

II. Accounting and Auditing in the Fiji Islands

This chapter presents an overview of accounting and auditing arrangements in the Fiji Islands. It provides context for the following chapters on professional infrastructure, accounting and auditing standards, accounting and auditing training, and government budgeting and accounting arrangements. The chapter comprises 10 sections:

Part One: Accounting

- 1 – Introduction – identifies historical factors that have influenced accounting arrangements.
- 2 – The ‘Fiji Islands Accounting System’ – describes Fiji Islands’ accounting arrangements, which include the legislative and institutional framework, and accounting bases.
- 3 – Quality of Financial Reporting and Disclosure – describes evidence regarding the quality of financial reporting and disclosure practices.
- 4 – Bookkeepers and Accountants – discusses the availability of qualified bookkeepers and accountants.

Part Two: Auditing

- 5 – Introduction – introduces Fiji Islands’ auditing arrangements and identifies the audit requirements for a range of public and private sector organizations.
- 6 – Fiji Islands’ Auditing Practices – examines: (i) auditor appointment and dismissal, (ii) auditor independence, (iii) audit reporting requirements, and (iv) auditor liability; against international guidance.
- 7 – Auditor Qualifications – describes Fiji Islands’ auditor qualifications.
- 8 – Office of the Auditor General (OAG) – discusses the functions and duties of the Auditor General and the OAG and the challenges they face.
- 9 – Accounting and Auditing Firms – describes the presence of domestic and international accounting firms in the Fiji Islands.
- 10 – Issue Synopsis: Accounting and Auditing – summarizes the issues identified in this chapter.

Part One. Accounting

1. Introduction

Fiji Islands' accounting arrangements are directly influenced by Britain and other British Commonwealth countries, particularly Australia and New Zealand. Following independence in 1970, development policy emphasized public sector-led growth. Moreover, the economy became increasingly cocooned behind a wall of tariffs and import licenses. Meanwhile, corporate and accounting arrangements largely remained stagnant.

In the late 1980s, dissatisfaction with the performance of public enterprises grew and the Fiji Islands began to move towards a more open, market-oriented economy. This involved public sector restructuring and emphasized the importance of Foreign Direct Investment (FDI). Public enterprises were given more autonomy over their financial and operational management. The establishment of foreign-financed enterprises and the enhanced public enterprise activities encouraged improved accounting arrangements. In particular, absentee ownership created demand for improved financial disclosures.²⁶

Pressures mounted in the mid-1990s. The Government declared its Public Enterprise Reform policy in 1993. The policy envisaged sweeping reforms involving restructurings and a renewed privatization emphasis. Moreover, the economic losses that were incurred when the NBF nearly collapsed emphasized the importance of good financial disclosures, sound corporate governance practices and robust banking supervision arrangements.

In response: (i) financial institution supervision arrangements were raised to international standards; (ii) a strengthened monitoring regime has been introduced for public enterprises; and (iii) financial disclosure requirements have been raised through the introduction of IAS-compliant accounting standards.

2. The 'Fiji Islands Accounting System'

The 'Fiji Islands Accounting System' is strongly influenced by British and more recently by international arrangements and practices. However, many

²⁶ Chand, Parmod. 2002. *Relevance of International Accounting Standards to Developing Countries: The Case for South Pacific Island Nations*. University of the South Pacific: Draft Unpublished Manuscript.

aspects of the system are dated. The governing legislative and institutional framework reflects a mixture of government intervention and self-regulation.

Legislative and Institutional Framework

Figure 1 depicts the legislative and institutional framework that governs Fiji Islands' accounting and auditing arrangements.

Figure 1: Fiji Islands' Legislative and Institutional Framework

Key Governing Laws	
Capital Markets Development (CMD) Act 1996	Reserve Bank of Fiji (RBF) Act 1983
Public Enterprise Act 1996	Banking Act 1995
Companies Act 1984	Insurance Act 1998
Fiji Institute of Accountants Act 1971	
Institutions and Primary Functions	
<p>Capital Markets Development Authority</p> <ul style="list-style-type: none"> • Administers the CMD Act 1996 • Oversees the Capital Markets 	<p>Reserve Bank of Fiji</p> <ul style="list-style-type: none"> • Administers the Banking Act 1995 • Administers the RBF Act 1983 • Approves the appointment of financial institution auditors • Supervises financial institutions • Supervises agents, brokers and insurers in accordance with the Insurance Act 1998
<p>Ministry of Public Enterprises and Public Sector Reform (on behalf of the Minister)</p> <ul style="list-style-type: none"> • Administers the Public Enterprise Act 1996 • Monitors the activities of Government Commercial Companies and Commercial Statutory Authorities 	<p>Registrar of Companies</p> <ul style="list-style-type: none"> • Administers the Companies Act 1984
<p>Fiji Institute of Accountants (FIA)</p> <ul style="list-style-type: none"> • Promulgates accounting and auditing standards • Monitors application of those standards 	

