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# PUBLIC SECTOR PERFORMANCE AUDITING AND ACCOUNTABILITY: A Fijian Case Study

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A thesis  
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of the requirements for the degree  
of  
Doctor of Philosophy  
in  
Accounting  
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by  
Nirmala Devi Nath

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## **Abstract**

This thesis examines how and theorises as to why performance auditing in the Fijian public sector was inexplicably discontinued in 1997. The Fijian socio-political history during, after and prior to the 1970-2000 period, in which the practice of performance auditing emerged, was implemented and was subsequently discontinued is explored. The study draws on critical hermeneutics to interpret the text empirics, and informs the research findings using Roberts' (1991, 1996, 2010) interpretation of accountability.

The findings revealed that powerful actors and institutions such as the Auditors-General, Ministers of Finance, Public Service Commission, Public Accounts Committee members, auditees and the Asian Development Bank influenced the changes in public sector auditing in Fiji. During the 1970-1997 period Auditors-General (Bhim, Narain and Datt) held the government and the auditees to account by performing compliance to budget and financial attest audits. Their efforts were constrained by the Ministers of Finance who withheld funds and the Public Service Commission, which failed to recruit sufficient staff. In 1995, Auditor-General Datt undertook performance auditing without a mandate, Auditors-General Datt and Jacobs efforts to seek a performance audit mandate were overlooked by the Minister of Finance (Kubuabola) during 1996-1998. In 1999, the Rabuka government enacted the new Public Finance Management Act, which provided the Auditor-General with limited scope for performance auditing. The Chaudry government recalled this Act thus withholding the limited scope.

The conclusions were the Auditors-General used accounting to make visible the conduct of the auditees during the 1970-1995 period. The media

extensively publicised the audit findings and disclosures creating a perception of lack of accountability. The successive indigenous Fijian led governments inspired by the need for political supremacy overlooked the audit findings and effectively deflected being held to account. The spirit of the Westminster system of auditing was not honoured and served as a symbolic gesture. During 1995-1996 Auditor General Datt overstepped the provisions of the 1970 Audit Act and implemented performance auditing thus incorporating non-accounting information to hold the accountors to account. Literature on performance auditing indicates that this practice is widely accepted in most western democracies this is not so in Fiji, partly because of the dominance of tribal structures and asymmetrical power distributions.

The implication for policy makers, government and the Auditor-General is that changes in audit scope be accompanied by changes in relevant statute. Socialising form of accountability accompanied with the traditional hierarchal form offers the potential to reduce the asymmetrical power distribution amongst the powerful actors in the public (audit) sector. This combination also offers a greater chance to the accountee to effectively hold the accountor to account for both accounting and non-accounting performance. Transparencies created by accounting be followed by consequences so that accountors take responsibility for their action. The donor agency and other change agencies such as the Auditor-General be sensitive to the unique political and cultural circumstances of the indigenous community in a less developed country such as Fiji.

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## Abbreviations and Explanations

AAO	Australian Audit Office
ADB	Asian Development Bank
AG	Auditor-General—(Westminster System of Auditing) / Accounting General (USA)
ALTA	Agricultural Landlord and Tenants Agreement
ANAO	Australian National Audit Office
ANC	Armed Native Constabulary
AO	Audit Office
CG	Comptroller General ( Canada and the U.S.A)
CWM	Colonial War Memorial Hospital - Fiji
FDB	Fiji Development Bank
GAO	General Auditing Office
GCC	Great Council of Chiefs
GDP	Gross Domestic Product
INTOSAI	International Congress of Supreme Audit Institutions
MOF	Ministry of Finance (Fiji)
MP	Member of Parliament
NAO	National Audit Office -Australia
NLTB	Native Land Trust Board
NZAO	New Zealand Audit Office
OAG	Office of the Auditor-General
OCG	Office of the Comptroller General
PAC	Public Accounts Committee (Fiji)
PFM	Public Finance Management Act (1990-Fiji)
PSC	Public Service Commission (Fiji)
RCAGA	Royal Commission on Australian Government Association
RCPECA	Royal Commission on Public Expenditure of the Commonwealth of Australia
SAO	State Audit Office (Australia)
SPASAI	South Pacific Association of Supreme Audit institutions
SDL	Soqosoqo Duavata ni Lewenivanua (Fijian name of Qarase -led Political Party Name)
SVT	Soqosoqo ni Vakavulewa ni Taukei (Fijian name of Rabuka led Political Party )
TA	Technical Assistance (Provided by Asian Development Bank to Fiji Audit Office, 1995)

TAR	Technical Assistance Report ( Report by Asian Development Bank on purpose of technical assistance – 1995)
U.K.	The United Kingdom
UNDP	United Nations Development Program
U.S.	The United States of America

## **List of Legislation/Statutes**

1970 Act - 1970 Audit Act – Fiji

1998 Bill - 1998 Public Finance Management Bill

1999 Act - 1999 Public Finance Management Act

1990 PFM - 1990 Public Finance Management Act

## Chapter 1 Introduction to Thesis

### 1.1 Overview

The government, on behalf of the general populace manages public sector resources (Shim & Seigal, 1995). According to Funnell and Cooper (1998), the government in the Westminster system is accountable to the public for managing and consuming the public resources. Thompson (1996) claimed that public sector accountability is established through various over-seeing bodies; the Audit Office is one such body in a Westminster system (Funnell & Cooper, 1998). The traditional function of these oversight bodies is to conduct ‘financial attest’ and ‘compliance to budgetary appropriation’ audits of government expenditure and revenues, and this has extended to include performance auditing in most jurisdictions (Funnell & Cooper, 1998; Parker, 1990; Thompson, 1996).

Performance auditing has been described as an independent evaluation of the economy and efficiency of auditee operations, and the effectiveness of programs in the public sector (English, 1990; Guthrie & Parker, 1999; Leeuw, 1996; McRoberts & Hudson, 1985; O’Leary, 1996; Parker 1990; Thompson, 1996). Therefore, the belief is that the performance auditor will be able to hold the public sector managers accountable by undertaking such audits (English, 1990; Jacobs, 1998; McRoberts & Hudson, 1985). Such audits by the Auditor-General (Fijian Auditor-General) may be presumed to use accounting information to reveal the conduct of the auditees with respect to management of the public sector. As such, that which is made transparent will be only what is required by the accountant.

Several writers have claimed that the demand for economy, efficiency and effectiveness audits emerged as a result of calls by various social and political lobby groups for greater government accountability (Flesher & Zarzeski, 2002; Guthrie 1990; Leeuw, 1996; O'Leary, 1996). Others have linked the emergence of performance or value for money audits to the rise of new public management (Grendon & Cooper, 2000; Jacobs, 1998; Pallot, 2003; Power, 1997). Most have argued that the Auditors-General in various jurisdictions have been instrumental in the development and implementation of such audit practices and had retrospectively sought changes to audit legislation to mandate the practice (Guthrie & Parker, 1999; Jacobs, 1998; Pugh, 1987; Radcliffe, 1998; Yamamoto & Watanabe, 1989).

The role of the Audit Office in Westminster type governance is to hold the executive accountable for the management and consumption of public sector resources to the public through the Parliament (Funnell & Cooper, 1998). In satisfying this role the Audit Office in Fiji has been undertaking cash flow, compliance to budgetary appropriation and financial attest audits of the Fijian public sector since 1874 (Nath, Van Peurseem & Lowe, 2006). During the 1995-1996 period there was a change in the scope of traditional compliance to budgetary appropriation and financial attest auditing. Auditor-General Datt implemented economy, efficiency and effectiveness audit in two public sector entities in 1996. Then in 1997, Datt discontinued the practice (Annual Report-Audit Office, 1998). He actively sought legislative authority to mandate such audits from 1996 until his retirement in November 1997. Upon taking Office in late 1997, Auditor-General Jacobs also sought a mandate for such audits.

This study examines how and theorises as to why performance auditing for the Fijian public sector was inexplicably discontinued in 1997. In doing so the study explores the Fijian socio-political and economic context during and prior to the 1970-2000 period of time during which the practice of performance auditing emerged, was implemented and was subsequently disestablished. The study draws on critical hermeneutics to interpret the text empirics, and informs the research findings in Roberts' (1991, 1996, 2010) interpretation of accountability.

## **1.2 Background of the Research**

The purpose of this section is to expose the contribution of this study within its historical, social and political context.

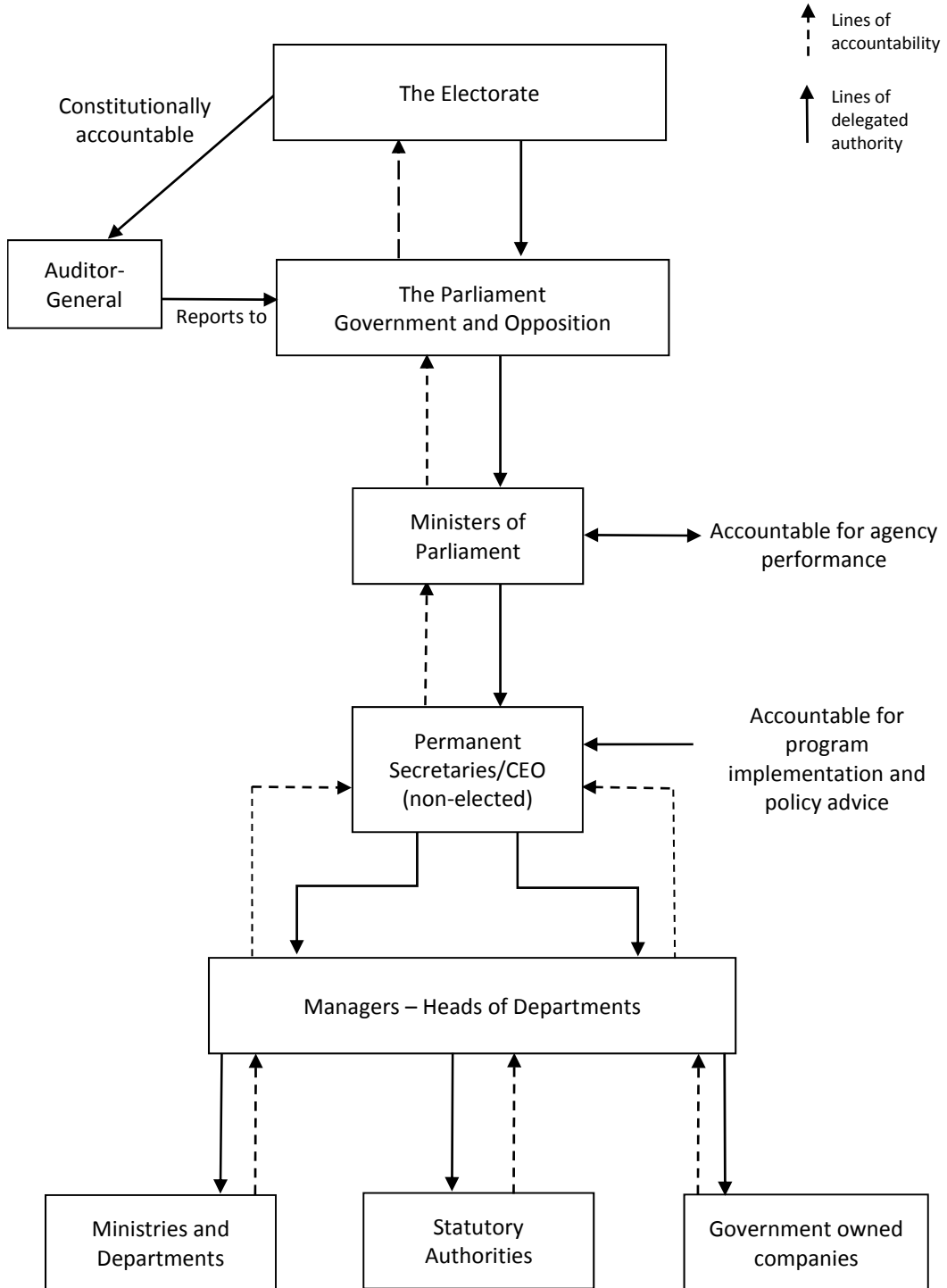
Fiji gained political independence from Britain in 1970. Ratu Sir Mara an indigenous Fijian chief was elected the first Prime Minister. Ratu Sir George Cakabau an indigenous Fijian chief was nominated the Governor General. After the 1987 military coup led by Rabuka the 1970 Constitution was abrogated, the Governor-General's position abolished and Rabuka with the support of the Great Council of Chiefs, an apex body of the indigenous Fijian political system nominated Ratu Sir Penaia Ganilau, an indigenous Fijian and chief as the President. Fiji was expelled from the Commonwealth in 1987 and regained its membership after the democratically held general elections in 1997. Fiji was again expelled from the Commonwealth after the Bainimarama led military coup in 2006.

The Fijian public sector controls a very large and significant portion of Fiji's financial and human resources. It employs about 40% of the total workforce and public sector spending amounts to about 25-35% on average of the gross

domestic product (Fiji Economic Statistics Quarterly, December 2007). Despite the coups of 1987, 2000, and until the December 2006 coup by Bainimarama, governance in Fiji was still based on the Westminster system. This study covers the period up to the year 2000. The Fijian Auditor-General reports on responsible government spending by undertaking financial statement attest and compliance to budget audits to provide assurances to the Parliament and the public on the use of budgetary appropriations. According to the 1970 Fiji Audit Act, the Auditor-General has to examine, inquire into and audit the public sector accounts, and prepare and present financial audit reports to the Fijian Parliament annually. In a traditional sense, the processes of examination and inquiry into the public sector accounts provide the Audit Office or the Auditor-General with an opportunity to evaluate the disbursement of budgetary appropriations, form an opinion on his/her findings and compile a report on his/ her opinion ( Dittenhofer,2001; Funnell and Cooper 1998; Parker, 1990).

A hierarchical accountability structure is embedded in a Westminster system such as that which exists in Fiji. This is illustrated in Figure 1.1.

**Fiji Public Sector (Westminster System)**



**Figure 1-1: The chain of political accountability. Adapted from Funnell and Cooper (1998, p. 29).**

In the chain of accountabilities the public elects the members of Parliament and these members are ultimately accountable to the electorate. The Ministers (who are in the government) are accountable for the conduct and the performance of their ministries in implementing the government policies, and are accountable to the Prime Minister. As such, the Ministers are held accountable for the way in which the budgetary appropriations approved by Parliament are used to achieve the desired government policies (Funnell & Cooper, 1998). The Permanent Secretaries for each of the government ministries and the heads of departments of each of the departments are accountable to their respective ministers for use and disbursement of public funds.

The Fijian Auditor-General holds an independent Office (Fijian Constitution 1970, 1990, 1997) and therefore is not a part of this chain of political accountability. Sections 167 and 168 of the Constitution 'empower the Auditor-General to hold the Government and the Ministers to account for compliance to budgetary appropriations'. In accordance with the 1970 Audit Act, the Fijian Audit Office has been undertaking regular annual public sector financial statement audits of government ministries, departments, statutory bodies and local government authorities since 1970. The financial statement audit reports provide an independent and professional assurance to the Parliament and the public that the budgetary appropriations provided to the public sector are used in accordance with the established rules and regulations such as the 1970 Fijian Audit Act, the 1990 Fijian Public Finance and Management Act and the 1996 Public Enterprise Act. These Statutes empower the Fijian Auditor-General to undertake compliance to budgetary appropriations, annual financial statements audits and not performance audit.

In 1996, the Fiji Audit Office carried out performance audits in two major public sector entities and tabled these in Parliament. Unlike the financial statement audits, these audits focused on how economically, effectively and efficiently the public sector resources were managed by the managers (Guthrie & Parker, 1999). The performance audits were undertaken when the Fijian Audit Office was undergoing the institutional strengthening project funded by Asian Development Bank [ADB] during the 1995-1997 period (Staton & Partners, 1997). The ADB hired the Australian consulting firm, Staton and Partners to implement the project (Staton & Partners, 1997). One of the requirements of this project was that the Fiji Audit Office staff be able to undertake economy, efficiency and effectiveness audits.

The ADB hired Australian consultants provided the Audit Office staff with practical skills and knowledge to undertake such audits. Although the ADB and the Australian consultants influenced the implementation of performance audit in at least two public sector entities in 1996, they were not able to influence the Rabuka (indigenous Fijian) government to provide the Fijian Auditor-General (Datt - Indo-Fijian) with a mandate for such audits. After overthrowing the democratically elected government (Labour-Party - Indo-Fijian dominated but led by Bavadra, an indigenous Fijian) in 1987, Rabuka handed over the governance to interim caretaker Prime Minister Ratu Sir Mara (Indigenous Fijian and Tribal Chief). While still serving in the Fiji Military Rabuka formed the political party, Soqosoqo ni Vakavulewa ni Taukei (SVT) and participated in the 1992 general elections under the 1990 undemocratic Constitution. The SVT party led by him won the 1992 general elections and remained in Office until May 1999.

In 1997, the practice of performance auditing was discontinued by the Fiji Audit Office. Only two publicly published performance auditing reports were available up to 1999. There is no documentary evidence as to why the performance-auditing programs were withdrawn. The period 1995-1997 was therefore a unique period in Fiji's accountability history and is well worth investigating. A study on the processes of establishing and then later discontinuing the practice of performance auditing is a contribution to knowledge on what, why and who motivated these changes.

### **1.3 Prior Research**

The discussion here establishes a gap in literature on emergence, implementation and an acceptance of the practice of performance auditing by countries following a Westminster system of auditing to which this research project will contribute.

The emergence and implementation of economy, effectiveness and efficiency audits in Westminster countries such as the United Kingdom (Flesher & Zarzeski, 2002; McCrae & Vada, 1997), Australia (Flesher & Zarzeski, 2002; Funnell, 1994; Guthrie & Parker, 1999; Pugh, 1987), Canada (Radcliffe, 1998; Yamamoto & Watanabe, 1989), New Zealand (Yamamoto & Watanabe, 1989; Jacobs 1998) and the United States (Flesher & Zarzeski, 2002; Gendron, Cooper, & Townley, 2001; McCrae & Vada, 1997; Yamamoto & Watanabe, 1989) have been documented in the accounting literature. Some researchers have used interpretative perspectives grounded in the works of social theorists such as Porter (1981), Kingdon (1984), and Miller and Rose (1991, 1992) to explain the emergence of performance audit.

A few have analysed historical events and the notion of New Public Management<sup>1</sup> to provide an understanding of how such practices evolved (Flesher & Zarzeski, 2002; Guthrie, 1990; Yamamoto & Watanabe, 1989). Some studies revealed that the Auditors-General used their power, influenced the development of and were instrumental in successfully seeking a mandate for such audits during the late 1990s (Guthrie & Parker, 1999; Jacobs, 1998; Radcliffe, 1998; Scanlan, 1998; Hamburger, 1989). Some have argued that the practice emerged to hold the public sector managers accountable for the use and management of resources (Flesher & Zarzeski, 2002; Yamamoto & Watanabe, 1989; Pugh 1987).

Table 1.1 provides a summary of seven prior studies identified from the extant literature review undertaken for this project. These studies set the precedent for this research project and have contributed towards the researcher's understanding of the emergence of performance auditing (Guthrie & Parker, 1999; Jacobs, 1998; Radcliffe, 1998; Scanlan, 1998, Hamburger, 1989). These prior studies are relevant because they provide an understanding of historical developments in public sector audit practices in the Commonwealth countries which have a similar aim to the research undertaken in this project for Fiji. According to Guthrie and Parker (1999), and Jacobs (1998), the Auditors-Generals in both Australia and New Zealand were most influential in introducing the practice of performance audits. In the Commonwealth countries such as Australia, Canada, the United Kingdom and New Zealand the respective Audit Acts were changed to mandate such audits retrospectively and the practice was

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<sup>1</sup> New Public Management (NPM) has been moulded in the image of the private sector (Pallot, 2003). The emphasis in the use of public sector resources changed from a concern with legalistic conceptions of stewardship to the need to ensure that services were provided in the most efficient and effective manner. At the heart of these reforms has been a move away from an obsessive concern with accountability for inputs to outputs and outcomes. As such managers are encouraged to become results oriented (Funnell & Cooper, 1998, p. 8).

accepted by both the auditees and the government (Guthrie & Parker, 1999; Jacobs, 1998; Radcliffe, 1998; Scanlan, 1998; Parker, 1990) which did not appear to be the case in the Fijian situation. This research project will contribute by filling this gap. These selected studies have contributed to the literature on emergence and introduction of public performance audits by revealing that the practice developed within a socio-political and historical context (Guthrie & Parker, 1999; Jacobs, 1998; Radcliffe, 1998; Scanlan, 1998; Parker, 1990; Hamburger, 1990).

**Table 1-1: Prior Research**

Aims/Objectives	Methodology and Methods	Findings/Outcomes	References
<p>To examine the history of performance auditing in the Australian federal public sector by analysing four crucial events in the period 1973-1998 and struggles over the passage of the 1997 Audit Act.</p>	<p>Porter's (1981) framework for historical narrative. Historical explanation is concerned with explaining the dual nature of explanatory narrative, providing both story and explanation. Events therefore should not be simply understood as objects but rather as forms of temporal processes that explain conditions from which they arose.</p> <p>Methods: Longitudinal study of documentary evidence, Inquiry Reports, Audit Reports, Public Accounts Committee Reports, Audit Acts, and Financial Management and Accountability Act.</p>	<p>The 'construction' of performance audits is both reflected by and influenced by the complexities of powers of the individuals and institutions involved with the practice.</p> <p>Most powerful individuals: Auditors-General, decided scope and the implementation.</p> <p>Powerful institutions: Audit Office - nature and developments of audits.</p> <p>Executive: Control implementation through funding;</p> <p>Parliament's interest fluctuated.</p> <p>Performance auditing is a social construct rather than a definitive performance review technology.</p>	<p>Guthrie, J., &amp; Parker, L. E. (1999). A quarter of a century of performance auditing in the Australian federal public sector: A malleable masque. <i>Abacus</i>, 35(3), 302-332.</p>
<p>To explain how the New Zealand Audit Office functioned as an epistemic community in the development and redevelopment of performance auditing by: (i) describing how such audit was used as a solution to address growing government expenditure, as a way to restore public confidence and to address demands for public accountability during 1975-1991; and (ii) to investigate how public sector reforms during 1984-1994 redefined the role of such audits.</p>	<p>Kingdon (1984, model p. 345). In this model the expert groups or epistemic communities compete to define the problem and to advocate their particular solutions.</p> <p>Methods: Reports from Auditor-General, published newspaper interviews and obituaries, six interviews over the 1994-1997 period.</p>	<p>The study concluded that the Auditor-General was instrumental in promoting such audits as a solution to hold the public sector to account. Due to the public sector reforms such audit technologies were redefined to promote accountability by providing consultancy services and independent advisory support to parliamentary standing committees.</p>	<p>Jacobs, K (1998). Value for money auditing in New Zealand: Competing for control in the public sector. <i>British Accounting Review</i>, 30(4), 343-360.</p>
<p>To examine the processes of auditing change by studying the development of efficiency auditing in Alberta (a province in Canada).</p> <p>To analyse the political promotion of efficiency auditing in Alberta.</p>	<p>Miller and Rose's (1990, 1991) theoretical framework of governmentality.</p> <p>Methods: historical event analysis during 1960-1970. Political documents and manifestos, audit reports, legislation, and newspaper articles.</p>	<p>Auditing expanded into efficiency auditing in Alberta. It was a political decision influenced by the Auditor-General and the notions of public sector reforms. The interpretation of efficiency auditing by the politicians and the Auditor-General led to implementation and acceptance.</p>	<p>Radcliffe, V.S.(1998). Efficiency audit: An assembly of rationalities and programmes. <i>Accounting, Organisations and Society</i>, 23(940), 377-410.</p>

Aims/Objectives	Methodology and Methods	Findings/Outcomes	References
<p>To analyse the evolution of the role of the Auditor-General and the Queensland Audit Office.</p>	<p>Accountability Framework</p> <p>Methods: descriptions and analysis of major events using audit reports, legislation and Committee reports from 1971-1991.</p>	<p>The Parliament relies on the Auditor-General's report for public sector accountability.</p> <p>The Auditor-General's mandate was expanded to incorporate performance audits.</p> <p>The Auditor-General has to audit for efficiency and provide the Reports to Parliament.</p>	<p>Scanlan, L. (1998). The role of the Auditor-General in the accountability framework and recent developments in Queensland. <i>Accountability and Performance</i>, 4(1), 53-73.</p>
<p>Present a case study of two approaches to the developments of performance review practices in Australia.</p> <p>Highlight the contested nature of performance auditing by examining the institutional, organisational and technical arrangements.</p> <p>Explore theoretical issues associated with distinction between traditional and performance audit.</p>	<p>A description of historical events.</p> <p>Sources of evidence: Audit reports and legislation.</p>	<p>Performance auditing started with public sector reforms where entities had to identify their outputs in quantifiable terms.</p> <p>In 1984 the House of Representatives Committee on Expenditure imitated an efficiency review which expanded into performance auditing.</p> <p>Certain government agencies took exception to performance audits. There was conflict on who should undertake such audits as the Auditor-General did not have a mandate.</p> <p>The issue of what constitutes performance auditing was not made clear. Lack of definitions of efficiency and effectiveness. The focus of such audits was on administrative efficiency rather than political accountability.</p>	<p>Guthrie, L. D. (1990). The contested nature of performance auditing in Australia. In J. Guthrie, L. D. Parker, &amp; D. Shand (Eds.), <i>The public sector contemporary readings in accounting and auditing</i> (pp. 273-283). Australia: Harcourt Brace Jovanovich Publishers.</p>
<p>i) To trace the international developments of the practice of Value for Money Auditing.</p> <p>ii) Identify commonly accepted meaning.</p> <p>iii) Implication for Australia.</p>	<p>Method: Literature Review.</p>	<p>Such audits began in USA after World War II by the General Accounting Office. By 1970 it was an accepted established practice in the USA.</p> <p>Started in Canada in 1977 by the joint effort of the Auditor-General and the government. Became mandated.</p> <p>Started in UK in 1979 as a part of public sector reforms, laws mandated in 1983.</p> <p>Started in New Zealand between the years 1976-1982 in response to increased public sector expenditure. Mostly Auditor-General's effort.</p>	<p>Parker, L. (1990). Towards value for money audit policy. In J. Guthrie, L. D. Parker, &amp; D. Shand (Eds.), <i>The public sector contemporary readings in accounting and auditing</i> (pp. 292-306). Australia: Harcourt Brace Jovanovich Publishers.</p>

Aims/Objectives	Methodology and Methods	Findings/Outcomes	References
		<p>Started in Australia in 1974 amongst controversy and many debates as to what constituted such audit and the role of the Auditor-General.</p> <p>Commonly accepted interpretation: audit for economy, efficiency and effectiveness. The meaning is dependent on the context within which auditing takes place and the type of entity or project being audited, but each of these is defined.</p>	
<p>To reveal how the practice of performance auditing developed under three different Auditors-General in Australia in terms of: i) what is to be audited; ii) by whom; and iii) to what end?</p>	<p>Documentary analysis.</p> <p>Audit Reports, Public Account Committee Reports; Hansard Reports, Committee of Inquiry Reports.</p>	<p>During a period of 15 years, under three different Auditors-General, the focus on what constituted performance audits differed according to the Auditor-General's interpretation of 'what' was audited.</p> <p>There was a shift in the focus of performance audits from accountability to the administrative efficiency with which resources were managed.</p> <p>There was no agreement on what a performance audit should be, or who should be undertaking such audits.</p>	<p>Hamburger, P. (1990). In J. Guthrie, L. D. Parker, &amp; D. Shand (Eds.), <i>The public sector contemporary readings in accounting and auditing</i> (pp. 324-342). Australia: Harcourt Brace Jovanovich Publishers.</p>

## 1.4 Research Contribution

The prior studies explain the historical, socio-economic and political contexts within which performance auditing emerged and how various individuals and institutions influenced the processes in Western developed countries (Guthrie & Parker, 1999; Jacobs, 1998). In these Western democracies, such audits have been widely accepted, albeit with different interpretations of how these were used as a tool by Parliament to hold the public sector managers and Ministers to account (Jacobs, 1998).

This study contributes to the existing literature but with a difference: the focus of this study is on a small developing country which, despite facing four coups (2 military coups in 1987 led by Rabuka, civilian coup in 2000, led by Speight and another military coup in 2006 led by Bainimarama) appeared to maintain the Westminster system of auditing.

By employing a critical hermeneutical approach and being informed by Roberts' (1991, 1996, 2010) interpretation of accountability, in a developing country context, this study seeks to enhance an understanding of why performance auditing, a widely accepted practice in other Commonwealth and Western nations, was discontinued in Fiji. The study makes another contribution by revealing how powerful individuals and institutions such as the Auditors-General, the auditees, the Ministry of Finance and the government exerted pressure and used their powers to influence the implementation but then ultimately also the withdrawal of economy, efficiency and effectiveness audits.

Using Roberts' (1991, 1996, 2010) critical interpretation of how 'accounting' is substituted for 'accountability' in a hierarchical accountability

structure, the study exposes how accounting (auditing) is used by the Auditor-General as a source of power and influence to permit some forms of accountability but not others.

### **1.5 Motivation for this Research**

This research has been motivated by the researcher's personal and professional experiences with the Fiji Public Service. The researcher was born and raised in Fiji experiencing the socio-political economic environment after independence in 1970, during and after the 1987 military coups and the 2000 civil coup.

As a civil servant in Fiji and later an academic at the University of the South Pacific the researcher has had professional interactions with the Fiji Audit Office and became aware of performance auditing being implemented by the Fiji Audit Office in 1996, and its discontinuance in 1997. The reason for the discontinuation was not made public and there is virtually no research on why or how performance auditing was implemented and then withdrawn by the Fiji Audit Office, and why the Auditor-General was seeking legislative powers to implement performance auditing. This gave the researcher an impetus to investigate the processes of implementation and withdrawal of performance auditing in the Fiji Public Sector.

As a public servant the researcher remembers receiving the Fiji Public Service Commission's circular outlining the procedures to be followed while using public sector resources and public funds. The consequences of overspending the budget allocation to the government departments were also outlined in the circulars. Yet each year, the Fiji Auditor-General's financial Audit Report reported on mismanagement and overspending of funds by various public sector

entities. The media extensively covered the Auditor-General's reports, usually reporting on the overspending of the budgetary allocations by various public sector entities and the government departments.

The media publicity of the Audit Reports portrayed a lack of performance by the Fiji public sector. Concerns over reasons for implementation and then the withdrawal of performance auditing by the Fiji Audit Office were the major motivating factors for this research.

## **1.6 Aims and Objectives**

This study seeks to interpret how and why the practice of performance auditing was implemented in the Fijian public sector by the Audit Office in 1996 and then discontinued in 1997.

### **1.6.1 Objectives of this research**

The purpose of this research is to be met via achievement of the following research objectives:

- to evaluate the international and then the Fijian socio-political and economic history of performance auditing;
- to investigate the meaning of performance auditing concepts within the performance auditing literature of the Anglo-American countries;
- to evaluate the historical and regulatory practice of performance auditing within the Fijian socio-political and economic environment;
- to identify and provide support for using a critical interpretative methodological lens for interpreting the events around the initiation,

undertaking and ultimate withdrawal of performance audit in the Fijian public sector;

- to reveal and critically interpret the processes through which performance auditing was implemented, maintained and withdrawn in the Fijian public sector; and
- to form conclusions regarding the meaning and implication of the findings.

### **1.6.2 Key research questions**

To address the purpose of this research, the following key questions will guide the research process:

- Why did the Fiji Audit Office undertake performance audit programs?
- Who or what pushed for performance audits?
- Who resisted performance audits?
- What were the arguments from both sides?
- What socio-political context resulted in the discontinuation of the practice?
- How was accountability interpreted during the processes of emergence, implementation and withdrawal?

The answers to these questions will provide an understanding of the processes and the practice by which performance auditing was undertaken and then withdrawn from the Fijian public sector during 1995-1997. It will also help

in evaluating a context in which performance audit is unacceptable, despite being a generally accepted phenomenon in the public (audit) sector.

### **1.7 Methodology**

Hermeneutics is the study of textual interpretation, of the manner in which we derive meaning from the unfamiliar, the alien (Boland, 1991, p. 439). Critical hermeneutics seeks to unveil hidden meanings that serve the interests of the socially and politically powerful (Habermas, 1971; Ricoeur, 1980; Thompson, 1981).

The critical hermeneutics methodology is utilised to interpret and analyse the research findings. Such a methodological approach allows the researcher to have opportunities to interpret and critically reflect upon the linkages between the ‘text’ and the ‘context’ of the research (Herda, 1999; Prasad & Mir, 2002; Prasad, 1999; Ricoeur, 1980). To analyse the linkages between the text and the context, the researcher looks for a symbolic or metaphorical use of language (Herda, 1999; Prasad & Mir, 2002), thus seeking reality through interpretation of the text within the context in which it occurred. Reality, therefore, is subjective and socially constructed and the researcher accepts such an assertion.

Therefore, through text and contextual interpretation an understanding of how and why performance auditing was accepted and even desired by the Auditor-General and his staff, but not ultimately in practice, is achieved. The critical reflection of the linkages between the text and the context also seeks to uncover the asymmetrical power relations that exist amongst the various individuals and institutions associated with economy, efficiency and effectiveness audits.

Roberts' interpretation of accountability (1991, 2001a, 2001b, 2010) is also used to inform the research findings.

### **1.7.1 Method**

Text<sup>2</sup> or empirical information were collected from both primary and secondary sources which included public documents such as, Parliamentary Papers reports, Audit Reports, Public Accounts Committee Reports, media reports, relevant legislation, proposals for changes to legislation, and twenty interviews. All these sources provided the text and the contextual information on the processes of emergence, implementation and withdrawal of performance auditing from the Fijian public sector during the 1995-1997 period.

Data were analysed using a thematic approach as suggested by Strauss and Corbin (1998) and Miles and Huberman (1994). The themes were interpreted for meanings by situating them within the context in which they occurred. In short, techniques that were cognisant to a critical hermeneutic study were used to collect and analyse empirical data.

## **1.8 Structure of the Thesis**

This thesis consists of eleven inter-related chapters. Chapters four and five provide discussions on the historical events in Fiji which have significant impact on the political developments and on public sector audit developments respectively. The discussions in these chapters have been used to provide an understanding of the Fijian socio-political history in the results chapters.

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<sup>2</sup> Text as used in the hermeneutics exposition – archival records and documents, legislation, reports (national and international), interviews, newspapers.

The analysis of audit developments provided in chapter five has been used to develop the interview questions which form the evidence used in the results chapters. Therefore these are presented prior to the critical hermeneutics methodology and the methods chapters. The hermeneutical interpretations have been employed in the results chapters, namely eight, nine and ten. The following is a summary of the coverage in each chapter.

### **1.8.1 Chapter One: Overview of the thesis**

Chapter one introduces the study by providing the nature and background of the research. It elaborates upon the research objectives, and the importance of the study. The contribution of the thesis to performance auditing literature and a critical understanding of accountability in the context of a developing country public sector audit is also presented.

### **1.8.2 Chapter Two: Accountability and Roberts' interpretation**

Explanation and evaluation of Roberts' interpretation of accountability to inform the interpretations arrived at by using critical hermeneutics methodology is presented in this chapter.

### **1.8.3 Chapter Three: Literature on public sector performance auditing**

A review of the literature on the emergence, purpose and meaning of performance auditing in five Anglo-American countries is presented in this chapter. For the purposes of this research, the commonly accepted interpretation of performance audits as audits for economy, efficiency and effectiveness as advocated in the literature, is accepted. The evaluation of the literature presented in this chapter sets the rationale for an understanding of the socio-economic and political contexts within which such audits emerged globally.

#### **1.8.4 Chapter Four: The Fijian socio-political and historical milieu**

The discussion in this chapter provides insights into the wider socio-political history to expose the context within which the Fijian-Auditor-General (Bhim [1970-1984], Narain [1984-1987], Datt [1987-1997], Jacobs [1997-2000]) discharged their accountability roles.

#### **1.8.5 Chapter Five: Public sector auditing in Fiji - tracing its development**

The narrative in this chapter traces the audit developments over a 120-year span to interpret the research empirics. The rationale for including such an extensive period is to reveal how the roles of the Fijian Auditor-General expanded during the 1874-2000 period in terms of the following four themes: (i) Independence/authority of the auditor-general, (ii) scope of audit, (iii) reporting requirements thus establishing the 'problem' addressed in this research.

#### **1.8.6 Chapter Six: Methodology - critical hermeneutics**

The objective of this chapter is to present the methodological perspective and provide arguments as to why and how Critical hermeneutics serves the purpose of this research. The chapter claims that reality is not objective but is subjectively construed by discourse (Herda, 1999; Prasad & Mir, 2002, Riceour 1980).

#### **1.8.7 Chapter Seven: Methods**

The methods of collecting and analysing text information which were employed to accomplish an empirical understanding of the process of emergence, implementation and discontinuation of performance auditing in the Fijian public sector during 1970-1997 are detailed in this chapter.

### **1.8.8 Chapter Eight: Results and Analysis – Emergence of performance auditing: (1970-1995)**

The analysis and interpretation of how and why the Auditors-General Bhim, Narain and Datt, influenced the emergence of public sector performance audits in Fiji during the 1970-1995 period is the primary focus of this chapter.

### **1.8.9 Chapter Nine: Results and analysis - Implementation of performance auditing (1995-1997)**

The text and contextual evaluations presented in this chapter provide an understanding of how Auditor-General Datt was influenced by exogenous factors to implement economy, efficiency and effectiveness audits in 1996.

### **1.8.10 Chapter Ten: Results and analysis - Discontinuation of performance auditing (1997\_2000)**

The discussions in this chapter reveal the processes in which attempts were made by individuals and institutions, which ultimately failed to grant the Auditor-General the mandate for performance audits.

### **1.8.11 Chapter Eleven: Discussion/Conclusion**

The discussion in this chapter presents the implications of using the critical hermeneutic methodology to reveal how various individuals and institutions tend to convey messages of accountability with respect to public sector performance auditing. The contributions and the limitations of study are also highlighted. This is followed by suggestions for future research.

The purpose of this study is to provide an informed understanding of how and why the practice of performance auditing emerged, was implemented in 1996 and was discontinued in 1997 in the Fijian public sector. To lay down the theoretical foundation for informing such an understanding the next chapter

provides a discussion on Roberts' (1991, 1996, 2001b and 2010) interpretation of accountability.

## **Chapter 2 Accountability: Roberts' Interpretation**

### **2.1 Introduction**

This chapter introduces the theoretical insights which will inform the findings. The focus is on interpretations proposed by Roberts (1991, 1996, 2001, 2003, and 2010), with a central argument that accountability is associated with moral issues to which accounting contributes but does not constitute.

Roberts' interpretation is used because he proposes that it is a person's moral responsibilities to others that should ground accountability and shape a person as a subject. An individual should consider the consequence of his/her actions on others because actions do not happen in isolation, thus creating an awareness of dependence (Roberts 2001b, 2003, 1991). This is interpreted as a reciprocal obligation. That is, how does my action affect me (self-interest) and how does it affect others? How do I gain from my own conduct (account)? How does the other benefit or not benefit? The consideration for 'others' extends the focus beyond the self to others, causing an individual to take responsibility for the way his/her actions affect the other (Roberts 2003, 1991).

He further argues that the relationship between self and accountability involves both 'an exterior one that involves an encounter with others' expectations and demands and an interior one that involves our self consciousness, our inward sense of moral obligation (the sense of self)' (Roberts 1996, p. 44). The self, (our inward sense) 'is discovered only in the process of being called to account by others and in the process has the effect of sharpening

and clarifying our sense of self, convincing us that our actions make a difference' (Roberts, 1996, p. 44). Such realisation leads to self-reflection on actions taken. Participants become the subjects of their actions. In this way, being held to account by others can be seen to constitute the self (Roberts, 1996) because the participants see themselves in the way they made themselves visible to others. As such, accountability goes beyond the normative values of economic rationalisation and stewardship to incorporate our moral values.

The notion of accountability with moral responsibilities will be used to critically evaluate accountability practices in the Fijian public (audit) sector. Roberts's interpretation illuminates how the notion of accountability without a moral sense of responsibility and consequence weakens real accountability. The discussions in this thesis will provide an understanding of how the Auditor-Generals, the auditees, the Minister of Finance, the members of the Public Accounts Committee used accounting information to portray different ways of being held to account by the Auditor-General without having to bear any consequences for their actions. The chapter is organised as follows. The next section provides an explanation of the generally accepted meaning of accountability and is followed by an explanation of Roberts' interpretation. A conclusion is drawn to explicate the rationale for using Roberts' interpretation.

## **2.2 Generally Accepted Meaning of Accountability**

Accountability is commonly referred to as a 'process of being called to account to some authority for one's action' (Jones, 1992, p.73; also see Mulgan, 2000; Parker & Gould, 1999; Munro, 1996; Sinclair, 1995; Roberts & Scapens, 1985; Jensen & Meckling, 1976). According to Mulgan (2000), this definition encompasses the

following four processes. First, the process is external in that the account is given to another person, outside the person being held accountable. This implies there is an external scrutiny of the account by a superior to hold a subordinate to account. The subordinate is obligated to demonstrate the reasonableness of his/her action to those to whom he/she is accountable (Shearer, 2002), but is not driven by his/her inner consciousness or inner moral values.

Secondly, the process involves a social interaction and exchange between two parties. In this relationship one party calls to account and is the accountee or account receiver (the person to whom accountability is due). The other party responds and provides the account, and is the accountor or the account provider (the person held to account). In this account giving and receiving process a form of principal-agent relationship is formed, in that those acting on behalf of another group or person, report back to the group or person, or are responsible to them in some way (Hughes, 2003).

Thirdly, in an accountability relationship the accountee has the authority to receive information and the accountor has the duty to supply the required information. The accountor is obligated to explain and justify his/her conduct to the accountee, who has the right to demand explanations, pose questions, pass judgments and impose sanctions on the accountor. The accountee's role in passing judgement can be related to making decisions and controlling the activities of the accountor, indicating superiority (Parker & Gould, 1999; Mulgan, 1997).

The final element in the process involves the account provider (accountor) being answerable to the account receiver (accountee) and being responsible for

the content of the report (Parker & Gould, 1999). The report provides information on what was done, how the demands of the accountee were met, which activities were undertaken and how, allowing for evaluation of the accountant's performance. Such reports are usually formal and are conventionally seen as coded representation often in terms of numbers/financial statements (Munro, 1996).

In being responsible for the content of the report, the accountant is duty bound to provide answers to questions of why or why not particular actions were undertaken and reported (Lehmann, 1999). In being answerable, the accountant, the Fijian public sector managers in this case, face the consequences arising out of his/her responsibility for the content of the report. The consequence is determined by the accountee, who has the right to hold the accountant to account and impose sanctions (Mulgan, 2000).

