant delays in submitting the accounts for audit. The primary reason for the delay in submission of accounts and these not being reconciled was that the accounts were prepared by officials of the Fijian Affairs Board from information received from the various provincial offices. However, they had their own challenges since information received from the various provincial offices were either incomplete or were not submitted on a timely basis. Despite these setbacks, most provincial council accounts were updated up to 1995. The audit reports of most provincial councils were qualified due to incomplete records or amounts appearing in the accounts could not be substantiated.

CHAPTER SEVEN

Meanwhile the ex-patriate AG, Mr. Michael Jacobs was not sitting idle. He often spoke his mind on audit issues in monthly meetings of Head of Departments. The AG had tremendous people skills and was able to communicate at ease with staffs at the lowest level. This made staffs very comfortable in dealing on audit issues with him. There was an occasion when staffs were having lunch at around 3pm in the office when suddenly AG passed by and staffs invited him to have some food. AG humbly obliged and had a bite or two before moving on to wherever he was going. The most important thing perhaps about the new AG was that he had a lot of confidence in staffs that were delegated responsibility. For example, when audit reports had to be signed for financial audits, he would go through the report only once and would sign the report after necessary changes had been made without further verification when the report with changes was submitted to him. This made staffs more responsible and attentive when reports were taken for signature. During the initial stages of his engagement, he travelled to the northern division for a familiarization visit and paid a courtesy call to staffs carrying out an audit of a municipal council. He sat with the Auditor-in-Charge and discussed the audit progress, findings and the general conduct of the audit. This was perhaps the first time an AG had visited an audit team in the northern division. The management style of the new AG made his popularity grow within the OAG. However, the staffs who opposed the IS project still did not fully support him. When he invited staffs for a Christmas party at his official residence in Domain, Suva after working hours, very few staffs attended the function. In fact some took this as an opportunity to display their opposition.

The new AG was very instrumental in carrying out the first major review and amendment of the Audit Act. Although all changes proposed were not affected in the revised legislation, the changes resulted in the Audit Act being modernized. The changes made to the Audit Act together with the requirements of the Public Enterprise Act and the Public Financial Management Act gave OAG mandate to carry out a large number of audits which were previously carried out by the Chartered Accounting firms. Clearly, OAG even with the increase in staff establishment did not have the capacity to carry out all the audits within the timelines set by the respective legislation. Hence, funding was sought to outsource some of the audits. Audits were tendered through invitation to tender sent to Chartered Accounting firms and qualitative and quantitative factors were used to evaluate and award the tenders. The selected Chartered Accounting firm had to meet certain guidelines set by OAG. Once audits were completed, the working paper files were submitted to OAG and were reviewed by senior OAG staffs, review notes were raised and cleared by the chartered accounting firms following which the audit report was signed by AG. Rotation of auditors and non-audit work carried out by external auditors were some of the key factors which were used to select the chartered accounting firm as the auditor for an entity.

The interaction with chartered accounting firms in outsourcing of audits made OAG a key player in the auditing profession in the country. AG was appointed in the FIA Standards Committee which was involved in the harmonization of International Accounting Standards. There were also talks of introduction of International Public Sector Accounting Standards (IPSAS) but this appeared not to be aggressively pursued by FIA. Alignment of IPSAS would have provided guidance on accounting principles to be adopted by government.

As discussed earlier, the IS project gave birth to the Time Recording System (TRS) in OAG. Previously staffs were filling monthly time sheets. Under TRS, staffs were required to account for time spent every 15 minutes. All audits had approved time budgets and time spent by staffs had to be either charged to audits or time charged as non-audit. In addition each level of staff was allocated a required productivity score in percentages. If a lot of time was charged to non-audit work then the productivity levels would fall against the assigned productivity levels for each person. The TRS allowed better management of available man-hours but was a night mare for staffs that were not good performers. This initiative was also criticized by those opposing the changes.