The Capital Markets Development Authority (CMDA) became operational in January 1998 and administers the *CMD Act 1996*. CMDA's broad purpose is to develop efficient capital markets in the Fiji Islands and to develop and regulate the activities of the various market participants.

In accordance with the Act, CMDA's major objectives are to: (i) facilitate the supply of good marketable debt and equity securities; (ii) undertake appropriate educational and public awareness campaigns to broaden the public ownership of debt and equity securities; (iii) develop the appropriate institutional infrastructure and human resource capabilities required of an active capital market; (iv) license market participants as specified within the CMDA Act and Regulations; (v) protect

investors by ensuring the maintenance of fair and honest markets through the adequate supervision of market participants and enforcing the regulations where appropriate; (vi) promote enhanced disclosure requirements; (vii) collect statistics to monitor and analyze the prevailing conditions within the capital markets, within the context of the whole financial system; (viii) formulate policy and advise Government on capital markets development and regulation; (ix) ensure that CMDA has appropriately qualified staff and other resources to enable it to fulfill its objectives in a timely and cost effective manner, while maintaining high quality standards.

The Reserve Bank of Fiji (RBF) administers the *RBF Act 1983* and the *Banking Act 1995*. RBF's principal purposes are to: (i) regulate the issue of currency, and the supply, availability and international exchange of money; (ii) promote monetary stability; (iii) promote a sound financial structure; and (iv) foster credit and exchange conditions conducive to the orderly and balanced economic development of the country. The RBF Financial Institutions Department supervises licensed financial institutions (banks and credit institutions) and the insurance industry. Its duties include ensuring that licensed financial institutions comply with financial disclosure requirements.

The Ministry of Public Enterprises and Public Sector Reform (MPEAPSR) administers the *Public Enterprises Act 1996* on behalf of the Minister. In this respect, the Ministry monitors compliance with the Act's financial reporting and disclosure requirements.

The *Companies Act 1984* is administered by the Registrar of Companies. Fiji Accounting Standards (FASs) and Fiji Standards on Auditing (FSAs) are promulgated by the Fiji Institute of Accountants (FIA) in accordance with the *FIA Act 1971*. Chapter IV examines FASs and FSAs. FASs are almost fully consistent with IAS. The Institute is currently working to align FSAs with ISA.

The legislated financial disclosure requirements under these Acts are generally consistent with international norms; in terms of timing and publication. However, two issues merit attention.

First, none of the above Acts specifies the basis of financial statement preparation. For example, the *Public Enterprise Act 1996* [S. 103(1)(a)] requires Government Commercial Companies and Commercial Statutory Authorities to prepare and provide audited financial statements within five months of financial year-end. It states that these financial statements must comprise statements of financial position (balance sheet), profit and loss, changes in financial position, and such other statements as may be

necessary. Although the MPEAPSR does require financial statements to be prepared in accordance with FASs, the Act is silent on this issue.

Second, RBF's supervision role does not explicitly cover two significant financial institutions: FDB and FNPF. With assets of around \$160 million (F\$400 million), the government-owned FDB is the Fiji Islands' principal Development Finance Institution (DFI). However, in the case of FDB,

“After due consultation with the Fiji Development Bank, any section or subsection of this Act may be made applicable by the Minister to that Bank upon a finding by the Reserve Bank that it is engaging as a substantial part of its business in the acceptance of deposits of money from the public.”

– Section 58(2). *Reserve Bank of Fiji Act 1983*

The FNPF is a statutory corporation.²⁷ Its board is appointed by the Minister of Finance and comprises two government representatives, two employer representatives, and two employee representatives.

Accounting Bases and Principles

The financial statements of private sector organizations, Government Commercial Companies and Commercial Statutory Authorities are implicitly prepared using the accrual accounting basis. The financial statements of core ministries and departments are prepared using a cash accounting basis in accordance with the *Finance Instructions and Regulations*.