This generally accepted interpretation of accountability is normative and tends to be non-critical. The focus is on a formal relationship between the accountant and the accountee thus embracing external scrutiny only. The accountant is held to account by the accountee only on the report (account) provided by the accountant. This can be interpreted as an encouragement to the accountant to provide limited reporting, that is report on only what is required. The accountee therefore will only consider the evidence in the report to decide on the consequences or sanctions to impose on the accountant (Roberts, 1996, 1991). In this context the accountant may not self-reflect on his/her action and consider the consequences of his/her action on others instead the accountant focuses on making him/herself look good by illustrating that he/she was meeting the accountee's

expectation (Roberts 1996, 1991, 2003). This exposes how individuals or groups give an account of and for their daily lives, and in doing so produce and reproduce their individual and collective identities (Munro, 1996). However, such normative understandings of accountability fail to consider the moral or ethical obligations associated with individual actions and account. An accountee-accountor relationship is likely to be shaped by the content of the report, which does not necessarily contain the consequences of the accountor's actions on others. In such situations the reports, such as those produced by the Fijian public sector managers or officials, will portray the successes and the accountor's performance will be either sanctioned or rewarded based on the success stories portrayed by accounting numbers which according to Roberts (2001a) encourage narcissism.

### **2.3 Roberts' Interpretation of Accountability**

Roberts' (1991, 1996, 2001a, 2001b, 2003, 2005, 2009) expositions draw a contrast between a formal hierarchical system of accountability [individualising] and an informal dialectic, socialising form. The former is perceived to be normative, based on calculative accounting where the accountee judges the accountor's conduct by an external scrutiny of the accounts presented (Collier, 2005). The latter is based on a conversational sense-making narrative [dialectic] (Collier, 2005). Roberts' socialising form of accountability provides a critical lens on the traditional normative view. An interpretation of the two forms is presented as they will be applied to the Fijian situation.

### 2.3.1 Individualising form

An individualising form of accountability is associated with a formal hierarchical organisational structure where accounting plays a central role. The organisational structure portrays hierarchical power, and individuals are viewed as either subordinates or superiors. The superiors try to hold on to power, or, like their subordinates, aspire to achieve power by climbing the corporate ladder. Accounting reports play a pivotal role in a hierarchical system by providing ‘a visibility through which others view, judge and compare individual and group performance’ (Roberts, 1991, p. 363; also see Caker, 2007). In this context accounting serves to produce and reproduce an individualised sense of self because individual success is measured by accounting numbers and these represent the individual.

When organisational activity is represented by accounting, people view themselves as objects of accounting (Roberts, 1996). According to Caker such perceptions,

force individuals to continuously report performance through accounting reports hence people must handle this system to avoid negative evaluation or use this opportunity to promote their self interest (Caker, 2007, p. 146).

That is, self-serving individuals will learn to discern which information to disclose and which to conceal, as only information which indicates good conduct or success will be desired by those using accountability for individualized motives. These processes often push individuals to place more focus on themselves (Roberts, 2001a) at the expense of cooperation with others, thus occluding a moral sense of responsibility.

The individualising effects of accountability remind the individual that the security of self is dependent on the standards set for performance (Roberts, 2001b, 2003). The self-serving individual therefore can act in a purposive and instrumental manner, competing with others in securing the self-interest via terms of the objective standards of expected performance. The preoccupation of how one is judged in comparison to others leads to a neglect of one's responsibility to others in the pursuit of self-interest (Roberts, 2001b). The self-serving individual remains involved with the production and reproduction of a sense of self as singular, solitary and self-serving within only an external and instrumental relationship to others (Roberts, 1991, 2001a).

Such individualistic behaviour is embedded in the accountability processes based on economic rationalisation in which a principal-agent relationship exists (Roberts, 2001b, 2003). The agent (accountor) is held to account by the principal (accountee) via account giving using accounting information. Accounting information is perceived to make transparent the conduct of the accountor, yet it is but a smokescreen for 'real' accountability.

### **2.3.2 Socialising form**

A socialising form of accountability informs one of the consequences for others of one's actions, thereby dragging one out of one's self-absorption (Roberts, 2010). This process gives rise to a sense of interdependence between self and others (Roberts, 2001), and hence suggests that accountability is associated with one's moral responsibility to others. An interpretation of the socialising form of accountability is important because it provides an insight into why accountability without moral responsibility is inconsequential (unintelligent accountability).

According to Roberts (1991, 2001) a socialising form of accountability is based on reporting done by dialogue, explanations or stories in instances where there is equality of power:

socialising forms of accountability, associated with face to face accountability between people of relatively equal power, constitute a sense of the interdependence of self and other, both instrumental and moral. (Roberts, 2001b, p. 1547).

Communication through dialogue with a relative absence of a formal power differential allows for open discussion, where one party questions, seeks answers and clarifications, and the other party provides answers and justifications without the fear of appraisal. In this context there is potential for individuals (auditors and auditees) to engage fully as a person with another and with the self, thereby offering a fuller sense of personal recognition and identity. The openness of communication and interaction 'draws people into a deeper sense of their relatedness to each other' (Roberts, 2001b, p. 1554). The recognition of interdependence of self and others generates an understanding of reciprocity beyond the instrumental/individual interest and develops a sense of personal obligation and concern for others. The concern for others is what makes an individual feel responsible for the consequences of his/her actions.

Individualising and socialising forms of accountability are interdependent and are likely to prevail simultaneously within an organisation (Caker, 2007; Roberts, 2001a). For example, public sector audits can both appear to be and be a form of accountability in that the financial statement audits have the potential of mirroring individual forms of accountability. Whereas the discourse that takes place between the auditor and the auditee when the former seeks clarifications from the latter on concerns regarding compliance or record keeping opens the

potential for a socializing form of accountability. Both forms therefore can be sources of an identity that people develop at work and may contribute positively to organisational performance. There is, however, a potential risk that one form will dominate the other (Roberts, 2001a). In a hierarchical organisation, the individualising form would dominate because performance is managed by accounting (Caker, 2007; Collier, 2005). Self-serving individuals therefore would use accounting information to make visible their success, thus catching the eye of the powerful individuals. This self-serving behaviour would lead to an asymmetrical distribution of power.

Roberts (2001a) suggests that in order to avoid the potential tension that may arise from the two forms of accountability, the organisation should develop rules to support the socialising form. The rules should ensure the independence of the actors who take moral responsibility for the consequences of their actions for others (Roberts, 2001). This implies that the accountee (such as the public, the Parliament) should not penalise the accountant (such as the public sector manager, official), who uses his/her moral values to decide what to disclose in a report. It can be that the disclosure portrays a negative image of the organisation. It is argued that rules supporting real accountabilities would avoid differences in power distribution thus encouraging fair and frank communication.

## **2.4 Accounting and Accountability**

According to Roberts (1991, 1996, 2001a) accounting plays a central role in an accountability relationship because the accountees, who hold the accountors to account, perceive it as authoritative and providing a mirror image of the organisation's activities. The implication is that accounting makes visible the

activities of the organisation. The contents of the reports are therefore viewed as projecting transparency of business operations and achievement of performance standards (Roberts, 2001b). The audit adds reliability to that which is being made transparent.

Transparency literally means the ability of light to pass through something so that objects behind it can be seen (Roberts, 2010). It creates a perception that one can judge the conduct of an organisation by scrutinising the accounting report. Metaphorically, then, accounting is seen as laying bare and making visible the organisation's activities (Roberts, 2010).

Accounting is a vital resource in an accountability relationship (Roberts, 1991, 2001a) as it forms the content of the report. The accountee uses this content to hold the accountant to account. However, in a hierarchical accountability system, there is potential for the accountant to know which information is needed to be held to account. The accountant, therefore, will disclose only selected information, which makes the accountant look good in the eyes of the accountee (the powerful individuals). In this context, however, accounting information that is disclosed to the accountant offers a transparency which is not sincere. The accountant can conceal negative or sub-standard performance, through for example, not being subjected to performance audit; thus distorting real accountability.

Roberts (1991, 1996, 2009, 2010) also emphasises that producing accounts that are not used for consequences is an empty gesture. In an accountability relationship, when holding the accountant to account, the accountee seeks explanations, clarification and justifications for the reporting and the content of

the report. These processes are undertaken by the accountee in order to evaluate the performance of the accountant against the set standards and to determine the consequences to be imposed. Consequences, such as published audit opinions are important as they are intended to change the conduct of the accountee.

The failure of the accountee to impose consequences can create a potential for the accountant to produce reports for appearances only (Roberts, 2009). The lack of action on the accountee's part signals to the management (accountant) that as long as financial reports are prepared that meet the required reporting standards, then his/her obligation to report is complete. Consequences are recognised in the normative literature but here the critical implications of its absence are made known.

Further, management also know which accounting information is used to measure (audit) financial performance, so there is potential for management to ensure that the reports contain this information. As such, reporting by management is then undertaken to positively portray how they managed the resources.

When individuals are held to account using 'standards that accounting embodies and advertises' (Roberts, 2001, p. 117), then the surveillance that accounting makes possible singles individuals out and leaves individuals permanently, and at times anxiously, preoccupied with how they are seen, only securing themselves by meeting the expectations of authoritative others (Roberts, 2001). Individuals therefore secure legitimacy by meeting authoritative expectations of others.

The implication is that the individual will feel threatened with exclusion if he/she does not perform as required. The individual will be tempted to keep information to his/her self, competing with others while hoping that others' performances are worse than his or hers. The individual's desire to be seen as a success reflects a narcissistic vulnerability towards the existence-conforming look of others (Roberts, 2001). Self-obsession with personal success reflected by accounting performance standards drives a person to disregard the consequences of his/her actions for others. In this context the individual's moral sensibilities are blunted and the individual does not feel responsible for others but seeks to self maximise utility from accounting.

## 2.5 Summary

Roberts' (1991, 1996, 2001, 2009) interpretation of accountability, grounded in moral responsibility contributes to an understanding of how accounting and reporting without responsibility, and consequence such as audit and audit reporting can be used as a smokescreen to divert attention from the real needs of accountability. His exposition on accounting used as transparency without consequences exposes the narcissism associated with promoting self-interest. Roberts' exposition on accountability will be used to inform actions relating to the Fijian public sector performance audit (1970-1999).

The next chapter analyses the emergence of public sector performance auditing in five Anglo-American countries and indicates the location of this thesis in that literature.

## **Chapter 3 Literature on Public Sector Performance Auditing**

### **3.1 Introduction**

Performance auditing has been described as an independent evaluation of the economy and efficiency of auditee operations, and the effectiveness of programs in the public sector (Norton & Smith, 2008; English, 2007; English, Guthrie, Broadbent, & Laughlin, 2010; Guthrie & Parker, 1999; O'Leary, 1996; Leeuw, 1996; Thompson, 1996; Parker, 1990; English, 1990; McRoberts & Hudson, 1985). The primary objective of this chapter is to review the extant Anglo-American literature on public sector performance auditing to identify the socio-political and economic characteristics which appear to have influenced the emergence of performance auditing in five Anglo-American countries. Such an analysis provides an understanding of why performance auditing developed in the way it did. The chapter also seeks to develop an understanding of the role and practice of performance auditing in the public sector context. The perceived objectives of performance auditing emerge as promoting accountability in the Anglo-American literature studied; these are therefore identified and their associated meanings evaluated, in the context of performance auditing.

The literature review on performance auditing was limited to the United States (U.S.), the United Kingdom (U.K.), Canada, Australia, and New Zealand. The choice was limited to these countries because, with the exception of the U.S., the other four are based on the Westminster system of governance and have an Auditor-General (AG) who audits government expenditure and revenue. This

aspect allows for reasonable comparability. In the U.S., the General Auditing Office (GAO) and the Comptroller-General (CG) audit the government expenditure and revenues. According to Parker (1990), the U.S. is considered to have the most developed practice of performance auditing in the public sector context, and therefore the U.S. has been added.

This chapter is structured in the following way: first the importance of the public sector is explained so that the role of the audit office and the auditor-general is contextualised. Second, an analysis of the current literature on emergence of public sector performance auditing in Anglo-American countries and third, an interpretation of the objectives of performance auditing as implicated in the existing literature is provided.

### **3.2 Public Sector and Public Sector Audit**

Shim and Seigal (1995) and Broadbent and Guthrie (1992) suggest that the public sector is usually considered to be that part of the economy which is traditionally managed and controlled by the government on behalf of the citizenry. The government therefore makes decisions on the use of, and is responsible for, the consumption of public sector resources (Jones & Pendlebury, 1992).

The government, while managing and controlling public sector resources, is seen by the public as using the resources for the benefit of the public and creating value for the resources ( Barton, 2009; Broadbent & Guthrie, 1992; English, 2007, 1990). According to Jones and Pendlebury (1992) and Musgrave and Musgrave (1984), the government controls public sector resources and uses them to fulfill certain economic roles in order to improve the welfare of the citizenry.

Hercok (1989) notes that the traditional role of the public sector is to improve the welfare of citizens by delivering goods and services that may not be provided by the private sector, at a price that makes them accessible to all. Common examples of such goods and services are education, health, defence, and transportation. This is essentially a 'public good' concept and therefore such goods are recognized as public goods and have the characteristics of non-excludability and non-rivalness (Malkin & Wildvasky, 1991). Non-excludability indicates that no beneficiary can be excluded from using the good, and non-rivalness indicates that the cost of producing the good does not increase as consumption of the good increases. The prices of these public goods or social necessities, like health, education and mode of public transportation, are not necessarily determined by market forces. In most cases the government is the primary supplier of public goods (Hercok,1989).

Jones and Pendlebury (1992) and Hercok (1989) state that the central or the local government funds the broad provision of public goods in most countries. It is claimed by Musgrave and Musgrave (1984) that the government gets its funding from various sources - the most important being taxes and rates paid by the public. The government, while controlling and using public sector resources and finances, is expected to be accountable to the public (Barton, 2009; Broadbent & Guthrie, 1992; English, 1990; Hercok, 1989).

The performance auditing literature suggests that the government is accountable to the public through oversight bodies in most jurisdictions; one such oversight body is the Office of the Auditor-General (Barton, 2009; Lee, 2008; Norton & Smith, 2008; Funnell & Cooper, 1998; Radcliffe, 1998; Thompson,

1996; Funnell, 1994; Persaud & McNamara, 1993, 1994; Hamburger, 1989; Yamamoto & Watanabe, 1989). The oversight bodies are known by different names in different jurisdictions. For example, in countries that are based on the Westminster system of governance, the most common oversight body is called the Office of the Auditor-General (OAG) or the National Audit Office (NAO), and in the U.S. they are known as the Office of the Comptroller-General (OCG) and the General Accounting Office (GAO) (English, Guthrie, Broadbent, & Laughlin, 2010; Christensen & Skaerbaek, 2007; Dittenhofer, 2001; Burrowes & Persson, 2000; McCrae & Vada, 1997; Parker & Guthrie, 1991; McRoberts & Hudson, 1985).

The public sector provides the citizens with much desired social necessities and the funding for the provision of these social necessities is through public finance (Musgrave & Musgrave, 1984). Therefore, while using and controlling public sector resources, the government in most jurisdictions is expected to be accountable to the public by the oversight bodies (Dittenhofer, 2001; McCrae & Vada, 1997; Parker, 1990; Taylor, 1996). The provision of public goods and public sector accountability are two themes central to the literature describing the role of performance auditing in the public sector.

### **3.3 The Role of the Public Sector Performance Auditor**

Literature on performance auditing in the public sector suggests that the roles of the performance auditor are to: (i) examine the records of the auditee; (ii) form an opinion based on results of the examination; (iii) write a report based on the opinion; (iv) present the report to Parliament or Congress and (v) carry out a follow-up of the performance audit report recommendations (Ling, 2003; Morin,

2001; Wheat, 1991; Pendlebury & Shriem, 1990; Hamburger, 1989; Adams, 1986). The performance auditor does so to evaluate the performance of management and the use of public sector resources. It is claimed that the performance auditor's report will lead to improvements in public sector performance because the performance auditor is expected to identify and indicate inefficient and/or ineffective practices and would therefore suggest strategies for improvements (Barton, 2009; Lee, 2008; Thompson, 1996; Taylor, 1996; Adams, 1986). In Roberts (1996, 2010) terms, the performance audit enables a verified report and therefore more real 'transparency'.

Authors generally agree that the performance auditor examines the auditee's records in terms of the objectives of performance auditing (Daujotaite & Macerinskiene; 2008; Morin, 2001; Parker & Guthrie, 1991; Hatherly & Parker, 1990). According to Parker and Guthrie (1991) and Pugh (1987), an examination of the auditee's records are carried out to arrive at a decision and form an opinion on how the management of a public sector entity has used resources to achieve the objective/s of the entity.

Jacobs (1998), Taylor (1996), McCrae and Vada (1997), and Parker and Guthrie (1991), state that the performance auditor expresses his/her opinion on how he/she thinks the management of the public sector entity has used resources to achieve the objectives of the entity. The performance auditor also forms an opinion on the adequacy of the internal control procedures used to achieve the objective of the entity in terms of economy and efficiency.

After reaching an opinion on how the resources have been used, the performance auditor is usually expected to compile a report based on that opinion

(Lee, 2008; Funnell & Cooper, 1998). According to Funnell and Cooper (1998) and McCrae and Vada (1997), the performance audit report is an evaluation of management's decisions on the usage of an entity's resources to achieve its specified objectives. Therefore, the performance audit report reveals the performance auditor's opinion on the usage of the public sector resources, and whether the stated objectives of the entity have or have not been achieved. McCrae and Vada (1997), Taylor (1996), Wheat (1991), and Pendlebury and Shriem (1991, 1990), claim that the performance auditor in his/her report recommends ways by which the performance of the entity can be improved. This suggests that the perceived role of the performance auditor as described in the literature studied, is both to hold the auditee to account and to advise on future actions.

According to the performance auditing literature, the performance audit report, once compiled, is presented to parliament in countries that follow a Westminster system of governance (Lee, 2008; Funnell & Cooper, 1998; Parker & Guthrie, 1991), or, in the U.S., to Congress (Burrowes & Persson, 2000; Thompson, 1996). Performance audit reports, once presented to Parliament or Congress, make public the performance of public sector entities. These reports also provide an opportunity for members of parliament or congress to comment on and debate the performance auditor's findings and opinions.

McCrae and Vada (1997) and Pendlebury and Shriem (1991, 1990) propose that the performance auditor's role includes a follow-up activity as the final stage of the performance audit program. The follow-up activity focuses on the recommendations the performance auditor had suggested in his/her report

regarding the management and the performance of the respective public sector entity. The purpose of the follow-up activity according to Pendlebury and Shriem (1991, 1990), is to investigate: i) whether the recommendations suggested by the performance auditor to improve the management and the performance of the public sector entity have been implemented and ii) (if yes) to determine if the recommendations improved the management and performance of the entity.

The follow-up activity carries the performance auditor's role into involving actions beyond and above forming an opinion. Therefore, it is distinguished from the role of the external financial auditor. In a public sector context, the performance auditor systematically evaluates the auditee's management and control of public sector resources and the performance of the public sector entity (Barton, 2009; Lee, 2008; Parker & Guthrie, 1991). This is important in terms of discussions to follow on the implementation and discontinuation of performance and not financial audit in Fijian public sector during 1995-1997.

The themes of provision of public goods, and public sector accountability appear to be central to understanding the perceived roles of performance auditor as described in the literature studied. Based on these themes the performance auditor performs the various roles, as has been described, with an intention of determining effective and efficient resource management in the public sector.

### **3.4 Emergence of Performance Auditing**

An evaluation of the performance auditing literature identified eight possible socio-political and economic influences that characterised the emergence and practice of performance auditing in the Anglo-American public sector. The influences are: auditor-general; central and local governments; government fiscal

policies; pressure from lobby groups; review committees; statutes and legislation; the public sector accounting profession; and the reorganisation of the audit office/general accounting office. These influences and their nation based sources, are summarised and presented in Table 3-1.

**Table 3-1: Major Socio-Political and Economic Themes**

The socio-political and economic themes	Descriptions of content	Countries					References
		U S A	U K	C A N	A U S T	N Z	
1. Auditor-General influence	Including performance auditing reports as a part of formal reporting but independent of annual audit report.	√	√	√	√	√	Burrowes & Persson (2000); Dittenhofer (2001); Flesher & Zarzeski (2002); Glynn (1991); Grendon, Cooper, & Townley (2001); Guthrie (1990a); Guthrie & Parker (1999); Hamburger (1989); Jacobs (1998); Lee (2008); Morin (2001); Radcliffe (1998); Taylor (1996); Skene (1985); Wheat (1991).
	Personal and professional influence of Auditors-General.	√	√	√	√	√	
2. Central government and local governments influences.	Central government request for control on public sector entities.	√			√		Adams (1986); Barton (2009); Broadbent & Guthrie (1992); Burrowes & Persson (2000); Dillon (1985); English (1990); Flesher & Zarzeski (2002); Guthrie (1990a, 1990b); Jacobs (1998); Lee (2008); Niesner (1999); Pendlebury & Shriem (1990); Norton & Smith (2008); Pugh (1987); Skene (1985); Wheat (1991); Yamamoto & Watanabe (1989).
	Review of 1972 Local Government Act in 1982 (U.K.).		√				
	Improve financial management and efficacy.	√	√	√	√	√	
	Economic reforms in the public sector.	√	√	√	√	√	
	Shift in public administration from resource allocation based on equity to concepts of efficiency in the management of public sector resources.	√	√	√	√	√	

The socio-political and economic themes	Descriptions of content	Countries					References
		U S A	U K	C A N	A U S T	N Z	
3. Government fiscal policy.	Growth of public sector and increases in government spending.	√	√	√	√	√	Barton (2009); Broadbent and Guthrie (1992); Burrowes and Persson (2000); Dittenhofer (2001); Heaton, Savage and Welch (1993); Lee (2008); Persaud and McNamara (1993, 1994); Wheat (1991); Yamamoto and Watanabe (1989).
4. Pressure from lobby groups.	Calls from social and political lobby groups for greater government accountability in the management of public sector resources at national level due to:						
	i) increased public awareness of government fiscal policy;	√	√	√	√	√	
	ii) the increase in government spending;	√	√	√	√	√	Barton (2009); Burrowes & Persson (2000); Dittenhofer (2001); Flesher & Zarzeski (2002); Glynn (1982); Guthrie and Parker (1999); Keen (1999); Yamamoto & Watanabe (1989).
	iii) increase in taxes to fund new public sector programs;		√	√		√	
	iv) at local government level, ratepayers called for accountability due to increase in local government spending and the likelihood of increases in local taxes to fund local government spending;	√	√	√	√	√	
v) performance audit issues used to lobby political support in the State of Alberta in Canada.				√			

The socio-political and economic themes	Descriptions of content	Countries					References
		U S A	U K	C A N	A U S T	N Z	
5. Review committees set up by government.	Treadway Commission in U.S. 1976.	√					Broadbent & Guthrie (1992); Burrowes & Persson (2000); Guthrie & Parker (1999); Heaton, Savage, & Welch (1993); Norton & Smith (2008); Persaud & McNamara (1993/1994); Wheat (1991).
	Review Committee reports which recommended ways to improve public sector accountability for example, Coombs Commission 1976 in Australia.				√		
	Review Committee set up by the government and the public sector auditing profession to develop performance audit standards 1993.	√					
6. Legislation, new and/or changes to Public Sector Audit Act, Finance Act, Local Government Act - basically political processes.	Enactment of the Foreign Corrupt Practices Act 1977 in U.S.- prohibiting bribes in various forms.	√					Barton (2009); Broadbent & Guthrie (1992); Burrowes & Persson (2000); Glynn (1991); Heaton, Savage, & Welch (1993); Jacobs (1998); Martin & Walsh (1996); McCrae and Vada (1997); McRoberts & Hudson (1985); Persaud & McNamara (1993/1994); Pitman & Sanford (1994); Radcliffe (1998); Root (1983); Sporkin (1998); Wheat (1991).
	Changes to the U.K. National Audit Act 1983, as a result of change the UK. Auditor-General was given the mandate to undertake performance audit.		√				
	Local Government Finance Act 1982 U.K.		√				
	Changes to Australian Audit Act 1979 - change provided authority to the Auditor-General to undertake performance audit.				√		
	Changes to the Canadian Auditor General Act.			√			

The socio-political and economic themes	Descriptions of content	Countries					References	
		U S A	U K	C A N	A U S T	N Z		
7. Influence of the public sector accounting profession.	Changes to the New Zealand Public Finance Act 1982.						√	Broadbent & Guthrie (1992); Burrowes & Persson (2000); Dittenhofer (2001); Flesher & Zarzeski (2002); Keen (1999); Morin (2001); Nobles et al. (1993); Wheat (1991).
	Public sector audit profession contributed to promulgation of the public sector auditing standards.	√	√	√	√	√		
	Formation of taskforce in USA to put forward a comprehensive definition of performance auditing and review the scope of performance auditing practices.	√						
8. Reorganisation of the Office of the Auditor-General or the General Accounting Office, or Office of the Auditor-General/National Audit Office.	Reorganisation of the Audit Office or General Accounting Office led to the extended the scope of audit, which included performance auditing.	√	√	√	√	√	Barton (2009); Broadbent & Guthrie (1992); Burrowes & Persson (2000); Dittenhofer (2001); Flesher & Zarzeski (2002); Heaton, Savage, & Welch (1993); Keen (1999); Lee (2008); Persaud & McNamara (1993/1994).	
	National Audit Office developing and providing guidance and auditing statements on the conduct of appropriate performance auditing.	√	√	√	√	√		

*Socio-Political and Historical themes labeled as 2, 6 and 8 have been combined by most writers as public sector reforms. I have included aspects of reform in all three depending on the contribution to each.*

The themes are presented roughly in order, as I perceive it to be, from the most influential to the least influential. A discussion on the order of the themes is presented below, followed by a brief description of how the table was constructed and then an analysis of the themes is provided.

### **3.5 Order of Influence**

The themes are the sources of influences for emergence of economy, efficiency and effectiveness audits identified from the extant literature review of the five selected countries. The descriptions of these influences in the literature was identified and considered in terms of each of their contributions towards the emergence of such audits.

Themes one and two take up the idea of influence. The AG/GAO leadership is considered most important, primarily because in all the countries studied for this research the AG/ GAO was appointed under law and authorised to undertake public sector auditing. Central and local government elected parties are placed second on the list, as these institutions are recipients of audit reports and, in their quest to strengthen control over public sector resources, they have to ensure that those resources were used for the intended purposes.

Increased government spending (theme three) is significant because it raises the issues of budgetary control and accountability. This is followed by pressure from lobby groups (theme 4), through their demands of accountability, and traditional audits that focus on the stewardship function instead of performance. The Review Committees (theme five), influence the emergence of performance auditing by suggesting changes in the legislation. The statutes and legislation (theme 6) provide the AG/GAO with statutory rights to undertake

performance auditing. The public sector accounting profession (theme 7) add credence to the practice of performance auditing by promulgating the appropriate auditing standards. The reorganisation of the OAG/ OCG/OIG (theme 8) enables certain audit staff to be responsible for performance auditing. It is important to take into account that most of these influences take place simultaneously and also cross nationally so some common experiences emerge, in providing a scope for performance auditing.

### **3.5.1 Auditor-General/General Accounting Office influence**

There are claims that the AG/CG in particular for most countries, and the GAO in the U.S., greatly influenced the practices of performance auditing (Lee, 2008; Morin, 2004, 2001; Flesher & Zarzeski, 2002; Burrowes & Persson, 2000; Dittenhofer, 2001; Radcliffe, 1998; Broadbent & Guthrie, 1992; Guthrie, 1990a). The AG/ GAO/CG have either voluntarily or on the request of the central government incorporated performance auditing by reporting audit findings on public sector resource management and by associating these findings with issues of accountability (Burrowes & Persson, 2000; Keen, 1999; Heaton, Savage & Welch, 1993; Parker & Guthrie, 1991). By incorporating issues of performance in the audit reports the auditor-general/comptroller-general was performing the authorised role of an oversight body and was informing the ‘users’ of the audit reports on how public sector resources were managed. Therefore, it appears that the AG/CG raised concerns on the management of public sector resources and these concerns warranted reactions from the users of the performance audit reports. A perception similar to these, as will be seen, is created in Fiji.

Literature on performance auditing in the Australian and Canadian public sector indicates that the auditors-general had significant personal and professional influence on the emergence of performance auditing (Barton, 2009; Lee, 2008; Morin, 2004; 2001; Radcliffe, 1998; Hamburger, 1989; Adams, 1986; McRoberts & Hudson 1985; Glynn, 1982). For example, Hamburger (1989) claims that the practice and development of performance auditing at the Australian National Audit Office (ANAO) was significantly influenced by the professional and personal attitudes and competence of the three auditors-general over a span of fifteen years. Hamburger's (1989) study outlines how each of the AGs influenced the shifts in the focus of public sector auditing from auditing for probity and compliance to auditing for performance in terms of economy, efficiency and effectiveness. The study explains how the different Australian AGs influenced the interpretations of the term performance audit. It also indicates that as the OAG became influential in one aspect of performance auditing, for example, auditing for economy, the other aspect of auditing, such as efficiency auditing, was incorporated. Taylor (1996) describes the conflicts he as the Australian Auditor-General encountered with the executive and in particular with the 'Department of Finance during 1989-1992' (p.150). The conflict arose when Taylor sought the right to report his audit findings 'directly to the Australian Parliament instead of presenting the reports to the Minister of Finance' (Taylor, 1996, p.150). The conflict was resolved when the Joint Parliamentary Committee supported Taylor's submission to the Australian Parliament in seeking the above right in 1993 (Taylor, 1996) Such actions and activities enabled the acceptance of performance auditing in the Australian public sector.

In the Canadian context, performance audits conducted by the Canadian Auditor-General and the Federal Audit Office during the years 1973 to 1978 had a focus on the use and management of public sector resources (Morin, 2001, 2004; McRoberts & Hudson, 1985). In regard to the state of Alberta, the literature suggests that the Alberta Auditor-General influenced the practice and development of performance audits via extensive levels of reporting on public sector resource management and use of appropriated funds (Radcliffe, 1998). For example, the Alberta AG's audit findings during the 1960 and 1970 period focussed on the 'non productive payment' items which did not produce public benefits (Radcliffe, 1998) and on issues of lack of accountability in the management of public sector resources (Morin, 2001, 2004; Radcliffe, 1998).

The Alberta AG's audit findings of 1960s and 1970s (Radcliffe, 1998) and in 1980's to 1990 (Morin, 2004) on the management and administration of (or lack of) public sector resources appealed to the 'users' of the audit reports. The 'users' in terms of the political parties, the government administrators, managers and taxpayers were positively receptive to the audit report findings and demanded more accountability from the government (Radcliffe, 1989). This is seen paralleled in the Fijian context and is explored later in the research. The AG of Alberta was able to use the traditional audit mandate to report the audit findings in such an extensive manner as to incorporate performance auditing with the traditional probity and compliance auditing.

In the case of the U.S., Congress had requested the GAO after World War II to undertake 'management audit' of government owned companies for control purposes (Norton & Smith, 2008; Flesher & Zarzeski, 2002). Though the

Congress initiated performance auditing, the GAO decided what constituted performance auditing (Wheat, 1991). In doing so the GAO determined the 'objective' of performance auditing and to some extent also developed a 'framework' and practice/ structure of performance auditing.

According to Wheat (1991), changes in the leadership and staffing at the GAO over the period 1960 -1980 contributed to the emergence of performance auditing in the U.S. Over the period 1960-1980 the CG/IG shifted the audit focus from auditing of vouchers and forming normative judgements on legality or illegality of transaction to auditing entity performance (Wheat, 1991). Thompson (1996) and Wheat (1991) claim that during this period the GAO published Standards for Audit of Government Organisations Programs, Activities and Functions (which was later revised and became known as Yellow Book in 1972). This indicates that through the CG's leadership, which normally acts on the Congress' instruction, was able to extend the scope of its audit function and provided the users of the audit reports with a greater insight into public sector effectiveness.

The AG/GAO/CG influence on the emergence of performance auditing was probably the most significant of all role makers in all the countries studied. This is because the OAG/GAO and the State Audit Office had the legislative mandate to undertake and extend the scope of traditional audit to audit for accountability. In most countries the OAG/GAO/OCG appears to have selected an agency and decided the objectives and scope of performance auditing. This is a powerful role indeed. The Fijian Auditors-General followed similar trends as will be seen in later chapters.

### 3.5.2 Central and local government influence

Central and local governments also influenced the emergence of public sector performance audits overseas by: (i) requesting the respective OAG/GAO to perform an audit on the management and control of public sector resources; (ii) nominating Committees and Commission (Norton & Smith, 2008; Burrowes & Persson, 2000; Guthrie & Parker, 1999; Dillon, 1985); (iii) amending or changing audit legislations, (Jacobs, 1998; McCrae & Vada, 1997) and (iv) changing the organisational form of government/ministerial departments from departments to statutory entities with a focus on commercial practice and performance (Norton & Smith, 2008; Broadbent & Guthrie, 1992). The requests for performance audits and the nominations of the Committees/Commissions appear to have been motivated by the Government's need to ensure that the public sector entities were achieving the purposes for which the resources were entrusted to them. In requesting performance audit reports from the National Audit Office/ General Accounting Office, the central and local governments were signalling an acceptance of performance auditing and its outcomes.

For example, the U.S. Congress requested the General Accounting Office to undertake performance auditing in government-owned corporations to improve financial and management efficacy (Flesher & Zarzeski, 2002; Burrowes & Persson, 2000). The reason given for this request was explained by managers of the government-owned corporations that these were exempt from normal congressional control (Flesher & Zarzeski, 2002). This indicates that the U.S. Congress found such audits to be a powerful means for holding public sector managers to account, a practice not shared by the Fijian Parliament as will be revealed.

According to Heaton, Savage and Welch's (1993) survey of performance auditing in the U.S. municipal governments, it is claimed that certain local government authorities, namely the city councils of Lafayette, Louisiana and St. Petersburg, Florida, had included performance audit as a requirement in their 1990 city charter. This can be interpreted to mean that events at national level had a trickledown effect at the local level of government as most local authorities developed a charter that required performance audits.

In the U.K. the local and central government authorities influenced the emergence of performance auditing by undertaking a review of the 1972 Local Government Finance Act in 1982 and of the 1982 National Audit Act (Grimwood & Tomkins, 1986). These reviews provided the AG with the mandate for economy, efficiency and effectiveness audits.

The need for the 1982 review of the Local Government Finance Act and the changes to the Audit Act in 1983 authorising the AG to undertake performance auditing, can be linked to Broadbent and Guthrie's (1992) arguments. These state that the government was changing the organisational form of traditional government departments to that of statutory bodies whereby the statutory bodies had to operate according to the 'rules' of a 'commercial entity', in particular with a focus on outputs. At local government level for example, services like refuse collection were provided on a commercial basis in most municipalities (Pendlebury & Shriem, 1990; 1991) and the local government municipalities used the performance auditing as a means of demonstrating the effectiveness with which the resources were managed and the outputs achieved.

Thus, the local government administrators shifted the focus from administration of public sector resources to performance of public sector resources.

Literature suggests that both the central and local governments contributed to the emergence of public sector performance auditing by acting as a catalyst in various ways. These were by requesting the GAO/NAO/OAG to conduct performance audits, nominate Committees/Commissions to recommend ways to improve public sector accountability, and /or regulate changes to the audit or finance acts. A common feature amongst the jurisdictions studied indicates that the central government's acceptance of and contributions to the development of performance auditing had a direct 'trickle down' influence at the local government level. Whether these events have a parallel in the Fijian context, is yet to be seen.

### **3.5.3 Fiscal policy**

Government fiscal policy, in terms of increasing government expenditure (Yamamoto & Watanabe, 1989) combined with the growth in the size of the public sector (Jacobs, 1998; Wheat, 1991), contributed to the emergence of performance auditing. In countries like the U.S, U.K, Canada, Australia and New Zealand, increased government spending led to situations whereby governments had to raise taxes to fund the increased spending and new public sector projects (Baton, 2009; Lee, 2008; Yamamoto & Watanabe, 1989). In order to raise taxes and sustain the public sector growth, government was expected to demonstrate that public funds and resources were used in an accountable manner and not with extravagance or waste (Ling, 2003; Jacobs, 1998; Wheat, 1991).

Skene (1985) suggests that during the 1970s when New Zealand was experiencing public sector growth with a consequent increase in government spending, the AO took it upon itself to comment on government expenditures which it thought were wasteful or extravagant. By providing the government with reports on departments and entities which used the resources in a wasteful and extravagant manner the AO signalled to the government how they could cut back on un-necessary spending. There are suggestions in the literature that the New Zealand government took steps to cut back budgetary allocations to government departments and in the late 1980s there was a reduction in the size of the public sector (Pallot, 2003; Jacobs, 1998; Skene, 1985). The Central government's fiscal policy implementation combined with the audit findings on the management of resources during the 1970s contributed to the growth of performance auditing in the New Zealand public sector.

According to Wheat (1991), the state and local governments in the U.S. faced major financial constraints during the 1970s. Federal government grants were reduced and the taxpayers resisted tax increases (Raaum & Soniat, 1993; Wheat, 1991). As a result, the state and local governments shifted their focus from the provision and delivery of services to efficiencies (Raaum & Soniat, 1993) thus promoting performance audits.

#### **3.5.4 Lobby group influence**

Increased government spending and large budget deficits have also responded to lobby groups and the public demands for greater government accountability as to the use of public sector resources in many countries (Barton, 2009; Flesher & Zarzeski, 2002; Keen, 1999; Wheat, 1991; English, 1990; Glynn, 1982). In

countries like the U.S., the U.K. and Canada, the increase in government spending signalled to the taxpayers the possibilities of increases in the taxes and rates (Thompson, 1996; Yamamoto & Watanabe 1985). Tax increase concerns (Yamamoto & Watanabe, 1985) fuelled by media reports of wasteful and extravagant management of resources (Radcliffe, 1998; Jacobs, 1998) may have raised awareness of public sector resource management and, as a consequence, the public, the taxpayers, the political lobby groups and others called for greater accountability (Burrowes & Persson, 2000; Jacobs, 1998; Yamamoto & Watanabe, 1989).

Some writers have opined that the politicians representing the taxpayers and acting as a lobby group (the U.S., the U.K., Canada and New Zealand) used the AO/GAO reports to question the performance of the public sector in the Congress/Parliament (Burrowes & Persson, 2000; Jacobs, 1998; Thompson, 1996). In turn the governments relied on the audit reports to answer the concerns raised by the politicians (Radcliffe, 1998; Skene, 1985). Such reliance have provided an impetus to the AG/CG to extend the scope of traditional audit to performance audit.

Morin (2004) and Radcliffe (1998) suggest that the emergence of performance auditing in the Canadian state of Alberta was influenced by politicians. During the 1960 and the 1970 state elections the Albertan politicians, while campaigning for electoral votes used the issue of public sector resource (mis)management (Radcliffe, 1998). By questioning the resource (mis) management issue, multi-party politicians suggested that the government is be able to improve public sector accountability through the practice and development

of performance audit. This is supported by Jacobs (1998) and Thompson (1996) who claim that the politicians used the audit reports to indicate to the government the issues of public sector accountability and the impending tax burden on the taxpayers to support increases in public spending.

The media is also viewed as a lobby group which has contributed to the development of performance auditing by publicising the audit findings. There are claims that the media was instrumental in publishing the audit reports from the OAG/GAO on issues of wasteful and extravagant use of public sector resources (Burrowes & Persson, 2000; Thompson, 1996; Jacobs, 1998). In publicising the audit reports and highlighting waste in the public sector, the media would have inspired the politicians and the taxpayers demand for greater public sector accountability.

The politicians who are usually viewed as the taxpayer representatives, and the media as a means of publicising information, both contributed to the development of performance auditing by raising issues of accountability and by calling for an accountable government. Hence most public sector entities were subjected to performance auditing. The Fijian case as will be seen the lobby group influence was not strong.

A culmination of factors led the government in Australia during the 1970s and 1980s and the Congress in U.S. after World War II, to set up review committees to address the issues of public sector efficacy and auditing (Flesher & Zarzeski, 2002; Guthrie, 1990a). The general purpose of the review committee was to suggest ways to improve public sector accountability via financial management reforms or auditing (Burrowes & Persson, 2000; Guthrie & Parker,

1999; Persaud & McNamara 1993, 1994; Broadbent & Guthrie, 1992; Wheat, 1991). For example, during World War II, the U.S. Congress felt that there was a lack of financial and management control in federal-owned companies which were exempt from Congressional control. To seek a remedy, a Congressional Review Committee was commissioned in 1945 Chaired by Harry F. Byrd. The Committee recommended that the GAO audit all government corporations for efficacy of financial management and internal controls (Flesher & Zarzeski, 2002). In 1945, the U.S. Congress passed the Government Corporation Control Act, which incorporated the Review's recommendations and the federal government owned corporations were subjected to mandatory performance auditing.

In the Australian context, review committees contributed to the emergence of public sector performance auditing at both the federal and state government levels (Barton, 2009; Guthrie, 1990b). According to Guthrie and Parker (1999), the Australian government had established a royal commission to investigate efficiency in the Australian government administration after World War I because of the economic crisis. The authors' claim that the Royal Commission on Public Expenditure of the Commonwealth of Australian with a View to Efficiency and Economy (RCPECA, 1919) had indicated that Australia had as much a need for 'an auditor of economic efficiency, as for an auditor of accuracy and honesty' (Guthrie & Parker, 1999, p. 309). This indicates that the foundation for public sector performance auditing was laid as early as 1919. Despite this, recommendation the Australian Audit Office did not actively pursue performance auditing until the 1970s (Guthrie & Parker, 1999).

The literature informs that during the 1970s the AAO actively engaged in performance auditing and as a result, issues of public sector resource management and administration and whether the AAO be given the mandate to undertake performance auditing surfaced in the Australian public sector (Guthrie & Parker, 1999; McCrae & Vada, 1997). To address this, the Australian government set up RCAGA (the Royal Commission on Australian Government Administration) in 1974.

In its Review Report, the RCAGA recommended that the OAG be given the powers to undertake public sector performance audits and the focus of such audits be on ‘departmental performance’ of the public sector entity and not the government policy (Dillon, 1985). The RCAGA contributed by recommending changes to the 1901 Audit Act which would allow the OAG to undertake economy, effectiveness and efficiency audits (Dillon, 1985).