OAG was one of the few departments which was given the opportunity by the Public Service Commission to pilot the “Flexi-time” concept. This was a new initiative by government aimed at improving productivity levels in the public service at the same time allowing public servants to manage their working hours. Surprisingly OAG managed the flexi-time project very poorly. This was attributed to lack of management of time to be made up by staffs by their supervising officers. The project was shelved by the PSC due to similar issues noted in other departments where the project was piloted.

CHAPTER EIGHT

The 2000 coup saw the contract of the expatriate AG not being renewed and he returned to Australia. Mr. Vatuloka was appointed AG and became the first *I Taukei* to hold the position since the OAG was established in the late 1960s. The new AG took office and continued with implementing the recommendations in the IS project report. The vacant DAG position was filled through acting appointment of a young graduate (Mr. Suresh Chand) who had the necessary qualification and confidence to carry out the responsibility of the position. He migrated in the same year and another graduate was appointed to act in the position.

By this time OAG was playing a major role in the administration of the then South Pacific Association of Supreme Audit Institutions (SPASAI) and had hosted a SPASAI congress in Fiji. Through SPASAI, OAG was able to obtain membership of the INTOSAI Public Debt Committee and INTOSAI Capacity Building Committee and also attended the INTOSAI annual congress. AG also continued with the membership of ACAG (Australasian Council of Auditor Generals).

OAG staffs were also nominated to the various committees of FIA and the FIA Surveillance Panel. The various memberships enabled OAG to easily access training and development opportunities for its staffs. Senior OAG staffs attended the meetings of INTOSAI Committees which were held all over the world as representatives of AG and Fiji. OAG staffs also presented a number of papers in these meetings. The papers highlighted the public debt situation and other matters of interest in Fiji and in the Pacific Island Countries and how national audit offices could assist governments through their audits. Due to the presence of SPASAI in the region, it was felt that INTOSAI was not giving the pacific region much attention in terms of training and development of SAI staffs particularly in the area of audit of public debt. This concern was also raised in the INTOSAI Public Debt Committee meeting which was held in Moscow, Russia in 2004. Regular attendance in the INTOSAI Public Debt Committee meeting and some lobbying by the OAG representative resulted in the OAG hosting the first-ever meeting of the committee in the SPASAI region in Fiji in 2008.

Meanwhile a lot of changes had been made to audit planning, conduct, review and reporting in the OAG. An OAG Audit Policies and Procedures Manual had been developed covering all aspects of auditing. The manual which was aligned to the audit requirements of the Fiji Accounting Standards and Fiji Standards on Auditing. The manual also included separate module on audit of small entities. Although training was provided on the use of the manual by consultants from the Stanton Partners, a number of operational issues were noted later in the interpretation of some of policies and procedures in the manual. The OAG Policy, Research and Development Committee (PRDC) which was established earlier, was given the mandate to provide guidance to staffs on issues arising from the use of manual.

While new graduates found it easy to adapt to the use of revised policies and procedure, existing OAG staffs who were used to the conventional system of auditing found it hard to cope with the revised requirements. Some staffs tried to continue following the “old way of auditing” but this was detected and reported by the Quality Assurance Audit Review Committee which had also been established earlier and was responsible for reviewing audits carried out by the various audit teams to ensure compliance with the OAG Policies and Procedures Manual. Non-compliance issues were reported to management after comments had been obtained from the Director responsible for the audit team.

Initially the committee reported a large number of non-compliance issues but things improved as staffs became well versed with the manual and the guidance provided by the PRDC. The most common of non-compliance were the lack of distinction between small and large audits and audit sampling. Audits which were classified as small were audited using the guidelines provided for large audits.

Some issues involving sampling were incorrect use of risk matrix which gave incorrect sample sizes. In addition, large values were not excluded from the population which also affected the number of samples to be tested. The second issue which remained unsolved for quite some time was the sampling technique used when selecting samples from the population. Unfortunately, the manual did not provide much guidance on this aspect though for audit of small entities it stated that professional judgment was to be used. However the basis on which samples for a certain period were to be selected (using personal judgment) was often not stated in the working papers.