Record-Keeping and Internal Control Arrangements

While there are significant problems with record-keeping and internal control arrangements in the core public sector (see Chapter VI), this study did not identify concerns regarding private organizations, government commercial companies or commercial statutory authorities.

3. Quality of Financial Reporting and Disclosure

A recent study that examined the compliance of 24 public companies and statutory authorities from 1990-1996 with FASs favorably concluded that:

²⁷ ADB. 2001. *Financial Sector Development in the Pacific Developing Member Countries: Volume One—Country Reports*. Manila: ADB. p. 18.

“the extent of non-compliance identified in Fiji does not appear an greater than found in Australia, New Zealand, the United Kingdom and the United States. This is in spite of a weak monitoring system and lack of sanctions at [FIA’s disposal].”²⁸

4. Bookkeepers and Accountants

Significant numbers of skilled accounting personnel continue to emigrate—particularly to Australia and New Zealand. This trend accelerated following the events of May 2000; the FIA reports that 72 of its members subsequently emigrated (see page 49). As a consequence, accountancy positions remain vacant or are filled with less-than-suitably-qualified and experienced personnel. The problem is particularly acute in the core public sector, which is unable to pay accountants at prevailing market rates.

The shortage reportedly extends to technician-level accounting personnel and bookkeepers who are able to emigrate once they have acquired suitable qualifications (see page 82).

Part Two. Auditing

5. Introduction

As with accounting arrangements, Fiji Islands’ auditing arrangements initially developed along British lines. These arrangements are being overhauled through the introduction of ISA-compliant auditing standards and the forthcoming emphasis on introducing quality assurance arrangements (see page 51). Table 3 identifies audit requirements for public and private sector organizations.

²⁸ Pathik, Kushilliya. December 1999. *Extent of Non-compliance with Fiji Accounting Standards: A Survey of Public Companies and Statutory Authorities*. University of the South Pacific: Unpublished Manuscript. p. iv.

Table 3: Fiji Islands' Audit Requirements

Organization Type	Audit Requirements
State Accounts	<ul style="list-style-type: none"> The Minister of Finance must provide the government accounts to the Auditor General within six months of financial year-end [s. 8, <i>Finance Act 1981</i>]. At least once each year, the Auditor General must inspect and report to Parliament on the public accounts of the State, and all transactions with or concerning the public money or public property of the State [s. 167, <i>Constitution Amendment Act 1997</i>].
Local Government	<ul style="list-style-type: none"> The accounts of every council shall be audited by an auditor who shall, unless the Minister otherwise directs, be the Auditor General [s. 51(1), <i>Local Government Act 1972</i>]. Provincial Councils must be audited by the OAG in accordance with the <i>Fijian Affairs Board Act</i>. Rural local authorities must be audited by the OAG in accordance with the <i>Health Act</i>.
Government Commercial Companies	<ul style="list-style-type: none"> Must be audited every year in accordance with the provisions of the <i>Companies Act</i>. The auditor shall be appointed by the Board and shall be any person that the Minister of Finance directs the Board to appoint (otherwise, the Board may make an appointment).
Commercial Statutory Authorities	<ul style="list-style-type: none"> The Minister of Finance may direct the appointment of the Auditor General to act as auditor, in which case the provisions of the <i>Audit Act</i> also apply [s. 100, <i>Public Enterprise Act 1996</i>].
Other Statutory Authorities	<ul style="list-style-type: none"> The OAG also audits other statutory authorities, which are not commercial statutory authorities.
RBF	<ul style="list-style-type: none"> Annual accounts must be audited by auditors appointed annually by the Board with the approval of the Minister of Finance [s. 55, <i>Reserve Bank of Fiji Act 1983</i>].
Companies ²⁹	<ul style="list-style-type: none"> Auditors must be FIA members holding a Certificate of Public Practice (CPP). [ss. 130 and 164, <i>Companies Act 1984</i>].
Licensed Financial Institutions	<ul style="list-style-type: none"> Controller of licensed financial institution must, subject to RBF approval, appoint auditors. Appointments shall not exceed two years—but reappointment is allowed [s. 53, <i>Banking Act 1995</i>].

²⁹ Private companies are excluded under the *Companies Act 1984*, sec. 130(4).