The suggestions of review committees paved the way for the continuance of performance auditing in most countries. There are assertions in the literature that the central governments of the U.K., New Zealand and Canada had also nominated and set up review committees to address the issues of public sector administration and changes in legislation to expand the scope of public sector auditing (Flesher & Zazeski, 2002). In most cases the review committees had suggested possible changes to legislation and statutes which would give the AO/ GAO the authority to undertake mandatory performance auditing.

### **3.5.5 Statutes and legislation (part of reforms)**

The political processes in almost all the countries studied led to situations in which changes were made to the statutory acts relating to public sector audits or

finance so as to expand the scope of traditional public sector audit. Changes to the respective acts provided statutory authority to the AG/CG to undertake performance auditing (Barton, 2009; Norton & Smith, 2008; Burrowes & Persson, 2000; Sporkin, 1998; Jacobs, 1998; Radcliffe, 1998; McCrae & Vada 1997; Martin & Walsh, 1996). For example, in New Zealand the Audit Office undertook voluntary performance auditing from 1972 and this appears to have influenced the changes to the 1969 Public Finance Act. The literature suggests that changes were made to the Public Finance Act in 1977 to provide the auditor-general with the authority to undertake performance auditing, and in 1989 the Public Finance Act was amended, providing the auditor-general with a mandate to conduct performance auditing (Jacobs, 1998; Skene, 1985). In 2001, the Public Audit Act was revised and the AG was given the statutory mandate to undertake public sector performance audits (Public Audit Act, 2001).

In the U.K., the Local Government Finance Act 1972 was reviewed in 1982, and consequently performance auditing was incorporated as part of the Local Government Finance Act (Pendlebury & Shriem, 1990). In 1983 the National Audit Act was amended to provide the auditor-general and the National Audit Office with a mandate to undertake performance auditing in the U.K. public sector (Norton & Smith, 2008; Burrowes & Persson, 2000; Pendlebury & Shriem, 1990).

In the U.S., the outcomes of the Congressional 1976 Treadway Commission's recommendations on 'fraudulent financial reporting' (Sweeney, 1989) resulted in changes to the legislation for controlling fraudulent practices, for example, the Foreign Corrupt Practices Act 1977 (Sporkin, 1998; Gray, 1990;

Root, 1983; Kim & Barone, 1981). The purpose of this Act was to prohibit U.S. corporations from bribing foreign government officials and political parties within and outside the U.S. in an effort to win or retain business deals and other such illegal actions (Martin & Walsh, 1996; Peele, 1988; Root, 1983). It is probable that the mandatory implementation of this Act strengthened the development of performance auditing, by the requirement that during an 'audit' process the GAO focuses on administration, management and funding or financing of the political campaigns, political agencies and other government agencies which engaged in foreign financial dealings. Furthermore and because 'performance audits uncover waste and fraud' (Thompson, 1996, p. 14) and given that the purpose of the 1977 Foreign Corrupt Practices Act is to prohibit fraudulent financial practices, it is probable that a performance audit would be one way to detect such problems in the public sector. The Sarbanes-Oxley 2002 requires report on the internal audit of systems and so this further strengthens the need for performance audits.

In most countries, changes to the legislation provided the AG/CG with authority to perform mandatory audits of economy, efficiency and effectiveness for most public sector entities.

### **3.5.6 Public sector accounting profession**

The public sector accounting profession in countries like the U.S., Australia and Canada generally contributed towards the evolution of performance auditing by promulgating public sector auditing standards and by identifying appropriate and acceptable performance auditing practices (Keen, 1999; Nobles et al., 1993; English, 1990; Glynn, 1982). In Australia the ANAO used the 1986 International Congress of Supreme Audit Institution's (INTOSIA) definition of performance

auditing (Guthrie & Parker, 1999). The ANAO may have taken this approach to provide an ‘acceptable practice’ in line with international practices and description of performance auditing.

The Association of Government Accountants in the U.S. formed a task force to put forward a comprehensive definition of the term performance auditing and to review the scope of performance auditing practices (Nobles et.al., 1993). Furthermore, Burrowes and Persson (2000), point to the American Institute of Certified Public Accountants’ report outlining the conduct of performance audits for both private and public sector entities in 1982. This indicates that the accounting profession was inspiring the development and practice of performance auditing by providing extensive practice guidelines.

Similar claims have been made as to the Australian, Canadian and U.K. public sector accounting professions (Flesher & Zarzeski, 2002; English, 1990; Glynn, 1982). It can probably be implied that the public sector accounting professions in most countries were maintaining the credibility of the profession by ensuring that performance auditing was undertaken within an accepted ‘frame’ or boundary of practice.

### **3.5.7 Restructured audit offices (part of reforms)**

In countries like Australia, Canada and New Zealand the NAO/GAO was reorganised and restructured during the 1970s and 1980s to establish special units/sections to undertake public sector performance auditing (Dittenhofer, 2001; Jacobs, 1998; Broadbent & Guthrie, 1992). For example, a performance audit section was established within the ANAO in 1978 (Hamburger, 1989), and the NZAO in 1987 (Jacobs, 1998). Establishing a ‘performance audit unit’ within

the National Audit Office in the Australian and New Zealand context implies that the AO was seeking a mandate beyond the traditional attest audit and was intending to devote existing resources to performance audit programs.

According to Jacobs (1998), the NZAO had started reorganising its structure in 1986 to form a performance audit unit and in 1987 the Major Projects Unit was established. The unit was staffed by accountants and non-accountants to undertake performance audit projects in the New Zealand public sector (Jacobs, 1998). Developments in New Zealand public sector auditing have led to a situation where performance auditing is an official mandate of the Office of the Auditor-General (Public Audit Act, 2001).

In the U.S. at municipal level, city councils established internal audit sections responsible for undertaking performance audits (Dittenhofer, 2001). This is specific to GAO authority or investigations and reveals economy, efficiency and effectiveness audits at other levels.

Reorganising audit offices to create a place for performance auditing indicates a wider acceptance of performance auditing as an integral part of the public sector accountability. Re-organisation has occurred in both Australia (Funnell, 1997; Hamburger, 1989) and in New Zealand (Jacobs, 1998) in the 1990's. Yet while the re-organising process is likely to be itself a response to other influences such as the presence of a strong auditor general or the existence of economic or political problems, the very *act* of re-organising may itself be an influence. Re-organisation permits other and peripheral changes, such as establishing a distinct role for performance audit, to occur. So whether these changes to performance audit were brought about by other influences, or whether

they came about as a part of the change itself, the very act of change appears to have played a part in influencing the role of performance audit in the public sector.

### **3.5.8 Conclusion on sources of influence**

The emergence and development of the practice of performance auditing was a mixture of social, political and economic processes. Developments were influenced by input from the auditor-general/comptroller general, the national and local governments, government fiscal policies, pressure for greater government accountability from lobby groups, the review committees set by government, changes in statutes and legislations, the public sector accounting profession and the restructure of the audit office.

There are also a couple of other points that speak of influence or of the effect of that influence. It is noted that the timing of some of the events - such as restructuring or legislation or social lobbies - was almost simultaneous in many of the countries studied. While there is little evidence to be confident of the cause, such a coincidence does speak of the power of international networks or common economic events. It also appeared to be the case that performance auditing was generally promoted by the OAG/GAO - a strong influence (as perceived by the literature) - and subsequently accepted by the government and the various stakeholders, including the public, as a means of addressing public sector resource management or accountability concerns. Finally, and ultimately, the emergence of performance auditing is a key element in public sector auditing. The traditional audit scope has expanded from compliance and financial statement audits to

audits for performance. The international environment in which the Fijian government finds itself during 1995-1999 is one therefore that foments change.

### **3.6 Objectives of Performance Auditing**

The concepts of economy, efficiency and effectiveness frequently emerged as the objectives of public sector performance auditing (English, Guthrie, Broadbent, & Laughlin, 2010; Daujotaite & Macerinskiene, 2008; Lee, 2008; Radcliffe, 1998; Funnell, 1997; Leeuw, 1996; English, 1990; Guthrie, 1990; Parker, 1990; McRoberts & Hudson, 1985). The following interprets how the terms economy, efficiency and effectiveness are used in the public sector performance auditing literature. Conclusions are drawn as to implications for performance audit expectations in Fiji.

#### **3.6.1 Economy**

Several writers on public sector performance auditing hold the view that economy is associated with acquiring and minimising the cost of input used to achieve the objectives of the public sector entity without compromising the quality of the output (Daujotaite & Macerinskiene, 2008; Lee, 2008; Gendron, Cooper & Townley, 2001; McCrae & Vada, 1997; O'Leary, 1996; Taylor, 1996; Jones & Pendlebury, 1992; Glynn, 1991, 1989; Yamamoto & Watanabe, 1989). This explanation focuses on the costs of acquiring the inputs to achieve the objectives of the public sector entity. Input in the public sector context would be the volume and the price or cost of resources consumed to achieve service objectives of an entity (Daujotaite & Macerinskiene, 2008; Jones & Pendlebury, 1992).

There are assertions that 'economy' is linked with 'efficiency' in the practice of public sector performance auditing (Daujotaite & Macerinskiene,

2008; Dittenhofer, 2001; Persaud & McNamara, 1993, 1994; Grimwood & Tomkins, 1986; McRoberts & Hudson, 1985; Prasser, 1985). The link is implicit in the focus on minimising costs, and the usage of the input in achieving the objective of the entity. The primary focus for both economy and efficiency is the input. Some writers also hold the view that both economy and efficiency focus on acquiring inputs and are concerned with protecting and using public sector resources (Dittenhofer, 2001; Persaud & McNamara, 1993, 1994).

Explanations are offered that performance auditing includes both economy and efficiency without specific distinction between the two (Daujotaite & Macerinskiene, 2008; Dittenhofer, 2001; Persaud & McNamara, 1993, 1994). Instead, their claim is economy and efficiency are together determined by establishing: i) whether the entity is acquiring, protecting and using its resources economically and efficiently; ii) the causes of inefficiencies or uneconomical practices and iii) whether the entity has complied with laws and regulations on the matters of economy and efficiency.

There are indications that economy may be associated with inputs but the interpretations vary. The purpose and meaning of economy in the public sector context does not appear to be fully resolved but generally refers to inputs.

### **3.6.2 Efficiency**

Most writers on the public sector performance auditing literature do not rigidly distinguish between economy and efficiency. Instead, they advocate the view that efficiency includes economy (Grendon, Cooper & Townley, 2001; McCrae & Vada, 1997; O'Leary, 1996; Jones & Pendlebury, 1992; Glynn, 1991, 1989; Yamamoto & Watanabe, 1989; Prasser, 1985). Viewing efficiency as an input-

output relationship suggests that efficiency is results-oriented and that the result (output) may depend on the volume of input consumed for a given output.

There are claims that efficiency is seen as managing the resources within an entity, where the management has control over the resources (Daujotaite & Macerinskiene, 2008; Yamamoto & Watanabe, 1989). This indicates that there is no undue external or political pressure on the management to use and manage the resources of an entity in a particular way. In such instances the management is seen to be responsible for achieving the objectives of the entity in an efficient and effective way. Management therefore, is accountable to the public via the government, on the use and management of public sector resources.

In the Australian context, most writers on public sector performance auditing have used Cutt's (1977) description of efficiency to provide an insight into the perceived purpose of performance auditing (McCrae & Vada, 1997; Pugh, 1987; Parker & Guthrie, 1991; Glynn, 1987, 1989, 1991; Dillon, 1985). Cutt (1977, cited by Dillon, 1985), describes efficiency at three levels.

Level 1 Efficiency:

The lowest level of accountability may be seen as fixed or fiduciary accountability, which is defined exclusively in terms of actual expenditure of funds and procedures by which that expenditure is accounted for.

Level 2 Efficiency:

.... may be defined in terms of the ratio of some physical measure of output from the activity or program to the costs of that activity or program.

Level 3 Efficiency or effectiveness accountability:

Effectiveness may be broadly defined to refer to the degree of success an organisation enjoys in doing whatever it is trying to do.... as distinct from efficiency II, efficiency III requires that the output measures reflect the attainment of the objectives of the activity or program in question. (Dillon 1985, p.250)

According to some authors (McCrae & Vada, 1997; Guthrie & Parker, 1990; Glynn, 1991, 1989, 1987; Pugh, 1987), efficiency at levels 1 and 2 can be evaluated by a performance auditor. Level 1 efficiency focuses on the actual amount of expenditure incurred to acquire the inputs, and the performance auditor evaluates the cost and the quality of inputs. Level 2 efficiency, as described by Cutt (1977), focuses on the input-output relationship with the intention to maximise output. Efficiency at levels 1 and 2 focus on the inputs and the outputs and do not appear to empower the auditor-general to question policy (Daujotaite & Macerinskiene, 2008). Perhaps as a result, efficiency at these levels is accepted as a purpose of performance auditing in the Australian context (McCrae & Vada, 1997; Guthrie & Parker, 1990; Pugh, 1987).

Some writers hold the view that efficiency at level 3, as described by Cutt (1977), need not be considered as a purpose of performance auditing in the Australian public sector (McCrae & Vada, 1997; Guthrie & Parker, 1990; Dillon, 1985; Pugh, 1987). Efficiency at level 3 raises questions about the government's policy implementations. For example, the 1979 Australian Audit Act does not empower the Australian Auditor-General to question the efficiency of government policies. In the performance auditing literature the meaning of efficiency, like the meaning of economy, is somewhat vague. However, efficiency as used in the performance auditing literature generally focuses on the input-output relationship.

### **3.6.3 Effectiveness**

Effectiveness is concerned with the consideration of the success of, or the extent to which outputs achieve the intended or desired goals of a public sector entity (Daujotaite & Macerinskiene, 2008; Funnell & Cooper, 1998; McCrae & Vada,

1997; O'Leary, 1996; Glynn 1991, 1989; Yamamoto & Watanabe, 1989; McRoberts & Hudson, 1985). Therefore effectiveness focuses on the relationship between the outputs and the objectives of a public sector entity. In examining effectiveness, the performance auditor focuses on the objective/s of an entity and evaluates how the outputs have contributed towards the achievement of the entity's objective/s.

McRoberts and Hudson (1985) claim that in public sector performance auditing, the effectiveness of a program can be assessed by evaluating and reviewing four basic issues regarding the programme. These issues include: (i) the degree to which the programme continues to make sense and addresses a continuing need; (ii) the degree to which the programme's objectives are being met; (iii) the assessment of the programme's intended or unintended effects and (iv) the relative cost-effectiveness of the present method of delivering the programme. This explanation suggests that effectiveness in performance auditing has a focus beyond the inputs, outputs and aims of a programme; it can also include a political assessment on the need or desirability of continuing a programme in the public sector. As with economy and efficiency, there are multiple meanings associated with effectiveness, some of which are linked to the political as well as the objective assessment of analysis.

### **3.7 Summary**

Over time, performance auditing appears to have become an accepted part of the public sector auditing process and practices in most Anglo-American countries. This study indicates that the offices of the auditors-general or their equivalents in the U.S. largely undertake performance auditing in various forms but that, as a

result of events and influences over time, public sector auditing has extended beyond the traditional oversight role. The scope of public sector audits has expanded beyond and above checking for regulatory and procedural compliance, to enhancing accountability in the management of public sector resources. It can be generally concluded that the practice and the objectives of performance auditing are still developing.

The practices and the processes of public sector performance auditing have been influenced from several sources throughout the countries studied. For example, auditors-general or accountings general inspired practices and influenced the emergence and development of performance auditing by undertaking such audits a part of regular public sector financial statement and compliance audits. These practices were further expanded by the audit offices and the GAO (U.S) with the formulation of techniques for undertaking economy, effectiveness and efficiency audits. In most cases the practice was influenced by public demand and public sector budgetary constraints. Other common factors were the existence of public sector economic reforms, and the influence of central and local governments and the public sector accounting profession.

The various sources of change continue to emerge. For example, public sector auditing professions in most countries studied develop acceptable practices on an ongoing basis and appropriately define what constitutes performance auditing. It is possible that the various socio-economic and political factors within different countries will continue to affect the practice of performance auditing. Future development and practices will continue to be influenced by the socio-economic and political environment within the public sector.

This chapter has reviewed the literature on the emergence of performance auditing in five Anglo-American countries, four of which follow the Westminster system of auditing. The review has revealed that the practice of performance auditing has been widely accepted in these Western countries and has grown. The governments in these countries changed the Audit Act or legislation to mandate such audits. These trends indicate growth in performance audits in western democracies. They do not however reveal declines or ‘discontinuation’ of such audits. In this, Fiji seems unique. By analysing this counter trend, this thesis uniquely brings a critical - interpretative understanding to such events taking performance audits in a completely different and unexpected direction. This is the contribution of this project. The next chapter provides insights into the broader socio-political history in which the Fijian public sector is embedded to expose the influences on the Audit Office.

## **Chapter 4 The Fijian Socio-Political and Historical Milieu**

### **4.1 Introduction**

The discussion in this chapter provides insights into the wider social, historical and political systems within which the Fijian Audit Office performs its constitutional accountability role. The activities of the Fijian Auditors Generals (Bhim [1970-1984], Narain [1984-1987], Datt [1984-1997], Jacobs [1997-2000] and Vatuloka [2000-2009]) and the wider milieu are perceived to be intertwined.

The qualitative literature generally holds that society, politics and history are not separable and therefore economic issues and events cannot be meaningfully investigated or understood without contextualisation within its broader socio-political history (Baxter & Chua, 2003; Deegan 2002; Herda, 1999). The wider social and political system therefore influences the changing role of the Fijian Auditor-General.

The discussion in the next section is an introduction to Fiji's geography, landownership and population. This is followed by a discussion on the pre-cession period (before 1874) to establish the indigenous Fijian political structure and rights to landownership. An evaluation of the post cession period (1874-1970) is offered next to expose the legacies of the British colonial system. This is followed by an evaluation of the 1970-2000 period to reveal how the tribal Fijian political structure influenced governance in democratic Fiji. Conclusions drawn evaluate the context in which the Fijian Audit Office and the Auditor-General undertook audits.

## 4.2 Geography and Demography

The Fiji Islands comprise 300 small reef-fringed islands which are spread over 250,000 square miles, of which only 7,050 square miles constitutes dry land. The two biggest islands of the group are Viti Levu with a land mass of approximately 4,011 square miles and Vanua Levu with a land mass of 2,173 square miles. About 83% of the dry land is owned by the native Fijian landowners and is held in custody by the Native Land Trust Board (NLTB) on behalf of the landowners (Davies, 2005). The NLTB was set up by the Colonial Administrators in the 1940's to 'lease the inalienable land to Indian sugar-cane farmers and is seen by the indigenous Fijians as protective of their interest' (Ghosh, 2004, p. 114). The other 10% is Crown land and is either owned by the government, the rich Indo-Fijians or the overseas investors. Of the '7 % freehold land initially owned by the Europeans, about 4% has been returned to NLTB as Crown land after the Qarase-led government's Native Land Trust Amendment Act no 12 of 2002' (Davies, 2004, p.58).

Such stringent landownership and tenure rules portray the Indo-Fijians and other minority population as landless. These groups either have to lease land from NLTB for agricultural purposes or engage in commercial activities such as banking, education, other service provisions, manufacturing or securing public service jobs to earn their livelihood (Gosh, 2004; Kumar & Prasad, 2002).

The land-ownership issue is a politically and economically contentious one for both the Fijians and the Indo-Fijians (Pangerl, 2007; Norton, 2002). The former associate land-ownership with political and economic security whereas the latter view the lack of ownership as economic insecurity. In the Fijian social

structure land is associated with their heritage, is communally owned by the tribe (Yavusa/clan) and the clan members identify themselves with their piece of land (Tuimaleali'ifano, 2000). The Fijian perception of landownership can be interpreted as being innate because their social structure is based on land ownership and this is used to trace their ancestry (lineage) thus legitimating 'kinship'.

According to Tuimaleali'ifano (2000, p. 253) 'the ratu (chief) of the tribe and the vunua (land owning unit with a common ancestor) provide the foci of hereditary authority' and this fosters political aspirations. Chiefly titles and power are hereditary in Fiji. Chiefs strengthen the kinship based political structure within the Fijian vanua through strategic marriage alliances, use of religion, blood ties and personal ability (Tuimaleali'ifano, 2000). This model is used by the Chiefs to promote Fijian paramountcy and legitimise Fijian interest. Such a social system promotes a complex political structure and yet governance in Fiji prior to and after independence and the coups is based on a Westminster system of Parliament and the rules and regulations used to manage the Fijian public sector are also based on the British and Western type developed democratic countries. Fiji witnessed four coups within a period of twenty years reflecting the influence of the indigenous tribal system of politics. Hence, the political structures in Fiji are conflicted and create political and economic contention.

The current population of Fiji is approximately 850,000 (Fiji Bureau of Statistics, 2010). Of this, Fijians comprise 58% of the total population, whilst the Indo-Fijian make up 37% and other races such as, Europeans, Chinese, Rotumans and small island immigrants comprise the remaining 5%. Before the 1987 coup,

the Indo-Fijian population was dominant making up approximately 48% of the entire population. There are therefore two dominant ethnic groups with differing aspirations which lead to tensions but which also creates a potential for democracy to peacefully resolve the tensions.

The annual population growth rate in Fiji is about 1.4 % while the annual Gross Domestic per capita income is about F\$ 4050 (UNDP Report, 1990-2009). English is the official language in Fiji and the current workforce is perceived to be well educated (McMaster, 2001). The next section provides a description of the political and social systems in Fiji prior to her cession to Britain in 1874.

### **4.3 Pre-Cession Era**

It is claimed that the native Fijians inhabited the Fiji islands sometimes during the 1600's (Derrick, 1968; Wright, 1931; Scarr, 1984). They settled along the coastal areas in small groups on the two main islands Viti Levu and Vanua Levu and were mostly seafarers and warriors (Derrick, 1968) relying on the sea and the coastal area for foods. These natives lived in small tribes and each was ruled by a chief who dominated the tribal decision making and led the tribe to wars with the neighboring tribe in an effort to extend their coastal boundary thus gaining political status amongst the neighboring tribes. The victorious tribe took over the other's land and the clan thus extended their claims over both and extended their kinship by marriage. The members of the 'tribe paid "homage and tribute to the chief, thus elevating the chiefly position to that of a god"' (Derrick, 1968, p. 11). In deference to this 'god', all decisions made by him were accepted by the clan members without question (Scarr, 1984) thus silence can be interpreted as obedience. The chief therefore was never wrong. The indigenous population in

Fiji pay the same type of obedience to the decisions made by their Ratus (chiefs) even in a democratic society as reflected by claims in the literature that the 1987 coup led by Rabuka was initiated by the Chiefs who had lost the seats in the 1987 democratically held general elections (Robertson, 1998; Scarr, 1984).

To amass landownership and elevate their political status, the tribes were constantly at war. It is claimed that in the western regions of Viti Levu, after the tribal war, the victors killed and ate the defeated chief and the warriors and kept their skulls as trophies (Kerr & Donnelly, 1972). This reflects the power of the warrior tribes and their affiliation to land ownership. The tribe's loyalty therefore was to their Chief or the chief the tribe. This illuminates why the indigenous population wish to have an indigenous Chief as the Fijian Prime Minister and President of Fiji.

According to Derrick, (1968) and Kerr & Donnelly (1972), the tribal chiefs formed strategic alliances through marriages to maintain landownership. Kinship therefore is significant to the Fijian social structure. Kinship, either by birth or by marriage, allows the tribal members of each of the tribes to lay claims to the tribal land ownership. This also fosters a bond allowing the tribal members to take the belongings or use the resources owned by the members without seeking permission. This builds on the communal relationship within the tribes and strengthens their political power.

White settlers, mostly traders and those in search of riches, had inhibited Fiji as early as 1820 (Derrick, 1968). The traders were engaged in exporting sandalwood, bech-de-mer and cotton to Britain and Australia. During the 1830s and 40s, one of the Eastern Viti Levu Chief's Cakabou acquired considerable

political strength with the help of white settlers who provided him with guns and ammunition.

To protect his tribe and their land ownership from other tribes Cakabou formed the Armed Native Constabulary (ANC) in 1871 (retrieved from <http://www.rfm.mil.fj/news/history.html>, 26 November 2010). He did this with the help of the White settler community. The ANC was officially recognised by the Colonial Administrators when Fiji was ceded to Britain in 1874 and hence gained legitimacy, and was seen by the other tribes as a powerful institution. This laid the foundation of the Fiji Military Forces as they were known after Independence.

It is claimed that the native Fijians were in contact with the Tongans and the Samoans and that the former had considerable influence on the tribes who inhabited the eastern coastlines of the Fijian archipelago (Scarr, 1984). As a result one of the Tongan Prince's Ma'afu made his home in Fiji during the 1830s (Derrick, 1968) and had formed a tribe in Western Viti Levu. As time went by he extended his tribe to include the other western tribes and influenced the Northern chiefs to join his chiefdom.

As tribal chiefs and warriors, Ma'afu and Cakabou were equally strong, both feared one another and were feared by the weaker tribes and the White settlers (Vunivalu, 1957). Tribal war for political and social supremacy between the two in 1874 caused a lot of damage and this included destruction of the White settlers properties. One such property belonged to the United States Consul [John Brown Williams] who sought compensation from Cakabou for US \$38,531 (Derrick, 1968). Cakabou pleaded inability to pay and in the fear of losing landownership ceded Fiji to Britain on 10 October, 1874. Hence legal rights often

associated with democracy, while appeared but were not always respected in practice The discussion that follows next explains significant events during the post cession period.

#### **4.4 Post Cession 1874-1970**

After the 1874 cession, Fiji was governed by a British appointed Governor-General, Sir Arthur Gordon, and British rules and regulations were enforced. To hold law and order Sir Gordon, involved the Fijian Tribal Chiefs in administering the political affairs of Fiji. He gained their support and created a perception amongst the indigenous population that their Chiefs were their rulers.

To protect the Fijian land and to ensure that the land belonged to the indigenous community, Sir Gordon established the Native Land Trust Board, which still exists. The White settlers started commercial farming and they decided not to employ the indigenous Fijians as laborers. It seems that either the Colonial administrators were not keen to allow the warriors on the land for fear of warfare or the native Fijians were not a cheap labour force.

The Indians were brought to Fiji from India by the British Colonialists to work on the sugar-cane fields under the so-called Indentured Labour System in 1945 (Ghosh, 2004). Upon completion of their contracts the indentured labourers were given the option to either stay in Fiji or to go back to India. Those who stayed behind did not have the right to purchase or own land (Davies, 2005; Ghosh, 2004) and the Fijian constitution established this position in law. Instead, they could lease farm land from the NLTB under the Agricultural Landlord and Tenants Agreement [ALTA] which allows an initial 30 year lease (Ghosh, 2004).

Upon expiry the NLTB has the option of either renewing for another 30 years or rescinding the lease title.

As the tenant, Indo-Fijian farmers and those from the other minority ethnic groups are disadvantaged. In political terms they perceive themselves as not being part of Fiji and as a society are and feel insecure. These groups have to seek alternative means for financial and economic security. To cope with the disadvantages of their social status many acquire tertiary qualifications to acquire a white-collar job or join the public service.

The British Colonialist, 'enshrined the indigenous Fijian land rights in the Native Land Ordinance 1945,' (Derrick, 1968, p. 16) thus implying that the Indo-Fijian community was landless and inferior in status to the Natives. This created the potential for tension between the two ethnic groups as evidenced by the coups of 1987 and 2000.

Under British rule the ANC was given the task of undertaking conciliatory functions amongst the warring native tribes. This helped to keep the peace amongst the tribes, resolving their disputes and developing a system where the Indigenous warriors administered the affairs of the native population. This is also a reflection of the dominant and powerful status of the Military Forces (as they were known after independence). This Institution is still dominated by the indigenous population reflecting their sense of security and ownership of Fiji.

During World War II in 1942, the members of the ANC were invited by the British and the Allied forces to join the New Zealand Military forces in the Solomon Islands and later in Malaya (Malaysia as known now). Fiji's Military contribution was recognised and the ANC became known as the Royal Fiji

Military Forces (<http://www.rfmf.mil.fj/news/history>) and was dominated by indigenous Fijians thus reaffirming their ownership of Fiji, their military heritage, and adding to their political strength.

#### **4.5 Independence and Coups: 1970-2000**

The evaluations here provide insights into Fiji's socio-economical and political history over 1970-2000 period to illuminate how the indigenous tribal political structure was still dominant despite the existence of a Westminster system of governance. The analysis will expose how accountability via public sector auditing was restricted.

Fiji gained political independence from Britain on 10<sup>th</sup> October 1970 and the provisions of the 1970 and the post coup 1990 and 1997 constitutions, public sector laws, regulations and administrative processes bear a close resemblance to those which prevailed in Fiji prior to independence. The 1970 Fijian Audit Act, the Native Land Trust Board Act are two such statutes.

Fiji had her first democratic election under the 1970 Constitution (Kerr & Donnelly, 1972). A Westminster system of Parliament, with a Senate (members nominated by the Prime Minister and the Leader of Opposition) and a House of Representatives (members elected via elections, having the power to vote on Bills and make policy decisions) was established. The House of Representatives consisted of 52 members. Of these 22 were indigenous Fijians, 22 were Indo-Fijians and the remaining 8 were General Electors (minority groups such as Europeans, Chinese, other small Island immigrants) that reside in Fiji. Such a composition of Parliament was perceived by the designers of the Constitution (Representatives of: British Government Indigenous Fijian, Indo-Fijian and

General Electors) as representing the multiethnic population thus appearing to promote democracy. Fiji also witnessed four coups during 1970-2000 and twelve different governments. Table 4.1 summarises the timeline showing the four coups, the coup leader, the governments overthrown and the interim government after each of the coups. (Appendix 1 shows a timeline and the types of government).

**Table 4-1: Timeline: Coups and Government: 1987-2000**

Period	Coup –Leader		Government Overthrown	Interim Administrator	
	Civilian	Military		Name	Appointing Authority
14 May, 1987		Sitiveni Rabuka	Democratically elected Fiji Labour Party (Liberal). Prime Minister Dr Bavadra	Ratu Sir Mara	Nominated by Rabuka appointed by the President-Ratu Sir Ganilau
September 1987		Sitiveni Rabuka	Military appointed	Ratu Sir Mara	President-Ratu Sir Ganilau
14 May, 2000	George Speight – Failed Businessman	Backed by the Counter Revolutionary Unit	Democratically elected -Labour Party (Liberal). Prime Minister Chaudry	Qarase	Appointed by Military and Navy Commander Brigadier Bainimarara
5 December 2006		Bainimarara-Lieutenant Highest Ranking Officer	Democratically Elected Government Nationalist Prime Minister Qarase	Vogere Bainimarara	Self-elected with military backing. Made Official Prime Minister by President Iloilo

*(Source: Fiji Government websites, Literature References and Fiji Times articles)*

The 1970 general elections were fought by three political parties, the Alliance the National Federation and the General Electors Party. Table 4.2 summaries the dominant ethnicity of and the type of party.

A Fijian dominated government under the Alliance Party led by one of the Fijian high Chiefs, Ratu Sir Mara won the 1970 general elections and ruled Fiji for 17 years (Robertson, 1998) thus reflecting ongoing indigenous dominance. The Alliance win restored the tribal Fijian supremacy and their faith in Chiefs whom they considered to be their gods.

During Ratu Sir Mara's reign, the 1945 Native Land Ordinance was enacted and became the 1970 Native Land Trust Board Act [NLTB]. This conferred preferential status on the Fijians for land ownership and rights to, to conduct the administration of their affairs within community (Scarr, 1988, 1993). Such a provision was fostered by the Colonial Administrators when they had set up NLTB (an arm of the Ministry of Fijian Affairs) to ensure that native Fijians retained ownership of the land and in doing this gained the support of the tribal chiefs probably to keep law and order and Fijian paramountcy.

**Table 4-2: Political Parties who fought the 1970 General Elections**

<b>Party Name</b>	<b>Leader's Name</b>	<b>Dominant ethnicity of the Party</b>	<b>Nature of Party</b>
Alliance	Ratu Sir Mara- Tribal Chief, well educated Public Servant – From the Highest Fijian Chiefly Clan	Indigenous Fijians- mostly tribal chiefs and well educated members' chiefs	Conservative
General Voters	Fred Caine – Businessman	Part Europeans	Liberal
National Federation	Siddiq Koya – Indo-Fijian- Lawyer	Indo-Fijians	Conservative

A significant outcome of the 1970 Constitution was the formulation of a communal based electoral system that segregated the population on ethnicity, which encouraged indigenous Fijian supremacy (Naidu, 2008). Some researchers have interpreted this as an implicit presumption behind the colonial administration's policy that the Fiji Islands belonged to the Fijian community because they were the original settlers and should have prior claims to the use of land (Lloyd, 1982; Lal 1992; Norton, 2002; Newbury, 2008). As a result the Indo-Fijians and other minority ethnic groups were effectively alienated from owning land and hence are at the mercy and goodwill of the NLTB for leases in order to farm the land, undertake commercial activities and for the purposes of building and owning a dwelling.

In 1978 the Fijian Military was invited by the United Nations for peacekeeping duties in Southern Lebanon (<http://www.rfmf.mil.fj/news/history.html>). The Fijian soldiers have been regularly deployed to other overseas countries for peacekeeping duties under the United Nations banner. The Fijian Military recruits and trains soldiers for both combat and peacekeeping duties and for intelligence gathering. The Military therefore is a powerful force in Fiji, is dominated by indigenous Fijians and is viewed by them as an institution for their benefit. Such affiliation of the indigenous Fijians to the Military can be linked to Rabuka's 1987 Coup, when the indigenous Fijian dominated Alliance Party, led by an indigenous high Chief, Ratu Sir Mara lost the general elections in the same year to the Labour Party.

The Fiji Labour Party emerged in 1985, promoting itself as a liberal political party. Its membership included both Indo-Fijian and indigenous Fijians.

The latter were mostly educated and resided in the urban areas. This Party attempted to promote the interest of the unemployed, the workers and the poor (Davies 2005; Robertson, 1998). They formed a coalition with the Indian dominated Federation Party and fought the 1987 elections, which the coalition won. The Labour and Federation coalition came into power and chose Dr Bavarda (an indigenous Fijian, from the Medical profession) as their leader and Prime Minister of the country and Chaudry (an Indo-Fijian , a trade unionist and accountant) as the deputy Prime Minister and Minister of Finance.

This leadership was not accepted by the majority of the indigenous Fijian population. They saw this as a loss of political control and erosion of the rights of Chiefs to rule (Lodhia, 2003; Norton, 2002; Tuimaleali'ifano, 2000) because Bavadra was not a chief but a commoner and his Labour-led government was dominated by Indo- Fijians. Although democratically elected it had a short life of only 30days (elected on 14 April, 1987 and overthrown on 14 May, 1987) because it was overthrown by the Fiji military led by indigenous 'commoner' Rabuka on 14 May, 1987 (who had a low military rank and was later promoted as major for political reasons). The indigenous Fijian political supremacy was restored. Rabuka and his supporters justified this coup as returning the power to the indigenous Fijians thus fostering their political aspirations.

Rabuka did not take control of the Parliament but elected an interim administrator, Ratu Sir Mara an indigenous high chief and a long time Prime Minister with a provision that no Indo-Fijian be allowed to act as an advisor (Robertson, 1998). The discussion that follows is an analysis of the politically influential 1987 military coup.

#### 4.5.1 1987 Military coup

The 14 May 1987 military coup executed by Rabuka, resulted in the abrogation of the 1970 Constitution. A new Constitution was introduced in 1990. This enshrined the political supremacy of the indigenous community and their right to landownership. The 1990 Constitution also made provisions that only the native Fijians from the chiefly tribes are eligible to hold the positions of *President and Vice President* and further stipulated that nominations and selection of individuals to these positions be made by the Great Council of Chiefs (Gosh, 2004; Lal, 1999; Newbury, 2008; Tuimaleali'ifano, 2000). Some commentators have claimed that the majority of the indigenous population also wanted the same principle to be applied for the position of the Prime Minister (Lal, 1999; Tuimaleali'ifano, 2000). Tribal and indigenous rights and rights to landownership had eroded in most Pacific island countries over the previous centuries and the Fijians were intent on retaining their land and land rights.

The Fiji Labour Party filed a case against the illegal overthrow of their government with the High Court of Fiji in June 1987 (Robertson, 1998). The International community also demanded the return of democracy. These pressures led to a meeting between Ratu Sir Mara, the caretaker Prime Minister, Ratu Ganilau, the President and selected members of the Labour Party (Bavadra, Leader, Chaudry, deputy and Dr Baba, senior member) in September 1987. The meeting discussed the possibility of a power sharing government to diffuse the pressure for calls of a democratic election and to indicate to the Fijian judiciary that steps were being taken to rectify the illegal takeover (Robertson, 1998). Before a decision was made Rabuka overthrew Mara's interim government and elected himself the Prime Minister on 12 September, 1987. His action can be

related to his demand after the 14 May 1987 coup that Indo-Fijians be excluded as advisors to the interim government. As a result of this second coup, sections of the Fiji Military force agitated against Rabuka because he was an indigenous commoner and had overthrown the caretaker government of the most highly ranked tribal Chief whom he had appointed. Rabuka reappointed Ratu Sir Mara as the caretaker Prime Minister in December 1987.

The 1990 Constitution introduced an electoral system that enhanced voting on ethnic lines by promulgating that ethnic Fijians only vote for ethnic Fijian candidates and Indo-Fijian only vote for Indo-Fijian candidates thus restricting racial integration (Robertson, 1998). The Constitution allowed for 70 communal seats in the Parliament, which comprised 37 seats for Fijians, 27 for Indo-Fijians, 5 for General Electors and 1 for Rotumans thus the electoral system ensured Fijian supremacy but relegated the Indo-Fijians to a second-class citizen (Robertson, 1998. p.55). In response to such relegation the Indo-Fijians sought supremacy in the fields of education, commerce, and other manufacturing and service based industries to reduce their fear of economic insecurity and to attain or possibly retain economic power.

The Fijian economy suffered as a result of the coup and its performance was at an all time low, nearing financial collapse in 1988 (Lal, 1992; Prasad, 1998). Earnings from tourism industry declined by almost 80% (Robertson, 1998, p.67). Unfortunately, sugar production (one of the main export earners) declined due to droughts, hurricanes and delayed harvesting. The outflow of capital (driven by fear and lack of security) worsened the economic situation.

Collectively these contributed to a sharp decline in the foreign reserves and the Reserve Bank of Fiji devalued the Fijian dollar by 35% in 1987 and imposed stringent exchange controls (Prasad, 1998). Ratu Sir Mara, nominated Kamicamica (an astute economist, a civil servant and indigenous Fijian) as his Minister for Finance (Robertson, 1998) and proceeded to cut salaries in the public service and reduce the public sector grants (Lal, 1992, p.32).

These initiatives did not appear to revitalise economic growth and therefore Tax Free Factory/Zone schemes, deregulation policies and corporatisation of the public sector was introduced by the Mara administration (Reddy, Prasad, Sharma, Vosikata, & Duncan, 2004; WTO Report, 1997). These measures initiated economic recovery with a 10% growth in 1989 compared to a 1% increase in 1988 (Reddy, Prasad, Sharma, Vosikata, & Duncan, 2004). The period 1989 -1990 saw an economic growth expansion of almost 2.5% (Reserve Bank of Fiji, Annual Report, 1994).

In 1992, the interim administration authorised the general elections. By this time Rabuka had formed a nationalist political party known as the 'Soqosoqo ni Vakavulewa in Taukei' which won the 1992 elections. Rabuka, was elected the Prime Minister and this restored the indigenous Fijian political supremacy with Rabuka (a commoner) being heralded the hero of the common Fijians. James Ah Koy, a businessman and a former Parliamentarian registered as an ethnic Fijian in the Native Land Register<sup>3</sup> was appointed as the Minister of Finance.

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<sup>3</sup> Ethnic Fijians register in the Vola ni Kawa Bula as evidence. James Ah Koy is a descendent of Chinese and Fijian heritage and was initially not classified as an indigenous Fijian but the Law was changed in 1982 to allow people having a Fijian ancestry to register as indigenous Fijians in the Vola ni Bula, and so Ah Koy registered as one in 1982 and was accepted as having indigenous rights (Robertson, 1998).

As the Prime Minister, Rabuka introduced the positive discrimination policy requiring that 50% of the civil service jobs be given to the native Fijians and that the natives be allowed to participate in commerce and retail and new investors accept Fijians as business partners. This policy was introduced under the perception that Indo-Fijians were keeping the indigenous community out of commerce.

The Great Council of Chiefs (GCC), an apex body of the tribal Fijian political structure appointed and accepted Rabuka as an honorary member in 1992. This action can be interpreted as compensation to the latter for the two coups thus reflecting the subjugation of democracy and the continuation of tribal warfare customs.

The non-acceptance of the racially biased 1990 Constitution by the International community, and pressure to return to Parliamentary democracy together with Fiji's continued suspension from the Commonwealth since 1987, signalled the drawbacks of the Constitution to the Rabuka led government during 1993 and 1994 (Robertson, 1998). For Fiji to re-enter the Commonwealth and for the international community to accept this government, Fiji had to come up with a constitution based on the principles of Western democracy. Despite the supremacy of indigenous Fijians assured by the 1990 Constitution, a three member Constitutional Review Committee (the 1995 Review Committee) was set up in 1995 to promulgate a democratic constitution.

The Review Committee recommended almost 654 changes to reform the Constitution (Parliamentary Paper 34/1996). The acceptance and approval of the recommendations by the GCC and the Parliament led to the emergence of the

1997 Constitution, which gained the approval of the international community and saw Fiji's re-entry into the Commonwealth. Although the 1997 Constitution is perceived as being based on principles of Western style democracy and multiracial, it retained the clauses on Fijian landownership and political supremacy that existed in the 1990 Constitution hence it can be perceived as embracing only some elements of democracy. Overall, the 1997 Constitution provided for cross voting across ethnic lines thus reducing some of the tensions created by race based voting enshrined in its predecessor.

The democratic principles of the 1997 Constitution were put to test during the May 1999 general elections. The Labour Party dominated by Indo-Fijians won the most seats and formed a multiparty, Peoples Coalition Government with other minority parties (Erwin, 1998). This government was led by an Indo-Fijian, Chaudry and after being in Office for a year, it was overthrown by a civilian coup led by Speight, a failed businessman (Ewins, 2008). Speight, an indigenous Fijian, like his predecessor Rabuka, used the rhetoric of protecting the indigenous sovereignty as an excuse for the coup and he had the backing of the Counter Revolutionary Warfare Unit, a section of the Fiji Military forces, and senior, long serving politicians who had lost their seats in the general elections, to execute the 2000 coup. The analysis presented in the next section provides insights into how the Speight led coup restored indigenous Fijian Supremacy.