A substantial risk existed that audits carried out by OAG lacked objectivity due to samples being selected from a pre-determined period such as December transactions which was being done under "old way of auditing". This would then make the audit result questionable. However with the introduction of the new audit methodology as a result of the IS Project, any such risk was successfully mitigated.

With additional funding allocated by government, all staffs were allocated a desk top or a lap top computer and were provided with facilities to make tea/ coffee and water filters. OAG staffs were also given access to internet and e-mail. This paved way for entry of OAG into cyberspace. For once all staffs were united in the use of internet although internet access was initially given to staffs who were team leaders and senior management. However this benefit was later extended to all staffs. Internet created a new level of interest for staffs involved in research and development and satisfied the general interest (sports, religion, entertainment etc.) of everyone. E-mails initially were counter-productive as staffs used it as a medium to gossip without the risk of being caught. However emails were also used to send draft reports for review by Audit Managers, Directors of Audits and AG and also discuss work-related matters. Electronic reviews saved a lot of time which was previously used in the movement of hard copies of reports although copies of exports which were reviewed were filed in the working paper files. The reliance on e-mails became so much that the staffs became concerned when their emails were not working. Indeed modern technology was changing the way OAG staffs worked and delivered their outputs.

Another technology which came as a result of the IS project was the Audit Command Language (ACL) software. This is a computer assisted audit technique (CAAT) which was previously only heard of during trainings/workshops attended by staffs overseas. Audit Managers and Directors of Audits were provided training on the use of software which assisted in carrying out analysis and detection of duplicate employees etc. in payroll audits. The software has other very useful features which could have been used in sample selections, identifying high-value transactions and relationships between transactions but use of the software was mainly confined to the audit of government payroll. The primary reason for the limited use of the software was that the access to government general ledger system which was provided OAG by ICT in the late-eighties was removed. Hence any data required for ACL analysis had to be requested on CDs or a portable hard drives from ICT or Ministry of Finance after the data perimeters and fields were provided. In the age of modern technology this was seen as a major drawback in advancement of public sector auditing.

With the availability of internet in OAG, interest on the use of electronic working papers started to increase as staffs began to prepare electronic working papers during their audits and printed and filed hard copies in working paper files. However there was some inconsistency in the documentation of working papers and calls were made for OAG to introduce electronic working papers which were available in audit software available in the market. However lack of suitable funding prevented this dream to be realized. It was noted that staffs were now being very innovative and were trying to use technology to improve their productivity and the output of OAG.

Funding was approved for the purchase of TRS software which would enable staffs to complete their timesheets electronically and for supervisors to review them online. In addition, supervisors especially Directors of Audits would be able to view and print the required reports on audit budgets, non-audit time, manage productivity levels etc. This would have allowed Directors to better manage the audits under their portfolios.

Following the IS project, OAG began a structured approach to prepare a three-year Strategic Plan and an Annual Corporate Plan and Business Plan for each audit group. For the first time a strategic planning workshop was held in a resort in the west where majority staffs participated. This was seen as a modern bottom – up approach as opposed to the previous planning approach which was top-down and did not allow staffs to contribute to the planning process and changes were made by the top-OAG management without any input from the staffs lower in the hierarchy. The strategic planning workshop resulted in the development of an OAG logo, vision and mission statements. The involvement of staffs in this process was seen as a positive change and staffs who attended contributed freely in the discussion sessions in the presence of senior OAG management. This opening up of staffs in the presence of their peers was taken very positively as this was a major shift in OAG culture. This behaviour was contrary to belief (cultural and traditional) in Fiji that public servants do not discuss issues openly in the presence of their seniors.