6. Fiji Islands’ Auditing Practices

The following sections examine Fiji Islands’ auditing practices—Singaporean arrangements are presented for comparison.³⁰

Auditor Appointment and Dismissal

Section 13 of the IFAC *Code of Ethics for Professional Accountants* (1996) outlines procedures for communicating between incoming and outgoing auditors.³¹ Furthermore, ISA 315 states the requirements for communications between predecessor and successor auditors when a change of auditors occurs. It places the initiative for communication with the successor auditor who is required to make specific inquiry, after obtaining permission from the prospective client, of the predecessor auditor as to such matters as management integrity, management disagreements, and the reason for change in auditor.

Table 4: Auditor Appointment and Dismissal

Factor	Fiji Islands		Singapore
	Public Enterprises	Listed Companies	
Nominating party	Minister of Finance (or Board of Directors, where the Minister makes no nomination)	Board of Directors	Shareholders
Appointing party	Board of Directors (as directed by the Minister of Finance, if Minister has made nomination)	Shareholders	Shareholders
Party approving appointment	Minister or Board (see above)	Members at annual General Meeting after appointment	Shareholders and the Monetary Authority of Singapore for financial institutions
Communication between outgoing and incoming auditors	Required before engagement is accepted	Required before engagement is accepted	Required before engagement is accepted

³⁰ The analytical framework used, and the Singaporean information, is adapted from: Favere-Marchesi, Michael. 2000. Audit Quality in ASEAN. *The International Journal of Accounting*. Vol 35(1). pp. 121-149.

³¹ IFAC. 1996. *Code of Ethics for Professional Accountants*. New York: IFAC.

Table 4: Auditor Appointment and Dismissal (continued)

Factor	Fiji Islands		Singapore
	Public Enterprises	Listed Companies	
Auditors rights to defend position on dismissal or resignation	No explicit rights	Auditor has right to be heard at AGM	Representation to shareholders in writing or personally, and filed with the Registrar of Companies
Compensation on termination	No explicit rights	No explicit rights	Fees owing to the outgoing auditor must be paid before the incoming auditor can accept the engagement

Auditor Independence

ISA 220 and the *Statement of Policy* by the IFAC Council (1992) support periodic peer reviews. Furthermore, section 8 of the IFAC *Code of Ethics* (1996) relates to the objectivity of auditors with respect to their clients.

Table 5: Auditor Independence

Factor	Fiji Islands		Singapore
	Public Enterprises	Listed Companies	
Restrictions on relationships (personal commercial financial, or influential)	Government auditors are expected to declare relationships. However, this requirement is not legally explicit.	FIA <i>Code of Ethics</i> aligns with IFAC <i>Code of Ethics</i> .	Some restriction on financial relationships
Restrictions on services provided by audit firm	Legal and banking advice	No	Accounting, tax advice, consulting, financial and investment advice, corporate recovery
Rules to avoid low balling	No	No	Yes
Rotation of audit partners required	No	No	Every five years for listed companies
Safeguards to objectivity:			
• Challenges to objectivity disclosed	Yes	Yes	Yes
• Quality reviews by peer audit firms	No. However, the Auditor General usually reviews audits that are carried out by private accounting firms on public enterprises.	No	Yes

Table 5: Auditor Independence (*continued*)

Factor	Fiji Islands		Singapore
	Public Enterprises	Listed Companies	
• Internal quality reviews	No, except for OAG	Not necessarily	No
• Potential threats to objectivity monitored by third party	Auditor General monitors private audit firms	No	Yes
• Audit commitments required	No	No	Yes

Auditor Reporting Requirements

ISA 700—*the Auditor's Report on Financial Statements*—establishes standards and provides guidance on the form and content of the auditor's report issued as a result of an audit performed by an independent auditor of the financial statements of an entity. Much of the guidance provided can be adapted to auditor reports on financial information other than financial statements.