#### **4.5.2 The 2000 civilian coup**

After executing the coup on 19 May 2000, Speight and his followers held the members of the Coalition government hostage in the Fijian Parliamentary complex at Veiuto in Suva for 56 days with the might of guns and terrorism (Lal

2008). During this period, the people of Fiji were required to carry on with their daily lives and the various sections of the economy were expected to function as usual. Amidst this expectation, Speight and his group of supporters set up road blocks in Central Suva area and terrorised the media, the Fiji Times and Television One station (<http://www.fijilive.com> May 23, 2000; Trnka, 2002). Certain sections of the indigenous population engaged in looting the commercial sector targeting those businesses owned by the Indo-Fijians and terrorising those based in urban and the rural areas (Trnka, 2002).

These actions reflect the culture of tribal warfare where the indigenous population engaged in tribal war without regard to financial costs and consequences. During the height of the coup, a group of native Fijians took over the Monosavu Hydro-Electricity Dam. This disrupted the supply of electricity to all parts of Fiji and caused chaos in the retail and wholesale commercial sector. These acts of terrorism also disrupted the water supply to most segments of the population. This group demanded compensation for the use of their land and water at a time when an illegal government was in power. In this context, such actions can only be interpreted as opportunistic but caused fear and insecurity amongst the Indo-Fijian and other minority ethnic groups.

After the release of the hostages on 12 July 2000, Laisenia Qarase was appointed as the caretaker Prime Minister by the Military, and the former appointed Ratu Kubuabola (a well-educated indigenous high chief, and a long standing Parliamentarian) as the interim Minister of Finance, an important position as this Ministry is responsible for the preparation of the government

budget. These appointments reflect the continuation of the tribal political structure where the Chief leads and the tribe follows.

Qarase formed the Soqosoqo Duavata ni Lewanivanua Party (SDL) and called for general elections in August 2001 under the 1997 Constitution. The SDL Party won 32 seats and formed the government with Qarase as the Prime Minister. Ratu Jone Kubuabola, who won his South West Urban Fijian Communal seat, was appointed the Minister of Finance (presumably to continue with the government policies regarding public sector spending which were formulated when he served in the interim administration). Once again indigenous supremacy was restored.

In 2006, the Qarase-led government intended to introduce an Affirmative Action Plan with some controversial Bills, one of which would pardon the perpetrators of the 2000 coup. This particular Bill caused friction between Qarase and Bainimarama as the latter had helped to bring Fiji back to normalcy after the hostage situation in the year 2000. The tension between Qarase and Bainimarama led to the 2006 military coup.

#### **4.5.3 The 2006 coup**

On 5 December 2006, Fiji witnessed the fourth coup; led by Commodore Frank Bainimarama, the head of the Fiji Military and Navy. The Qarase led government was considering introducing an 'Affirmative Action' Plan in 2006 to reduce the education and economic gaps that was perceived to exist between the indigenous Fijians and the Indo-Fijians (Durutalo, 2007). This action was perhaps motivated by nationalistic sentiments under the veneer of democracy.

The other Bill under consideration was the ‘Qoliqoli Bill’ which when enacted would return the ownership of fishing areas to the indigenous Fijians instead of being under State ownership. As such, the indigenous Fijians secure the rights to disallow others from using the fishing areas, or possibly confiscate others ‘catch’ or charge unreasonable fees for use of the area. A Native Land amendment Bill was also under consideration, according to which all vacant land would be reverted to NLTB thus adding to the indigenous tribes’ landownership right. The most controversial was the Bill to grant amnesty to the perpetrators of the 2000 coup, whom Bainimarama had helped to bring down.

According to Durutalo (2007), Bainimarama demanded that Qarase withdraw the Affirmative Action Plan. The latter refused so the former overthrew his government. Once again, the Fiji Military Force was used to overthrow a government and because of the Institution’s well-established combat powers, Bainimarama was successful in the takeover and elected himself as the Prime Minister on 5 December 2006 (Durutalo, 2007).

The four successive coups during 1987-2006 suggest that Fijian politics is still dominated by tribal and communal allegiance, irrespective of the existence of a Constitution based on principles of democracy.

#### **4.6 Social Problems**

The coups of 1987, 2000 and 2006 caused economic and political instability, which led to problems of increases in unemployment, violence and poverty, increased migration and non-renewal of ALTA leases upon expiry. The discussion in this section focuses on the insecurities and fear fostered by these concerns and implications for the period of time under study (1987-2000).

According to the UNDP, 1990-2009 Report (p.3), 'average economic growth in Fiji between 1987 and 2000 has ranged from 2-3 %'. Such sluggish growth has been associated with a lack of private sector investment. This can be associated with the outflow of capital from Fiji after the 1987 coup (Robertson, 1998) and with Rabuka government's 1990 positive discrimination policy which required that new investors accept indigenous Fijians as business partners (Reddy et.al 2004). The concern here is 'what security does the indigenous partner bring, how will he/she contribute in terms of administration and economic decision-making'. Such policies will therefore deter a rational investor.

The effect of slow economic growth was reflected in the increases in unemployment. The rate of unemployment in Fiji increased from 2.5 % to 5% during the 1987-1992 period and the trend continued with an increase of 3.7% in 1996 to 6.6 in 2000 and to around 8.6 % in 2007 (UNDP Report,1990-2009; Chung, 2008). The increase in unemployment affected the low-income earners (Chung, 2008). One possible effect of this was the increase in domestic violence (Narsey, 2008) the effect of which was felt by children and females who are usually the most vulnerable. Another problem that stemmed from unemployment was the increase in squatter settlements during the 1990-2003 period (Yabaki, 2009). Living in the squatter settlements meant no rental expense, no council/city rates but an existence in an overcrowded or unhealthy environment, as most of settlements were on swampy land along the coast areas. These situations also expose the individuals to threats from the sea and high winds and from looters. Such trends appeared not to catch the government's attention as the trend of coups continued and the seemingly lack of accountability by the government to its citizens persisted.

The expiry of farmland leases in 1987, 1995 and 1998 under the ALTA system contributed to increases in unemployment particularly within the Indo-Fijian community (Robertson, 1998). The majority of the ALTA land leases administered by NLTB expired during the 1990 -2000 period and were not renewed (UNDP Report, 1990-2009). As a consequence, the farmers were displaced without any compensation or any support from the Qarase led government. Many of the displaced farmers lived either with extended families or in squatter settlements. The dire state of these people is the outcome of the tribal land ownership structure enhanced by the Colonial administrators prior to independence and the entrenchment of tribal-ownership in the 1990 and even the so-called multiracial 1997 Constitution. The successive governments in Fiji backed by the Fiji Military's power have been promoting the rights of indigenous Fijians and protecting their land ownership rights, it is not surprising to find that these governments do not wish to be held to account to this end.

Poverty in Fiji rose from '25% in the 1980's to almost 30% in 2000 and to 40% in 2008' (UNDP Report, 1990-2009, p. 14). Such increases meant that families were probably not having proper meals or meeting their daily dietary requirements. Both Chung (2008) and the UNDP Report (1990-2009) indicate that the children and females were most vulnerable to poverty. According to the UNDP Report 'mothers at pregnancy stage were affected the most with some becoming diabetic and malnourished and a significant number died of breast or cervical cancer' (UNDP Report 1990-2009, p. 45). The Fiji Live (10 November 2004) reported that poverty was the motivating factor for primary and secondary school dropouts. In response to this, the Ministry of Education has introduced a compulsory education policy for children of ages 5 to 16 years for primary and

intermediate level studies. The purpose seems useless however if poverty and instability continue to inhibit education. Here again is a case of policy promulgated on democratic principles but failing to address the root cause of the (education) problem.

Studies on migration of skilled and educated workers from Fiji to other overseas countries indicate a strong relationship between the coups (of 1987 and 2000) and migration (Gani, 1998; Gani & Ward, 1995; Narayan & Smyth, 2003). These studies indicate that the feeling of job insecurity arising from political instability was the main factor. Factors like lack of economic opportunities, higher income and better standards of living were not significantly related to migration after the coups.

Narayan & Smyth's (2003) study indicates that between the years 1987-1999, teachers were the biggest group of professionals to migrate followed by architects, accountants and medical profession. Such a massive brain drain indicates a loss to the development of the Fijian economy and it appears that the individuals and institutions involved in instigating and motivating the coup culture are not concerned about such losses. This indicates the extent to which tribalism encourages a coup for Fijian political supremacy. In this context the accountant-accountee relationship, as interpreted in the accounting literature, has limited scope in terms of government accountability to its citizenry in the Fijian public sector. This raises concerns about the existence of the 1970 Audit Act and the implementation of performance audits in the Fijian public sector by Auditor-General Datt in 1995 and its subsequent discontinuation.

## 4.7 Summary

Fiji is influenced by a multitude of social, economic and political structures such as Indigenous Fijian tribal and landownership, the British Colonial, the Indo-Fijian and Fijian pressures, and the global economy. There have been four coups within twenty years in which democratically elected governments have been overthrown by the military. The coup makers have used the military's strength to ensure indigenous Fijian dominance in Fiji's domestic politics. This practice is reminiscent of the tribal political structure to ensure landownership. On each occasion, international pressures and local response to economic downturn ensured the return of Parliamentary democracy under the various Constitutions, which enshrined indigenous Fijian land ownership rights thus exposing the veneer of democracy that exists in Fiji.

Political instability caused wide spread social problems such as unemployment, lack of land-use, poverty, fear of violence and an uncertain future. The effects of the instability contribute towards the accountee-accountor relationship in which the accountor is unwilling to be held to account. Understanding of the relationship between the Fijian public sector auditees and the Fijian Auditor-General is thus important to the Fijian society and all its members. The study seeks to provide meaningful interpretation of this relationship within the context of a politically turbulent society driven by the interest of the indigenous Fijians underneath a veneer of democracy. The next chapter provides an analysis of the developments of the role of the Fijian Auditors-General over the 1874-2003 period to illuminate the history and expose the unusual pattern that emerges from it.

## **Chapter 5 Public Sector Auditing in Fiji: Tracing its Development**

### **5.1 Introduction**

Governance in Fiji is still based on the Westminster system despite the unsettling effect of four coups since 1987. In line with the Westminster system of governance, Fiji has provisions in the legislation for the office of an Auditor-General, (Fiji Constitution, 1997, sections 148, 166, 168), who is given the mandate by the legislature to audit the executive on behalf of the legislature. In the traditional sense the Auditor-General is expected to carry out public accountability obligations on behalf of Parliament by providing an independent and professional assurance that public sector resources have been managed properly, in accordance with the law, and that fraud has been prevented (De Martins, Clark, & Roberts, 1998; English, 2003; Pallot, 2003; Guthrie, 1991; Wilkins, 1995).

This chapter outlines and analyses the processes and influences by which auditing developed and expanded in the Fijian public sector within the context of public sector auditing and accountability over the period 1874-2000. An accountability perspective is adapted for the analysis. The purpose here is to analyse the events which led to significant expansion in public sector auditing and reveal how performance audit was pursued by powerful actors and then abandoned even though it was serving a public good. Publically available documents such as Parliamentary Papers, Legislation, and Annual Audit Reports by the Auditor-General and media sources were used to trace the development and observe the formal structures that created new accountability practices.

The chapter is structured in the following way: a historical explanation is provided to lay the foundation for an examination of the development of public sector auditing leading up to performance auditing. The developments are organised according to the evolution in the role of the Fijian Auditor-General over the period 1874 to 2000. This period predates and covers the timeframe in which performance audit emerged.

Public sector auditing in Fiji can be traced back to 1874 (Fiji Audit Profile, 1997). Fiji was colonised by Britain in 1874 and remained a British colony until 1970. Being a British colony, Fiji was subjected to British laws and regulations. During the period 1874 to 1955, British audit acts and laws were applicable to public sector auditing in Fiji. As a former British colony the laws, regulations and public sector acts in Fiji had initially originated from Britain; the Fiji Audit Act 1970 is no exception. Therefore, public sector audit developments in Fiji had a strong British influence during the colonial period and for most of the 1970s and 1980s.

It is only recently that New Zealand, Australian and Canadian public sector finance regulations have started having an impact on public sector auditing in Fiji. For example, the Asian Development Bank Technical Assistance programme for improvements in the performance of the Fiji Audit Office from 1995 to 1997 brought substantial Australian public sector auditing influence through the works of the Australian consultant firm of Staton Partners and the Victorian Audit Office (Annual Report- Audit Office, 1997). Other examples include the Fiji Finance Management Bill of 1998 which was modelled after the Victorian Public Finance and Management Act of 1992 and the 2004 Public

Finance and Management Act, which is modelled after the New Zealand Public Finance Act of 2003 (Reddy, Singh & Chand 2004).

The Auditor-General in a Westminster system acts on behalf of Parliament to ensure public sector accountability (Funnell & Cooper, 1998). In the Fijian context the Auditor-General's accountability role is associated with the functions/duties as prescribed in the 1970 Fijian Audit Act, section 8 (1-6).

An analysis of the documentary evidence, legislation and media reports from 1874-2000 established three major developments associated with Auditor-General's functions within his accountability role. These are as follows: (i) independence/authority of the auditor-general; (ii) scope of audit and (iii) reporting requirements. To provide insights on how these functions changed overtime it was decided to tabulate the evidence pertaining to auditing from 1874 to 2000. This evidence was then used to trace the changes. During the tracing process, it was noticed that there were significant developments in the functions of the auditor-general during certain periods of time (years). These time periods have been labelled as: (i) colonial compliance (1874-1955); (ii) verification of records (1956-1969); (iii) reporting irregularities' (1970-1990) and (iv) focus on efficiency (1991-2000).

Table 5-1 presents a summarised version of the major developments in each of the accountability functions of the Auditor-General during the four different time periods.

**Table 5-1: Developments in the Functions of the Auditor-General (1874-2000)**

Time period	Predominant type of audit	Independence of the OAG	Scope of OAG mandate	Reporting requirements of OAG			
				OAG's right to investigate		OAG's right to report to whom, when and what inclusive	OAG's right to follow-up
				Choose information	Access to information		
1874-1955 Colonial Compliance	Budget compliance and cash flow.	OAG not the end accountee, English reportee is.	Compliance with English law.	No	Yes	Compliance to cash flow. To British government	No formal right to follow-up.
1956-1969 Verification of Accounting Records	Financial attest and irregularity	Independence assured by Audit Ordinance 1956.	Regularity audit only. Verification, Section 8(2).	Yes - allowed by law but not explicit.	Yes to all documents and records, stipulated in Act.	To Parliament on compliance with statutory rules.	No.
1970-1990 Reporting Irregularities	Fraud, mismanagement investigations. Financial statement.	Assured by 1970 Audit Act and reflected through reporting.	Regularity, plus check for control, waste and extravagance. Section 6, (2a-e), Section 13(2) - other entities.	Yes - reflected by reporting.	Yes, but limited by what is available.	Greater audience. Level of reporting and change in focus of reporting.	No.
1991 to 2000 Focus on Efficiency	Financial statement and performance which was discontinued in 1997.	Assured by 1970 Audit Act - Constraint - in some cases - clarification from Attorney-General.	Efficiency reports plus regularity audit. Reporting at least once a year in most cases.	Yes - but entity manager can object.	Yes, entity manager can withhold records, case to date Military Trust Fund.	Level of reporting, changes in format of reporting.	No.

## 5.2 Independence of the OAG

Auditor independence forms the cornerstone of any auditing theory (Mautz & Sharaf, 1961) because the users of the audit reports view the preparers of these reports (auditors) as being neutral and unbiased in exercising their skills, expertise and professional judgments while forming an opinion on the audit findings. In the Fijian public sector context, the various Fiji constitutions have provided the framework for auditor independence at all points in time during 1874 to the present day (including the Constitutions of 1970, 1990 and 1997, respectively).

The Constitution,

...provides for the independence of the Auditor-General in that the performance of his/her duties or functions or the exercise of his/her powers, the Auditor-General is not subject to direction or control by any person or authority (1997 Constitution, Section 166).

This statement succinctly encompasses the concept of auditor- independence as described by Mautz and Sharaf (1961). To date, the OAG reports and findings have been accepted by the Fijian Parliament, the Fijian Public Accounts Committee and the Fijian public. The acceptance demonstrates that the members of these powerful groups have comfort in the performance of the Fijian Audit Office and also that the Auditor-General holds a position of power. The question then arises whether he can use his powers to influence changes in public sector auditing.

### 5.2.1 Colonial compliance years (1874-1955)

During the period 1874-1914, specific sums of money were allocated in the public sector budget and appropriated by the Legislative Council for the purposes of public sector auditing (Colonial Annual Report, 1876-1878, 1902-1910;

Ordinance No. XX, 1875). So the concept of auditing was recognised by the colonial rulers but there is no documentary evidence to suggest that the colonial Auditor-General was either independent or dependent on the controls of the executive government.

Other evidence during this period indicates that the English reportee was the end accountee and not the Colonial auditor (Colonial Annual Report, 1876). The English accountee, being the colonial Governor, was based in Fiji but was an English representative and held the power for disbursement of budgetary allocation. The accountee compiled the annual report and the colonial Auditor, Mr J.O. Forth based in Britain countersigned it (Colonial Annual Reports, 1887,p.2; 1902-1910). The colonial Auditor performed the compliance to cash flow audit. Accountability therefore was compliant with budgetary appropriations and not on the prudent use of public funds. Although in 1914 an Audit Department was created in Suva for the purposes of undertaking public sector audits in Fiji (Journal of Legislative Council; CP, 107/1914), the colonial reportee was still under the reporting requirements of the colonial government.

The authority of the colonial Auditor was limited to assuring that the annual accounts complied with the colonial government's reporting requirements. It appears that the colonial auditor under the colonial reporting requirements was not expected to perform his/her duty independently of the influence of the colonial government. Therefore, transparency was through accounting not auditing and reflected the expectations of the Colonial government. Such expectations reflect the influence of the Colonial Government in shaping public sector auditing in Fiji. The Auditor-General (as known now) could not influence audit changes, the role

was one of providing assurance only. It was perhaps the government, via the British representative, who had the political power to influence changes.

### **5.2.2 Verification of accounting records (1956-1969)**

From 1956 to 1969, the authority and the independence of the Director of Audit was formally and legally established in Fiji through the enactment of the following laws: the 1956 Audit Ordinance, the 1965 Finance Ordinance, section 9, and the 1966 Fiji (Constitution) Order. The respective sections in these constitutional documents form the framework for the independence of the Audit Office by stipulating that the ‘Director of Audit would not be the subject of control by any party or authority’. This implies that the executive government and the government agencies would not be able to put undue pressure on the public sector auditor during the audit process because of the legal implications of the constitutional framework.

Section 8 of the 1956 Ordinance specifies:

...the Director of Audit acts on behalf of the Legislative Council while performing the duties of carrying out an examination of, inquiry into, and audit of the accounts of the Fiji public sector.

In terms of auditor independence, the auditor-general has no formal relationship with the audited entity, therefore should not have an undue personal interest in the audited entity or allow a personal interest to cloud his/her professional judgment on the audit findings. This perception of non-personal interest can be interpreted as an inspiration to the auditor-general for being morally responsible when disclosing irregularities found during attest financial audits.

Section 10 of the 1956 Audit Ordinance, provides the auditor with the authority to:

cite and report to the Secretary of Finance any irregularities that may have occurred in the receipt, custody or expenditure of any public funds or public property of any type, or in the accounting of public funds and properties.

These provisions contribute to auditor independence in terms of to whom they report to when irregularities are encountered during the compliance to budget and financial attest audits. Legislative Council papers (Papers, 3/63; 14/1965; 16/67) and media reports (“Department’s Accounts”, 1965; “Immigration Head”, 1964; “Long Look”, 1966) indicate that the Director of Audits, Mr K.A.W. Johnson, reported and disclosed irregularities found during the annual attest audits. Such disclosures create the perception that Director of Audit and the public sector auditors were able to compile their findings without apparent fear of reprisal.

The media, by publicising the irregularities disclosed by the audit reports, conveyed the message that the Director of Audit was a powerful individual as he/she was holding the auditees to account without fear. This interpretation is offered because there is no evidence that former Director of Audit was reprimanded or subjected to any external pressures either by the government or by the government agencies. The concern is whether he/she has the power to influence changes in audit practice (Myers, 1994). Simultaneously, the media is also seen as a powerful agent because of its ability to publicise the disclosures without reprisal.

The 1956-1969 audit were confined to checking the arithmetical verifications; an indication of how accounting was substituted for accountability even in these early stages of practice (Roberts, 1996).

### 5.2.3 Reporting irregularities (1970-1990)

The most significant development in auditor independence was during this period (1970-1990). The 1970 Audit Act allowed the Auditor-General to:

- (i) transmit special reports made on any matter incidental to his powers and duties under this Act (Audit Act 1970, section 12(3)), and (ii) citing serious irregularities in the disbursement and receipt of public funds arising through attest auditing (Audit Act 1970, section 10).

These provisions allowed him to report on non-calculative accounting matters.

Evidence from Parliamentary Papers (Parliamentary Paper 22/90; Parliamentary Paper 2/89; Parliamentary Paper 14/79) and the media coverage of the Auditor-General's (AG) audit findings during this period indicate that AG Bhim had on some occasions either requested special audits or transmitted special audit reports to the Parliament (Parliamentary Paper 2/89). He also suggested that special inquiries be undertaken in financial operations of Public Works Department ("Account Query", 1974; "Money Wasted", 1975) and the Nausori Town Council ("Mayor, I Welcome", 1980;). AG Bhim was able to 'freely' transmit special audit reports to the Parliament exercising the constitutional independence of the Audit Office. He was able to perform his accountability role<sup>4</sup> in a powerful way by ensuring that he could select what to audit and report the findings. During the 1980's AG Bhim was able to investigate non-accounting

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<sup>4</sup> AG accountability role refers to the audit and purpose of the audit of the public sector entities by the OAG to provide assurances to the public via parliament on the usage and management of the public sector entities, see 1970 Fiji Audit Act on Duties of the AG.

matters such as fraud and inefficiency, which is not covered by traditional financial attest audit.

The Public Accounts Committee (PAC) under the chairmanship of Shah (an Indo-Fijian) supported the Auditor-General's request for special reports (Public Accounts Committee Report, 1983). The PAC members also deliberated on the disclosures made in 'Special Reports' submitted by the Auditor-General and concurred with the contents of the Report (Public Accounts Committee Report 1980), thus implicitly supporting Auditor independence.

The PAC is a select committee of Parliament and performs the role of an oversight body (Standing Orders 72/1992; 168/1995) overseeing the accounts of the government and the audited reports. Table 5.2 summarises the existence and the authority of PAC over the 1970-2000 period.

**Table 5-2: PAC Existence and Authority: 1970-2000**

<b>Years and audit focus</b>	<b>Major Event</b>	<b>Authority</b>	<b>Ruling Government</b>
1970-1986 Reporting irregularities	Committee formed after Independence in 1970.	Oversee government expenditure and reports including audit reports.	Mara led alliance.
1987-April 1991 Reporting irregularities	Military coup led by Rabuka Committee suspended.	None.	Rabuka led military. Mara Led Interim, July-Sept 1987. Rabuka led Military Govt, Sept-Dec 1987. Mara led interim, Dec 1987-April 1991
May 1991 Focus on efficiency	Committee reinstated continued.	Oversee government expenditure and reports including audit reports.	Rabuka led military government.
1992-1996 Focus on efficiency	Democratic elections.	Oversee government expenditure and reports including audit reports.	Rabuka led (SVT) democratic - under undemocratic 1990 Constitution.
May 1999-May 2000 Reporting irregularities and financial statements	Democratic elections.	Oversee government expenditure and reports including audit reports.	Chaudry-led Labour Party, democratically elected. Under 1997 democratic Constitution.
May-August 2000	Civilian Coup led by George Speight.	Oversee government expenditure and reports including audit reports.	Self-proclaimed leader, Speight.
September 2000 Reporting irregularities and financial statements	Military takeover and military elected government.	Oversee government expenditure and reports including audit reports.	Qarase-led and military nominated government.

*Sources: Derived from Audit Reports, Public Accounts Committee Reports, and media publications.*

The Committee members are the members of Parliament nominated by Parliament in consultation with the government leader of the day and the leader of the opposition party/ies. The PAC is comprised of eight to twelve members, 50% of the members are from the government in power and 50% from the opposition party. The Opposition party's nominee is nominated as the Chairperson by the Parliament. Table 5.3 lists the chairpersons of the PAC and the Ministers of Finance during the 1970-2000 period.

**Table 5-3: Time frame: PAC Chairperson and Minister of Finance**

<b>Time Period</b>	<b>Minister of Finance</b>	<b>Chairperson of PAC and Opposition Party represented</b>
October 1970-May 1987 (Reporting irregularities)	Peter Stinson (European)	Shah (Indo-Fijian National Federation party)
June 1987-September 1987 (Reporting irregularities)	Mahendra Chaudry(Indo-Fijian)	Kahiyum (Indo-Fijian National Federation Party)
June 1987-September 1987 (Reporting irregularities)	Kamicamica- Financial Advisor (Indigenous Fijian-chiefly family)	Appointment of PAC suspended
September 1987-December 1987 (Reporting irregularities)	James Ah Koy (Indigenous Fijian)	
December 1987-April 1992 (Focus on efficiency)	James Ah Koy, Interim Minister (Indigenous Fijian)	
May 1992-March 1999 (Focus on efficiency)	Ratu Kubuabola (Chief -Indigenous Fijian)	Khaiyum (Indo-Fijian National Federation Party)
May 1999-May 2000 (Reporting irregularities)	Mahendra Chaudry (Indo-Fijian)	Pickering - General Electors (Part-European)

*Sources: Derived from Audit Reports, Public Accounts Committee Reports, and media publications.*

The Committee gets its authority from the Standing Orders of the House of Representatives' (Public Accounts Committee Report, 1992, p. 1). As an oversight body the PAC shall:

examine the Accounts of the Government of Fiji in respect of each financial year together with any report of the Auditor-General thereon, and such other accounts laid before the Parliament as the Committee may think fit and shall report thereon to the House. (Public Accounts Committee Report, 1992, p.1)

The PAC Reports are derived from analyses raised in the Audit Report and therefore supplement the Audit Report. During these deliberations the PAC members seek explanations from:

(i) the Ministry of Finance on issues related to implementation and enforcement of financial regulations, (ii) the Audit Office on clarification of audit finding revelations, and (iii) the Ministry whose audit report is under discussion. (Public Accounts Committee Report, 1992, p. 1).

In Roberts' terms (1996) the PAC was in a strong position to forward more arguments because a socialising form of accountability was taking place. This was through dialogue where the accountee (PAC) sought clarifications and explanations from the accountee (Ministry of Finance and the Ministry whose reports were under discussion) without threats. After deliberations PAC members prepare a Report and this is published as a House Paper and laid on the Table in the Parliament for its consideration. PAC therefore was in a position to influence changes in the way the auditees were held to account.

The PAC Reports during the 1970-1980 period tended to support the audit findings and disclosures of irregularities in record keeping. The AG's audit reports ("Accounts in Chaos", 1978; "Cost of Groundings", 1978; "Council

Accounts”, 1975; Money Wasted”, 1975) were validated by the PAC. This was undertaken by the process of deliberation, seeking explanations from the government and government agencies on the disclosures and reports of irregularities contained in the audit reports.

During this period the PAC was under the chairmanship of an Indo-Fijian and the government in power was dominated by and led by an indigenous tribal chief. The latter was keen on protecting the native rights and the former was probably pushing for Indo-Fijian recognition. In promoting the rights of their own ethnic groups there was a potential for conflict of supremacy. The PAC’s support for and validation of the audit disclosures can be interpreted as an attempt to legitimise public sector auditing via socialising form of accountability.

After the second coup in September 1987 the Rabuka led military government suspended the PAC and reinstated it in May 1992 after the general election (Parliamentary Paper 29/1992). This appears to have been done to create an illusion that the Rabuka government was keen to re-establish the bureaucratic structures to enable the accountee (PAC) to hold the accountors (bureaucrats, Ministers and government) to account. This gesture was also for the benefit of the international community, which was pressuring the Rabuka government to restore democracy in Fiji.

Prima facie, the PAC appeared to seek transparency via accounting. As a powerful body, the PAC was not able to influence changes in public sector audit practice.

#### 5.2.4 Efficiency period (1991-2000)

The independence of the AG (Table 5-1) appear to develop in two ways during the 1991-2000 period. On the one hand, AG Datt, through the financial attest and statement audits, disclosed mismanagement of public sector funds, fraudulent practices by the public servants and the existence of poor accounting controls in most entities, as evidenced by the following media reports<sup>5</sup> and Parliamentary Papers (“Abuse of Funds”, 1999; Ali, 2003; Deo, 2003; “Editorial Comment”, 1997; Lewa & Buimajor, 2003; Manueli, 2003a, 2003b, 2003c; Lewa, 2002a, 2002b, 2000a, 2000b, 1999; Parliamentary Papers 25/95, 26/95, 35/95, 36/95, 37/95, 40/99; Rika, 2002; Wise, 1999). These disclosures by the AG’s [Datt 1987-1997, Jacobs 1997-2000 Vatuloka 2000-2009] covering the period 1995-2000 can be interpreted to mean that these AG’s were exposing the inadequacy of accounting to hold the auditees to account.

AG Datt performed two efficiency and effectiveness audits in the Fijian public sector during 1996 and 1997 (“Auditor Finds”, 1997; “Auditor Slam”, 1997; Chand, 1997; “Editorial Comment”, 1997; Jagmohan, 1996a, 1996b, 1996c, 1996d, 1996e, 1996f, 1996g; Parliamentary Papers 8/97, 21/97; Ragogo, 1997; and media reports). No further performance audits were undertaken during the 1997-2000 period.

On the other hand, the documentary evidence indicates that the AG’s Datt and later Jacobs had concerns about the independence of the Audit Office [AO] (Annual Reports, 1998, 1999, 2000). In the 2000 Annual Report of the AO, AG Jacobs’ states that the ‘AO is not totally independent of the executive control and

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<sup>5</sup> Media Reports of 2001, 2002 and 2003 cover the Auditor-General’s Audit reports of 1998, 1999 and 2000.

that the lack of resources seriously constrains its operations' (p. 3). The budget appropriation of the Fiji AO is determined by the Ministry of Finance. It is possible that the Minister of Finance would not increase the budgetary allocation so as to enable the AO to undertake performance audits together with compliance audits. Undertaking performance auditing would mean more expenses for the AO and via the budgetary constraint the executive would ensure that there is no surplus of funds to be spent on performance audits. The Minister of Finance, Ratu Kubolala, an indigenous high chief and a member of Rabuka led-government which was in power could have placed undue pressure and controlled the operations of the AO by limiting the funds. This interpretation is offered because during the 1992-1994, the Rabuka led government which was in power was elected under an undemocratic 1990 Constitution. As such the government in power is not keen to be held to account.

The Fijian Public Service Commission also has the potential to affect the independence of the Audit Office. Under the 1970 Public Service Act, this body 'is responsible for the appointment of civil servants'. This rule applies to the employment of auditors at the AO. Furthermore, any appointment of a civil servant can be challenged by the Public Service Commission's Appeals Board (Public Service Act, 1970).

The involvement of the Public Service Appeals Board can also be influenced by the 'rules' of the traditional Fijian customary rights. For example, if a particular decision on an appointment involves a Fijian Chief or a member of chiefly family and a member of the Board is swayed by the Fijian Customary rules, then the final decision is not be arrived at through an objective Westminster

system. In the Fijian customary system one never speaks or goes against the wishes of one's chief or village elder (Torin, 1990). Examples of such compromise can be found in the case of the Native Land Trust Board (which was set up by the Fiji government to protect the landownership rights of the indigenous Fijians) audit of 1994 and the National Bank of Fiji (set up and owned by the indigenous tribal high chiefs) audits reports from 1992-1995. In these cases the AG (Datt - Indo-Fijian) had cited inappropriate practices and mismanagement of funds but had given the entities a clean audit report probably based on 'true and fair accounts' irrespective of the practices of mismanagement.

Prima facie this indicated he was corrupt which may or may not have been the case. However, AG Datt's action may have been prompted by the political tension in Fiji during the 1990-1995 period. During this time, the Rabuka led indigenous Fijian government was in power. Within this broader political context there was potential tension of ethnic supremacy and to avoid this AG Datt (an Indo-Fijian) acted the way he did.

These examples portray different dimensions of auditor independence in the Fijian public sector. Although the AG is assured constitutional independence, he is not "free" from executive control thus Auditor independence is not achieved.

It can be concluded that it was an illusion that the Fijian AG was able to exercise his constitutional independence in carrying out his public accountability role by reporting and disclosing fraudulent practice and lack of compliance with financial regulations during 1991-2000 period. Independence of the Fijian AO was suppressed by the executive. The culture and traditional structure of the indigenous Fijian system of governance also has the ability to suppress auditor

independence in the Fijian public sector. This is a motivation to explore why efficacy audits were implemented and then inexplicably discontinued.

### **5.3 The Scope of the OAG Mandate**

The scope of the OAG mandate refers to the subject of audit which is usually determined by the audit act. Sections 8 and 9 of the 1956 Audit Ordinance specifies the entities to be audited by the Director of Audit, these include ‘all government Ministries, Departments, local government authorities, Provincial Councils, statutory bodies and overseas Missions’. The focus of the OAG audit extends to the nature of assertions subject to investigation; that is the OAG has the responsibility to audit the accounting system of the entity. This indicates that the auditor would determine the extent to which accounting information is used to ‘lay bare’ the operations of the entities (Roberts, 1996).

#### **5.3.1 Colonial compliance years (1874-1955)**

The scope of the colonial Auditor’s mandate during 1874-1955 (refer to Table 5-1) was limited by a small number (about five) of government departments (Journal of Legislative Council Papers, 14/1930; 16/1893). The audit reports were prepared in Britain and the scope of the audit was a general cash flow audit for all government departments presented as a single account with lists of expenditure and revenues (Journal of Legislative Council Papers, 18/1892, 16/1993, 18/1897). The scope of the OAG mandate was thus limited to that precedent established in English law, which required the colonial Auditor to check for arithmetical accuracy of the records.

The Fijian Legislative Council, whose members were appointed by the British representative (the Governor of Fiji), was responsible for providing the

public with the basic public goods and services like law and order, basic infrastructure and minimal health services. This suited the public sector at that point in time because Fiji had a relatively small population. It follows that the scope of the colonial Director of Audit's mandate was suitable for the Fijian public sector at that time.

### **5.3.2 Verification of records years (1956-1969)**

The 1956 Audit Ordinance, based on British law expanded the scope of the Director of Audit's mandate by providing him with authority to audit, the government, the government agencies and the accounts of any corporate body established by an Ordinance of the Legislative Council, (Section 8 and 9(1)). The 1956 Audit Ordinance and its subsections, provide the Director of the Audit with the authority to satisfy himself that:

(i) reasonable precautions have been taken to safeguard the collections of public money and that the laws, directions or instructions relating to the collection of public money have been duly observed and ii) that all appropriations or disbursements had been expended and applied for the purpose/s for which the money was intended and authorized. (1956 Audit Ordinance, Section 8).

This clause empowered the colonial Director of Audit to, investigate, report on and disclose if and how the auditees complied with financial rules. He also had to verify and disclose that appropriations were used for their intended purposes.

Analysis of the audit reports (Papers, 3/63; 14/1965; 16/67) and media reports ("Departments Accounts", 1965; "Immigration Head", 1964; "Long Look", 1966) indicate that the Director of Audit was treating the government, the various government departments and government agencies as separate reporting

entities. Each reporting entity was subjected to an individual cash flow and compliance to budget rules audit and issued a separate audit report. By performing individual audits for every entity the Director of Audit was providing assurance to the public and the Parliament that the management of every government entity was complying with regulations. At the same time each accounting audit was used as accountability to hold the management to account but without the power to impose consequences thus in Roberts (1991) terms real accountability was obstructed.

During the verification of records period (1956-1969) the audit scope expanded from compliance with English reporting requirements to checking for arithmetical verification and compliance with budgetary procedures of disbursing expenses. The Director of Audit was the accountee bringing to the Legislative Council's attention the issues of record keeping, checking that the accounts were accurately kept, and that each public sector entity (the accountant) complied with financial rules and regulations. The focus was on preparing accounts and therefore accounts prepared. Accounting, as such was substituted for accountability (Roberts, 1991, 1996).

### **5.3.3 Reporting irregularities years (1970-1990)**

After gaining independence from Britain, Fiji adopted the 1970 Audit Act. Section 13, subsections 1 to 4, of this statute, 'provide the AG with the authority to audit the accounts of government corporate bodies and other bodies established under the Fiji laws'. The title 'Director of Audit was repealed and changed to Auditor-General on 8<sup>th</sup> October, 1970', (section 6 (1), 1970 Audit Act). The corporate body includes the statutory bodies, government trading enterprises,

government owned companies and the National Bank of Fiji. This expansion in the audit scope indicates that the AG was empowered to audit each and every public sector entity, funded by the government for compliance with financial regulations and also for financial statement audits. As such, the AG was not empowered to audit for or assess fraud or efficacy. He has the right to disclose irregularities and can possibly extend the disclosure to fraudulent practices. Yet again accounting is used as accountability by substituting compliance for reports on financial accounts and irregular practices (Roberts, 1991).

The 1970 Audit Act, section 12, stipulates ‘that within a period of eight months after the close of each financial year, the AG should transmit the annual audited accounts of the whole of the Fijian public sector entities and agencies.’ The AG can seek an extension to the time from the Parliament if so desired, but this was not the practice. The time lag between the close of the financial year and the annual audit reports ranges from two to three years (Audit Reports, 1980 & 1983). Delays in the submission of financial statements delayed the completion of audit reports (Annual Reports-Audit Office, 1980 & 1983). This potentially diverted the attention from real accountabilities because financial reports were produced but audits were delayed hence were not be used to provide consequences (Roberts, 2001a).

#### **5.3.4 Efficiency years (1991 -2000)**

There were significant developments in the scope of the OAG mandate during the 1991-2000 period (Table 5-1) as a result of the Institutional Strengthening Programme jointly funded by the Asian Development Bank and the Fijian Government (Annual Report-Audit Office, 2000). During 1995-1996 AG Datt

conducted performance audit of two major public sector entities, the Fiji Customs Department and the Colonial War Memorial Hospital. The scope of the OAG audit was expanded from financial attest auditing to performance auditing but without a mandate.

AG Datt expanded the financial attest audit scope to include economy, efficiency and effectiveness. The focus of the audits shifted, from examining and inquiring for compliance and control, to examining and inquiring for performance in terms of outputs and outcomes. With a focus on performance, the AG was able to act in a much more powerful way to hold the auditees to account. The concern here is whether AG Datt was able to continue with performance audits and report on non-accounting information to make visible the conduct of the public sector managers (Roberts, 1996).

The 1990 Constitution, section 126, subsection 2, limits the scope of the OAG's mandate to audit all public sector entities. The section specifies:

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

Most public sector statutory bodies, local governments and the National Bank of Fiji used this provision and secured the services of private sector auditors for auditing purposes. The power of the AG with respect to choosing the subject of his audits was thus highly limited. In this context, the Rabuka led government used the undemocratic 1990 Constitution to weaken the AG's powers by denying him access to all public sector entities as per section 12 of the 1970 Audit Act. The Constitution in Fiji is the supreme law and therefore supersedes the latter

statute. The political supremacy of the indigenous Fijians was restored by this government and as such it did not deem it necessary that all government controlled and managed entities be held to account by an Indo-Fijian Auditor-General (Datt). The political power relationship between the Rabuka government and Auditor-General, Datt, exposes how the indigenous Fijian leadership protected their self-interests (Prasad & Mir, 2002).

During the 1991-2000 period the Fiji public sector had the services of at least three dynamic auditors-general. These were, Datt (1987-1997) a local Indo-Fijian, Michael Jacobs (late 1997-late 2000), an Australian from the Victoria Audit Office in Australia, and an indigenous Fijian, Eroni Vatuloka (late 1997-2009). All three, during their tenure sought a mandate for performance audit by submitting proposals for changes to the 1970 Audit Act to the Ministry of Finance (Annual Report- Audit Office, 1995, 2000, 2003). However, the latter did not progress with the proposal to do so. Failure to secure a mandate for such audits in Roberts' (1996) terms meant that the AG was not free to engage in a socialising form of accountability by explaining, debating and exchanging views on the benefits of performance auditing with the Ministry of Finance personnel and the auditees. Similarly the latter appeared not be free to seek explanations and put forward their arguments on benefits of such audits.

During the 1970-1990 and 1991-2000 periods, transparency occurred but was limited by compliance with regulations (Roberts, 1996) as demanded by the 1970 Audit Act.

During 1970- 1990, AGs (Bhim 1970-1984, Narain 1984-1987 and Datt 1987-1997) strengthened their rights to report by extensively reporting for

compliance with budgetary appropriations procedures and record-keeping. The audit reports during this period focussed on the methods of disbursements and receipts and the accounting and procedural controls in place for the financial operations of the entity. During 1991-2000 the scope expanded to auditing for performance. AG Datt was one of the catalysts for this expansion. He saw a need to start auditing for performance in 1995 because the prior years' annual financial attest audit reports disclosed a high level of mismanagement of public funds due to improper record-keeping. This was interpreted by him as a lack of control by the public sector managers in the management of public property and other resources. During the 1990-2000 period accounting was substituted for accountability (Roberts, 1996) in the sense that performance (and corruption) was not under the AG's gaze. Hence accounting information was used by Datt to hold the ministries and departments to account on behalf of the Parliament.

#### **5.4 Reporting Requirements**

Reporting requirements set out the standards against which compliance is measured and the public sector managers are held to account. For the purposes of this research, reporting requirements have been divided into three sub-categories (see Table 5-1). These include the OAG's right to: (i) investigate; (ii) report and (iii) follow up. This was done on the basis that all three sub-categories related to the OAG reporting requirements. In order to report, the OAG has to investigate, and then report and disclose the findings of his investigation. After the reporting there is usually a follow-up (i.e. consequences) to determine what actions can be taken for improving the deficiencies or to strengthen the strategies and techniques used by the managers to use the budgetary appropriations in order to achieve the objectives for which it was given.

The follow-up is undertaken by the PAC members (Standing Orders 72/92) by seeking answers to concerns raised in the Audit Report from the respective entity's heads and permanent secretaries, and even Ministers. Seeking answers and getting responses does not constitute sanctioning the actions of the bureaucrats or the Minister; this is perceived to be the role of the government (Public Accounts Committee Report, 1983). This process is perceived to be a socialising form of accountability (Roberts, 1996) as it engages dialogue and discussion. With this form of communication the PAC as the accountee is in a better position than the AG to hold the accountant (auditees to account) and influence a change.

The Fijian AG is not empowered by the 1970 Audit Act to undertake follow-up action and is not in a position to impose sanctions or rewards. The concern here then is whether the AG will be able to influence changes in the public sector audit practice. Will his influence be sustained?