Annual corporate plans were drawn for the 3-year Strategic Plan all aimed at achieving the long- term objectives of the OAG. The achievements of OAG in a financial year were reflected against the Key Performance Indicators (KPIs) and Key Outcomes appearing in the Annual Corporate Plan in the OAG Annual Report. Other Ministries /Departments were also showing similar achievements in their annual reports although the results were not verified by an independent third party. However, a major challenge in delivering plans in the Corporate Plan was the availability of requisite funding by government so that necessary resources could be acquired for the achievement of a particular objective.

CHAPTER NINE

Skilled and qualified staffs continued to leave OAG following the events of 2000 and late 2006. The challenge remained for OAG to retain existing staffs and attract suitably qualified and experienced replacements to OAG. This was a major challenge for OAG since the salary offered to them was in line what was offered to the accountants and auditors in the public service. While majority of the staffs migrated to Australia and New Zealand, OAG was not able to offer pay or rewards to staffs who were contemplating moving out of the public service. The salary and benefits offered outside the public sector was very lucrative and in the end OAG lost out on well qualified, experienced and productive career civil servants.

In 1997 the salaries of most civil servants were reviewed following a Job Evaluation Exercise and salaries of Accountants and Auditors were increased considerably and helped stop the movement of civil servants outside the public service. This was a major achievement because Accountants and Auditors were previously grouped in the common user, Administration (AD) cadre although they were professionals.

The OAG organizational structure was revised following the IS project. The positions of Assistant Examiner of Accounts, Examiner of Accounts and Senior Examiner of Accounts were abolished. The entry level was Auditor which had a MQR of BA in Accounting. The Principal Auditor position was renamed to Audit Manager. The changes created a great challenge in the job security of staffs below the Auditor level. Some staffs that were below the grade of Auditor at that time were regraded to Auditor position or were allowed to act in the position until they met the MQR for the position. By removing the lower level positions the MQR for appointment to OAG was automatically upgraded to degree level.

With the changes in MQR there was possibility that graduates who would not have the desired experience would be appointed as Auditors. In order to counter this problem, decision was made to recruit graduates as Contract auditors for a period of 12 months. As a result, fresh graduates from USP who had GPA above 3.0 and had degree with accounting as major were recruited and trained. When the Auditor positions were advertised, they also competed for the position with other applicants. Contract Auditors who performed exceptionally well during their contractual period were appointed as Auditors.

OAG management maintained its position in respect of degree and FIA membership for staffs before being selected for promotion in years after 2000 which made staffs that were doing pursuing their tertiary qualification to continue with their studies. The possibility of being promoted after the staffs completed their studies provided good incentive to the staffs to complete their studies.

OAG management tried to seek funding for a peer review of the OAG following the IS project but necessary funding was not made available by Ministry of Finance. The review which was to be carried out by an independent retired AG from Australia would have provided OAG a bench mark on where it stood as a public sector auditor and whether the various recommendation made in the IS project were fully implemented and the desired objectives were met. The review would have also enabled OAG to make further improvements to its operations.

The high standard achieved by OAG following the IS project resulted in increased marketability of OAG staffs whose demand was now increasing outside the public service.

A similar situation arose in OAG as in the early nineties where many graduates joined OAG as Contract Auditors received necessary training and were confirmed as Auditors. After meeting the two-year work experience these graduates migrated to Australia hence requiring OAG to recommence the recruitment process. PSC also objected to this (Contract Auditors) arrangement because the position was similar to Project Positions which were administered by the commission. Similarly Ministry of Finance raised its concern that the graduates recruited by OAG were being paid from the allocation reserved for payment of Contract Auditors for audits which were outsourced.

Another form of self-assessment introduced following the IS project was the issue of Client Survey Questionnaire (CSQ) after audits were completed for auditees to assess the work of OAG staffs and generally the work of the OAG. The format of the CSQ was obtained from the NSW Audit Office by the staff who had gone on an attachment during the IS Project and was modified to suit the OAG and Fiji. An initial analysis of the survey results revealed that the auditees believed that OAG staffs engaged on audits did not have sufficient understanding of the government accounting system and operations. Some staffs were said to lack professionalism and tact in the performance of their duties. However this type of feedback was expected because OAG had many Contract Auditors and Auditors who lacked relevant work experience but were being provided on-the-job training by their supervisors. However, the rating gradually improved as the number of experienced and qualified staffs increased in OAG.

