



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

**GUIDE FOR THE SUMMARY OF THE
2017 -2018 ANNUAL AGENCY FINANCIAL
REPORT OF MINISTRIES AND
DEPARTMENTS**

Introduction

Each year, we audit the agency financial statements of Ministries and Departments to provide assurance to their reliability.

We assessed the quality and timeliness of financial statements prepared by the individual agencies for financial year ended 31 July 2017 by considering:

- year-end closing process – whether accounts were closed-off on the agreed date.
- timeliness – whether complete draft 2017 financial statements were submitted for our audit by an agreed date.
- quality – the extent of accounting adjustments made during our audit.

Internal controls

Internal controls are categorized against the following five components of internal control.

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.
- **Risk Assessment (RA)** – involves a dynamic process for identifying and analyzing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed.
- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.
- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.
- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

The following table outlines the rating we have used to assess internal controls:

Rating	Internal control assessment
• Effective	No deficiencies identified in internal controls
• Generally effective	Deficiencies identified in internal controls
• Ineffective	Significant deficiencies identified in internal controls

Preparation of draft 2016-2017 agency financial statements

On 1 June 2017, Permanent Secretary for Economy issued a Circular to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which the final day for closing the 2017 accounts was 4 August 2017.

Rating	Year-end close process assessment
● Effective	All 10 key processes completed by due date
● Generally effective	Five of 10 key processes completed within two weeks of due date
● Ineffective	Less than five of 10 key processes completed within two weeks of due date

Quality of draft financial statements by entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required
● Generally effective	Adjustments on total expenditure, operating results/net assets were less than one percent
● Ineffective	Adjustments on total expenditure, operating results/net assets were more than one percent

Timeliness of draft financial statements for entities

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received.

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements received before or on 1 October 2017
● Generally effective	Acceptable draft financial statements received on or before 16 October 2017
● Ineffective	Acceptable draft financial statements received after 16 October 2017

Timeliness of Provision of Management Comments and Signing of Financial Statements

We have assessed timeliness for sectors as:

Rating	Timeliness of Management Comments Received
● Effective	Within 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
● Ineffective	After 15 days from issue of Financial Statements for signing