#### **5.4.1 The OAG's right to investigate**

The OAG's right to investigate is derived from the Audit Act. For example, the 1970 Audit Act provides the OAG with authority to investigate both the financial and the cash flow statements of all accounting officers. Accounting officers are defined as:

every public officer who is charged with the duty of collecting, receiving or accounting for, or who is charged with the duty of disbursing , or who in fact disburse, any public money and every officer who is charged with the receipt, custody or disposal of, or the accounting for, public stores or other property in the possession of government or who in fact receives, holds, disposes of or accounts for public stores or other public property in the possession of government. (Audit Act, 1970, p. 1)

This section of the Audit Act (1970) provides the AG with powers to investigate any individual, entity or agency who uses or is given the responsibility to deal with public funds. They include the public sector managers, accounting officers, permanent secretaries, the Ministers of the government, and some members of Parliament. The right to investigate also includes the AG's right to access information and right to determine the purpose of the audit. The significance of the right to investigate would help determine the effectiveness with which the AG can perform the accountability role of an oversight body. This is important because it gives the AG the opportunity to seek real accountability, at least with respect to financial attest audits. Such rights changed over the periods of reporting irregularities (1970- 1990) and focus on efficiency (1991-2000) during the post independence, and the post coups periods.

#### ***5.4.1.1 Colonial compliance years (1874-1955)***

The OAG's right to investigate was not applicable during this period (Table 5-1) because it was the English reportee who reported on the public accounts and the colonial Auditor, based in Britain, vouched for the reports. In order to do so, the colonial Auditor would have had access to the financial records or the financial accounts. Since the colonial Auditor signed off the colony's annual accounts, he/she would have probably cited the financial records before signing the reports.

#### ***5.4.1.2 Verification of records years (1956-1969)***

During this period (1956-1969), the Director of Audit had the right to investigate cash flows (see Table 5.-1). Section 8 subsection 2 of the 1956 Audit Ordinance, 'specifies the objectives of the audit process'. Evidence from the parliamentary reports (Parliamentary Papers, 3/63, 14/1965, 16/67) and media reports ("Department's Accounts", 1965; "Immigration Head", 1964; "Long Look",

1966) indicate that he/she did not have much choice in deciding which entities to audit but had the ability to decide the objective of his audit for particular entities. For example, a Fiji Times report (July 13, 1966) states that the Director of Audit carried out audit checks in the Department of Agriculture to establish if the expenses were properly authorised and if the revenues collected were properly recorded. The cash flow audits do not evaluate fraud or misappropriation of cash it only discloses encounters of irregularities and thus limits the accountability for consequences of mismanagement (Roberts, 1991) as the individual responsible for such action is not taken to task.

The Director of Audit's right to access information is mandated in the 1956 Audit Ordinance:

----has mandatory access to information on records, books, vouchers, documents, cash, stamps, securities, stores or other government property (1956 Audit Ordinance, Section 12, subsection 2) .

The public sector managers, accounting officers and government Ministers therefore had to make the information available.

#### ***5.4.1.3 Reporting irregularities years (1970-1990)***

Developments in the AG's right to investigate (for both the right to choose the objective of audit and the right of access to information) was traced through the analysis of Parliamentary Papers, Auditor-General's annual audit reports and media reports. The statutory rights remained the same as in the verification of records period (1955-1969), see Table 5-1.

Parliamentary reports (Parliamentary Papers 28/70, 19/71, 11/73, 28/73, 16/74, 2/75, 11/75, 13/76, 14/76, 19/77, 35/79, 4/81, 10/81, 56/86, 26/87, 2/89, 22/90), and media reports ("Account System", 1984; "Quiz on Accounting",

1984; “Racket Claim”, 1984; “Staff Sold”, 1978) state that the AG had used his rights to choose the audit objectives on almost all the government ministries, government agencies and statutory bodies. During the 1970-1990 period Auditors-General (Bhim [1970-1984], Narain [1984-1987], Datt [1987-1997]) chose to investigate the internal accounting control systems of government Departments and Ministries to establish whether the internal accounting controls were appropriate or otherwise.

In some cases the AG’s investigation focused on fraudulent practices and mismanagement of funds. One such investigation was called for by the Ratu Sir Mara led democratically elected government in 1977 because of the claims by the public of corrupt practices in some government departments. (“Council Ignored Advice”, 1977). Another such investigation was undertaken by the OAG in 1983 when the Ratu Sir Mara government was in power. A media report (Matai, 1983) notes that the Minister for Local Governments had called for the audit of the financial affairs of the Nausori Town Council for the years 1982 and 1983. The objective of the audit investigation was decided by the Government in power which is allowed under section 13; subsection 2 of the 1970 Audit Act. So while the Audit Act 1970 allows the AG to choose the objectives, the executive government can also direct the former to investigate for specific objectives. The executive government of the day therefore subjugates the AG’s right and this can cause tension between the two as the former has the power to influence the latter’s right to decide the audit objective.

The AG is given powers to have access to all records and information for financial attest audits. Section 6, subsection 2 (a-d) of the 1970 Audit Act,

‘specify the records and information’ that should be made available for audits. These refer to accounting information and non-accounting information is not included. In this context, accounting was used to make transparent the conduct of the auditees for record keeping and compliance to financial regulations (Roberts, 1996).

#### *5.4.1.3.1 Efficiency years (1991-2000)*

From 1991-2000 there was significant expansion in the AG’s right to choose the objective of an audit and the right to access information. The audit mandate did not change, but the AG (Datt, 1987-1997) expanded audit objectives by incorporating auditing for performance in 1996.

Parliamentary Papers (No. 8/97 & 11/97) indicate that AG Datt chose the audit objectives for the Colonial Hospital and the Customs Department for the year 1996. For both entities he chose to investigate for effectiveness and efficiency of operations and management of resources. So performance audit was conducted to uncover new disclosures.

In 1996, the Constitutional Review Committee’s Report (also known as Reeves Report) suggested that the Audit Act (1970) be reviewed and performance audit become a mandatory part of the revised Act. This recommendation was based on various reports (media and audit reports) wherein allegations of corrupt practices were made and brought before the Ombudsman or the Judiciary (Annual Report-Audit Office, 1988, 1992; “Council accounts contain defect-AG”, 1975; “Accounts at FAB queried, 1983; Jagmohan, 1996; Matai, 1998).

This recommendation if adopted by the government would have given the AG the rights to assess for efficiency and effectiveness. The focus of such audits

would be on how and why the Ministers and the public sector managers used the resources the way they did thus making them take responsibility for the input and the outcome of their actions. The AG would be able to hold the government, the Ministers and the auditees to account by using both financial and non-financial information.

During the efficiency years (1991- 2000) the AG Datt exercised the right to chose the audit object and extended this right to include audit for efficiency. He reported on the performance of the Fijian Customs Department and the Colonial war Memorial Hospital. The management of these two public sector entities provided the AG free access to information for financial attest and compliance to budget audits knowing that this was a legal requirement and also to non-financial information which was not legally required. The OAG in its capacity as an overseeing body used both accounting and non-accounting information such as how and where management used the resources and why to hold the managers (auditees) to account.

#### **5.4.2 The OAG's right to report**

The 1956 Audit Ordinance (section 8, sub-section 2) states that the Director of Audits 'has the right to report on how the public sector entities keep their accounts and the controls maintained for proper authorisation of expenditures'. During the cash flow audits, the right to report also includes checking if the public sector managers complied with appropriate rules and regulations while disbursing public funds, collecting revenue or while documenting financial transactions. The auditors also audit to check whether the appropriated funds have been used for the

purpose for which they were intended, appropriated or otherwise (Annual Report-Audit Office, 1965).

Section 6 of the 1970 Audit Act empowers the AG with similar but extended rights on issues of what to report. The extension included ‘checking for fraud or extravagant use of funds’. The right to report empowers the AG to act in order to hold the government, the government agencies and other government bodies to account in the way the public funds and resources are used.

The AG is required to:

transmit the annual audited reports to the Minister of Finance and the Minister would then table the report in Parliament (1970 Audit Act, Section 12 (1)).

The AG is not an officer of the Fijian Parliament so he has to transmit the Report to the Minister of Finance who can delay the tabling of the audit report. Should this happen the disclosures in the reports will remain as ‘accounts being prepared’ and actions will not be taken by the government in power on the disclosures. As such, accounts prepared are not accompanied by action on the audit report findings and disclosures and this in Roberts’ (1991) terms remains an empty gesture.

#### ***5.4.2.1 Colonial compliance years (1874-1955)***

The English reportee compiled the audit report during this period and hence the colonial Auditor’s right to report does not arise. Since the financial reports were written for the British representative the colonial Auditor had no right to decide what to report on and to whom to present the report.

#### *5.4.2.2 Verification of records years (1956-1969)*

Section 8, subsection 2, of the Audit Ordinance of 1956 provides the Director of Audit with ‘statutory rights to report on the records, documents, books and vouchers kept by the government ministries, departments and agencies’.

An analysis of the Parliamentary Papers (3/63, 14/1965, 16/67) and media reports (“Department’s Accounts”, 1965; “Immigration Head”, 1964; “Long Look”, 1966) indicates that the Director of Audit used his rights to report on the record-keeping, the custody of government property and on the financial accounts of the entities. Such audit reports indicated that the accounting officers were unable to properly document invoices, vouchers and receipts. This raises a serious concern at the time on the accountors’ (accounting officers) responsibilities.

It was perhaps difficult for the audit officers to verify the arithmetical accuracy of the records. Such documentation also opened up room for mismanagement of cash and other corrupt practices, which are difficult to prove without good, quality records. Since cash reporting formed the basis of accounting, the problem of establishing the amount of cash received or disbursement without proper evidence would have resulted in the audit officers not being able to establish the reasonableness of record keeping as a form of accountability by the entity under audit. Reporting during the 1956-1969 period was based on accounting numbers but not evidence. As such accounting made visible the conduct of the accountors (Roberts, 1996, 2003).

#### *5.4.2.3 Reporting irregularities years (1970-1990)*

The 1970 Audit Act established the OAG’s right to report. He could report on:

the records, documents, books and vouchers, stamps and properties in the custody of or kept by the government ministries, departments and agencies (Section 12, (1)).

An analysis of Parliamentary Papers<sup>6</sup> revealed that the AG's (Bhim, Narain and Datt) reported on compliance with rules and procedures related to the budgetary allocations and on accounting controls. This expanded their reports by disclosing audit findings on irregular practices of account keeping and misappropriation of funds, a result of the level of reporting undertaken by the Audit Office. For example, Parliamentary Papers (4/81, 35/79, 14/79, 19/77) and media reports ("Bank searches", 1979; Matai, 1983; "Money Wasted", 1975; "Racket Claimed", 1984) state that the audit reports highlighted: (i) discrepancies between the appropriated amounts and the amounts disbursed by certain public sector entities; (ii) discrepancies between the cash collections receipted and the cash collections deposited; (iii) non-compliance with banking regulation in giving loans to clients in the National Bank of Fiji and (iv) a high rate of government vehicles involved in accidents. This indicates that the AG was seeking for accountability through investigating and the entities' accounting systems.

#### *5.4.2.4 Efficiency years (1991-2000)*

AG Datt used the statutory rights provided by section 12, subsection 3, of the 1970 Audit Act, and the requirements of the relatively new 1996 Public Enterprise Act, to audit for performance in two public sector entities (Chand, 1997; Parliamentary Papers 8/97; Ragogo, 1997). The 1996 Public Enterprise Act was introduced as a part of New Public Management (Appana, 2003) by the Rabuka led government in an effort to improve the performance of the public sector

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<sup>6</sup> Parliamentary Papers 24/70, 28/70, 7/71, 19/71, 11/73, 13/73, 28/73, 16/74, 2/75, 11/75, 13/76, 14/76, 5/77, 19/77, 35/79, 4/81, 9/81, 10/81, 56/86, 26/87, 2/89, 22/90.

entities. It required all the public sector entities to publish their outputs in quantifiable auditable terms and submit these with the financial statements to the AG for annual audits. The statute was an enabler of performance audit regardless of the fact that the 1970 Audit Act did not mandate such audits.

AG Datt transmitted the performance audit reports to the Parliament via the Minister of Finance in 1996. These audit reports disclosed how and if the auditees (public sector managers) achieved the required levels of outputs and services they were expected to provide to the public (Parliamentary Papers 60/97, 61/97). Both financial and non-financial information was used by Datt to hold the auditees to account.

Although Datt used the 1996 Public Enterprise Act to audit for performance, the 1970 Audit Act did not provide him with the rights to do so. The lack of mandate and the broader socio-political context that prevailed in Fiji during the 1970-1990 created a potential for conflict between the AG and the auditees. Media reports (Hildebrand, 2003; Jagmohan, 1996; Manuelli, 2003; McGowan, 2002; “PM Agrees”, 2001; Wise, 1997) have highlighted instances whereby the OAG was out rightly denied the right to access and report on financial information.

The economy, efficiency and effectiveness audits were performed during the 1995-1996, a period when the Rabuka led government elected under the undemocratic 1990 Constitution, was in power. James Ah Koy, an indigenous Fijian was the Minister of Finance. The executive government was also military backed. Given the political history of Fijian supremacy, the indigenous Fijian led government would not be keen to be held to account; at least in this case by an

Indo-Fijian AG (Datt). An exploration of the tensions between these powerful political individuals will reveal how they influenced changes in public sector (Myers, 1994; Prasad & Mir, 2002).

The OAG's duties and responsibilities expanded from reporting on budgetary compliance with statutory laws and financial attest audit to reporting on performance efficiency. The AG has been the major catalyst for these changes. The support from the PAC members and the media's publicity of the disclosures of these reports inspired the AG Datt to expand his reporting rights. Reactions to the OAG audit reports by various user groups such as the PAC members and the media imply that the reports were useful in informing them about public sector accountability or lack of it thereof. Most of these reports used accounting to hold the auditees to account for and it appears that accounting was accepted as accountability (Roberts, 1991) by the users.

#### **5.4.3 The OAG's right to follow-up**

The OAG's right to follow-up refers to the actions the OAG is empowered to take under the Audit Act (1970) or any such law to ensure that the audit findings are acted upon. During the 1874- 2000 period neither the Audit Act nor any other law empowered the OAG to take actions on its audit findings (see Table 5-1). The OAG is empowered to report its audit findings and provide an opinion on the findings. In Fiji the general law has empowered the PAC members to examine the AG's report, and form suggestions based on these. This means that holding others to account for problems found is limited.

#### ***5.4.3.1 Colonial compliance years (1874-1955)***

The colonial Auditor had no right to follow-up on his reports during the 1874-1955 period. An analysis of the Annual Reports of the Colony (1875, 1876, 1900, 1910) indicated that the decision to follow-up on the audit reports would not have been desirable because the financial reports indicated amounts spent compared with appropriated amounts.

#### ***5.4.3.2 Verification of records years (1956-1969)***

The 1956 Audit Ordinance does not provide the Director of Audits the right to follow-up on audit reports. Legislative Council papers (Papers, 14/1965; 16/67) and media reports (“Department’s Accounts”, 1965; “Immigration Head”, 1964; “Long Look”, 1966) were analyzed to trace any developments.

From these reports it appeared that PAC members deliberated on the audit findings and disclosures of inappropriate record keeping and sought explanations from the auditees. There was no follow-up action to address the concerns. In Roberts’ (1991) terms, real accountability did not take place because consequences did not follow.

#### ***5.4.3.3 Reporting irregularities years (1970-1990)***

The 1970 Audit Act does not empower the AG to take follow-up actions on the financial attest audit and compliance to rules audits. Instead, Section 12, subsection 2 ‘empowers the OAG to transmit special reports to the Minister of Finance to be tabled before Parliament’. The AG used these provisions to perform investigations audits in some government departments (media reports: “Mayor, I Welcome”, 1980; ‘Shipyard Report’, 1972). These audits were enabled by the financial attest audits performed at the Government Shipyard and at the

Nausori Town Council. These departments had on a continuous basis received audit reports indicating a failure to comply with procedures. So although the OAG did not have explicit rights to undertake follow-up exercises, special investigations allowed him to do so.

An analysis of the Parliamentary Papers (2/75, 14/76, 9/81) indicates PAC members support special investigations. This support suggests that problems of holding the accountant to account by accounting based audit reports were not effective because these disclosures were not accompanied by follow-up actions (consequences). Therefore there was a need for follow-up actions.

#### *5.4.3.4 Efficiency years (1991-2000)*

The AG did not have the rights to undertake follow-up on audit reports from 1991 to 2000. Instead he used the financial attest audits and financial statement audits during this period to suggest that other agencies undertake follow-up actions.

An analysis of media reports (“Abuse of Funds,” 1999; Lewa, 2000; Manueli, 2003; Rika, 2001) indicates that the OAG’s reports have instigated several special investigations. Some of these investigations were handled by the police as the audit reports had implicated fraudulent and corrupt practices. The media (Lewa 2000 a & b) reported that in 1999 AG Jacobs disclosed in his audit report that there were instances of fraudulent and corrupt practices regarding the use of public money by one of the local town councils. The Minister for Housing and Local Governments reported the audit findings to the Fiji police requesting a police investigation. This incident indicates that there are other institutions which undertake follow-up actions instigated by the OAG reports and requests.

The PAC members are another agent who have served similar purposes on some occasions. The PAC, when deliberating on the audit reports and disclosures seeks explanations for these from the management of the audited entities, and recommends corrective actions based on the OAG report. However, it lacks the authority to take action. On some occasions, the Parliament has asked for special investigations based on the financial audit findings, indicating the need for follow-up exercises. The media is another pressure group, who by publicising the financial statements audit findings and disclosures of fraudulent and corrupt practices forces the government to instigate special inquiries. These groups therefore can influence changes in the scope of public sector auditing.

If the OAG had been given the authority (through legislation) to undertake a follow-up role then the OAG's (accountee) ability to hold the accountor to account will be strengthened because the latter will be answerable to the former. The AG could impose sanctions on the party/ies to change their behaviour. A follow-up exercise by the OAG would send a strong signal to the bureaucrats that they will be ultimately held responsible for their actions. During 1970-1990 transparency occurred through financial accounting compliance, but it was not accompanied by consequence. In this context accountability without sanctions or reprieve from the accountee (the OAG, or the Parliament) is an empty gesture (Roberts 1996).

## 5.5 Summary

The role of the OAG is important for the Fijian public sector because it has the power to audit the institutions that use and control publicly owned resources and finances (Constitution 1997). The AG therefore is responsible for holding the public sector auditees to account thus making the latter take responsibility for their actions.

Table 5-1 illustrates how the functions of the Auditors-General developed over the 1874-2000 period. The historical analysis of audit findings, reports and disclosures reveal that Auditors-General Bhim (1970-1984) Narian (1984-1987) and Datt (1987-1997) were the catalysts for changes in the functions of the Fijian Audit Office. These three used the 1970 Audit Act and the Constitution to expand on their statutory duties and powers.

During 1970-1984 AG Bhim while reporting the findings of budgetary compliance and financial attest audits disclosed encounters with irregular record keeping by the public sector managers and accounting officers. The Ratu Sir Mara led Alliance government appeared to overlook the audit findings and avoided being held to account because no follow-up or penalty was imposed. The media publicised the audit findings highlighting the lack of accountability.

Auditing in Fiji continued under the 1970 Audit Act despite the 1987 Military coups and the overthrow of the democratically elected government. AG Datt used the OAG's independent status to disclose mismanagement of funds and corrupt practices during his tenure (1987-1997). Although these disclosures were based on accounting, it was a signal that calculative accounting was not sufficient to hold the public sector managers and Ministers to account.

During 1995-1996, AG Datt undertook performance audits, at the Customs Department and the Colonial War Memorial Hospital. He used the 1996 Public Enterprise Act and stretched the financial attest and compliance to budget audit to perform such audits. These audits included both accounting and non-accounting information to assess auditees' performance

After these two performance audits were completed the practice was discontinued in 1997. One must therefore ask why such audits were discontinued, when they served such a useful public service. This chapter has laid out the background of public sector auditing in Fiji. The next chapter sets out the methodology employed in this thesis and explains how the critical hermeneutic methodology serves the purpose of this study.

## Chapter 6 Methodology

### 6.1 Introduction

The chapter will discuss why hermeneutic theory has been chosen as the appropriate theoretical framework to explicate the research findings.

Research in accounting has been greatly influenced by the theoretical perspectives advanced by the social science (Dey, 2001; Laughlin, 1995; Humphrey & Scapens, 1996; Chua, 1985). The social science literature provides a variety of philosophical lenses for the study of accounting phenomenon ranging from an objectified view of accounting to a view where accounting is seen to be socially constructed (Guthrie & Parker, 1999; Broadbent & Laughlin, 1997; Morgan & Willmot; 1993; Preston, 1992; Hines, 1987; Chua, 1986a; Chua & Baxter, 2003). Theoretical assumptions are important because they seek to explain the existence of some form of reality and truth and explain how one seeks and accepts knowledge (Chua, 1986a).

Methodology describes the core assumptions regarding the nature of knowledge and the methods through which that knowledge can be obtained, as well as a set of root assumptions about the nature of the phenomenon to be investigated; it forms a link between theory and method (Llewellyn 1993; Morgan & Smircich, 1980). Once a researcher decides his/her position concerning how to seek knowledge and explain the existence of some form of truth and reality from the researcher's perspective, the researcher is in a better position to explore the possible techniques of data collection (Llewellyn, 1993; Chua, 1986a; Tomkins & Groves, 1983). For example Chua (1986a) states:

Methodological assumptions indicate the research methods deemed appropriate for the gathering of research data (p. 604).

Llewellyn (1993) suggests:

Methodology adopted will shape the research process and the research findings to a far greater extent than will the research method (p.232).

The methodology is the vehicle used by the researcher to explain the meaning of the phenomenon under study and provide justifications of how it 'came into being', that is accepted as reality and not the research methods. A researcher's perception of reality as such depends on the methodological framework accepted and applied. In social sciences, there exists the possibilities of several realities, which are interpreted as being socially constructed (Chua, 1986a; Llewellyn, 1993; Tomkins & Grooves, 1993). Therefore once a methodology is adopted the researcher then proceeds to identify methods by which data will be collected.

To achieve the aims of this chapter, it is organised in the following way: a general explanation of methodology is offered, followed by an analysis of the positivist and the interpretative approaches in accounting research. Next, the arguments are made for the use of critical hermeneutics as a methodology for this research. Finally, an explanation of the philosophical underpinnings of the hermeneutic framework and the application to this study is offered.

## **6.2 Methodological Selection**

According to Llewellyn (1993) in the social sciences:

methodology reflects the ontological and epistemological assumptions of the researcher (particularly those concerning the relationship between the subject and the object (p.232).

Ontology concerns the nature of reality (Hopper & Powell, 1985) and focuses the researcher's assumed view of the existence of physical and social reality (Chua, 1985). Ontological assumptions form two extreme parts of a continuum:

on one extreme the social world and its structures can be regarded as having an empirical, concrete existence external to and independent of and prior to the cognition of any individual, on the other extreme reality is depicted as existing only as a product of individual consciousness- the external world consists simply of concepts and labels created by people to help them understand reality and negotiate a shared conception of its nature with others, (Hopper & Powell, 1985, p.431).

Ontological assumptions as such bring to the fore the question of whether the researcher views the existence of reality as something concrete and independent or as socially constructed and therefore value laden. Such views on reality will influence how the researcher comes to realise and understand the existence of the phenomenon under study.

Accounting researchers may adopt a view that reality exists independent of the researcher and is something 'out there' (Chua, 1986a, p. 606) which can be discovered. This view of reality encourages the researcher to undertake research where the phenomenon under study 'comes into being' by using the scientific methods (Chua, 1986a & b; Willmot, 1983). These methods include, hypothesis testing using a structured set of predetermined variables, and experiments in a controlled environment where the researcher is a passive participant and follows a predetermined structured set of rules (Hooper & Powell, 1985; Willmot, 1983). According to Willmot (1983), an objective view of reality can be used in accounting research only if the variables of a phenomenon being studied have stable meanings.

Adopting the view that reality is socially constructed implies that reality is multifaceted because it is shaped by both human and non-human interactions (Hines, 1979). This view of reality encourages the researcher to seek to capture and reflect on the distinctive form and process of the actual research setting (Willmot, 1983). The researcher therefore is not a passive participant but is actively engaged in the research activities bringing with her/him their own interpretation of the social setting in which the research takes place. In trying to understand a socially constructed view of reality the researcher is encouraged to undertake research where the phenomenon under study ‘comes into being’ through interpretation of human actions, concepts, symbols, observations and in-depth interviews. A socially constructed reality is:

created and sustained by ceaseless reflexive use of accounts, by social actors in constant interaction with each other (Mehan & Wood, 1975 cited by Hines, 1979 p.53).

Epistemological considerations address the question of how we know a phenomenon and how we verify what we know as truth, also known as ‘theory of knowledge’ (Carter & Little, 2007, p. 1317). According to Chua, ‘epistemological assumptions decide what is to count as acceptable truth by specifying the criteria and the process of assessing truth claims’ (Chua, 1985, p. 604). The researcher therefore relies on the methods and processes of data collection and analysis as a means to justify the data used to construct knowledge.

The epistemological beliefs of a researcher will be contingent upon the researcher’s ontological beliefs (Chua, 1985). If the researcher views reality as an object to be discovered then the researcher will use scientific methods to ‘prove or falsify’ the phenomenon under study. On the other hand if the researcher views

reality as a social construct then the researcher will engage in using subjective and interpretative methods to provide insights so that the phenomenon studied is accepted as knowledge that has been socially constructed. Ontological and epistemological assumptions are important as they provide implications of and meanings to the research phenomenon being studied. It can be conclusively stated that methodological considerations provide a 'theory and justification of how research should proceed' (Harding, 1987, cited by Carter & Little, 2007, p. 1316).

Research methodologies adopted by most accounting researchers have been inspired by the Burrell and Morgan (1979) framework (Laughlin, 1995; Chua, 1986b; Hopper & Powell, 1985). The Burrell and Morgan framework has been constructed from two independent dimensions based on assumptions regarding the nature of social science and the nature of society (Chua, 1986b; Hopper & Powell, 1985; Morgan & Smircich, 1980). According to the Burrell and Morgan (1979) framework theoretical assumptions on epistemology, ontology, human nature and methodology form four paradigms. The four paradigms are classified as functionalist, interpretative, radical humanist and radical structuralist and are viewed as being mutually exclusive. Research within the functionalist paradigm assumes the existence of an external reality that can be researched and hence truth established and identified. Accounting research based within the functionalist paradigm is labeled as positivist or mainstream accounting research.

The positivist accounting research is perceived as providing a worldview, which claims the existence of a world with an objective reality, a determinable nature that is knowable and exists independent of human beings (Chua, 1986b).

Accounting as such is seen as a technical discipline and the accountant is viewed as a neutral contributor of the accounting information in positivist accounting research.

The positivist accounting research views 'accounting as an object' and distinct from the contextual environment in which accounting is practiced. Such methods of investigation expect the 'research design to be structured in such a way that the impact of all extraneous factors that might bias and thus invalidate the results are minimised' (Willmot, 1983, p. 390). This aspect is important because, 'to the believers in the scientific method, these elements are crucial for the use of theory construction and verification in prediction' (Abdel-Khalik & Ajinka, 1979, cited by Willmot, 1983, p. 390). Knowledge constructed by using scientific methods is perceived to be objective and neutral, free from researcher bias and social prejudice. Chua (1986a) recognises the role of knowledge constructed using the scientific methods and suggests that for most people such knowledge is easily acceptable because it helps them to use the knowledge to make informed decisions for improvements.

Accounting researchers using the positivist approach have been criticised for isolating the practice of accounting from the contextual environment (Chua & Baxter, 2003; Humphrey & Scapens, 1996; Llewellyn, 1996; Hines, 1989; Hopper & Powell, 1985; Tomkins & Groove, 1983). The common theme of contention is that accounting as a practice does not exist independently of the accounting practitioner, the purpose of the practice and the user of the accounting information. Research in accounting therefore should incorporate the contributions of the practitioner, the users of accounting information, and the

impact of accounting information on the wider society. Humphrey and Scapens (1996, p. 87) quote Hopper and Powell (1985):

Accounting should no longer be studied in a mode which is divorced from its social context and which ignores the influence of “wider social and political collectives” (p. 450).

The critics of the positivist approach hold the view that knowledge constructed using the assumptions of this approach does not provide a ‘holistic’ meaning of the accounting phenomenon studied. This is because the effects of the interactions amongst the accounting practitioners, the users of accounting information and the environment on the accounting phenomenon studied do not form a part of the research process and their influences are not considered in the construction of knowledge.

The interpretative, radical humanist and radical structuralist paradigms are labelled as alternatives to positivist accounting research (Chua, 1986b). The alternative research approaches suggested are used mainly in management accounting research (Baxter & Chua, 2003; Llewelyn, 2003). These alternatives provide different worldviews based on assumptions of a reality that is either socially constructed through human interactions or is characterised by objective, real relations which are transformed and reproduced through subjective interpretations (interpretative and critical worldviews) (Chua, 1986b).

Chua (1986b) states:

All human knowledge is a social arti-fact\_\_ it is a product of the constituting labour of people as they seek to produce and reproduce their existence and welfare (quoted from Habermas, 1978). Knowledge is produced by people for people and is about people and their social and physical environment. Accounting is no different (Chua, 1986b, p. 603).

Baxter and Chua (2003) also advance a similar argument and state:

accounting is a discipline of the social and it seemed important to us to understand it in the context of a broader set of discourses from the social science' (Baxter & Chua, 2003, p. 98).

The interpretive methodology is one possible way to undertake accounting research since it allows the researcher to study accounting within its social context and incorporate the wider social and political influences in explaining the construction of knowledge (Humphrey & Scapens, 1996).

According to Chua (1986) interpretive methodology is derived from German philosophical interests which emphasise the role of language, interpretation, and understanding in social sciences. Chua (1986b) uses Schutz (1967, 1966, 1964, 1962) to explain that social science is concerned with human behaviour which is future oriented and directed towards the achievement of a determinate goal.

because actions are intrinsically endowed with subjective meanings by an actor and always intentional, actions cannot be understood without reference to their meanings (Chua, 1986b, p. 613).

The implication is that the human actors create their own social reality. The social world therefore is a product of human effort. According to Hopper and Powell (1985), 'the external social world consists simply of concepts and labels created by the people to help them understand reality and negotiate a shared conception of its nature with others' (Hopper & Powell, 1985, p. 431).

In creating their reality the human actors continually interact with one another and this process of continuous social interaction allows for modifications

to human actions and some of the human actions assume a 'stable nature'. Once these actions become stable and are 'internalised by the humans' the stable actions are accepted as social norms and form part of the status quo. The stable actions 'become objectively (inter-subjectively) real and are institutionalised, taken for granted structures and become an essential part of the social frameworks within which actions are made intelligible' (Chua, 1986b, p. 614).

Knowledge in the interpretive methodology is constructed by interpreting the meaning of human action within its social setting. The interpretive researcher therefore engages in interpreting 'lived experiences' (Sandberg, 2005; Prasad & Prasad, 2002; Llewellyn, 1993) of the human actors. In order to interpret the 'lived experiences' the researcher has to first deconstruct the 'lived experiences' and then interpret the actions seeking to explain the intentions within the context the action took place.

The interpretive methodology enables a researcher to construct knowledge of the phenomenon studied by using naturalistic research methods of data collection (Sandberg, 2005; Chua, 1986b; Hopper & Powell, 1985). The use of naturalistic method is important because the researcher is seeking to understand socially constructed knowledge. Some of these methods include ethnographic work, case study, participant observation, and in-depth interviews. Hopper and Powell (1986) claim that the naturalistic methods of data collection allow the researcher to gain insights into an individual's inner world.

Some writers have outlined the limitations of using interpretive methodology in accounting research (Sandberg, 2005; Llewellyn, 1993; Hopper & Powell, 1986; Chua, 1985). These writers claim that interpretive researchers have

mismatched the meanings and roles associated with methodology and methods; 'interpretive empirical work should be explicitly grounded in a methodology rather than a method' (Llewellyn, 1992, cited in Llewellyn, 1993, p. 233). This implies interpretive researchers have focused more on the methods of data collection and analysis to inform their research rather than focusing on how their assumptions of ontology and epistemology shapes the research process.

Llewellyn (1993) suggests that the interpretive researcher might have focused more on methods to inform their research because of the researchers 'take' on the objective-subjective dualism. The objective-subjective dualism (Burrell & Morgan, 1979) is concerned with how perceptions of reality are constructed. For a thorough discussion of the objective - subjective dualism refer to Morgan and Smircich's (1980) paper. For example, in the interpretive methodology the researcher studies phenomenon which is a social object. The researcher proceeds to explain how the social object is construed as reality, and then objectified by human interactions.

One of the limitations of the interpretive methodology is that the ontological and epistemological assumptions are limited to providing a contextual understanding. The way the wider social and political collectives' impact on the processes of common sense understanding is not considered (Hopper & Powell, 1985). This limitation is reflected in the assumption that the actors' agreement on a 'shared meaning of an action' is accepted as an explanation that reality exists (Chua, 1986b). The actors and situations outside of the environment (context) in which the action takes place are excluded from attributing meanings to the action. An accounting researcher using the interpretive methodology will only focus on

the micro-level (research site) meanings attributed to the practice of accounting; accounting practice then is perceived to exist in isolation and its impact on the wider community is neglected.

Interpretive methodology limits the researcher's ability to critically evaluate the forms of life the researcher observes (Chua, 1986b). This happens because the researcher's observation is limited by the actors' actions and the meanings the actors attribute to their action. In such situations the researcher is not be able to evaluate the self-seeking interests of the individual actors.

The social reality built on micro-social interaction suggests that the researcher neglects the conflicts of interest between classes in society (Chua, 1986b). Since conflicts of interests between classes are neglected, power dimensions that exist within the society are also neglected. Such situations arise in the interpretive study because the study does not consider the wider society and concentrates only on a specified situation.

The ontological and epistemological assumptions in critical theory provide a different set of lenses to understand the construction of reality and knowledge. According to Chua (1986b), a critical researcher has to understand the contributions and the potential contributions of human actions to understand the construction of reality. The human actions can be observed as they have taken place but the potential human actions have not taken place and the researcher has to seek to understand what would have been the potential action and why the action did not take place. To fully comprehend why the action did not take place or what stopped the action from taking place the researcher has to analyse the answers to these issues within the prevailing socio-economic and political setting.

Only after having done this can the researcher come to understand how humans create social reality.

A critical researcher in seeking to understand why the potential human action did not take place observes the ‘prevailing systems of domination which alienate people from self-realisation’ (Chua, 1986b, p. 619). This implies an evaluation of acceptable social practices and structure to understand how the society functions. Acceptable social practices can also be enforced by the rules and the legal systems that operate to hold the society together. The critical researcher analyses and evaluates the existing practices to understand the asymmetrical power relationships that prevail in the society.

Critical researchers hold the belief that to understand social reality and societal dynamics the researcher has to understand the relationships that exist between the parts of the society consisting of individuals, groups, organisations and the whole society. This implies reality is a set of relationships and if a phenomenon is studied using this assumption then its existence is only possible through its relationships with the other parts of the society and with the society as a whole.

In understanding reality, the issues of domination, conflict and change are important for the critical researcher. An understanding of these issues helps the researcher to understand how the society functions and brings into the open why humans perform certain actions.

Knowledge in the critical methodology is socially constructed and is believed to be grounded in social and historical practices (Chua, 1986b); ‘there are no theory independent facts that can conclusively prove or disprove a theory’

(Chua, 1986b, p. 620). This implies knowledge is not a set of pre-existing objects to be discovered. It is socially constructed and is not restricted by contextual interpretations. Instead the wider socio-economic and political environment impacts on the interpretation of social actions. According to Chua (1986b), critical philosophers disagree as to the precise criteria to be used to assess truth claims.

Chua (1986b) cites Foucault (1977) 'truth is a thing of the world: it is produced only by virtue of multiple forms of constraint and it induces regular effects of power' (Chua, 1986b, p. 626). This implies knowledge is an outcome of human efforts in overcoming their limitations in performing certain actions. Once humans acquire the skills or methods to overcome the limitations faced they would use the knowledge to dominate others by exerting the power of their knowledge.

Some critical researchers assume that knowledge is an outcome of discussion; this is drawn from Habermas's theory of communication (Habermas, 1987; Laughlin, 1995; Van Peurse, 2005), which implies that the role of language is one important consideration when a researcher seeks to attribute meanings to social actions. From a Habermasian perspective language alone does not contribute to meaning, instead meanings to actions are conjointly constructed by language, labour and domination.

In some research situations the researchers adopt critical methodology assumptions to complement an interpretive study (Myers, 1994; Prasad, 2005). Researchers opt for this combination in situations where the research is concerned with interpreting social phenomenon whose existence was impacted by the wider

social collectives, and the effect of the wider social collectives led to domination in society and changes in the existence of the phenomenon being studied. To successfully undertake a study where the phenomenon being studied is affected by the dominant groups in the society the researcher can decide to use an interpretive-critical methodology. In adopting the interpretive-critical methodology the researcher is able to develop understandings of the phenomenon studied by seeking the contextual everyday interpretations and understandings that make-up the life world. In seeking the life world meanings the researcher interprets the meaning of power and power relations that affect the existence of the phenomenon so that the change dimensions within the life world can be explained.

For the purposes of this study, an interpretive-critical methodology is adopted so that an understanding is gained into the meaning of why the practice of performance auditing was introduced and then discontinued in the Fijian public sector. In understanding the meanings to why the project was introduced an attempt is made to seek which actors initiated the project and why, which actors and groups in the public sector were affected and how did the effects of their interaction lead to the discontinuation of the project. In interpreting the relationships amongst actors and groups of actors involved in the project the researcher will try to attribute meanings to their actions by seeking to understand the power relations that existed amongst the actors, groups of actors, institutions and the society and how these relations implicate accountability practices.

### 6.3 Hermeneutic and Its Application to this Study

Hermeneutics is known as the general theory of interpretation and understanding (Gummesson, 2003; Geanellos, 1999; Kidder, 1997; Thompson, 1980; McLaughlin, 1981; Bleicher, 1980; Ricoeur, 1974). It is a 'discipline that has been primarily concerned with the elucidation of the rules for the interpretation of text' (Thompson, 1980, p. 36). There are rules, procedures and principles which underlay the interpretation of the text (Hathaway, 2002).

Interpretation is the work of thought which consists in deciphering the hidden meaning in the apparent meaning, in unfolding the levels of meaning implied in the literal meaning (Don Ihde, 1974, p. xiv).

Interpretation in hermeneutics encompasses both explanation and comprehension. It is a process of 'coming to understand' the symbols and the projections of the social realities objectified by the human minds which includes, written texts, works of arts, social actions of individuals, groups, institutions, organisations and communities (Gummesson, 2003; Ricoeur, 1981; Bleicher, 1980; Thompson, 1980).

The word hermeneutics is derived from the name of the Greek god Hermes, and among one of several of his responsibilities was the guardianship of language and texts. The developments of hermeneutics can be traced 'from the Homeric disputes of the Greek Enlightenment to the biblical controversies of the Reformation' (Thompson, 1980, p. 30). Although hermeneutics emerged from a religious background its focus has expanded from religious 'parochial concerns to an effort to formulate a general account of all human interpretive understanding' (Hathaway, 2002, p. 207).

During the eighteenth century, developments in hermeneutics were influenced by Schleiermacher who was inspired by the Kantian philosophy of interpretation. In order to interpret an activity, Schleiermacher's approach was to interpret the activity on its own, followed by an interpretation of the process of how it came into being. Therefore one had to go behind the processes to understand what made the activity possible (Sud, 2008; Thompson, 1980).

Further developments in the ontological and epistemological assumptions of hermeneutics have been influenced by several notable philosophers like Wilhelm Dilthey, Edmund Husserl, Heidegger, Gadamer, Ricoeur and Habermas. The influences and efforts of these philosophers have been classified under three categories; classical hermeneutic theory, philosophical hermeneutics and critical hermeneutics (Prasad, 2002; Thompson, 1980). The categories are expanded on below so as to clarify the positioning of this project.

#### **6.4 Classical Hermeneutics**

Classical hermeneutics is associated with the works of Schleiermacher and Dilthey. Under the tradition of Schleiermacher and Dilthey, hermeneutics is understood in epistemological terms (Prasad, 2002) and is concerned with recovering the individuality and originality of the speaker or writer to recreate the creative act (Thompson, 1980). This implies classical hermeneutics is concerned with retrieving the original meaning of the text as intended by the author and therefore to understand what the text meant from the original author's perspective. The researcher has to re-experience the mental processes of the original author in order to retrieve the intended original meaning within the historical context in which the text was written or spoken. Rules of grammar are also applied during

the interpretation process so that the retrieved meanings are comprehended ‘in the context of the language with its possibilities’ (Prasad, 2002, p. 15). The purpose of classical hermeneutics is to guide the practice of correct interpretation and understanding. This concept is drawn up only to interpret the first reading of the text in this study.

### **6.5 Philosophical Hermeneutics**

Philosophical hermeneutics is concerned with what is constitutively involved in each and every act of interpretation (Prasad, 2002; Bleicher, 1980). The development of philosophical hermeneutics is attributed to the efforts of Heidegger and Gadamer. Heidegger, while accepting the Kantian impressions in the classical hermeneutics, challenged the concepts of an objective interpretation and objective mind based on grammatical and psychological dimensions offered by classical hermeneutics. To Heidegger, attributing meanings to concepts based on grammatical and psychological dimension was ‘logical inquiry rather than an ontological interpretation’ (Thompson, 1980, p. 99).

Heidegger proposed that ‘existential-ontological interpretation is concerned with the constitution of ‘Being’ rather than its theoretical-critical generalisation’ (Thompson, 1980, p. 99). In proposing the ontological interpretation, (‘being there’) Heidegger raises the concept of ‘understanding’ to the status of a fundamental category of human existence and suggests that an understanding of reality or existence can only be arrived at through an interpretive effort. This interpretive effort is the interpreter’s own understanding of ‘being’ which comes from within the interpreter, known as pre-understanding and

projection of the interpreter's understanding. This is also known as transcendental inquiry.

Gadamer expanded Heidegger's ontological interpretation by building on the concepts of pre-understanding and widening the interpretation to include prejudice and linguisticity of understanding (Hathaway, 2002; Bleicher, 1980). According to Gadamer when a text is interpreted the text and the interpreter are no longer separated as an object (text) and the subject (interpreter) (Prasad, 2002). The interpreter while interpreting the text brings with him/her their own horizon of experiences and preconceived ideas, which have become part of the interpreter. The interpreter is perceived to have some pre-understanding of concepts and phenomenon through his cultural and traditional experiences. These preconceived ideas are called prejudice. Therefore, the interpreter's prejudices such as my life experiences in Fiji during the 1970-2002 form a part of the interpretation process and the meaning of the text goes beyond the intended meaning of the original writer of the text.