Table 6: Audit Reporting

Factor	Fiji Islands		Singapore
	Public Enterprises	Listed Companies	
In Auditor's report:			
• Fraud or irregularities	No	No	Yes
• Illegal acts	No	No	Yes
• Internal controls and systems	No	No	Yes
• Maintenance of proper records	No	No	Yes
Reporting to other parties:			
• Fraud or irregularities	Yes	No	Yes
• Illegal acts	Yes	No	Yes
• Internal controls and systems	Yes	No	No
• Maintenance of proper records	Yes	No	Yes
Standard forms of audit reports required by law	Yes	Yes	Yes
Matters to be included in reports specified by law	Yes	Yes	Yes
Standard forms of audit reports established by professional bodies	Yes	Yes	Yes
Qualified audit reports due to uncertainties	Yes	Yes	Yes

Auditor Liability

Exposing auditors to civil liability creates a strong incentive to raise quality and maintain independence. There must however be a balance between providing this incentive and avoiding a decline in audit services due to excessive litigation costs.³²

Table 7: Auditor Liability

Factor	Fiji Islands		Singapore
	Public Enterprises	Listed Companies	
Professional sanctions:			
• Warning	Yes ³³	Yes	Yes
• Reprimand	Yes	Yes	Yes
• Fine	Yes	Yes	Yes
• Temporary suspension	Yes	Yes	Yes
• Permanent exclusion	Yes	Yes	Yes
Legal liability cap between contract parties	No (But auditors issue engagement letters that attempt to cap legal liability levels)	No (But auditors issue engagement letters that attempt to cap legal liability levels)	No
Contractual liability cap between contract parties	No	No	No
Legal liability caps between contract parties and third parties	No	No	No

7. Auditor Qualifications

In accordance with the *FIA Act 1971*, auditors must hold Certificate of Public Practice (CPP). This requires at least three years of acceptable experience in a Chartered Accountant's office, after having been admitted as a Chartered Accountant (which requires a specified degree and at least three years of specified practical experience: see page 50).

³² Palmrose, Zoe-Vonna. 1988. An Analysis of Auditor Litigation and Audit Service Quality. *The Accounting Review*. 63. pp. 55-73.

³³ Does not apply where the OAG issues the audit opinion.

8. Office of the Auditor General (OAG)

Introduction

The Fiji Islands' Audit Department, now the OAG, was an integral part of the colonial administration. In 1971—directly after independence—the Fiji Islands' Government approved the *Audit Act 1971* which clarified OAG's role and responsibilities. The *Audit Act 1971* remains in force, however the Auditor General's independence and powers were strengthened by the *Constitution Amendment Act 1997*.

The OAG is the Supreme Audit Institution (SAI) of the Fiji Islands and is a member of the International Organization of Supreme Audit Institutions (INTOSAI), the Public Debt Committee of INTOSAI, the South Pacific Association of Supreme Audit Institutions (SPASAI), and the Australasian Council of Auditors General (ACAG). In common with many other SAIs, the OAG faces increased expectations and a broadened mandate, while struggling with limited resources and high staff turnover.

Legislative Framework and Functions

The *Constitution* and the *Audit Act 1971* govern OAG responsibilities, appointment and termination procedures, and activities. At the Government's request, ADB provided TA in 1996-1997 to strengthen the OAG.³⁴ The project comprised five activities: (i) reviewing OAG procedures and practices; (ii) improving financial audit capabilities; (iii) strengthening office and portfolio management; (iv) strengthening computer audit capabilities; and (v) enhancing performance audit and performance measurement capabilities. In particular, the TA assisted in a review of the *Audit Act 1971*.

The TA recommended that the *Constitution* be amended and that the *Audit Act 1971* be revised to strengthen the independence of the Auditor General. The constitutional amendments were approved by the *Constitution Amendment Act 1997*. The *Audit Act* revisions were incorporated in the *PFMA 1999*. However, the commencement of the *PFMA 1999* was deferred in 1999.

In response, the MOFANP is currently reviewing proposed amendments to the *Audit Act 1971*. The proposed amendments would bring forward certain provisions in the *PFMA* that increase the mandate, powers and independence

³⁴ ADB TA No. 2463: *Institutional Strengthening of the Office of the Auditor General*, for \$550,000, approved on 11 December 1995.

of the Auditor General (e.g., extending the OAG's audit mandate to all commercial statutory authorities and government controlled companies).

Section 168 of the *Constitution* stipulates appointment and removal processes:

- The Constitutional Offices Commission appoints the Auditor General after it has consulted with the relevant sector standing committee of the House of Representatives.
- The appointment is for a fixed five-year renewable term. A maximum age limit of 65 years applies.
- The Commission may, following consultation with the Minister of Finance, appoint a person to act as Auditor General during any period, or during all periods, when the office of Auditor General is vacant or when the Auditor General is absent from duty or from the Fiji Islands or is, for any reason, unable to perform the functions of office. The Commission may appoint a tribunal to enquire in to performance of the nature of the act of Auditor General before considering the termination of appointment.