The client survey process was planned to be rolled-out by OAG and the assessment process was to be carried out by an independent party who would analyze the responses and provide a report to the Public Accounts Committee which would have given more creditability to the results of the survey. However this was not done as the cost of engagement of an independent party was believed to be substantial.

The OAG management identified staffs who were not qualified and were not interested in study or opposed the IS project and wrote to the PSC to have them transferred to other Ministries and Departments. However PSC did not take much action on this request. Unfortunately the list of staffs included those who were instrumental in initiating the IS project.

At one time a number of financial audits were delayed because they were distributed across the various audit portfolios in OAG and were handled by staffs that did not have sufficient experience in financial audits. A submission was made to AG through a paper which suggested creation of a separate audit group which would carry out financial audits. The advantage of this arrangement was that this would allow staffs to specialize in financial audits hence bring about consistency in the manner audits were carried out by OAG. In addition, audit delays would be addressed and staffs from other audit groups would be rotated to gain experience of financial audits AG was also advised that with government adopting accrual accounting in the near future, the current regulatory or compliance audits carried out of government ministries and departments would be replaced with financial audits. Therefore this would allow OAG to prepare for the increase in financial audits which it would be required to be carried out in future.

The paper when discussed drew criticism from some senior staffs who believed that all staffs should be exposed to financial audits and too much experience would be concentrated in the proposed audit group. The paper was never discussed formally by the AG with the author or other senior management staffs.

Race relations were very generally cordial in the OAG in 1987 but soured slightly following the May coup. The OAG at this time was dominated by Indo-Fijians who also occupied most senior positions. However as a result of senior staffs leaving OAG due to migration in the year saw decrease in the number of Indo-Fijians staffs occupying senior positions. The decline in Indo-Fijian staff numbers continued in the years to come and was fuelled by the events of 2000 and 2006. At one time there was only one Indo-Fijian member in the OAG Management Committee which had six members.

Despite government encouraging positive discrimination following the enactment of the 1990 constitution in Fiji racial tensions was not very evident in the OAG although racial divide was noted during tea and lunch breaks where staffs would converge in their own racial groups. This was also the case during official functions. AG encouraged the management team to interact amongst themselves and not too much with staffs down the hierarchy. This was seen to be unprofessional by staffs in the lower levels and was contrary to the practice which was introduced by the expatriate OAG. As a result of senior management holding their distance with the rest of the staffs, these staffs sometimes felt isolated and neglected which affected their productivity to some extent.

The OAG Sports and Social Club was revived in 2004 and its primary objective was to bring together audit groups under a common platform and also promote racial harmony. The club was a huge success and organized many functions including annual OAG Christmas parties. All staffs were required to contribute \$3 per fortnight as subscription towards the club's coffers. Surprisingly some management staffs had large amounts in arrears of subscriptions. The main challenge faced by the club was trying to convince the Indo-Fijian staffs that value-for-money principles should not be applied for contributions made to the club since a group of staffs wanted full benefit for the subscriptions they paid to the club.

With increase in the number of audits, a lot of pressure was placed on Directors to ensure audits were completed on time. The workload was substantial and clearly did not commensurate with the salary offered for the position. Submissions made to PSC for review of salaries of Directors from US 04 to US 03 was not approved. Some Directors believed that the workload should be shared by the DAG who was responsible for the Administration and Finance function of the OAG which was now being handled by an Administration Officer. However these thoughts were not formally raised with AG who admitted the uneven distribution of workload. One Director received an additional salary of only \$200 per annum when compared to the salary of an Audit Manager. The apparent disparity in the salary of this Director contributed to his resignation from OAG in 2007.