Languages and words are prerequisites for all social life (Gummesson, 2003). The centrality of language is also emphasised in constructing the meaning of the social world in philosophical hermeneutics (Prasad, 2002; Bleicher, 1980). According to Gadamer (Prasad, 2002) the interpretation is a dialogue between the text and the interpreter. Language is the means by which a text is interpreted and the interpreter proceeds to read with the intention that the language in the text will inform the interpreter enabling an understanding of the text. The interpreter while reading the text experiences the text and seeks to understand the language of the text in light of the prejudices the interpreter has brought with him/her. So for

example, I seek to interpret published and spoken claims of the actors in conjunction with my personal experiences. The interpreter gains new understanding of the text by experiencing the language used in the text and by interpreting the text from his/her prejudiced pre-understanding. The social reality the interpreter creates therefore is no longer what the original author intended.

## **6.6 Critical Hermeneutics**

Critical theorists have extended the hermeneutic enquiry to include a critique of the ideological aspects of the text being interpreted (Prasad, 2002). The need for the inclusion of a critique is based on the language and power dimensions associated with the processes of interpretation. In the view of the critical theorist, philosophical hermeneutics neglected the presence of the impact of power and domination issues, which would have impacted on the processes of interpretation. Critical hermeneutics is associated with the works of critical theorists like Habermas and Apel (Bleicher, 1980).

Philosophical hermeneutics has been criticised by philosophers like Habermas and Apel who have questioned Gadamer's view of language as ontological interpretation (Bleicher, 1980). 'Gadamer conflates the unavoidability of prejudices with an acceptance of the legitimacy of all such prejudices' (Prasad, 2002, p. 22). This implies that interpreter prejudice is not considered as one of the means by which interpretation of the text can be suppressed and tradition is something out there which the interpreter can reach out and claim as his own. Instead, Prasad (2002) cites Habermas:

tradition is something which we actively construct through self-reflection and in this process some prejudices are accepted and others rejected and new prejudices are created therefore the role of prejudice during the

process of interpretation needs to be critiqued' (Prasad, 2002, pp. 22 & 23; see also Bleicher, 1980).

Both Habermas and Apel accept the centrality of language as a means to create reality but argue that language itself is dependent upon social processes, which are not wholly linguistic in nature. This implies language is not value free and that there are elements such as the interpreter's tradition and language, social labour practices and power relations within the society which would hinder the ideal speech situation (Prasad, 2002). Thompson (1980) cites Habermas (from Thompson, 1970) as insisting:

Language is also a medium of domination and social force. It serves to legitimatise relations of organised power. Insofar as the legitimations of power relations, whose institutionalism they make possible, are not articulated, insofar as these only express themselves in the legitimations, language is also ideological (Thompson, 1980, p. 82).

This implies that social elements such as power relations and organised labour can distort communication by suppressing free speech. Free speech will be suppressed by the individual or groups who hold power and can influence the less powerful whereby the less powerful of the society 'give in' to the demands of the powerful groups. Under these conditions when an activity or action is interpreted and attributed a meaning, the meaning cannot be said to have arisen out of a shared consensus. The meaning is in fact distorted by the influence of a dominant individual or group. To offset this distortion in communication Habermas has called for an ideal speech situation in which human beings arrive at a genuine consensus with respect to the interpretation and meaning of an activity by engaging in rational discourse totally free of coercion and domination (Van Peurse, 2005; Prasad, 2002). From a critical hermeneutic perspective the

purpose of interpretation is to offer a critique of the ideological elements of tradition and language that hinder ideal speech situations (Prasad, 2002). Hermeneutics therefore involves rational interpretation of communication and not domination (Small & Mannion, 2005).

### **6.6.1 Critical hermeneutics and application to this research project**

In this research project a critical hermeneutics philosophy of enquiry is adopted to develop an understanding of events and attribute meanings to the processes by which the practice of public sector auditing was introduced then discontinued in Fiji. It is believed that the use of critical hermeneutics, emphasising interpretation, and a critique of the ideological elements of tradition and language will unveil and reveal the hidden meanings attributed to the practice and the events that led to the discontinuation of performance auditing which served the interests of the socially and politically powerful.

There are five fundamental concepts that guide the critical hermeneutic research. These key concepts are derived from the hermeneutic circle which concerns the ontological and epistemological debates surrounding theory. The hermeneutic circle can be defined as an ‘ontological condition of understanding; [that] proceeds from a commonality that binds us to tradition in general and that of our object of interpretation in particular; [and] provides a link between theory and praxis’, (Bleicher, 1980, p. 267). The researcher, therefore, has to draw upon the five key concepts to explain the existence of reality and knowledge that is gained through the processes of interpretation.

The five concepts are: hermeneutical circle, hermeneutic horizon; fusion of horizons; rejection of author-intentionality; and critique (Prasad & Mir, 2002;

Bleicher, 1980). This section will describe each of these concepts and will analyse how each element contributes an understanding of the social reality and knowledge in the context of public sector performance auditing in Fiji.

### **6.6.2 Hermeneutical circle**

‘Hermeneutical circle’ is defined as ‘a methodological device in interpretation which considers a whole in relation to its parts and vice versa’ (Bleicher, 1980, p. 267). This implies meaningful understanding is only feasible when ‘the part’ can only be understood from the ‘whole’ and the ‘whole’ can only be understood from the ‘parts’. In a research context the meaning of taking a part would be taking a word, a concept, a sentence, or a paragraph in a text; the beliefs and values of an individual in the community. The parts can be understood with reference to the whole where examples of whole include the whole text, author of the text, the historical and socio-economic background of the author, the community and its values and the socio-economic status of the community. On the other hand, meaning of the whole can be understood on the basis of its parts. Thompson (1980, citing Dilthey, 1976) states that the social world cannot be understood independently of its parts and vice - versa. Bleicher (1980) extends this relational understanding by adding that the relationship between the whole and its parts is contextual, historical (happened at a particular point in time) and is for a given combination of parts. The definitions of the whole and parts is left to be decided by the individual researcher since the research phenomenon for each research is different and each researcher has a particular problem he/she intends to interpret and attribute a meaning.

From a critical hermeneutic perspective, the text in this study refers to documents such as the Annual reports of the Fijian Audit Office Auditor, individual interview transcripts, Asian Development Bank Technical Assistance Report and the 1970 Audit Act. These consist of several parts, which refer to the micro-elements of what is going on. The parts can be words, phrases, paragraphs, sections and sub-sections that refer to principles of public accountability, purpose of public sector auditing, roles of auditor-general, roles of audit office, principles of audit act, purpose of performance auditing, auditees, responsibilities of auditees and purpose of technical assistance project. The whole refers to the macro-picture, the entire story, the context in which the micro-elements are situated. The whole is the entire document , including the period (when the events took place). While reading these texts the researcher will move between the whole and the parts of the text in order to understand specific phrases and statements within the context of the whole text.

In reading and interpreting the parts of the texts in the context of the whole and vice - versa the researcher is seeking to understand the meaning of the text as it is and will endeavour to reveal the hidden meaning of the text by analysing the text in its socio-historical context. In this research the researcher will reveal the hidden meaning associated with the introduction and discontinuation of the performance auditing project, firstly by reading the parts of the texts mentioned above and interpreting the meanings in conjunction with the whole of the text; secondly by evaluating the interpretations from the first reading in the context of the socio-historical environment faced by the Fijian public sector during the period in which the project was introduced and then discontinued; thirdly by analysing how the socio-historically derived meaning would have impacted upon

the interests of the socially and politically powerful. The processes of interpretation described above would enable the researcher to inform the meanings attributed to the introduction and discontinuation of the performance auditing project.

The hermeneutic circle has been conceptualised by some scholars as a process driven by the concepts of pre-understanding and understanding (Bleicher, 1980). The meaning of the parts is dependent on the interpreter's understandings and the meaning of the whole is determined by the interpreter and not the original author. The understanding of the text therefore is based on the lived experience of the interpreter. The interpreter starts from a pre-understanding acquired through the interpreter's culture and tradition and through the processes of moving from the parts to a whole and having a dialogue with the text to gain a better understanding of the text in a given situation. Therefore, knowledge on the phenomenon studied using the critical hermeneutic philosophy is socially constructed knowledge, subjective in nature and can have only a temporal existence.

### **6.6.3 Pre-Understanding**

Pre-understanding is defined as 'a living relationship with the subject-matter of a text as the pre-condition of any interpretation; all observations constitute themselves through the prior organisation of our experience' (in natural science experiences are channeled by existing theories; in the human sciences by the knowledge of things we bring with us from our everyday life); 'the constituting intentionality of the horizon' (Bleicher, 1980, p. 271). This means, pre-understanding is the prior knowledge the interpreter has of concepts and ideas

regarding the text under study. The researcher gains pre-understanding of concepts and ideas from the social, historical and cultural contexts and discipline to which the researcher belongs; the experiences of the researcher, and the knowledge the researcher has regarding the object of study (Sud, 2008; Prasad, 2002; Llewellyn, 1993). These attributes which the researcher brings to the research form a frame of reference, influencing the hermeneutic processes of interpretation and outcome. Pre-understanding defines the horizons (depth) of the researcher's understanding and therefore is a necessary condition for understanding a text.

The researcher's pre-understanding, for this research, arises from the personal experiences of growing up and having lived in a Fiji within a multicultural society until 2001. The researcher also has an understanding of broader socio-economical and political history and brings this with her to the research.

The researchers pre-understanding will also be derived from the accountability concepts prevalent in the Westminster system of auditing, the accountability roles of the auditor-general as prescribed in the 1970 Fijian Audit Act. An evaluation of the extant literature review on performance auditing in five Anglo-American countries have also contributed towards the pre-understanding on factors which have influenced the emergence of such audits these countries.

The frame of reference for this study will be developed from the researcher's personal experiences of having lived and having experienced Fiji's cultural and political structures. As do the contributions from the historical and critical literature on performance auditing and on Fiji. This frame of reference

represents a set of pre-understanding or a priori which is considered crucial for unfolding the meanings of accountability in the public sector; the roles and responsibilities of the auditor-general and the auditees, and the ADB funded technical assistance associated with the emergence and discontinuation of the performance auditing practice.

#### **6.6.4 Hermeneutic horizon**

The concept of hermeneutic horizon alerts us to the fact that, any piece of communication is embedded in a specific cultural context, and in seeking to interpret that communication a person brings in his or her own interpretation which is embedded in his /her own historic-cultural context. The two contexts are never precisely the same (Prasad & Mir, 2002; Thompson 1980). This implies a critical hermeneutic researcher will come into the research having developed a set of contexts at the institutional (micro) level as well as the broader historical and cultural level to understand the purpose of the phenomenon studied and the problems associated with the phenomenon.

In developing the contexts at the institutional level, the researcher seeks to understand the text from the cultural perspective of the institution in which the phenomenon studied is situated. The meaning of the text as understood by the institution for whom the text is written, this is termed ‘the text context’. In seeking the meaning from the text context (meaning as accepted by the institution) the researcher also tries to capture the problems associated with text meaning from the institutional perspective (Sud, 2008). The institutional context, in this case, is broadly defined as the Fiji (audit) public sector concerned with accountability.

The researcher herself has preconceived meanings of the text being interpreted. These preconceived meanings originate from the researchers own cultural and historical background. Therefore, the researcher ends up having two sets of contexts for interpreting a text. The two contexts provide the researcher with two divergent sets of views to interpreting the text. As such the critical researcher will mostly argue only a certain view of the text and the context (Prasad & Mir, 2002) until the two horizons are fused for a comprehensive understanding. To achieve this, the two text views will be compared and integrated.

Setting the hermeneutic horizon for this research will be guided by the researcher setting up a set of contexts associated with public sector auditing in Fiji. This means the researcher will be making contact with individuals and groups associated with public sector auditing and performance auditing for interviews. These include the Fijian Auditor- General, the Fijian Audit Staff and the auditees involved with performance auditing. The Ministry of Finance staff, members of the Public Accounts Committee and the media reporters associated with reporting on performance auditing will also be contacted. Request will be made to Asian Development Bank for Report and documents on its technical assistance project to the Fiji Audit Office. The researcher will then proceed to read the documents and interpret the interviews to understand the views these individuals and organisations have and have expressed on performance auditing. Reading the texts produced by these groups will enable the researcher to understand the traditional meaning of performance auditing and will provide insights into the processes that led to the maintenance of the asymmetrical relationship within the public (audit) sector.

Furthermore, the researcher's own cultural and historic experiences will enable the researcher to have her own views on the textual information contained in the interviews and reports the researcher has solicited from the Audit Office, and the national archives. The onus is on the researcher to decide which views of the text and from which context (researcher's or industry's) the researcher will argue on issues associated with the introduction and discontinuation of the practice of performance auditing. The researcher engages in a deliberate and conscious act of deciding which particular aspects of the text and context to argue about. By deliberately focusing on particular aspects only the researcher ends up selecting to interpret only certain events associated with the text and context at the expense of other events. This is guided by the focus of the study and partly by the inexplicability of certain events.

Since the researcher is trying to interpret meanings and understand the reasons for the emergence and discontinuation of public sector performance auditing in Fiji, the researcher will only pick on those views expressed in the text that deal with issues associated with performance auditing and accountability. Therefore, events surrounding the emergence and discontinuation will be interpreted at the expense of the outcomes of the practice or the discontinuation of the practice. This will be a conscious decision.

The interpretation of events would enable the researcher to explicate how the various groups and institutions within the Fijian public sector perceived the introduction of performance auditing and, based on their perceptions, how the various groups and institutions reacted to the introduction of the practice. From

interpreting their reactions the researcher will be able to fathom the meanings these groups and individuals attributed to performance auditing.

#### **6.6.5 Fusion of horizon**

In critical hermeneutics, a 'fusion of horizon' becomes necessary to overcome the lack of common understandings that are likely to occur due to the outcome of the process of hermeneutic horizon (Sud, 2008; Kinsella, 2006; Prasad & Mir, 2002). Hermeneutic horizon creates a 'slippage between the respective contexts of the text and the interpreter' (Prasad & Mir, 2002, p. 96) this slippage or gap is closed by the process of fusion of horizon. Fusion of horizon seeks to integrate the horizon of the text with that of the interpreter (Sud, 2008; Prasad & Mir, 2002). In setting the hermeneutic horizon, the researcher has to deal with two horizons, one from the context of the text drawn from the institutional setting and one from the researcher's context. The researcher therefore will interpret the text and proceed to interpret the context. Having two sets of interpretations on hand the researcher has to seek the mutual relationship between the text and the context interpretations.

The comparison would result in a fresh perspective which would not have been possible otherwise. The fresh perspective would bring a deeper understanding of the interpretations. Fusion of horizons in critical hermeneutics is, 'directed at the future and at changing reality rather than merely interpreting it' (Bleicher, 1980, p. 233). This implies the outcome of the fresh perspective from the fusion of horizon seeks to direct the researcher towards the future meanings of the text based on the past. It also directs the researcher's attention to the changes

which have taken place since the text was written, therefore the reality that is constructed is the changed reality from what was originally written in the text.

The concept of the fusion of horizon will be realised within this study when the researcher integrates the hermeneutic horizons which were constructed from the text's interpretation and the horizon which was constructed from the researcher's interpretation. For example, the researcher will first read the text which will comprise of interviews from selected individuals and groups of individuals associated with performance auditing in the Fijian public sector, annual reports of the Audit Office and the ADB technical Assistance Document. These documents represent the text context. The researcher will interpret the same texts based on the researchers pre-understanding of the concepts of accountability, public sector auditing, performance auditing and the expansion of the scope of the auditor-general's role.

The researcher will then proceed to integrate the text's intended meaning with the researcher's interpretation of the text based on the researcher's pre-understanding. This integration will be the fusion of horizons since it will enable the researcher to form a fresh perspective on the reasons for introduction and discontinuation of the performance auditing project. This fresh perspective will enable the researcher to analyse the actions of the groups and individuals associated with the project and will illuminate the social and political interests of the group and individuals associated with the project. The hermeneutic horizon contributes to the construction of knowledge by emancipating the interpretation of the text from the socially and politically powerful.

### 6.6.6 Rejection of author intentionality

‘The meaning of a text always goes beyond its author’ (Gadamaer, 1975, p. 264 cited by Prasad and Mir, 2002, p. 97). ‘The text at all times represent(s) more than the author(s) intended’ (Bleicher, 1980, p. 111). Therefore, in the critical hermeneutics the objective of interpreting the text is not to attribute or recover the original meaning of the text as intended by the author but to interpret the text as a subjective object. ‘All aspects of the text become subjects of analysis, including critique of authenticity, of all possible bias, and of the ideological elements of the text’ (Alvesson & Skoldberg, 2002, p. 79 cited in Prasad & Mir, 2002, p. 97). The specific motive of the author in writing the text becomes insignificant and instead the text is interpreted with a motive to understand both the apparent and the hidden meaning of the text. Readings of hidden meanings provide insights into how the socially and politically powerful manage to maintain their interests and retain the status quo, thus the text reveals new meanings and produces fresh relevance for the text (Llewellyn, 1993). The process of interpreting the hidden meaning is the final moment or critique in understanding interpretations from the critical hermeneutics philosophy.

In the context of this research, the researcher will seek to reject the intentional meaning of the author(s) of the text firstly by interpreting the text using the frame of reference the researcher established in the processes of ‘fusion of horizon’. Meaning, in the moment of ‘fusion of horizon’ the researcher has already integrated the contexts of the text and of the interpreter (researcher) whereby the original authors intended meaning of the text has lost relevance. Using this fresh perspective, which has emerged from the fusion of horizon the researcher will be interpreting the text for its apparent meaning and will seek to

capture the meanings in the text which have implications and signify the actions of the various actors associated with introduction and discontinuation of the performance auditing project. In seeking to decipher the implied meanings, the researcher will be illuminating the types of relationships the various actors had with the project.

For example, when the researcher interprets the interview documents from various actors involved in the introduction and discontinuation of performance auditing, the researcher will not only seek to interpret the meanings of the documents as intended by the respective interviewees. Instead, the researcher will seek to interpret the documents based on the perspective the researcher has acquired via the fusion of horizon. The text will be interpreted based on the pre-understanding acquired of the concepts through the literature reviews. Thus the themes associated with the introduction and discontinuation of the public sector performance auditing in Fiji will be interpreted in a larger or macro-environment.

Rejecting the authors' intentional meaning and interpreting the text from fusion of horizons contributes to the construction of knowledge from the contexts of text and interpreter. Such knowledge is based on the apparent meanings of the text. The deeper meanings are yet to be construed. In the context of this study, the researcher would be able to understand the apparent reasons attributed to introducing and discontinuing performance auditing. This apparent reason does not provide an insight into why the actors reacted the way they did, so for a deeper understanding the researcher will embed the text in its socio-political and historical setting to critique the text. The critique will be informed by Roberts' critical interpretations of accountability.

### 6.6.7 Moment of critique

Moment of critique takes place when the interpreter seeks to illuminate the hidden meanings in the text. The interpreter seeks to illuminate the hidden meanings by linking the text to the context. The purpose of 'linking the text to the context is not merely an act of bland theorising, but involves and facilitates a critical-creative unveiling' (Philips & Brown, 1993, cited by Prasad & Mir, 2002, p. 97). This unveils the 'ideological meanings of the text and the manner in which certain groups try to position their sectional interests as broader social goals' (Prasad & Mir, 2002, p. 97). The interpretation of the text reaches a higher plane when the researcher understands the text through,

textual interpretation and through the mutually constituting relationship between what the researcher considers the abstracted meaning of the text and what he/she has fore-grounded as the anchored context in which the text was produced (Prasad & Mir, 2002, p. 98).

The text will be interpreted by situating it within its socio-economic and political setting and within the ambit of the researcher's pre-understanding of the text. An interpretation of the text within these contexts enables the researcher to identify the relationships of the various actors associated with the phenomenon under study. In identifying the relationships the researcher will unveil the impact of these on the various actors and will reveal the dominant groups who attempt to maintain the interests within which the phenomenon being researched is situated.

In unveiling the relationships amongst the various actors and interpreting the text the researcher tries to explicate how the socially and politically powerful hinder ideal speech and manage to serve their own interest. By bringing to light the dominant groups and their relationships the researcher finally manages to emancipate the hidden meanings of the text. In providing an emancipatory

understanding of the text the researcher provides insight into the way human interests shape and guide the communicative process, helping to understand how collective sense making is produced by different characters.

In the context of this research, the moment of critique will happen when the researcher rejects the author's intentional meaning by embedding the text within its contextual setting. In doing so the hidden meanings conveyed in the text will be interpreted to reveal how accountability was implicated by the actors associated with the performance auditing project (introduction and discontinuation). For example, the researcher's interpretation of the interview documents and other archival documents like the Asian Development Bank funded-technical assistance report will be interpreted from the contextual setting that is its socio-economic and political environment. In interpreting the text from the contextual setting the researcher will be able to illuminate the relationships amongst the actors like the Fijian Auditor-General, the performance auditing team, the auditees, and the funding agency, the public accounts committee members and others. Once the relationships are illuminated further interpretations of the text will take place to reveal their interest in order to determine how each of these individuals and entities shaped the processes of introduction and discontinuation and implicated accountability.

Once the interest of each individual or group is determined the text will be interpreted to explicate how the interests of each were maintained or rejected. This process will give the researcher an inter-subjective understanding of the processes of introduction and discontinuation of the public sector performance auditing in Fiji. The researcher will also come to know how a collective sense

making regarding the performance auditing project is produced by different characters like the Auditor-General, the auditees, the performance auditor, members of public accounts committee and others associated with the project.

### **6.7 Summary**

Critical hermeneutics contributes to an understanding of knowledge by denying the subject-object dichotomy. It emphasizes that understanding is only possible when the researcher interprets the part in relation to the whole and the whole in relation to the part. In doing so, the text is grounded into its contextual setting for possible interpretations. These reveal power relationships between and amongst the powerful and the influential elements of a society. Knowledge therefore is constructed by social interactions and by the meanings attributed to it by the dominant groups who shape the communicative process and whose interest dictate the collective sense making of the phenomenon being researched. The methodological discussion in this chapter has laid the foundation for grounding the research evidence and the researcher's intent to explore how reality is socially and contextually constructed. The focus of the following chapter is to explain how the critical methodology guides the research methods.

## **Chapter 7 Research Methods**

### **7.1 Introduction**

This chapter draws upon the critical hermeneutics exposition in the previous chapter to justify the research methods. According to Prasad (2005), research methods are only insightful when the methods are ‘linked to larger paradigmatic issues’ (Prasad, 2005, p. 8) and are consistent with the researcher’s methodological assumptions because ‘knowledge is created from data and analyses’ (Carter & Little, 2007, p. 1317). Methods used in this research are consistent with the central theme of acquiring hermeneutical understanding through textual interpretation (Prasad & Mir, 2002); the researcher will rely on techniques of collecting and reading the text to identify dominant themes and phrases which have a symbolic meaning for the research participants (Prasad & Mir, 2002).

### **7.2 Sources of Text Data**

For a hermeneutical understanding, the interpretation of meaning is the central theme, as such archival documents and interviews are the best possible sources to obtain text data. In order to seek specific kinds of meaning the ‘researcher poses questions to the text and vice versa’, (Kvale, 1999, p. 38) thus engaging in a conversation with the text.

For this study, the primary source of text collection is interviews and the secondary source is archival documents. These sources provide text evidence for interpretation to gain insights into ‘what’ shaped the participants understanding

of ‘why’ the performance auditing project was introduced and then discontinued in the Fijian public sector.

The next section presents a discussion on the choice of documents and how these serve the purpose of the research. This is followed by an explanation of the processes of interviewee selection and the nature of questions asked to capture their responses. The final section describes data recording and analysis.

### **7.3 Archival Documents**

Archival documents such as Annual Reports, and other such business documents have been objects of study (Prasad & Mir, 2002; Jameson, 2000) where researchers focus on the roles of these documents in outlining and communicating business priorities (Prasad & Mir, 2002) and their importance as representational devices (Benschop & Meihuzen, 2001). David (2001) advocates the view that the Annual Reports serve as a tool for managing public perceptions of the entity’s behaviour, for crafting and constituting the entity’s own identity and for safeguarding the entity’s legitimacy. A number of archival documents were used to collect text evidence. Table 7.1 summaries the documents and reasons for choosing them.

**Table 7-1: Documents used for Data Collection**

<b>Document</b>	<b>Source of documents</b>	<b>Authority on Document</b>	<b>Content of interest to this study</b>
Annual Report : Fiji Audit Office 1970-2003	National archives of Fiji	Audit Act 1970 Signed by Auditor-General	<ul style="list-style-type: none"> <li>• Developments in the Audit Office, Implementation of the Institutional Strengthening program.</li> <li>• Issues of funding and staffing.</li> <li>• Restructure of the Audit office- Setting up a Performance Audit Section.</li> </ul>
Technical Assistance Report – Fiji Audit Office 1996	Asian Development Bank- Library	Asian Development Bank	<ul style="list-style-type: none"> <li>• Type of Assistance and Resources made available.</li> <li>• Identification of who sought the assistance and why.</li> </ul>
Minutes of Select Committee Meetings	Asian Development Bank-Library	Chairperson and Secretary	<ul style="list-style-type: none"> <li>• Identification of members and ‘roles’.</li> <li>• Members’ feedback on their ‘roles’.</li> </ul>
Annual Performance Audit Reports 1996, 1997	National Archives	Auditor-General	<ul style="list-style-type: none"> <li>• Reasons for implementing performance auditing.</li> <li>• Auditor-General’s performance audit opinion and basis of opinion.</li> </ul>
Public Account Committee Reports 1996, 1997	National Archives	Chairperson of PAC	<ul style="list-style-type: none"> <li>• Issues relating to restructure of Audit Office and Funding.</li> <li>• Comments of performance audit report and practice of performance auditing.</li> </ul>
Legislation: <ul style="list-style-type: none"> <li>• Public Finance and Management Act 1990, 1992</li> <li>• Public Finance management Bill 1998</li> <li>• Audit Act 1970</li> <li>• Constitution of Fiji -1990, 1992, 1997</li> </ul>	National Archives	President of Fiji	<ul style="list-style-type: none"> <li>• Regulations on compliance of disbursement of funds.</li> <li>• Regulations on management of resources.</li> <li>• Powers and roles of Auditor-General.</li> <li>• Scope of Audit.</li> <li>• Establishment of Audit Office and appointment of AG.</li> </ul>
Selected Newspaper articles	National Archives	Journalist; Chief Editor	<ul style="list-style-type: none"> <li>• How performance audit findings are portrayed.</li> </ul>

## 7.4 Annual Reports –

### 7.4.1 Fiji Audit Office (1970-2003)

The publication and the format of the Annual Reports of the Audit Office are authorised by the 1970 Audit Act and the content is the responsibility of the Auditor-General who is the constitutional head of the Audit Office. The Auditor-General signs the Annual Reports, assuming responsibility for the content and indicating that he knows and agrees with the content. The information from the Annual Reports provides descriptions of the events and issues that involve the Audit Office and its staff. The descriptions of the events concerning the Audit Office provide insight into why these events took place and who was responsible for their occurrence. The Annual Reports outline the objectives of the Audit Office, describe the operations and future plans and ‘how’ these are achieved, ‘who’ or ‘what’ is responsible for the achievements of the objectives and future plans, and these descriptions provide evidence to establish the social, economic and political elements that shape the operations and practices of the Audit Office.

Annual Reports of institutions and corporations are authorised by CEOs and the Heads of the institutions in Fiji (Public Enterprise Act, 1996) to communicate to the stakeholders the performance of the entity and create perceptions of the institutions (Prasad & Mir, 2002; Benschop & Meihizen, 2002). In this case the Annual Report of the Fijian Audit Office is intended for stakeholders such as the government, the auditees, Asian Development Bank (funding agency) and the public, and communicates how the Auditor-General held the auditees to account. The Report also provides information on the roles of the Audit office and how these are discharged. It also reveals the resources in terms

of staff numbers, training and funding needs and other activities undertaken by the Audit office. The purpose of this communication is to affirm the intended recipients' beliefs and the ideals (Prasad & Mir, 2000) of the Audit Office.

#### **7.4.2 The Technical Assistance Report (TAR)**

The Technical Assistance Report (TAR) is authorised by the Asian Development Bank (ADB). The Bank provided the funds and technical assistance for the Institutional Strengthening program of the Fijian Audit Office (Asian Development Bank Technical Assistance Report, 1996). The TAR provides information on the ADB's worldview of performance auditing and brings to light how this was shaped.

Information on the historical reasons of how and why funding was provided for performance auditing in Fiji is found in the TAR thus identifying 'who' requested the funds and the purpose of the request for funds. It also provides information on the ADB's 'expectations' of how the funds are to be used, and the expected outcomes (Asian Development Bank Report, 1995).

#### **7.4.3 Minutes of Technical Assistance Select Committee meeting**

The Minutes of the Select Committee meetings contain evidence regarding who the members of the Committee are and their affiliation to the respective government departments or private sector institutions (Staton & Partners, 1997). This provides evidence of the 'roles' of each of the members with respect to public sector audit reforms and audit policies. It reveals how the members fulfilled their roles and the difficulties (if any) encountered (Staton & Partners, 1997). Evidence of 'who' and which institutions the members associated and liaised with to undertake their roles will also be found in the Minutes.

#### ***7.4.3.1 The Performance Audit Reports (1996-1997)***

The Fijian Auditor-General decides and chooses the government department for performance auditing and authorises the audit to take place. The auditee gives consents for a performance audit to take place (Parliamentary Paper 60/1997). The performance auditors carry out the auditing on behalf of the Auditor-General. The performance audit reports on how the resources of the entity were managed in terms of economy, efficiency and effectiveness (Guthrie & Parker, 1999) and provides recommendations for improvements in managing the resources. The Report is signed off by the Auditor-General and presented to the Fijian Parliament (Parliamentary Papers 60/1997 and 61/1997). These observations have been made independently of the fact that the 1970 Audit Act is silent on performance auditing.

Since the Auditor-General authorises the performance audit and signs off the performance auditing report, the indication is the Auditor-General understands, forms a view and provides an opinion on the findings of the performance audit contained in the report. The Performance Audit Reports provide information on issues such as the purpose of the audit, the findings on management of resources and recommendations (Parliamentary Papers 60/1997 and 61/1997). It also establishes how the audit subject and object of the audit were determined.

#### **7.4.4 Public Accounts Committee reports**

The PAC Reports will have information on the members' recommendations on the restructure of the Audit Office and funding implications of the restructure. The Reports reveal the reasons for the recommendations or otherwise and the

members views on the activities of the Audit Office. It also provides information regarding the members' perceptions of the performance audit findings.

## 7.5 Legislation

The Legislation cited for the purpose of this research includes, Audit Act 1970, the Constitution of Fiji (1990, 1998, sections 148 and sections 166-168), the Public Finance and Management Act (1990, section 106) and Standing Order, section 106 (B). These Statutes outline how the public sector entities, the Ministers and the Auditor-General should discharge their respective accountability roles. These provide text evidence on the authority the Auditor-General has to hold the government and the auditees to account.

The 1970 Audit Act outlines the roles, scope and the rights of the Auditor-General providing evidence on 'the types of audit the Auditor-General can engage in and the authority the Auditor-General can exercise to access records of public sector entity', in short 'what the Auditor-General can audit' and the scope of the audit.

The 1990 Public Finance and Management Act (PFM) Part 7, outlines how the government departments should discharge their accountability roles and the regularity with which the departments should prepare and present their 'Appropriation Statements' to the Parliament. Part 7, Section 43 to 52, details 'the content' of the Appropriation Statements and the Annual Financial Statements. The information in Part 7 of the 1990 PFM Act is important to this study because Part 7 sets out the rules of compliance which the public sector entities need to follow and the Audit Officers have to ensure that the entities have complied with the financial regulations.

The Constitution of Fiji (1990, 1997, section 148) sets out the appointment of the Auditor-General and sections 166 - 168 set out the establishment of the Audit Office and the functions of the Auditor-General. These sections provide evidence that the Auditor-General has a constitutional accountability role and has powers to undertake public sector audits.

## **7.6 Selected newspaper articles**

Fiji's premier newspaper, 'The Fiji Times', was selected as the source for media reports. This 'Paper' is Fiji's longest running news publication and has the highest circulation rate. It covers a wide range of business, political, government related and overseas news. The coverage also includes historical documentaries on Fiji. Newspaper articles covering public sector audit news during the period 1970-1999 in the form of editorial comments, excerpts from interviews with the Auditor-General, members of Parliament and letters to the editor are reviewed to collect text information. The year 1970 was selected because that is when Fiji gained independence and the 1970 Audit Act was enacted. In the same year, Tamesar Bhim, a local Indo-Fijian was appointed as the Auditor-General. Therefore 1970 became the starting point of tracing how the media publicised the developments in public sector audit and media perception of Bhim's influence. Particular attention was paid to media coverage of audit reports in the 1970s because the Fiji Audit Office became a member of the South Pacific Association of the Supreme Audit Institution in 1973 (Annual Report- Audit Office, 1974). The articles selected during 1970-1983 provide evidence of the expansion and changes in audit reporting and Bhim's, PAC members' and others influence in the emergence phase.

Auditor-General Narain took Office in 1984, so this period was also important to gauge media perception of Narain's contribution to audit developments. Datt was appointed as the Auditor-General in 1987 and Fiji experienced the two military coups, both led by Rabuka in the same year. The media reports during 1987-1996 will reveal the focus of the Audit Reports. These reveal how the Auditor-General held the auditees to account before and after the coup. It will also expose the government (Ratu Sir Mara led interim government 1987-1992) reaction to these and will cover the Rabuka led government's (1992-1999, under undemocratic 1990 Constitution) reaction to Datt's audit findings and disclosures.

The media coverage from 1995 to 1999 was also important because these reports would reveal how the technical assistance funded by the Asian Development Bank affected the audits. This will expose the types of disclosures that were made in the audit reports. It will illuminate the changes in audit reporting.

The editorial comments, on the 'audit findings' presented to the Parliament, provide information on the newspaper editors' views of how the public sector managers have used the public funds. Letters to the editor and excerpts of interviews provide information on what individuals (public) think of the way the public sector money has been spent. The reports cover individuals views on government accountability and how the Auditor-General holds the government accountable.

Documents such as Fiji Economic and Statistical Analysis Reports for the years 1995, 1996, 1997, 2007 and 2008 and the Annual Reports of the Ministry of

Finance were also reviewed. These reports did not cover public sector audits but they provided statistical evidence on employment, gross domestic product and poverty.

## 7.7 Interviews

This section describes the period during which the interviews were conducted, the type of interview used to collect text data and explains how the interviews serve the purpose of this research project.

The 29 interviews (initial and return) for this project were conducted over a two and a half month period in late 2005 and early 2006. During this period Fiji was preparing for the General Elections in the year 2006 as mandated by the Qarase government elected by the Military after the 2000 coup<sup>7</sup>. The interviews took place at the scheduled time with each interview lasting between sixty to ninety-five minutes. The interviewees shared their thoughts and expressed their views on issues relating to the different phases of the performance auditing project. They also suggested names of other individuals who they thought would be able to provide me with information regarding efficiency audits. The inclusion of these additional interviewees' responses will add strength to the research evidence. Table 7.2 summarizes the list of interviewees with reasons and details for the choice.

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<sup>7</sup> Most of the interviewees participating in the research project were civil servants and despite being engaged in the preparations for the 2006 general elections, agreed to continue with the interviews.

**Table 7-2: Summary of the interviewees**

Interviewee Category	No. of interviews	Experience/ Years			Gender		Ethnicity			No. of interviewees	Reasons for selection
		0-3	3-10	10+	M	F	F	I	G		
Auditor-General	2	1			1		1			1	<ul style="list-style-type: none"> <li>AG- Responsible for writing policy documents on performance auditing and making submissions to Ministry of Finance for changes to 1970 Audit Act.</li> <li>Deputy Auditor General 1997-2000.</li> <li>Auditor General 2000 – 2009.</li> </ul>
Senior Audit Staff	9		2	5	5	2	4	3		7	<ul style="list-style-type: none"> <li>Have been with the Audit Office in various capacities between 1990-2003.</li> <li>Involved with various stages of the performance auditing project.</li> <li>Sent overseas on performance auditing training.</li> <li>Provided training to other staff.</li> <li>Provided guidance to PAC members on Public Sector Audit Reports.</li> <li>Three of the interviewees had more than 8 years of experience before being transferred to another public sector entity.</li> </ul>
Members of Public Accounts Committee	4		1	3	4		1	3	1	4	<ul style="list-style-type: none"> <li>Individuals were members of the PAC when performance audit reports were presented to the Parliament.</li> <li>Two interviewees belong to National Federation Party, 1 to General Electors party, 1 to Labor party.</li> <li>As PAC members they have discussed and deliberated and formed opinions on the PA reports.</li> <li>PAC Reports on PA reports have been presented to the Parliament.</li> </ul>
Ministry of Finance –Senior Staff	4			3	3		2	1		3	<ul style="list-style-type: none"> <li>Liaise with the Audit Office for budgetary allocation and funding.</li> <li>Senior Finance Officer provides guidance to PAC members on matters of compliance with Public Finance Regulations and Act.</li> </ul>
Auditees	2			2	2		1	1		2	<ul style="list-style-type: none"> <li>The auditees interviewed were from the two different institutions which participated in the PA project. One from Customs and one from Colonial war Memorial Hospital.</li> </ul>
Members of Parliament	5		2	3	4	1	2	1	1	5	<ul style="list-style-type: none"> <li>Served in the Fijian Parliament when the PA reports were presented and deliberated upon.</li> </ul>
Media- Senior Reporters	3			3	2	1	1	1	1	3	<ul style="list-style-type: none"> <li>Reported on the PA reports and the Audit Reports presented by the AG.</li> </ul>
<b>Total Interviews</b>	<b>29</b>	<b>1</b>	<b>5</b>	<b>19</b>	<b>21</b>	<b>4</b>	<b>12</b>	<b>10</b>	<b>3</b>	<b>25</b>	

Key: Ethnicity - F-Indigenous Fijian; I-Indo-Fijian, (Born in Fiji of Indian Origin); G-General Elector –Born in Fiji of European, Part European Chinese of other small island migrants.

Interpretation of texts in critical hermeneutics requires that the ‘dialogic process of doing research focuses on the conditions through which meaning is constructed’, (Kvale, 1996, p. 8) so that those elements that unconsciously shape the understanding of the interviewees and interviewer are revealed or made visible (Herda, 1999, p. 32, also see Kogler, 1999). This requirement predetermines that neither a purely conversational style of interview nor a purely structured interrogative interview will facilitate the data collection for this research. Neither will it allow the interviewees to express their worldviews in a historical - cultural context (Kvale, 1996, p. 8) because both will restrict open conversation. To overcome this limitation semi-structured interviews are used in this project.

The purpose of a semi-structured interview ‘is to obtain descriptions of the life world of the interviewee with respect to interpreting the meaning of the described phenomenon,’ (Kvale, 1996, p. 6). The interview takes the form of a professional conversation and is structured with a purpose to seek the interviewee’s understanding of the phenomenon studied. In a semi-structured interview reflexive interviewing techniques can be used (Mouritsen & Thrane, 2006, p. 243; also see Alvesson, 2003). Reflexive interviewing focuses on the development of a dialogue between the interviewer and the interviewee. Once the interview assumes the form of dialogue the interviewee opens up and feels free to tell his/her story (Alvesson, 2003, p. 245) with explanations providing the researcher with an opportunity to probe for information (Alvesson, 2003).

The semi-structured interview is a facilitated conversation between the interviewee and the researcher. During this process the interviewees describe the

events that shaped their understanding and provide insights into their worldview. Table 7.3 provides a list of the key areas<sup>8</sup> of focus during the interview. The details of the questions asked in the semi-structured questionnaire are found in Appendix 2.

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<sup>8</sup> The key areas formed the major part of interview questions. The key areas were informed by the researchers pre-understanding of the Fijian socio-political history, and chapters 3, 4 and 5 of this thesis. Chapter 3, (pp. 35-71), Literature on Performance Auditing in the Public Sector and chapter 4, (pp. 72-98), detail the broader socio-political history of Fiji, and chapter 5 details the History of Audit Development in Fiji (pp. 99-138).

**Table 7-3: Interview Focus during Enquiry**

Section and questions in the questionnaire		Areas of Focus
Section	Questions	
1	1&2	Descriptions of the interviewee's background: institution associated with, experiences and roles.
1	3&4	Descriptions of the interviewee's roles during emergence implementation and discontinuation of performance auditing.  Descriptions of other groups/individuals and their roles and contributions.
2	1&2	The interviewee's understanding of who and what was involved with the project during the different phases.
2	3	What caused the changes during emergence, implementation and discontinuation.
2	4	Benefits or costs of, implementation and discontinuation.
2	5	Legislation and performance auditing.

## 7.8 Interview Questions and Focus

Questions on interviewees' background were asked to establish which public sector entity they work for, their roles and experiences. This exposes their interest and motivation in the claims they make on how their institution contributed to each phase of performance auditing. Their experiences will illuminate how they perceive their roles and why. The interviewees represent the two dominant ethnic communities in Fiji. The differences in their opinions and claims on what motivates them will be illuminated via their responses. Their claims of who and what influenced the changes in the Fijian public sector audit will be reflective of their experiences in their roles and with other individuals and groups with whom they associate.

The interviewees' roles during the emergence, implementation and discontinuation of performance auditing is asked so that information on how the interviewee's contributed to each phase can be gathered. The interviewees are also asked about other groups/individuals they worked with. Questions are also asked about the latter's contribution. As such the interviewees will reveal what motivated their contribution and why, who influenced them and also provide insights into how they view others contribution to the project. Questions on the institution the interviewee is employed by and its role are asked to gain insight into how the institutions contributed to the project and why. This will provide information regarding who the interviewees see as the agents of change and why.

The major focus in section two of the questionnaire is the changes in performance auditing. Interviewees are asked to describe what they

believe/perceive caused the changes in performance auditing. The interviewees response to this will expose who the change agents are and what they did to bring changes or otherwise. Their responses will reveal who they thought were the most influential agents and what gave the agent that power. The question on costs and benefits of performance auditing will reveal whether they favor the implementation or the discontinuation and why. These will illuminate their interest in and motivation for changes or otherwise.

Questions on legislation are asked to ascertain how the interviewees perceive these as change agents and why. They can also lead to questions of policy and regulation and their interpretations.