Section 167 of the *Constitution* prescribes the Auditor General's functions and reporting requirements. These include:

- The requirement to, at least annually, inspect, audit and report to Parliament on: (i) the public accounts of the State; (ii) the control of public money and public property of the State; and (iii) all transactions with or concerning public money or public property of the State.
- The Auditor General's report must state whether: (i) transactions with or concerning the public money or public property of the State have been authorized by or pursuant to this Constitution or an Act of the Parliament; and (ii) expenditure has been applied to the purpose for which it was authorized.
- The report must be made to the Speaker of the House of Representatives—a copy must be supplied to the Minister of Finance. The Speaker must cause each House Leader to lay the report before the House within 30 days of receipt, if Parliament is sitting, or on the first sitting day after the end of that period.
- The Auditor General, or their representative, must have access to all records, books, vouchers, stores or other government property in the possession or control of any person or authority.
- Where particular laws state that the accounts of specified organizations are not subject to audit by the Auditor General, they must also empower the Auditor General to review those audits and report the results of a review.

Professional Framework, Methodologies and Ethics

The OAG applies FSAs and INTOSAI auditing standards. An *Audit Manual* guides staff in field audit work. The *Audit Manual* was developed with ADB assistance. The OAG recognizes the INTOSAI *Code of Ethics*, the provisions of which are incorporated in OAG *Office Instructions*.³⁵

Structure, Staffing, and Resources

The Auditor General heads the OAG, which includes three operational audit groups: Financial Audit Group (FAG) 1; Financial Audit Group (FAG) 2; and the Special Investigations Group (SIG). Internal OAG committees are convened on: (i) Management; (ii) Human Resource and Training; (iii) Quality Audit and Review; (iv) Policy Research and Development; and (v) Occupational Health and Safety.

To be effective, an SAI must be staffed with well-qualified and experienced professionals. The MOFANP and the PSC have supported OAG's efforts to strengthen its capacity. To this end, the MOFANP has supported increased appropriations and the PSC has delegated authority to the Auditor General to appoint officers. Appointments and employment remain subject to PSC rules and challenges to the Public Service Appeals Board. The OAG is able to offer pay rates that are competitive with the private sector—at least for entry-level graduates.

The OAG's approved staff strength was increased from 57 in 1999 to 75 in 2000 (72 in 2001). Six professional positions were vacant at 31 December 2000.³⁶ The Minimum Qualification Requirement (MQR) for OAG auditors has been raised to a degree in accounting, financial management or a related discipline: all recent OAG recruits are graduates. The Auditor General actively encourages existing staff to undertake tertiary studies and professional training. These efforts have been successful—whereas OAG employed only three graduates in 1996, 70 percent of staff now hold qualifications. The Auditor General intends that all staff will be qualified by 2003.

However, whereas the Fiji Islands' private sector struggles to recruit and retain skilled staff in the face of increased emigration, the OAG also loses to the private sector.

³⁵ Auditor General of the Fiji Islands. 2001 May 3. *Annual Report for the Year 2000*. Report of the Office of the Auditor General. Parliamentary Paper No. 17 of 2001. Parliament of the Fiji Islands: Suva. pp. 4-5.

³⁶ *Ibid.* p. 32.

The consequences of the political crisis adversely affected the performance of the [OAG] in 2000. The resignation of 15 officers, including a Group Director (who was then Acting Deputy Auditor General) and two Audit Managers was perhaps most damaging for the organization.

– Office of the Auditor General. 2000 Annual Report³⁷

Auditor-General Independence

The *Lima Declaration of Guidelines on Auditing Precepts* was adopted in October 1977 at the IX International Conference of Supreme Audit Institutions (INCOSAI).³⁸ Among other things, the *Lima Declaration* identifies characteristics associated with SAI independence, which Table 8 compares with existing arrangements. These arrangements do not appear to fully meet the criteria (ii) and (v) of the *Lima Declaration*.

Table 8: Independence of the Auditor General

<i>Lima Declaration</i> Criteria	Existing Arrangements
(i) The SAI and individual auditors should be independent of the executive.	S. 170(5) of the <i>Constitution</i> provides for the independence of Auditors General, in that their performance or the exercise of their powers, is not subject to direction or control by any person or authority.
(ii) The legislature should provide the SAI with sufficient resources, for which the SAI is accountable.	The MOFANP determines the OAG's budget. There are no special appropriation arrangements. The OAG has full independence in forming its workplan—the PSC has delegated authority to appoint officers, subject to PSC rules and challenges to the Public Service Appeals Board.
(iii) The SAI may advise or make recommendations on correcting administrative deficiencies, but it should not take part in management or instruction of staff and avoid any participation that would reduce its independence and objectivity	...