In 2006 due to the large number of resignations, AG introduced a policy where work reference would be only given to staffs after they submitted their resignation. This prevented or delayed staffs who were predominantly Indo-Fijians from applying for migration since this was a pre-requisite when applying for migration.

To encourage qualified staffs to remain with OAG, they were sent for overseas training ahead of experienced (unqualified staffs). The reason stated by management was that the training institutions requirement was that all staffs nominated for training were to be qualified. However this could not be substantiated by management. However a number of staffs who were qualified and attended overseas training resigned and left OAG in less than

2 years from return from training. In one case a qualified staff resigned within a month from returning from overseas training.

The OAG Office Manual which was prepared in 1978 was also reviewed for the first time during the IS project and was updated to reflect changes in the OAG and the public service generally. The Manual discussed the Code of Ethics for staffs working in OAG after taking into consideration the values of the public service.

CHAPTER TEN

The IS project funded by the Asian Development Bank brought about many positive changes in the OAG. This included audits being carried out by the OAG complying with the international standards on auditing, staffs being suitably qualified and at one stage seven OAG staffs were Chartered Accountant members of FIA and majority of OAG staffs were either provisional or associate members of FIA. OAG continues to play a very important role in the various committees of FIA. The high degree of proficiency of developed in OAG made it a competitor to the various CA firms operating in the country. OAG staffs have become highly marketable in Fiji and overseas. Staffs that have left OAG are occupying very senior positions in private and public institutions in Fiji.

OAGs commitment to maintain audit quality and delivery of good quality external audit services resulted in the office being awarded the Quality Commitment Award in the public sector category in the TPAF Quality Awards for the first time in 2007. A year later saw the office getting the Quality Achievement Award in the same category. The office holds the Prize Award in the Fiji Business Excellence Awards and would be participating for the President's Award in future. These achievements came after a period of slightly more than ten years following the IS project is truly remarkable especially when all the hard work was done by local staffs.

The TRS system allows for better management of professional staff time and productivity levels. This would become very crucial when monitoring performance of staffs under the Performance Management System implemented by government. Although the current composition of OAG establishment is mixed with new and experienced qualified staffs, the various quality review mechanism which exist as a result of the IS project would enable it to continue to deliver good quality external services to its auditees.

The OAG as it stands today is the outcome of a group of staffs who had a vision for the office when they approached Asian Development Bank for funding for the IS project, the staffs who rose to the challenge in implementing the recommendations in the IS project despite the various sacrifices they had to make and the assistance of PSC and Ministry of Finance which provided the necessary funding and support during and after the IS project. They have left a legacy of change which would be revisited and refined by the current and future staffs of OAG. Perhaps it is timely that a review is commissioned so that the OAG is able to further improve its services. Salaries and benefits of OAG staffs especially those in the senior management roles should be reviewed. OAG may also wish to continue to promote the International Public Sector Accounting Standards (IPSAS) so that government financial reporting is also aligned to International Accounting Standards.

The events following the IS project have made unprecedented changes to a very important government institution in the public service. The pains and gains of these changes are very evident. The OAG story proves that we do not need highly paid consultants from overseas to make positive changes to our local institutions, what we need is people with positive minds and willingness to live through and beyond change. Changes in organizations usually come with better outcomes but emotions are usually high when changes are introduced. However, the role of people making changes is to maintain professionalism and manage emotions. The OAG story also shows that changes will be opposed by a group of people.

However over time, this group will disintegrate and another group which will support the changes will emerge. Any change needs to be addressed responsibly by those in authority as it may result in permanent and irreparable damage to the most vulnerable in the change management process - people. The channels through which changes are to be made should be properly analysed and impact analysis carried out prior to implementing changes.

Finally, as highlighted in the OAG story there will be always be an individual or group of individuals who will feel threatened by an impending change. These people could have very emotional attachments to the places where changes are planned. It is important that an action plan is prepared in the change planning process on the manner in which emotions would be managed. Ad-hoc decisions when confronted with opposition to change can be very damaging to the very change which is being proposed.

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