Neither the prior identification of the key areas nor the semi-structured interview questionnaire sent to the interviewees prior to the interview will deter the interviewees and the interviewer from raising other issues during the interview. The partially structured nature of the questions will allow for open discussion. This is because the interview questions were not rigidly structured (Kvale, 1996, p. 8). The next section provides a discussion on the interviewees.

## **7.9 The Interviewees**

The choice of interviewees was made by looking at the methods associated with purposive sampling (Creswell 2007, p.23 also see Kvale, 1996). The researcher used her network within the Fijian Audit Office, the Fijian Public Service and her knowledge of audit development in the Fijian public sector to identify the sections and departments of the Fijian Public Service who were closely involved with the performance auditing project. These individuals can best inform the researcher

about the emergence, implementation and discontinuation of public sector performance auditing.

The interviewee sample (Table 7.2) comprised six categories of participants representing the Fijian Audit Office (AO), the Ministry of Finance (MOF), the Public Accounts Committee (PAC), Members of Parliament (MP), the Media and the auditees. During the research a total of twenty-nine interviews<sup>9</sup> were conducted (Appendix 2). Seventeen participants were initially selected for interview; the number increased to twenty-five because at the end of each of the interviews interviewees were requested to suggest names of individuals who they knew were associated with the performance auditing project and who they thought could contribute towards providing an understanding of the introduction and discontinuation of the project. Four follow-up interviews were also undertaken to seek further clarification on the concerns raised by the interviewees, increasing the total number of interviews to twenty- nine. A discussion of the interviewees selection follows.

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<sup>9</sup> The interview process began with seventeen interviewees and upon the suggestion of the current interviewees eight additional participants were included. The twenty-nine interviews comprised of four follow-up interviews and twenty-five initial interviews.

## **7.10 Selection of Interviewees**

This section expands on Table 7.2 and explains the choice of interviewees and how they served the purpose of this study.

### **7.10.1 Auditor-General**

The Auditor-General in the Fijian public sector is the constitutional custodian of the public purse and has a constitutional obligation to perform public sector accountability roles (Fiji Constitution, 1970, 1990, 1997). Despite the military coups of 1987, 2006 and the civilian coup of 2000, the Fijian public sector has maintained the Westminster system of auditing and the accountability role of the Fijian Auditor-General is similar to those found in countries that also follow the Westminster system of accountability.

The Auditor-General (Vatuloka) interviewed for this research project was with the Ministry of Finance before being transferred to the Fijian Audit Office in 1997 as Deputy Auditor-General. He was appointed as the Auditor-General in 1999 (Annual Report-Audit Office, 2000). He had experienced the ‘goings on’ in the Audit Office during the discontinuation of performance auditing. Auditor-General, Vatuloka therefore was in a position to provide insights into who and what was instrumental for the changes in the Fijian public sector auditing.

The Audit Office staff will have information on the roles each played and how the roles were discharged at different phases of the performance audit project. Table 7.4 summarises information on interviewees from the Audit Office.

**Table 7-4: Interviewee Summary-Audit Office**

<b>Position</b>	<b>Years of Experience</b>	<b>Gender</b>	<b>Ethnicity</b>	<b>No. of Interviews</b>		<b>Total Interviews</b>
				<b>Initial</b>	<b>Return</b>	
Senior Auditor	16	Male	Indigenous Fijian	1		1
Senior Auditor	10	Female	Indigenous Fijian	1	1	2
Senior Auditor	10	Female	Indigenous Fijian	1		1
Senior Auditor	18	Male	Indigenous Fijian	1		1
Senior Auditor	12	Male	Indo-Fijian	1	1	2
Senior Auditor	13	Male	Indo-Fijian	1		1
Senior Auditor	18	Male	Indo-Fijian	1		1
<b>Total Interviews</b>				<b>7</b>	<b>2</b>	<b>9</b>

Claims about changes in public sector audits by these seven interviewees will be based on their experiences and backgrounds. Their claims on their roles, how and who decided what their roles are, will expose what or who influences them and how. It will illuminate why they make certain claims and what their aspirations are. These interviewees will provide insights as to how they discharged their duties and what the consequences were. Their close association with the project will provide quality evidence on their understanding of their roles and the auditee's reactions towards to them.

Information regarding staff sent on training to the Victorian Audit Office in Australia, those sent to the Accounting General's Office in the USA and those trained within the Fijian Audit Office will be revealed by these auditors. They will provide insights into why they were sent for the training and how their training and skills benefitted the Audit Office. These interviewees have information on how the Fijian public sector would benefit from the practice of performance auditing because of their outside experiences.

The audit staff will also have information on the other groups with whom they associated during the different phases of the project. Their descriptions of the interactions will identify the other groups and will bring to light the type and the duration of interaction. These details will provide insights into 'the influence' the audit staff had on the other groups and how the other groups in turn 'influenced' the audit staff's understanding of the different stages of the performance audit project.

### **7.10.2 Members of Public Accounts Committee**

The Public Accounts Committee members are selected from elected members of the Parliament, from both the Government and the Opposition. Table 7.5 summarises information on interviewees from PAC.

**Table 7-5: Interviewee Summary-PAC**

Position: Members During: 1970-1999	Years of Experience	Gender*	Ethnicity	No. of Interviews		Total Interviews
				Initial	Return	
Chairperson (National Federation Party)	12	Male	Indo- Fijian	1		1
Senior member (Labour Party)	8	Male	Indo - Fijian	1		1
Senior member (General Elector Party)	15	Male	General Electors	1		1
Senior member (Rabuka led govt- 1995)	12	Male	Indigenou s Fijian	1		1
<b>Total Interviews</b>				<b>4</b>		<b>4</b>

\*The interviewees were all males because none of the females served on the PAC committee during 1970-1999.

Four members of the Public Accounts Committee are selected. These members have served under various governments over the 1970-1997 period. They represent the three major political parties as well as the three ethnic communities. Their responses to the interview questions will be based on their cultural experiences, the expectations of their political parties and their own motivations regarding public sector audit and the Auditor-General's ability to hold auditees to account.

These members will draw upon their experiences to reveal how they contributed towards the economy, efficiency and effectiveness audits. Their claims on changes in audit practices are based on their interactions with the auditees, the Auditor-General and the Ministry of Finance officials. The Committee Members will expose which group or individuals contributed towards the acceptance of the practice of performance audit, how and why. This implies that the Public Accounts Committee members brought a broader worldview to the interview that was shaped by a collective of people.

### **7.10.3 Ministry of Finance personnel**

Senior Officials from the Ministry of Finance are interviewed for this research because the latter is responsible for the budgetary allocation to the Audit Office. Table 7.6 provides a summary of the interviewees.

**Table 7-6: Interviewee Summary – Ministry of Finance**

Position	Years of Experience	Gender*	Ethnicity	No. of Interviews		Total Interviews
				Initial	Return	
Senior-Officer	15	Male	Indigenous Fijian	1		1
Senior-Officer	15	Male	Indo -Fijian	1		1
Senior- Officer	12	Male	Indigenous Fijian	1	1	2
<b>Total Interviews</b>				<b>3</b>		<b>4</b>

\*The interviewees were all males because none of the females served on the PAC committee during 1970-1999

Three interviewees with more than ten years of experience with the Ministry are selected for the interview. They were with the Ministry before, during and after performance audit was discontinued. This includes the period prior to Rabuka led military coups in 1987 and during Rabuka's regime (1992-1997). These interviewees provide information about the funding of the implementation of the performance audit project and possibly on implications on future funding. Their claims regarding changes in public sector auditing will illuminate the government policy on Audit Office funding.

At least one senior Ministry Official is always present at the Public Accounts Committee meeting to clarify concerns regarding the accounting system followed by, internal controls maintained by and financial rules and regulations followed by the public sector entities during their record keeping. These interviewees will provide details on how the Ministry officials maintain, revise and evaluate the accounting systems followed by the public sector entities, the types of records kept and the use of accounting principles and rules to contribute towards the implementation of performance audits. The interviewees will also reveal the Ministry's support and contribution or resistance to such audits.

#### **7.10.4 Auditees**

The two auditees selected for interview represent institutions which participated in the performance auditing project during the 1995-1997 period and they bring with them a view influenced by their participation and experience of such audits. Table 7.7 provides a summary of the interviewees.

**Table 7-7: Interviewee Summary –Auditees**

Position and Institution	Years of Experience	Gender	Ethnicity	No. of Interviews		Total Interviews
				Initial	Return	
Senior Manager: Customs Department	15	Male	Indigenous Fijian	1		1
Senior-Accounting Officer: Colonial War Memorial Hospital	12	Male	Indo-Fijian	1		1
<b>Total</b>				<b>2</b>		<b>2</b>

The senior manager from the Customs Departments has information on what motivated them to participate in performance auditing and why. His claims on this will reveal how the Customs employees contributed to the implementation of performance audits. It will also provide insights into how the auditees' understanding is either similar to or different from the auditor's understanding of such audits. Caution is taken to ensure that the auditees do not express their delayed beliefs (their perception of performance auditing after 1999) on the performance auditing project by making constant references that this project is seeking their beliefs and opinions on the issues related to performance auditing during the 1995-1997 period.

The senior accounting officer from the Colonial War Memorial Hospital will illuminate how he perceived the implementation of efficiency audits. He will reveal what motivated the Hospital's management to participate. The accounting officers claims will be based on his experiences at the Hospital and will reveal what motivated him to be a part of the project.

#### **7.10.5 Members of Parliament**

The Five Members of Parliament selected for the interview have information that will reveal their roles either as members of the Opposition party, or members of the Government. Table 7.8 summarises the interviewees representing this group.

**Table 7-8: Interviewee Summary –Members of Parliament**

Position	Years of Experience	Gender	Ethnicity	No. of Interviews		Total Interviews
				Initial	Return	
Senior-Parliamentarian – Alliance Party	12	Male	Indigenous Fijian	1		1
Senior-Parliamentarian National Federation Party	12	Male	Indo -Fijian	1		1
Senior-Parliamentarian- Soqosoqo ni Vakavulewa ni Taukei- Party	8	Female	Indigenous Fijian	1		1
Senior-Parliamentarian- Fiji Labour Party	8	Male	Indo-Fijian	1		1
Senior-Parliamentarian -General Electors Party	15	Male	General Electors	1		1
<b>Total Interviews</b>				<b>5</b>		<b>5</b>

These interviewees will have information on how they, as representatives of the people (Funnell & Cooper, 1998), perceived the introduction and implementation of performance auditing by Auditor-General Datt in 1996-1997. In describing their roles and their associations with other groups involved in the project (Staton & Partners, 1997), the Parliamentarians will be able to bring to light the events which enabled the emergence of the performance auditing project and will reveal the factors which influenced their beliefs, attitudes and understanding of the project. The Members of Parliament are in a position to reveal what the project meant to them as elected representatives of the Fijian people and their perceptions of how the Auditor-General holds the auditees to account.

#### **7.10.6 Media**

The three members of media interviewed for this project are those who actively publicised the Auditor-General's audit reports and findings during the 1995-1997 period by publishing certain excerpts of the audit reports, by writing editorial features and by publishing the interviews they had with the Auditor-General and Members of Parliament. Table 7.9 lists the interviewees from this group.

**Table 7-9: Interviewee Summary – Print Media**

<b>Position</b>	<b>Years of Experience</b>	<b>Gender</b>	<b>Ethnicity</b>	<b>No. of Interviews</b>		<b>Total Interviews</b>
				<b>Initial</b>	<b>Return</b>	
Senior-Reporter	20	Male	Indigenous Fijian	1		1
Senior-Reporter	20	Female	Indo -Fijian	1		1
Senior-Reporter-Editor	25	Male	European	1		1
<b>Total Interviews</b>				<b>3</b>		<b>3</b>

The interviewees include a well-respected senior current affairs commentator employed by Fiji's premier newspaper, the Fiji Times. This person wrote editorial comments for events like government budgets, audit reports and on significant political events in Fiji and overseas. A senior reporter and editor of the Island Business Magazine was also interviewed. This individual was responsible for editing and reporting political news which covered Parliamentary debates, government budgets, audit reports, interviews with politicians and the Fijian Auditor-General. A senior well-respected Radio Fiji reporter who hosted primetime news, and was a political commentator, who conducted live interviews, was also interviewed. These journalists were interviewed so that they could provide explanations on how they managed to get the audit reports and why they published 'certain excerpts' of the audit reports. In describing how they acquired the reports and narrating how they chose what to report on, the journalists will provide insights into what and who influenced their choice on selection of the materials they publicized and their interpretations.

### **7.11 Contacting the Interviewees**

The initial set of selected interviewees was contacted through emails in October 2004. The interviewees were sent a synopsis of my research project, a copy of the request for an interview written by my supervisor and the interview questionnaire (Appendix 1). Most of the interviews were conducted from mid-July to mid-October, 2005; a few were conducted in January, 2006. The fourth coup in 2006 made it difficult to return but all parties were available via email if I wished to contact them.

According to Kvale (1996, p. 42), it is important that interviewees are provided with a brief before the interview so that the intention of the interview is made known and with a debrief after the interview to ensure their responses were accurately captured. For this project the briefing session set the scene for the interview and helped put both the interviewee and myself at ease. During the briefing session I also informed the interviewees that they were free to raise issues on the key areas of exploration or on other issues concerning the performance auditing project if they thought my questions did not address the issues.

After the interviews I provided the interviewees with a debriefing of each of their interviews for them to decide whether I had summarised their views as expressed by them. I did this so that the interviewees were aware of the notes I made during the interview and if they disagreed with the notes, they could correct me. This also provided them with an opportunity to elaborate on issues they decided I missed when recording and summarising their interviews. After debriefing, the interviewees were asked to sign the consent form which was given to them prior to the interview. A copy of the consent form is attached as appendix 2.

## **7.12 Data Recording and Analysis**

This section outlines the processes of recording and analysing the data informed by the critical hermeneutics tradition. Data are recorded and stored using the N'vivo software and analysed for a critical interpretation.

### **7.12.1 Recording**

Before undertaking the interviews, permission was sought from the interviewees for the interviews to be tape-recorded. After completing the interviews, these

were transcribed and given to the respective interviewees to read. This is done to ensure that the interview is captured in its entirety and that the ‘correct essence’ of what the interviewees said is recorded. The interviewees provided feedback on the transcriptions.

The transcribed interviews are stored using the N’vivo software program. This is done to organise the interview data so that the data are easily accessible for reading at different stages of the analysis process. All the interview data are stored in one folder allowing the coding of interview data by themes and actions which appear to have a symbolic meaning to the interviewees.

#### *7.12.1.1 Data analysis*

Critical hermeneutics require that the researcher ‘fuses text and context to argue for a certain critical interpretation, thereby closing the hermeneutic cycle of meaning’ (Prasad & Mir, 2002, p. 93). This section describes the processes of data analysis for a critical interpretation.

#### *7.12.1.2 The first level of analysis – (text and context)*

The first level of analysis involves two readings of the interview transcripts and the archival documents. In the first reading an immediate impression of the contents of interviews and the documents is obtained to begin the cycles of hermeneutic understanding. During this first reading of the text, the actors who are influential at the different phases of the performance auditing project are identified. The actors’ roles are identified and coded.

In the second reading the actors’ background, type and length of association with the project is identified and coded using the axial and open coding techniques suggested by Strauss and Corbin (1998). This is followed by

identifying and listing the actors' roles and who selected them. The list containing the actors' details on roles and how their roles were assigned to them is mapped against the codes identifying the historical background of the actors. This mapping fuses the text and the context.

#### *7.12.1.3 The second level of analysis (closing the Hermeneutic cycle)*

In the second level of analysis, the text is reread 'to discover possible relationships of the text to the contextual story', (Prasad & Mir, 2002, p. 103). In this process the recurring themes associated with different phases of the performance auditing project are identified and coded using the Miles and Huberman (1994) technique of exploring and describing information. The text is read several times for multiple interpretations. For the interview transcript, each response to each of the questions is linked to a particular theme and coded. A similar process is undertaken for the archival documents.

#### *7.12.1.4 The third level - (critical understanding)*

At this level of analysis the themes and phrases reflecting a 'consensus of meaning' will be identified and coded. To achieve this, commonly and metaphorically used words, phrases and passages in the text, which convey a common consensual message or idea regarding the different phases of the performance audit project will be identified, coded and mapped against each other. Roberts' (1991, 1996, 2001b, 2010) interpretation of accountability is used to inform the meanings conveyed by the commonly used words and phrases by the various actors at each phase of the project.

### **7.13 Summary**

The chapter describes the nature of interviews, the selection of interviewees and the key areas of interview focus. Descriptions and arguments are provided on choice of archival documents. Finally the data analysis processes for a critical interpretation is outlined. The descriptions of the processes used for data collection and analysis illuminate how the principles of critical hermeneutics guided the research methods. The next chapter presents the empirical findings and analyses of the text and contextual interpretations to expose how the practice of performance auditing emerged in the Fijian public sector during the 1970-1995 periods.

## **Chapter 8 Results and Analysis:**

### **The Emergence of Performance Auditing (1970-1995)**

#### **8.1 Introduction**

This and the following two chapters present the empirical analysis and theorise the research findings. The narratives are presented in a roughly sequential order to reveal the events surrounding the emergence, implementation and discontinuation of the practice of performance auditing in the Fijian public sector from 1970-1999. The discussions draw upon the hermeneutics to present two levels of interpretation which are informed by Roberts' critical expositions on 'accountability'. The first level, concerned with making sense of the research evidence is the presentation and explanation of selected quotes from the primary and secondary sources which provide evidence on what, how and why certain events happened during the different phases of the performance auditing project. The second, concerned with drawing informed interpretation from the quotes, is achieved by situating the quotes within the broader socio-economic and political context of the Fijian public sector during the different phases of the performance auditing project. These interpretations are informed by 'critical accountability' (Roberts, 1996, 2001a &b, 2010) to reveal the messages conveyed by the text thus closing the hermeneutical circle.

Using hermeneutics the text explorations are presented as themes and sub-themes to elucidate what happened, and how and why it happened. These discussions bring to light the major actors and reveal how their understanding of

the practice of performance auditing was shaped during the emergence, implementation and discontinuation phases. The analyses drawn from the discussions are informed by Roberts' (1991, 1996, 2001a, 2000b, 2010) critical interpretation of accountability to reveal power regimes and structures of domination constructed by actors such as the Auditor-General (AG), Audit Office Staff, auditees, the Public Accounts Committee (PAC) Members, Members of the Parliament, the Asian Development Bank (ADB), and media in their attempt to either change or to hold to the status quo with respect to the Auditor-General's public sector accountability role thus closing the hermeneutics cycle and allowing for critical reflection.

This chapter is formatted as follows: the problems faced by the Auditors-General during the 1970-1995 period are evaluated; the influences of exogenous factors in audit developments are analysed; followed by discussions on revelations of mismanagement and its consequences. The lack of action on audit findings and disclosures is analysed and the calls for changes to the audit practices are evaluated. The final section of the chapter provides a summary of the findings in the chapter.

## **8.2 Discussion and Analysis**

The entry points of the hermeneutic circle describe various constraints faced by the Auditors-General in discharging accountability during the 1970-1995 periods. These are embedded in their contextual setting and fused with the researchers pre-understanding of the socio-economic and political history of Fiji (19970-1995). The purpose is to discuss and explain the constraints and evaluate how, despite the constraints, the Auditors-General incorporated performance audits as part of public sector auditing.

### 8.2.1 Theme 1: Problems faced by the Auditor-General

The Fijian Auditor-General holds a Constitutional Office (Constitution of Fiji, Section 148 of 1993, Section 167 of 1997) with an ‘overseeing role’ holding the Government accountable for the use of public sector resources. The Auditor-General and his team undertake public sector audits and the Auditor-General presents the audit reports to the Fijian Parliament (Audit Act, Section 6 of 1970) who approves the appropriations. This is essentially a compliance audit of Parliamentary approved budgetary appropriations.

The public sector entities audited comprise the whole of government, Ministries, Departments, Statutory Bodies, Local Government Authorities, Provincial Councils, and Overseas Trade Missions (Annual Report - Audit Office, 1993, 1980). The Auditors-General who served under different governments were Fiji citizens with the exception of Jacobs who was an Australian. As to be revealed they encountered a number of similar problems in holding the auditees to account during the 1970-1995 periods.

Table 8.1 provides a list of the Auditors-General, who appointed them, when they served, and under which government. Table 8.2 summarises the major contributions of each of the four Auditors-Generals (Bhim, Narain, Datt and Jacobs) towards emergence of performance auditing during the 1970-1997 period.

**Table 8-1: List of Auditors-General during 1970-1999**

Name	Served as Deputy AG before appointed as AG Yes/No	Period Served	Appointed as AG or Promoted from Deputy AG to AG	Government: Name of Prime Minister and Governor-General/President after 1987 Coup		
				Government	Prime Minister	President
Tamesar Bhim	Yes. Fiji	October 1970 – October 1984	Appointed by Constitutional Services Commission under Chairman Cruishank - (European-Fiji born)	Alliance Party (democratically appointed).	Ratu Sir Mara	Ratu Ganilau
Rupendra Narain	Yes. Fiji	November 1984 - October 1987	Promoted from Deputy AG to AG Under Constitutional Commission Chairman Cruishank (European-Fiji born)	Alliance Party (democratically elected) continued after Rabuka led-military coup in May 1987.	Ratu Sir Mara	Ratu Ganilau
Ramesh Chandra Datt	Yes. Fiji	November 1987- October 1997	Promoted from Deputy AG to AG under Constitutional Commission Chairman Tonganivalu (Indigenous Fijian)	i) Nov-Dec 1987 Military Govt ii) Dec 1987-April 1992 Interim Govt Military appointed iii) May 1992-Nov 1997- SVT Govt led by Rabuka.and elected under 1990 undemocratic constitution	i) Rabuka ii) Ratu Sir Mara iii) Rabuka	Ratu Ganilau Ratu Ganilau Ratu Sir Mara
Michael Jacobs	Yes. Australian National Audit Office.	November 1997- October 2000	Appointed as AG by Constitutional Services Commission – Chairperson Walker (Indigenous Fijian)	i) Nov 1997-April,1999 SVT led by Rabuka. ii) May 1999-May 2000 Fiji Labour. iii) June 2000-August 2000 - Terrorist Govt iv) Sept 2000-Nov 2000 - Military appointed	i) Rabuka ii) Chaudry iii) Speight iv) Qarase	Ratu Sir Mara Ratu Sir Mara Ratu Seniloli Ratu seniloli
Eroni Vatuloka	Yes. Fiji. Transferred from Ministry of Finance	November 2000- December 2009	Promoted from Deputy AG to AG under Constitutional Services Commission Chairperson Waqavavanilagi (Indigenous Fijian)	i) Nov 2000-Sept 2001- Military appointed interim govt. ii) Sept 2001-2006 – SDL	i) Qarase ii) Qarase	Ratu Seniloli Ratu Seniloli

**Table 8-2: AG Contributions towards Emergence of Performance Audit**

<b>Auditors-General and years of service</b>	<b>Contributions/influences on Emergence of Performance Audit</b>
Bhim - 15 Years	<ul style="list-style-type: none"><li>• Expanded the reporting requirements of audits by incorporating details on how resources were managed in his financial audit reports.</li><li>• Revealed flaws in accounting systems and internal controls used in the public sector.</li><li>• Revealed lack of support from Ministry of Finance and PSC</li><li>• Suggested that Fiji adopt performance auditing in 1981.</li><li>• Proposed changes to 1970 Audit Act.</li></ul>
Narain - 3 years	<ul style="list-style-type: none"><li>• Continued with detailed reporting.</li></ul>
Datt - 10 years	<ul style="list-style-type: none"><li>• Highlighted reasons for delays in completion of audit reports and submission of financial statements for compliance audits by some of the public sector entities.</li><li>• Requested adequate funding and staffing for Audit Office from Ministry of Finance and Public Service Commission. Revealed lack of support from government agencies.</li><li>• Gained Public Accounts Committees support for funding, staffing and for expansion of compliance audits to incorporate value for money audits.</li><li>• Called for introduction of performance audits to arrest lack of transparencies in the public sector, revealed via financial statement audits.</li><li>• Called for changes to 1970 Audit Act to mandate performance audit.</li><li>• Secured Asian Development Bank funding for Audit Office in 1995, with an objective to introduce performance audits.</li><li>• Implemented performance audits</li><li>• Discontinued performance audits.</li></ul>
Jacobs - 3 years	<ul style="list-style-type: none"><li>• Submitted proposal for changes to 1970 Audit Act.</li><li>• Encouraged staff training and development.</li></ul>

*Sources: Annual Reports - Audit Office, ADB Report 1995, Staton & Partners' Report 1997, media articles and interviews.*

‘Mr Tamessar Bhim, an Indo-Fijian was appointed the first Auditor-General after Fiji gained independence from Britain in 1970’ (Fiji Times, 1970, p. 1, August 1). His appointment was approved by the Constitutional Select Committee under the Chairmanship of Cruishank (Fiji citizen with European origin) in consultation with the Prime Minister, Ratu Sir Mara and the Governor-General Ratu Sir Ganilu.

Cruishank was a government appointee who held a powerful position and could influence appointments in the public service. His decision to appoint Bhim as the AG was influenced by the fact that Bhim had the audit (accounting) knowledge and auditing experience for the position. Bhim had served in the Fiji Audit Office during the Colonial rule (prior to 10<sup>th</sup> October, 1970). The Constitution (1970) requires that the Prime Minister (Ratu Sir Mara) and the Governor-General (Ganilau) approve the appointment, which was done.

The Ratu Sir Mara led Alliance government was a democratically elected one and dominated by indigenous Fijians of chiefly rank. Bhim’s appointment can be interpreted as a token gesture of goodwill to the Indo-Fijian community given that the native Fijians wanted kindred-based political power. Given that Fiji had only gained independence (in 1970) from the British rule, this was motivated by a desire to create a public perception of democracy.

Bhim resigned in 1984 on the completion of his tenure without any apparent controversy and Mr Rupendra Narain, the deputy, was promoted to AG in November 1984 while the Alliance government led by Ratu Sir Mara was in power. Such promotions are a common practice in the Fijian civil service. The Prime Minister, Ratu Sir Mara and the Governor-General, Ganilau, both powerful

indigenous Fijian chiefs, endorsed his appointment. This signaled to the indigenous community that having an Indo-Fijian as the AG was acceptable and it possibly did not erode Fijian political paramountacy. Narain remained in his post even after the 1987 Military coup led by Rabuka. Upon completion of his tenure in November 1987 Narain resigned from the civil service. His resignation was not accompanied by controversy or known threats. His deputy, Ramesh Datt also an Indo-Fijian was promoted to the post of AG in November 1987 (Annual Report, Audit Office, 1996. p.6).

Datt's promotion was approved by Ratu Sir Mara, the interim caretaker Prime Minister appointed by Rabuka. The latter had overthrown the democratically elected Labour government on May 14, 1987. In accepting Datt as the AG, Ratu Sir Mara was creating an impression of Parliamentary democracy while his government backed by the powerful military was promoting ethnic Fijian political supremacy. Datt's resignation in November 1997 was without known controversy.

Upon Datt's resignation in 1997 Mr Michael Jacobs, an Australian was appointed the Auditor-General on a two- year contract (Annual Report - Audit Office, 1996). The Australian consultants who were involved with the Asian Development Bank funded institutional strengthening programme of the Fiji Audit Office supported his appointment. Rabuka, the Prime Minister during 1997-March 2000 approved the appointment. As indicated by the timing, this was probably done for the benefit of the ADB (the donor agency) and the international and local Fiji community who were pressuring Rabuka to return Fiji to Parliamentary democracy.

The Auditors-General, Bhim, Narain and Datt each influenced the emergence of performance auditing in their own way (Table 8-2) and encountered a number of common problems while undertaking compliance audits during the 1970-1995 period. The first of these involved delayed audit completions.

### **8.2.1.1 Delayed audit completion**

According to the 1970 Audit Act (1970 Act), the Auditor-General is expected to:

prepare and transmit to the Minister responsible for Finance within a period of eight months after the close of each financial year or such longer period thereafter as Parliament may, by resolution, appoint, a report upon his examination and audit of all accounts relating to public moneys ... together with certified copies of the statements and accounts referred to in section 11 (1970 Audit Act, Section 12 (1)).

The 1970 Act has provisions for allowing a longer period than eight months for the presentation of the audit report by the Auditor-General but only by a resolution of the Parliament. The Auditors-General never used this provision during the 1970-1999 period (Annual Reports, Audit Office, 1983, 1985, 1995, 1997, 2000).

Section 11 of the 1970 Act states:

Within a period of six months after the close of each financial year or such longer period thereafter as Parliament may, by resolution, appoint, the Minister responsible for Finance shall transmit to the Auditor-General the accounts and statements referred to in section 23 of the Finance (Control and Management) Act together with such other statements as Parliament may from time to time require (1970 Audit Act, Section 11).

A comparison of the timeframes (Sections 11 and 12 of the 1970 Act) indicates that the Auditor-General and his team have two months to audit the annual accounts from the time they receive the accounts from the Ministry of

Finance. Given that the Auditor-General is the Auditor for all the government ministries and departments, statutory bodies, local governments and provincial councils, the two month period could constrain the Audit Office's ability to meet this deadline.

It is perhaps unsurprising therefore that during the years 1970 to 1974 when AG Bhim was in Office only four out of nineteen Statutory Bodies, which fell under the audit scope of the Auditor-General, were audited in time (Parliamentary Paper 16/74). The audit for the other fifteen was delayed for at least three to four years (Annual Report, Audit Office, 1978). The delay was said to be due to the 'inadequacy of staff in the Audit office' (Parliamentary Paper 35/79 p.23) and the Office faced 'increasing difficulty in giving proper attention to the accounts subjected to audit' (Parliamentary Paper 35/79 p.23). Despite these delays nothing was done to improve and increase the number and quality of audit staff at the Audit Office or to change the deadline for completing the audits. It is probable that only AG Bhim saw this as a concern, because no further funds or support for the Audit Office was forthcoming.

Auditor-General Bhim's (Indo-Fijian) concern to hold the auditees to account was not shared by the Ratu Sir Mara led government. The indigenous Fijian dominated government at that time (1970-April 1987) was keen to promote Fijian political paramountcy. As such, using Roberts (2003) interpretation of accountability, attention from real accountability was eluded by the Ratu Sir Mara government by withholding resources from the Audit Office and hence failing to provide reasonable support for timely audits.

Audit Reports for some Provincial Councils,<sup>10</sup> for which an audit was required by the 1970 Audit Act, were also not issued in a timely manner for the 1988-1992 period. ‘The annual financial reports of at least four of the seven Provincial Councils for the years 1988-1992 were yet to be audited in 1993’ (Annual Report, Audit Office, 1993, p. 8) during AG Datt’s tenure. The delay occurred because these authorities failed to provide the Audit Office with their annual financial accounts and statements in a timely manner (Parliamentary Paper 1/93). The Auditor-General (Datt - Indo-Fijian) has no authority to demand their financial accounts and statements. Instead, section 11 of the 1970 Audit Act specifies that the ‘Minister of Finance is responsible for transmitting the annual financial accounts and statements on time’. The Provincial Councils therefore are accountable to the Minister of Finance for timely submission and not the AG.

Fiji experienced two military coups in 1987 (May and September) and the military appointed government probably did not prioritise audit. As such, the then (September 1987-October 1991) Minister of Finance, Ah Koy (indigenous Fijian) elected by the interim caretaker government and backed by the military, saw no consequence to not forwarding the annual financial statements for audit (Annual Report, Audit Office, 1993).

Considering this, and the two-month window to audit the accounts, timely audit completion by the AG appears to be an unreasonable expectation. Auditor-General Datt has no power in meeting these deadlines. The non-delivery of timely financial reports for audit by the Provincial Councils is probably a demonstration of Fijian political supremacy. The political instability caused by

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<sup>10</sup> Provincial Council - Fiji has seven Provincial Councils. These are statutory bodies whose members represent Fijian Villages and districts within a specified boundary in terms of ownership of land and water resources.

the 1987 coups and the colonial practice of annual financial attest audits and accountability were in conflict. Datt an Indo-Fijian AG was in a weak position to hold the auditees to account when compared to the indigenous Fijian Finance Ministers (Ah Koy and Ratu Kubuabola) who sought to promote indigenous Fijian supremacy. The latter were probably not concerned with being held to account for budgetary compliance.

In his 1993 Audit Report Auditor-General Datt expressed the following concern:

----with the exception of one or two, most authorities' accounts up to 1988 have been audited and others are from one to four years behind (Annual Report- Audit Office. Parliamentary Paper 1/1993 p.6).

Some of the audit reports are at least five years late and the issues raised in these audits are outdated by the time they are disclosed (Parliamentary Paper 28/98, p. 3). According to the 1985 Finance Act (Part 111 Section 8) and the 1970 Audit Act Section 12, the Minister of Finance has the power to impose a reporting timeframe on the bureaucrats to submit their annual financial reports for audits. Despite having such powers, the Minister of Finance, Ratu Kubuabola an indigenous Fijian chief, under the Rabuka government (1992-1997) did not impose the deadline (Parliamentary Paper 28/98. p. 4). Based on this researcher's pre-understanding and the Fijian socio-economic and political history, the Minister of Finance was not at all concerned with being held to account. Instead of imposing the timeframe, he was using the time frame and the delays in submission as a shield to avoid being held to account.

The Auditor-General Jacobs (1997-1999) raised concerns about reporting timeliness prior to his 1997 appointment.

In previous years, it was found that issues raised in the Annual Report-Auditor-Generals were often somewhat 'out of date' so (as) to speak, as the reports dealt with issues that were not recent. (Parliamentary Paper 28/98)

The Asian Development Bank expressed related concerns in its 1995 Report.

The Office of the Auditor-General (OAG) at present is unable to complete audits within a satisfactory time period after the end of the respective fiscal year, particularly where there is no statutory imposed deadline. (Asian Development Bank, Technical Assistance Report [TAR], 1995a, p. 1)

The Audit Office's inability to complete the audits on a timely basis was seen to be a problem to those who relied on the Auditor-General's opinions with the exception of the successive Fijian governments headed by indigenous Fijian chiefs for whom delays served non-accountability.

A senior media reporter raised concerns about the delay of the audit reports presented to the Parliament:

The Auditor-General presents outdated audit reports and the findings are useless as no action can be taken. It is a waste. (Senior Media Reporter, July, 2005)

A similar comment was made by a senior Audit Office staff member:

We lagged behind with the preparation and presentation of Audit Reports for some years in late 1980 and the 1990s because of shortage of staff and other resources. (Senior Audit Office Staff, July, 2005)

Given the length of the delays between the year-ends and financial attest audits, 'individuals' responsible for account keeping and management could not be contacted by the audit officers to answer their queries regarding the poor documentation and mismanagement of resources discovered during the audit process. As such, attention from real 'accountability' was diverted (Roberts, 2010) because the miscreants probably were not present to provide answers to the questions raised by the auditors.

#### *8.2.1.2 Weak support*

Another problem was that the Auditor-General did not manage to obtain sufficient co-operation from government agencies responsible for the funding and staffing of the Office.

Despite the 1970 Act and the various Constitutions (sections 168 of 1970, 1990 and 1997) giving the Audit Office independence in performing its functions, the latter is dependent on the Ministry of Finance and the Public Service Commission (PSC) for operational resources. The PSC failed to recruit suitably qualified staff for employment at the Audit Office on a timely basis (Annual Report- Audit Office 1993, 1985). The Ministry of Finance failed to increase the Audit Office's budget despite the Auditors-General Bhim's (1970-1984) and Narain's (1984-1987) repeated requests (Annual Report, Audit Office, 1993, 1985). Irrespective of the Constitution and laws based on a Parliamentary system, weak support from these two agencies constrained the Auditor-General in several ways during the 1970-1995 period.

Auditor General Bhim published his concerns in his Audit Reports:

As reported in 1994, limited resources prevent this Office from auditing all Government ministries/departments and offices.

The main areas of constraints are as follows:

- (i) inadequate staff in terms of numbers and quality;
- (ii) inadequate funds to meet additional equipment needs, particularly computers ; and
- (iii) constraints imposed by the Public Service Commission and the Ministry of Finance despite the mandate given to this Office under the existing law.

(Annual Report, Audit Office, 1995; Parliamentary Paper 37/96).

These constraints were visible only to AG Bhim and not the Rabuka led government (1992-1997) possibly because the former believed in holding the auditees to account. The latter was interested in promoting native Fijian supremacy and hence eluded being held to account. The AG had little or no authority to demand additional resources and the Rabuka government had the power to deny it. The Office of the Auditor-General thus retained its Westminster symbolic status. Staffing and funding constraints also hindered the operations of the Audit Office in various ways.

### **8.2.3 Staffing**

The following highlights staffing concerns which prevailed at the Audit Office during the late 1980s and 1990s and which have played a role in the delays:

The Audit Office lacked qualified staff to provide quality and timely audit reports. (Interviewee, Senior Audit Officer, July, 2005)

The lack of qualified staff as well as lack of staff generally have led to situations where audit completions took longer than the normally expected time. Being understaffed resulted in some audit jobs taking priority over others. The end result was delayed completion of audits.

The Audit Office faced staffing constraints during 1987-1995 because the PSC neither recruited sufficient nor suitably qualified auditors. The Permanent Secretary of the PSC (Thompson 1991-1994 and Waqanivavalagi 1995-2005) was motivated to promote the Rabuka government's agenda of indigenous Fijian political supremacy rather than addressing AG Datt's concern. AG Datt on the other hand was concerned with the problems associated with delayed audits and appeared to believe that recruiting additional staff was the solution.

A senior auditor from the Audit Office claimed:

Staff have resigned and moved to other departments, this affects our audit completion. Being understaffed most of the time(s), we cannot complete audits on time. (Senior Audit Office Staff, August, 2005)

Audit staff left for reasons related to the political coups of 1987 and also because of an undemocratic election in 1992. An experienced senior government Officer pointed out the effects on staffing of an unstable government:

After the 1987 coup, the Audit Office lost skilled and qualified staff because some senior audit staff moved to other Government Ministries and Departments. Those who held overseas qualifications migrated to other countries, as a result the operations of the Audit Office suffered. (Senior Officer Ministry of Finance, August, 2005)

The cause lies in the 1987 political situation, which weakened Auditor-General Datt's capabilities and powers to audit and provide audit reports within the timeframe set in the 1970 Act. In 1987, Fiji experienced its first military coup. Due to the political upheaval and the introduction of the 'positive discrimination' policy implemented by the Rabuka led government there was mass migration of skilled and qualified individuals from the Fijian civil service to overseas countries (Kumar, 1997; Sharma 1997). In providing racial 'balance',

the PSC employed indigenous Fijians in the civil service who did not necessarily have the qualifications for the job. As a consequence of this policy the quality of audit staff at the Audit Office was affected (Annual Report, Audit Office, 1993, 1990).

The implementation of the positive discrimination policy caused another staffing issue for the Audit Office. The staffing constraint was compounded when the PSC reshuffled the civil service. The civil servants from the Audit Office were transferred to other government departments to balance staff numbers based on 'ethnicity'. Some of the qualified and senior audit staff were transferred to other government departments (Annual Report, Audit Office, 1990, p.5). One of the senior Ministry of Finance employees expressed the following concern.

After the 1987 coup, the Audit Office lost skilled and qualified staff because some senior audit staff were moved to other Government Ministries and Departments. (Senior Officer, Ministry of Finance, August, 2005)

An interpretation of this is that keeping appropriately skilled and committed audit staff was clearly a problem in the context of a reluctant government and inhibited the ability of the Auditor-General to produce timely reports. The Auditor-General perhaps offered an apparent transparency via delayed reports which obfuscated real accountabilities by exposing inaccuracies in record keeping and improper documentation (Roberts 2001, 2010). Real accountabilities can be revealed if skilled and appropriately qualified auditors had performed financial attest and compliance to budget audits.

### *8.2.3.1 Funding*

Lack of sufficient funding kept Audit Office staff from travelling outside of the Central regions<sup>11</sup>. Consequently, departments and local government authorities situated in some locations in Fiji were not audited in a timely manner. One of the senior auditors expressed this concern:

The Ministry of Finance did not provide us with additional funds to travel outside of the central region. (Senior Audit Office Staff, July, 2005)

A similar view was iterated by another senior Audit Office staff member:

We have to postpone travelling to other locations due to insufficient funds. (Senior Audit Office Staff, August, 2005)

Lack of funding support from the Ministry of Finance under Minister Ah Koy (1990-1992) and Minister Kubuabola (1992-1997) prevented Auditor-General Datt and his audit team's effort to undertake audits in locations outside the central region during the 1987-1995 period (Annual Reports, Audit Office, 1993. p 8). The outlying regions were less held to account as a result. These two Ministers would have been motivated by their tribal affiliation. As such increasing the budgetary allocation to the Audit Office was not their prime concern. For them the annual financial attest audit by the AG was a ritual left behind by the Colonial government.

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<sup>11</sup> Fiji consists of three major islands, Viti Levu, Vanua Levu and Tavenuni and various small islands with a total of 332 small islands. The Audit Office is centrally located in Suva, Viti Levu whereas the Government Departments are spread over the two main islands Viti Levua and Vanua Levu. The Audit Staff have to travel to different parts of the two islands to undertake the audits.

Auditor-General Datt published his concerns on funding in his audit reports (Annual Reports, Audit Office, 1990, 1992 and 1993). As a result, the Public Accounts Committee members (PAC) under the chairpersonship of Khaiyum (an Indo-Fijian) published the following in its Report indicating its support:

The Committee also strongly feels that sufficient funding should be given to the OAG to ensure that the Office makes physical checks where appropriate in its investigation, especially where special projects are concerned. (Extract from Public Accounts Committee Report, 1992; Parliamentary Paper 70/1999, p.4)

During the 1987-1995 period, the actions of the Ministry of Finance and the PSC inhibited the Auditor-General's attempts to secure additional funding and appropriately qualified staff. It was noted in the Annual Report - Audit Office (1993, 1994) and Parliamentary Paper 37/96 that the Ministry of Finance, responsible for the budgetary allocation of the Audit Office failed to increase the budget for the Audit Office despite repeated requests from Auditor-General Datt.

AG Datt (1984-1997) appeared to be more persistent with his requests for additional funding than AG Bhim (1970-1984). Interestingly the former was doing this under the 1990 racial Constitution without any success. An interpretation here is that Datt made repeated yearly requests, and the Rabuka government appeared to let the requests appear persistently, so that they could ask donor agencies such as the Asian Development Bank for funding. The requests were expected to be fruitful, as during Datt's tenure the international community was pressuring the Rabuka government to return Fiji to Parliamentary democracy.