³⁷ *Ibid.* p. 3.

³⁸ INTOSAI. 1977. *Lima Declaration of Guidelines on Auditing Precepts*. URL: www.intosai.org

Table 8: Independence of the Auditor General (*continued*)

<i>Lima Declaration</i> Criteria	Existing Arrangements
(iv) The legal mandate should allow the SAI full and free access to all premises, records and persons relevant to audited entities and their operations.	S. 167 of the <i>Constitution</i> gives the Auditor General, or their representative, access to all records, books, vouchers, stores or other government property in the possession or control of any person or authority.
(v) Provisions relating to termination of appointment or removal from office should be exercisable only by special process akin to that relating to the holders of judicial office.	S. 167 of the <i>Constitution</i> sets out removal processes whereby the Constitutional Offices Commission may, following consultation with the Minister of Finance, appoint a person to act as Auditor General during any period, or during all periods, when the office of Auditor General is vacant or when the Auditor General is absent from duty or from the Fiji Islands or is, for any reason, unable to perform the functions of office. The Commission may appoint a tribunal to enquire into performance of the nature of the act of Auditor General before considering the termination of appointment.

Challenges and Intentions

The Auditor General's 2000 Report identified factors that constrained the OAG's effectiveness.³⁹ These included: limitations regarding independence; and a desire to extend the OAG's powers and operational scope. In particular the OAG seeks to extend its powers to: (i) conduct performance audits; (ii) audit the accounts and activities of the recipients of government grants; (iii) place auditors in public entities, without fees or charges; and (iv) undertake audits of other entities (e.g., commercial statutory authorities and government-controlled companies). The MOFANP is considering these proposals.

Furthermore, the *Sustainable Development Bill*, which is currently before Parliament, contains provisions that require the OAG to undertake "audits" of environmental impact assessments. If approved, the Bill will come into force from 2003. However, the OAG has no expertise in this area but is investigating secondment possibilities from the Canadian Auditor

³⁹ Auditor General of the Fiji Islands. 2001 May 3. *Annual Report for the Year 2000*. Report of the Office of the Auditor General. Parliamentary Paper No. 17 of 2001. Parliament of the Fiji Islands: Suva. pp. 18-20.

General's Office. Indications are that three-year secondments will commence in September 2002.

9. Accounting and Auditing Firms

Four of the 'Big Five' international accountancy firms are represented in the Fiji Islands together with some second-tier international firms. Furthermore, there are significant numbers of sole practitioners and partnered firms.⁴⁰

10. Issue Synopsis: Accounting and Auditing Arrangements

Chapter VIII—*Issues and Recommendations*—identifies and describes constraints and proposes corrective actions. These include the following issues from this chapter:

- Legislated financial disclosure requirements are generally consistent with international norms, in terms of timing and publication, but legislation is silent on the basis for financial statement preparation (for instance, the *Banking Act 1995* does not refer to FASs).
- The RBF's supervision role does not explicitly extend to two significant financial institutions: FDB and FNPF.
- The effectiveness of accounting and auditing arrangements is undermined by the ongoing emigration of skilled accounting personnel, including technician-level accounting personnel and bookkeepers.
- The current efforts to align Fiji Islands' auditing arrangements with international practices and standards should include consideration of the procedures and arrangements regarding: auditor appointment and dismissal; auditor independence; auditor reporting requirements; and auditor liability.
- The Auditor General has made significant progress in strengthening the skills and qualifications of government audit personnel. The PSC and the MOFANP have supported these efforts. However, the OAG continues to lose staff to emigration and to the private sector.
- In the face of capacity constraints, the OAG's mandate may soon be broadened to include "audits" of environmental impact assessments. Other proposals to widen the OAG's operational scope include auditing additional entities (such as public sector enterprises), auditing grant recipients and conducting performance audits.

⁴⁰ Chand, Parmod. 2002. *Relevance of International Accounting Standards to Developing Countries: The Case for South Pacific Island Nations*. University of the South Pacific: Draft Unpublished Manuscript. p. 124.