The Ministry of Finance and the PSC's association with the Audit Office can be understood in terms of their 'power relations'. The Audit Office relied on the Ministry of Finance for its budgetary allocation and on the PSC for recruiting and fulfilling their staffing needs. Unfortunately:

Both the Ministry of Finance and the Public Service Commission have at times exerted power and control over the Audit Office by withholding funds and by slowing the recruitment process. (Senior Audit Office Staff, July, 2005)

The problem was compounded by the Ministry of Finance's authority to control budgetary allocation for the Audit Office and by the PSC's authority to redeploy staff from the Audit Office to other government departments. Either of these two agencies could seriously constrain the Audit Office. The extent of under-funding was not disclosed, but is indicated by the fact that during the 1987-1995 period the staffing levels at the Audit Office ranged between 55% to 75% of the total staff required (Annual Reports, Audit Office, 1988, 1990, 1992, 1993 and 1995). Although the Audit Office is constitutionally an independent institution, the PSC and the Ministry of Finance hold power over the Office in a number of ways. Assertion of power by these two government agencies within a hierarchical accountability system (Roberts, 1996) lays the potential for an asymmetrical power relationship (Bleicher, 1980; Prasad & Prasad, 2002).

The hermeneutic-dialectic approach, therefore allows the researcher to portray the 'complexity of the Audit Office as a social, cultural and political system' (Myers, 1994, p. 196). A hermeneutic interpretation reveals that the performance of the Fijian Auditor-General's Office during the 1970-1995 period

was affected by various events including delays in audit completions, the effects of the coup and weak support from the Ministry of Finance and the PSC.

The Ministers of Finance Ah Koy (1987-1990) and Ratu Kubuabola (1990-1997) failed to increase the funding to the Audit Office after the 1987 coups. Both were Ministers under the military backed, indigenous Fijian led governments. As such, their interest was in promoting Fijian political paramountcy. They were not keen to be held to account and therefore used the Audit Office to provide the appearance of being held accountable in a purely symbolic manner, thus creating the illusion of being held to account. They did this by allowing AG Datt to perform financial attest audits, and publish and table the reports with the Minister of Finance without the funds or the authority to follow up. AG Datt was in a weak position to hold them to account but attempted to do so.

### **8.3 Theme 2: Exogenous Influence**

Despite these constraints, Auditors-General Bhim and Narain during their respective tenures (see table 7.1) were inspired by developments in public sector auditing such as the introduction of performance auditing in Australia and New Zealand. Bhim expressed the view as early as 1981 that Fiji should follow these overseas trends (Annual Report, Audit Office, 1981). He recommended that changes be made to the 1970 Audit Act to mandate performance audits (Parliamentary Paper 4/81):

A number of countries, particularly members of the Commonwealth, have even revised their audit laws in recent years to give statutory support to performance audit. Auditing in the public finance sector is increasingly concerned with economical and effective use of public sector resources. (Parliamentary Paper 4/1981)

Bhim's view on adopting such audit practice was not shared by the Ratu Sir Mara led Alliance government (1970-1987) or the PAC chaired by Mr Shah, an Indo-Fijian from the Indo-Fijian dominated National Federation Party (1970-1987) which was in Opposition (Annual Report, Audit Office, 1982). It appears that both the government and the opposition during 1970-1982 were satisfied with the Audit Office's role of performing only financial attest and budgetary compliance audits.

Yet the next Auditor-General Datt (1987-1997) reiterated the views of his predecessors in 1991:

The extension of state auditor's function into performance audit is to determine the value received from the application of resources or loss incurred by their non-application is not peculiar to Fiji alone but it is the trend in most Audit Offices of other countries. (Parliamentary Paper 29/1991)

Although neither the Ratu Sir Mara nor the Rabuka led governments that came into power after the 1987 coup respond to Datt's suggestion, the PAC members under the Chairmanship of Khaiyum (the Committee was reinstated in 1992 after being suspended in 1987) showed support for it.

The Committee strongly supports that value for money audits should be done so that Parliament can be informed whether or not expenditure of public funds has achieved the desired objective. (Public Accounts Committee Report for 1990/1991)

In its role as an overseer of government accounts including audit reports, the PAC did not have the power to enforce the implementation of performance auditing or to change the 1970 Act to provide for such audits. I can only speculate that the PAC members' support for implementation of such audits were

motivated by international and national pressure on the Rabuka government to lead Fiji to Parliamentary democracy.

Auditors-General Bhim's, Narain's and Datt's (refer to Table 7.1 for tenure) suggestion during the 1980-1991 period that Fiji adopt the practice of performance auditing was inspired by their respective associations with the International Organisation of Supreme Audit Institution (INTOSAI) and the South Pacific Association of Supreme Audit Institution (SPASAI). The Fiji Audit Office became a member of the former association in 1987 and the latter in 1973 (South Pacific Association of Supreme Audit Institution Annual Report, 1995). As a member of these international public sector audit organisations, Bhim, Narain and Datt were aware of public sector audit developments. These three Auditors-General and their senior audit staff attended the meetings and workshops hosted by these organizations (Annual Report, Audit Office, 1986, 1992, 1994). Bhim's, Narain's and Datt's expressions of interest for performance auditing were inspired by the global developments in public sector auditing. These three appeared to be seeking to promote their own self-identity as being successful in introducing such audits to the Fijian public sector. This claim is made because the socio-political history of Fiji (1970-1995) indicates that they did not receive support from the successive governments (1970-1997) for funding and for staffing of the Audit Office yet they aspired to introduce efficiency audits.

The INTOSAI had a full membership of 189 countries and four associate members (International Organization of Supreme Audit Institution Special Report, 2004). This organisation concerns itself with public sector audit developments and holds workshops and seminars on developments in auditing for its member

countries. To support the member countries' participants to attend the seminars and workshops, INTOSAI provides funding sponsorships. It meets on an annual basis and is a network of the Auditors-General. Fiji is a member of this organisation and benefits from the training provided to audit staff (Annual Report, Audit Office, 1986, 1992).

The South Pacific Association of Supreme Audit Institution (SPASAI) is a public sector audit organisation with branches into 25 countries from the South Pacific Region, including Australia, New Zealand, Fiji, Tonga, Samoa, the Cook Island, Vanuatu, Niue and other island nations (South Pacific Association of Supreme Audit Institution, Annual Report, 1995). The SPASAI actively promotes public sector audit and developments in public sector auditing in the island nations. The Australian and New Zealand Audit Offices provide internships to audit staff from the Audit Office of the Island States and provide technical assistance to the Island Audit Offices on the request of the respective government. The member countries also benefit by attending annual conferences and workshops hosted by SPASAI. As a member of this Group the Fiji Audit staff have benefited from the Groups exchange scheme during the 1980-1995 period (Annual Report, Audit Office, 1995).

Staff employed at the Fiji Audit Office during the 1980-1995 period therefore came into their roles with both traditional learning experiences and the expectations of being involved with performance audit. Some expect to get further training in such audits by attending workshops held by INTOSAI and SPAISAI.

One of the Audit Office Staff made the following point regarding exogenous influence:

Fiji Audit Office is a member of International Organization of Supreme Audit Institution. Member countries of International Organization of Supreme Audit Institution have been involved in performance auditing in their public sector to bring in greater public sector accountability. The International Organization of Supreme Audit Institution member countries revised their Audit Laws to make performance auditing mandatory. Here in Fiji we are still very much engaged in traditional audits, we need to move forward with the modern audit methodologies and the Auditor-General is keen for us to undertake such audits so that our public sector can perform better. (Senior Auditor, Audit Office Staff, September, 2005)

Auditors-General Bhim, Narain and Datt seemed to be influenced by INTOSAI and SPAISAI to introduce the practice of performance auditing in Fiji. They desired to be seen to be compliant with the practices of the important external organisations with which the Fiji Audit Office is affiliated (Annual Report, Audit Office, 1993). Since other member countries such as Australia and New Zealand had adopted the practice of performance auditing under the New Public Management trend, Datt in 1991 made suggestions that Fiji was being left behind by not adopting the practice of performance auditing (Annual Report, Audit Office, 1992). After all, Fiji had embarked on public sector reforms in 1980 (Appana, 2003) and the adaptation of performance auditing could have been a part of the reform package. Within the ambit of the social and historical events during the 1970-1995 period performance auditing was shaped as a social construct by the Auditors-General (Kinsella, 2006; Thompson, 1981).

#### **8.4 Theme 3: Revelations of Mismanagement**

In their Audit Reports during the 1970-1995 period, Auditors-General, Bhim from 1970 to 1984, Narain from 1984 to 1987, and Datt from 1987 to 1997, revealed

and reported on the cases of misappropriation of funds, corrupt practices and mismanagement of public sector resources by the various government departments and Ministers (Annual Reports, Audit Office, 1973 to 1975, 1978, 1983 to 1985, 1992, 1993). Audit investigations disclosed that some public servants were able to use the public sector resources for their personal benefit such as using the ministerial cars for personal family outings and allowing their siblings to drive the ministerial vehicles without any authority to do so (Fiji Times, 1978, October 28, p. 3; Fiji Times, 1983, June 13, p. 3). Accounting information (audit reports) as such is seen as 'laying bare' and making visible the auditee's conduct. These reports put pressure on the Fiji government to conduct performance audits in order to discover and reveal such problems. In 1996 the Minister of Finance, Ratu Kubolobola approached the Auditor-General to undertake economy, efficiency and effectiveness audits of the Customs Department (discussed in chapter 9).

Despite these revelations of corruption, the Ratu Sir Mara government (1970-1987; 1987-1992) and the Rabuka government (1992-1999) took no action against the offending parties. Under a Westminster system of governance as existed in Fiji<sup>12</sup> for most of 1970-1995 (despite the 1987 coup), the employees of respective Ministries are accountable for their actions to the Minister and the Minister in turn is accountable to the Prime Minister. Apart from this hierarchical line of accountability, the employees in the public sector are accountable to the PSC (Public Service Act 1970) who is their employer. If financial attest audits disclose mismanagement of public sector resources then the 'controlling authority' (Minister) and the employer (PSC) as the accountee are expected to

take action. In the Fijian context, they did not however at any point (1970-1995) do so. The AG, in the audit information provided to the Minister of Finance and the PSC, highlighted the misappropriation of funds without effect as they ignored this part of the report. This, in terms of Roberts (1996) interpretation of accountability via accounting, indicates a failure to fulfill their moral obligation by the Minister of Finance and the chairperson of the PSC to the tax-paying public.

#### **8.4.1 Disclosure**

The Auditors-General Bhim, Narain and Datt during their tenures (Tables 8-1 and 8-2) made the government and the Parliament aware of the practices of mismanagement of resources in the public sector through their audit findings and disclosures. The media publicized these findings drawing the attention of other interested stakeholders:

About \$14 million of public funds had to be written off by the government during 1982-1986 according to the latest Auditor-General's report released yesterday. Between 1982 and 1986 government lost \$924, 000 through fraud, negligence and theft. Serious irregularities accounted for \$70,000. Loss and theft through government stores amounted to \$11.5 million. One of the employees used \$18,358 under the Co-operative Loan scheme for personal loan. (Report: "\$14 million written off", Fiji Times, April 13, 1989)

The bureaucrats were able to misappropriate the public funds because of an apparent lack of control or actions against miscreants by the relevant Minister. This is an application of inconsequential accountability (Roberts, 2010) in which accounting disclosures are made but actions do not follow. This was not for a lack of auditor disclosure:

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<sup>12</sup> Refer to table 1 in chapter 1, for lines of political accountability in Fiji under the Westminster system.

The Audit Reports dated back to mid-1970s, 1980s and 1990s have contained detailed information on how the resources were managed. The Report described how some public servants and ministers used the resources for their personal use. The reports have quoted dollar amounts to indicate the extent of wastage. The extensive details in the audit reports constantly brought into open the inefficiencies and the wastage of resources by the public sector. (Interviewee, Senior Audit Officer, Audit Office)

The inefficiencies and wastages referred to can be understood in terms of poorly managed spending and inefficient use of resources over more than thirty years under both the Ratu Sir Mara led, democratically elected Alliance government (1970-1987), the interim caretaker government after the 1987 military coups (May, 1987-1992) and the Rabuka led- government (1992-1997) under the 1990 undemocratic Constitution:

Government department spent \$39, 584 on equipment for undersea mineral exploration but never got the ship needed to use it. ('Money wasted', Fiji Times, October 9, 1975, p. 1)

A (audit) check on 100 drums of bitumen had shown that when delivered, 32 had been completely empty, others were half empty and none were of the full weight of 387pounds. The loss had been known for some time but the PWD had done nothing to stop it or find out what happened. ('Money wasted', Fiji Times, October 9, 1975, p. 1)

Government lost \$4000 in renting a building which was not used. ('Account System at FAB Queried', Fiji Times, June 13, 1983, p. 3)

Major defects were noted in the expenditure of about \$5 million allocated to the Ministry of Agriculture in 1993 after Cyclone Kina. The Audit Review of the project found defects in expenditure totalling \$5,078,637 which were incurred on activities not related to the Agriculture project for which the amount was approved. ('Agriculture Misused \$5 million', Fiji Times, 1996, October 30, p. 5)

Such revelation of misuse of public funds and corruption appears to be a norm in Fiji. This has been a regular feature of the Auditors-General reports on a yearly basis (Fiji Times, 1995, October 28, p. 5). This raises concerns about the purpose of public sector auditing and indeed whether it has a purpose in the Fijian context. An interpretation offered here is that 'auditing based on accounting' so far appear to indicate a deterioration in the morality of the government, but is allowed because it is used by the government to give the faintest picture of being 'held to account' therefore avoiding the real accountability that comes with action and consequence. The indigenous Fijian dominated governments led by chiefs appear to be protecting their political supremacy. The audit purpose, where the auditor holds the auditee to account is a colonial heritage and does not seem to be a part of the tribal political culture.

In such circumstances the Indo-Fijian Auditors-General (Bhim, Narain, Datt) are weak, have no political power and cannot demand accountability from the auditees. However, they serve a useful political purpose for the racially biased and undemocratic government. That is, in allowing the Indo-Fijians to hold the position of Auditor-General's and allowing for the audit reports to be made public, the government is creating a perception for the international community that Fiji follows Parliamentary democracy.

The PAC members' raised concerns on disclosures of mismanagement contained in the Audit Report to the Parliament and noted:

The Committee once again expresses its concern at the lack of interest displayed by a number of Heads of Departments in presenting full and accurate explanations on matters under investigation by the Committee. (Public Accounts Committee Report, 1992, p. 4)

The PAC under the Chairmanship of Shah had raised similar concerns in 1985 (Public Accounts Committee Report, 1986). Despite such concerns being about ten years earlier, not much appears to have changed in holding the auditees to account. The PAC members' claimed:

We are disappointed to note that there are a few Ministries which have not given sufficient attention to the report of the Auditor-General. (Public Accounts Committee Report, 1992, p. 5)

The bureaucrats' disinterest was possibly due to a lack of sanctions imposed on their actions by the Ministers. In 1993 the PAC noted:

... reluctance on the part of some Permanent Secretaries and Heads of Departments to take appropriate recommended disciplinary or remedial action against the offenders. (Public Accounts Committee Report, 1993, p. 4)

AG Bhim in 1978 claimed poor record-keeping by some of the Ministries also made mismanagement and fraudulent practices possible:

The Auditor-General, Mr Bhim says in his Report that, Government departments have shown a lack of or complete break-down in control over their accounts due to their failure to keep proper accounts. There were losses and thefts amounting to \$3,238 and \$216, 743 which had to be written off. ('Accounts in chaos-Bhim', Fiji Times, 1978, October 28 p. 3)

Almost twenty years later a similar claim was made by AG Datt in 1996:

Government departments and their accounting officers fail to keep proper records and in most cases expenditure is not appropriately authorised. (Annual Report, Audit Office, 1996)

It seemed that the record keeping techniques were not reviewed, allowing for sloppiness which in turn allowed for fraudulent practices.

In effect these bureaucrats were not held to account by the respective Ministers of Finance (Peter Stinson during 1970-1987), Ah Koy (1987-1992) and Kubuabola (1992-1997) for their responsibility to properly account for expenditures and by the respective Ministers for management of resources entrusted to them via Parliamentary appropriations. The Auditors-General were able to reveal these practices but did not have the statutory powers to take any action against the offenders. Hence transparency without authority to sanction conduct is an empty gesture (Roberts, 2001a) because the AG did not have the power to sanction the offenders and those who had did not impose the sanctions.

Details provided by Auditor-General Datt in his Reports over the 1987-1995 period appeared to be powerful revelations of a trend that the practice of mismanagement was acceptable. The disclosures created a perception, perhaps a social reality that the public sector managers had little respect for accountability obligations (Herda, 1999). This created a difficult environment for those who sought real audit and accountability. Transparencies occurred making auditee conduct visible but, without consequences, resulting in unintelligent accountability (Roberts, 1991) because there was failure to hold the bureaucrats (auditees) to account.

The media's publicity of these disclosures raised alarm in some sectors of the public and calls were made for greater accountability (discussed in theme 8.5).

## 8.5 Theme 4: Lack of Action

Despite the revelation of corrupt practices and mismanagement of funds in the Audit Reports and the media's extensive publication of these events, the relevant authorities appeared to take little or no action. The apparent disregard of practices such as the use of public sector resources for personal benefits instead of for public benefit created a lack of real accountability. Transparency was there, sanction was not. The lack of action on the part of the government or the Heads of Departments promoted the practices of mismanagement.

### 8.5.1 Ongoing mismanagement

The existence of mismanagement of resources continued even though it had been reported by the Auditor-General over a number of years (Annual Report, Audit Office, 1988). Claims were made by some interviewees that despite these reports no action was taken and no-one was held accountable:

The Auditor General provides details on how government departments and some government ministers waste and mismanage public sector resources, for example the Auditor-General provided detail(ed) reports on how the managers at Fiji National Bank misused the public funds in assisting Fijian and Rotumans to participate in commerce from 1982 till 1993 but no action was taken during this period. (Senior Parliamentarian, August, 2005)

This interviewee expressed two concerns: (i) 'no-one was held accountable' and (ii) the case of waste and mismanagement was 'not debated in the Parliament' when mismanagement was disclosed during this period.

An example is, the case of fraud and mismanagement at the National Bank of Fiji (NBF). This was initially revealed by Auditor-General Bhim during the Ratu Sir Mara led government's time in power in 1982 (Annual Report, Audit

Office, 1983) and continued till NBF's 'near collapse in 1995' (Asian Development Bank Report on NBF, 2002, p. 8) during the Rabuka led regime. All reports appeared to have been overlooked by the Parliament and the PAC during 1992-1995. Despite having the role of an overseer of government accounts and audit reports the PAC failed to show responsibility by failing to hold NBF managers to account during its audit deliberations with them and the Ministry of Finance officers. Parliament's reluctance to debate this issue or to instigate further action when both the Ratu Sir Mara and the Rabuka governments were in power cannot be explained as anything other than their effort to conceal this case.

In May 1987 after the Rabuka led military coup, the PAC was suspended (Annual Report, Audit Office, 1993; Public Accounts Committee Report, 1994) hence there was no Parliamentary Select Committee to oversee the government accounts and deliberate on the 1987-1991 audit reports. During the 1987-1991 period the audit reports and findings have been viewed as account keeping only, thereby creating an 'appearance' of accountability (Roberts, 2003).

The Ministry of Finance, whose accounting officer's responsibility was to hold the managers to account for improper record keeping appeared to overlook the findings of the audit reports. As such, accounting took place without moral input from the source (Roberts, 1996) as the accounting officers appeared not to address the concerns of improper records keeping during the 1982-1994 period. It was only after 1995 that the Rabuka led government instigated police inquiry amidst media reports of fraud at NBF (Grynberg, Munro, & White, 2002).

The Auditor-General 'acts on behalf of the Parliament' (Fiji Constitution 1970, 1990, 1997) and transmits his audit findings and opinions to the Parliament

for deliberation. The expectation is that during and after the deliberations Parliament will hold the accountors to account and impose sanctions on improper conduct. Unfortunately, the process of holding the accountors to account and imposing sanctions again appeared not to take place as illustrated by the concerns expressed by a senior member of the audit office staff and a media reporter:

Compiling detailed audit report(s) takes resources and time. We did this to make the public sector effective but so far we have not been successful because no-one was held responsible for misuse of resources. (Senior Audit Officer, Audit Office, July, 2005)

I have highlighted the extensive audit reports of mismanagement of resources by government departments for the benefit of everyone but neither the government nor the ministers have taken any action to improve on use of resources. (Senior Reporter, Media, August, 2005)

The editor of Fiji's premier newspaper the *Fiji Times* was of the view that no one was held accountable for the mismanagement of resources during the 1990s:

The rule of law apparently has not been brought to bear upon those who tried to subvert the system. There appears no inclination on the part of those who have been entrusted with managing public funds to be accountable. (Fiji Times Editorial Comment, 1996, October 31, p. 6)

One of the participants pointed out that there was a lack of accountability following the 1987 coups and during the 1990s and suggested that the problems will be reduced only when the civil service becomes accountable. It is the case perhaps because the 'positive discrimination policy' implemented in 1992 discouraged civil servants from fulfilling moral obligations attached to their responsibilities.

The civil servants can become more accountable if a socialising form of accountability co-exists with the current hierarchical form, thus empowering frank and open discussion between the accountant and the accountee. The government and the policy makers perhaps can consider setting rules, which allow the accounting officers or any civil servant to report misuse of public funds to a higher authority without fear of reprisals or dismissal. A senior member of the Parliament called for greater accountability in the Fijian public sector:

The reports on mismanagement of public funds and resources will be reduced only when the public servants, the Ministers and the Government become accountable. We need accountability in the public service and it has to start from the government. (Senior Parliamentarian, August, 2005)

A constant comparison of the text (Riceour, 1981) exposes that the Ministers and the Government overlooked the audit findings or did not take them seriously enough to take corrective action. The responsibility lies with the Ministers to ensure that the resources appropriated to their ministries are used for the intended purpose. If the resources in a Ministry are mismanaged then the Minister is empowered to seek answers. The lack of action on the part of the Ministers and the government indicates that the Westminster system of accountability appears to have been used as a facade for real accountability. The hierarchical reporting structure encrusted the real events allowing the Ministers and the government to use accounting reports as accountability (Roberts 1996) without being morally responsible for their actions.

### 8.5.2 Accounting system

The 1983 Audit Reports recommended that the accounting system used by some public sector entities needed to be improved. The Auditor-General Bhim (1970-1984) made this recommendation because his investigations revealed that the system used by some of the entities slowed the processes of compiling data and the preparation of annual reports (Fiji Times, June 13, 1983).

The media reported:

The 1981 report -- The Public Accounts Committee has recommended that the Fijian Affairs Board's accounting system should be updated and modernized so that proper records are kept and accounts are prepared before audits--. The Committee -- says the Boards accounting system was unsatisfactory. (Fiji Times, June 13, 1983, p. 3)

The PAC members and the Auditor-General shared these concerns and suggested that there was a need to improve the accounting system in use. The following comment was made by a participant on 'how' the existing accounting system of some of the public sector entities could be improved:

During our compliance audits over the 1970-1993 period we have commented on the inappropriateness of the accounting system used by (the) majority of the entities. We have continuously recommended changes to the systems, like recording dates and actual amounts, doing reconciliations on a regular basis, updating journals, using ledgers, even using computers. (Senior Audit Officer, Audit Office, July, 2005)

Despite the concerns raised by the Auditor-General and the PAC that the accounting system used by some of the public sector entities needed improvements, the government took no action. For example, Auditor General Bhim raised concerns as early as 1976 on the inadequacy of the accounting system used by the Public Works Department and the PSC (Annual Reports-

Audit Office, 1976; 1979). Both Auditor-General Datt and the PAC members raised similar concerns about the Ministry of Education, Central Division Drainage Board and the Suva City Council (Public Accounts Committee Report 1985; Annual Reports- Audit Office, 1983). The Auditor-General can reveal the inappropriateness of the accounting system and the consequences of using them but is not in a position to impose any changes.

While the audit reports have disclosed mismanagement of funds for more than twenty years, no one appears to have taken any action. The participants claimed that there were no follow up actions taken on the Auditor-General's suggestions for improvement. This reinforces the perception that the veneer of accountability obfuscates real events with people failing to act on what accounting reveals.

### **8.6 Theme 5: Call for Accountability**

In the process of discharging the accountability entrusted to the Auditor-General via the Fijian Constitutions (1970, 1990, 1997), the Auditors-General, (both Bhim and Datt) called for greater public sector accountability during 1970-1992. They made these calls despite serving under indigenous Fijian governments (Ratu Sir Mara and Rabuka) and despite the military coups. Such calls were inspired by the results of audit investigations and outcomes (Annual Report, Audit Office, 1994) and exogenous influences [trends in Australia and New Zealand] (Annual Report- Audit Office, 1993). Other interested parties like the media and the PAC also called for the government to change the way in which public sector resources were managed:

On various occasions over the 1970-1995 period the media has published Audit Report excerpts containing irregularities found in the record keeping by government departments and mismanagement of resources. Such reports are common and such occurrences were a regular feature of the Fiji public service. The public servants should not have been allowed to continue like this for over two decades. Someone has to take some action to reduce the mismanagement and waste. (Senior Media Reporter, August, 2005)

The call for follow-up actions appeared to be weak because the ‘callers’ such as the media reporters’ and the Auditor-General were not able to effectively lobby for the support of the powerful authorities such as the Ministers and the Parliamentarians. The two powerful groups appeared not to care because they used the audit reports to shield themselves from their responsibility to be answerable for their (in) actions. These groups had the backing of the Fijian chiefs and after 1987 coup, the powerful Fijian military. The Indo-Fijian Auditor-General (Datt) did not have such support and therefore was comparatively weak, yet perhaps overly optimistic in the belief that he could hold the auditees to account and influence changes in public sector audit practices.

The media claimed:

the 1991 audit findings reveal that white collar crimes have reached alarming proportions and it is of great concern that there is a lack of action by the authorities and the government should be held accountable for this. (‘Auditor-General’s Report’, Editorial Comment, Fiji Times, August 14, 1993, p. 3)

The Auditor-General used accounting to reveal the conduct of the accountors to the government but the government failed to impose any sanctions.

Members of the PAC supported the Auditor-General’s calls for follow up actions on the use of public sector resources as detailed in the contents of audit

reports. The PAC's recommendation for follow-up actions seemed to be ignored by the authorities:

The Audit Reports have continuously over the 1970 -1995 period and even afterwards stated that the government departments and ministries need to better manage their resources, so that waste can be minimized and public resources used in a better way. We have supported this call by the Auditor-General and have recommended that action be taken against ministers whose departments waste resources. (Public Accounts Committee Member, August, 2005)

The PAC's and the media's support strengthened the Auditor-General's position in calling for more public sector accountability during 1980-1990.

## **8.7 Theme 6: Calls for Changes**

Auditor-General Datt called for changes to: (i) incorporate performance audits as part of public sector audits and (ii) the 1970 Audit Act (Annual Reports-Audit Office, 1993, 1994).

### **8.7.1 Incorporate performance audit**

Auditor-General Datt had recommended 'performance auditing to promote public sector accountability in 1980 and reiterated the call in 1992 and 1993' (Parliamentary Paper 26/92 p.2; Annual Reports- Audit Office, 1980, 1983). The following claim summarises the views held by Audit office staff:

To improve public sector productivity and to hold the civil servants accountable the Auditor-General has for quite some time suggested changes in the way public sector auditing is undertaken. His suggestion was to introduce the 'value for money audit'. Such audits will report on how the public funds were used to achieve the set objective of the entity. This is one way of making sure that the department heads use the public funds for their specified purpose. (Senior Audit Officer, Audit Office. July, 2005)

AG Datt claimed:

Audit would no longer be confined to accounting records but also in seeing that value for money is obtained from the expenditure of public funds. (Parliamentary Paper 26/92, p. 2)

Datt aspired to expand financial attest and budgetary compliance audits to include performance audits in order to comment on effective and efficient management of public funds. In the 1993-1994 period PAC members under the Chairmanship of Khaiyum (National Federation party) supported Datt in this:

The Committee strongly supports that value for money audits should be done so that parliament can be informed whether or not the expenditure of public funds has achieved the desired objectives. It therefore recommends that budgetary provisions be made for such audits. (Public Accounts Committee Report for 1991/1990; Parliamentary Paper 36/94)

Unfortunately, this view though published in Reports and tabled in the Parliament in 1994 was not strong enough to get an immediate reaction. The Indo Fijian dominated Opposition, National Federation Party, was politically too weak to take up AG Datt's call for changes.

Datt's calls for the introduction of performance audit were answered in 1996 through the technical assistance provided by the Asian Development Bank (ADB) (Staton & Partners, 1997). In allowing Datt to make such calls for changes to public sector auditing the Rabuka government attracted ADB funding. The Fijian Audit Office was used as a beacon of democracy to get financial and technical aid.

The calls for expanding compliance audit to performance audit during 1992-1995 period were made on the understanding that the changes would promote the management of public sector resources in an economic, efficient and

effective manner. Accompanying the call for such audits was the suggestion for changes to the 1970 Act.

### 8.7.2 1970 Audit Act change proposal

Auditor-General Bhim proposed changes to the 1970 Act as early as 1981. He claimed:

It is important to note that since the Audit Act was legislated in 1969, various changes have taken place in the field of audit with increasing emphasis on the three E's namely economy, efficiency and effectiveness of the public sector. (Parliamentary Paper 4/1981)

A similar claim was made twelve years later by AG Datt in 1993:

It was mentioned in para 1.3, Volume 1 of the 1992 Audit Report that correspondence and discussions had continued with the officers of the Ministry of Finance on possible changes to the Audit Act. These changes had been reported as far back as 1981, and repeated in 1984 and in 1990. (Annual Report, Audit Office, 1993)

Both the AGs, although serving a decade apart, claimed that the 1970 Audit Act was weak in mandating only financial attest and compliance to budget audits and should be reviewed to include performance audit. To strengthen his argument, AG Datt pointed to international precedent:

Particularly members of the Commonwealth have even revised their Audit Laws in recent years to give statutory support to performance audits. (Annual Report, Audit Office, 1992)

As a part of the Commonwealth countries, the Auditor-General Datt opined that Fiji should not be left behind with respect to audit developments.

In support of AG Datt's call:

The Committee again recommended changes to the Audit Act when it considered the Audit Reports for 1990-1991 in October, 1993. (Public Accounts Committee Report, 1993)

It is likely that both the Auditor-General and the PAC called for changes to the 1970 Audit Act because of their concern that the Auditor-General was not able to hold the public sector managers accountable for use of the budgetary appropriations as discussed in section 8.3. The Auditor-General discharges his role through audit investigations, forming and presenting his opinions to the Parliament. The PAC discharges its role by seeking clarifications from the managers of public sector entities on the concerns raised by the Auditor-General in the Audit Reports but neither have the power to impose sanctions on offending bureaucrats.

Neither the Ratu Sir Mara led Alliance government nor the Rabuka led undemocratic government supported the call for changes to the 1970 Audit Act during the 1980-1995 period. The lack of Government support for change in the provisions of the 1970 Audit Act indicates that there was no motivation to further investigate issues arising from the audit of the financial accounts. That is the transparency in financial accounts was not matched by transparency in calls for statutory changes.

## **8.8 Summary**

The textual interpretations reveal that Auditors-General (Bhim 1970-1984, Narain 1984-1987, Datt 1987-1997) were constrained in holding the public sector managers and Ministers to account due to staff shortage and lack of funding. The political instability caused by the two 1987 coups added to this. The coups exposed the dominance of the tribal Fijian political structure. The demands for

indigenous political supremacy over public sector efficacy indicated that the governments in power after the coup were not keen to be held to account by the Auditor-General.

During 1970-1984 AG Bhim disclosed a lack of compliance to the budgetary appropriations by the auditees. He also exposed mismanagement of funds and the practice of inappropriate record keeping by performing the financial attest audits. AG Narain made similar disclosures during his tenure (1984-1987). When AG Datt took Office in 1987, he continued with financial attest and budgetary compliance audits. The findings and reports of these audits revealed the same trends that existed prior to his tenure. These frequent revelations symbolised the insufficiency of financial attest and budgetary compliance reporting to hold the public sector managers accountable.

During the 1970-1995 period, the three Auditors-General used accounting to make visible the conduct of the accountors (auditees). Despite this neither the Government nor the Parliament appeared to take these visibilities created by audit reports seriously enough to sanction the conduct of the auditees. This indicated that social structures contributed towards constituting the acceptance of metaphorical use of language (Myers, 1994).

From 1970 to April 1984, the indigenous Fijian dominated Ratu Sir Mara government appeared to overlook the visibilities laid out by the audit findings. The bureaucrats therefore were not sanctioned and audit reports were of no consequence. The 1987 coups caused political instability, subjugating democracy. The interim caretaker government (1987-1992) and the Rabuka led undemocratic, military backed government (1992-1997) were not keen to be held to account by

the Auditor-General. Instead audit was used by the former to deflect accountability. Auditor-General Datt's effort to hold this government to account therefore was inconsequential. Accounting took place but was not followed by sanctions thus subverting real accountability (Roberts, 1991).

Auditors-General Bhim in 1980 and Datt in 1990 suggested that the Audit Office adopt the practice of performance audits. They were drawing on their international associations (INTOSAI and SPAISAI) to place pressure on the Fijian government organisations to agree to performance auditing. The PAC members and the media agreed with the Auditor-General that the Audit Office should adopt performance auditing.

The evaluation of historical events (1970-1995) reveal that Auditor-General Datt and his perception of a lack of public sector accountability drove the emergence of performance auditing. The adoption of such audits would allow the Auditor-General to investigate the management and use of public sector resources in terms of identifiable outputs even though they do not necessarily address the problems associated with corruption and mismanagement of resources.

The interpretation of 'accountability' associated with performance auditing is furthered by extending the hermeneutic circle to incorporate implementation of performance audit in the Fijian public sector during the 1995-1997 periods. The next chapter reveals the implementation process.

## **Chapter 9 Results and Analysis:**

### **Implementation of Performance Auditing (1995-1997)<sup>13</sup>**

#### **9.1 Introduction**

In this chapter the text and the contexts that led to the implementation of performance auditing are explored. The explorations are presented under the theme ‘exogenous pressure’ and subsequent sub-themes. These are the entry points to the hermeneutics circle. The researcher’s pre-understandings of the Fijian socio-political history are fused with the text and the context for interpretations. The explorations explicate what happened, and how and why it happened to provide an evaluation of the implementation phase thus closing the hermeneutic circle and allowing for critical reflections informed by Roberts’ expositions of critical accountability.

#### **9.2 Discussion and Analysis**

The analysis concerns the exogenous factors and events that influenced Auditor-General Datt to implement the practice of performance auditing and how he put the practice in place. The participants views on factors such as; the requirements of the funding agency (the Asian Development Bank), the Consultants hired by the Bank, public sector reform requirements are interpreted. Both, the performance auditing implementation process and AG Datt’s reactions to these factors are evaluated to illuminate an understanding of how transparency was

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<sup>13</sup> The period 1995-1997 is considered as the implementation phase because it was in 1995 that ADB provided funding, and performance auditing was undertaken in 1996 and mid 1997; it was discontinued towards the end of 1997. The implementation process was undertaken during Auditor-General Datt’s tenure.

substituted for accountability (Roberts, 1991, 1996, 2009, 2010). The chapter is organised as follows. The exogenous factors that influenced the implementation of performance audits are evaluated, followed by an analysis of the implementation of such audits at the Customs Department and Colonial War Memorial Hospital. The final section provides a summary of the major findings of the implementation phase.

### **9.3 Theme 1: Exogenous Pressure**

The Asian Development Bank (ADB) has been an influential ‘change agent’ in Fiji by lending funds and providing technical assistance for major economic developments (Appana, 2003; McMaster, 2001). As part of its lending requirements the Bank requires the recipient to demonstrate accountability by accounting for how they manage and use funds (Sarker & Pathak, 2003) thus seeking apparent transparency (Roberts, 2003). As far as ADB-funded projects were concerned the Fiji Audit Office acted as a monitoring agent for the Bank by undertaking audits of Bank-funded projects (Asian Development Bank, Technical Assistance Report, [TAR] 1995a).

#### *Sub-theme 1.1: Audit of ADB-funded projects*

The ADB required the Fijian Audit Office to audit the projects it funded in Fiji, under its ‘Project Administration and Technical Assistance Implementation Program’ (TAR 1995, p. 1). Such an audit requirement was an attempt to foster accountability from the recipient and to monitor whether the project implementation met the ADB’s lending criteria (Knapman & Saldanha, 1999). The lending criteria generally required that the approved funds be spent to achieve project objective/s and completion within the specified time (ADB Report,

1995b). The ADB was thus seeking apparent transparency as accountability (Roberts, 1991, 2010).

The ADB's internal auditor expressed reservations about the Fiji Audit Office's capabilities of undertaking audits of Bank-funded projects. In his 1994 Report, he noted:

Under the, "Auditing and Reporting Standards of Borrowers' Auditors", the Bank's Office of the Auditor found that Fiji was a poor performer, with delayed submission of audited financial statements and uncertainties over standards used by auditors. (TAR, 1995, p. 1)

In 1994 when the Rabuka led undemocratic government and the Fiji Audit Office jointly made a request to the ADB for funding to implement performance auditing (Annual Report- Audit Office, 1996), the Asian Development Bank made the following comment:

Following a request made to the Bank in 1994 by the Fijian Government, [Rabuka led] a small scale technical assistance (TA) proposal to assist the Office of the Auditor-General in developing a performance audit system was included in the Bank's 1995 program. Following further discussions in Fiji, it was agreed with the government that a larger project was more appropriate to address the needs more adequately, with a greater focus on improving current operations and strengthening the Office's capabilities to audit Bank-funded projects. (ADB, TAR, 1995, p. 1)

Instead of a small scale project, ADB provided the Fiji Audit Office with a larger project for two reasons. These were: (i) to improve the capability of the Fiji Audit Office so that the Office could audit the Bank-funded projects and act as a monitoring agent for the Bank and (ii) to assist the Fiji Audit Office in developing a performance audit system. The real transparency required was thus expanded.

As the funding agency, the ADB played a significant role in the implementation of performance auditing in Fiji. The following section focuses on how the Bank influenced the Fiji Audit Office and the Rabuka led government to implement performance auditing.

*Sub-theme 1.1.1: Technical assistance*

In providing technical assistance to the Fiji Audit Office, the Asian Development Bank and the Rabuka led Government reached ‘an understanding regarding the objectives, scope, terms of reference and implementation and financing arrangements regarding the TA<sup>14</sup> project’ (TAR, 1995, p. 1). The discourse that follows will focus on: (i) what the objective, scope and implementation arrangements were and (ii) how these contributed towards the implementation of performance auditing. It reveals an expanded range of information for which the Fiji government and the public sector managers were held to account.

*Sub-theme 1.1.2: Objectives of technical assistance*

The discussion here explains the objective of the 1995 Technical Assistance project to provide an insight into how the Asian Development Bank used, audit staff retraining, providing for professional development programs and proposing changes to the 1970 Audit Act to serve the interests of the Audit Office, and in doing so served its own interests.

The objective of the Technical Assistance project as agreed by the Bank and the Fiji Government was to:

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<sup>14</sup> The ADB had undertaken a ‘fact finding mission on the Fiji Audit Office’ before providing the funding for the technical assistance request from the Fijian government and the Fiji Audit Office. During the fact finding mission the Bank had made several observations regarding the constraints faced by the Fiji Audit Office which contributed to the Office’s poor performance. These included staffing, structure of the Office, lack of planning and management. These findings were discussed with the Fiji Auditor-General (TAR, 1995).

Improve OAG's<sup>15</sup> operations so that it can adequately discharge its constitutional, statutory, and public accountability obligations. These include completing audits and providing opinions, together with reporting on the performance of public sector entities and on the outcome of major aid-funded projects. (TAR, 1995, p. 2)

In order to achieve this, the ADB and the Rabuka led government jointly identified and prescribed 'three key activities' which had to be addressed by the technical assistance team (TAR, 1995, p. 3). This agreement between the two parties created an interdependency of the two in ensuring the successful completion of the project. This also constitutes a political agreement between an indigenous Fijian government that is known for promoting the rights of native Fijians and a donor agency supposedly operating on the principles of democracy. The interactions and amongst these parties create the potential for conflicts and co-operation (Sud, 2008; Kinsella, 2006) and will shape the operations of the Audit Office.

The first activity was to expand the Auditor-General's mandate to incorporate performance auditing. That is, the Auditor-General was to be constitutionally empowered to undertake traditional financial statement and compliance to budget as well as performance audits. The latter served the interest of the Auditor-General in fostering accountability by public sector managers for economy, efficiency and effectiveness.

The second was to improve the standard of auditing practices at the Audit Office by providing the audit staff with training to improve financial audit skills and acquire performance audit skills.

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<sup>15</sup> OAG refers to the Office of the Auditor-General.

The third was to perform ADB funded projects in Fiji. As such, the Bank was funding the technical assistance project to use the Audit Office to serve the Bank's interests in seeking whether the Fiji government (recipient) had complied with the ADB's lending criteria.

The Bank and the Rabuka led government (in 1994) had agreed that the objective of the technical assistance was to improve the operations of the Audit Office. This agreement is important in that it reduced the likelihood of resistance from the Rabuka led government to the demands of the Bank, and in particular that the Auditor-General be given the mandate for performance auditing. Despite the existence of such an agreement the Rabuka led government did not pass legislation that gave the Auditor-General autonomous authority to override the objections of management to a performance audit (Annual Report, Audit Office, 1997).

*Sub-sub theme: 1.1.2.1 Staff training and development*

One of the key findings of the previous chapter was that the Auditor-General's authority was constrained by factors such as lack of staffing and funding which delayed the completion of some of the audits. The 1993 Audit Report stated:

Limited resources such as inadequate staff and fund(s) prevented this Office from auditing all of government as required by the 1970 Audit Act. (Annual Report, Audit Office, 1993, p. 18).

The ADB-funded Technical Assistance project eased some of the constraints by providing resources for staff training. The following is an analysis of events related to staff development and training that contributed towards the

Auditor-General's efforts to hold the public sector managers to account during the implementation of performance audits.

Under the TA project, the Audit Office staff were trained in performance auditing. The training was provided by consultants from Australia, who were 'selected in accordance with ADB's Guidelines on the Use of Consultants' (TAR, 1995, p. 4). The consultants were from the Australian accounting firm of Staton and Partners (Staton & Partners' Report, 1997).

Training was provided to the Audit Office staff so that they could acquire skills and familiarise themselves with performance auditing. The ADB, in setting the scope of the technical assistance project, had demanded that the Audit Office staff be:

---introduced and trained to use up-to-date audit techniques and procedures, increasing staff capability to undertake all aspects of auditing, including financial opinions and performance audit work. (TAR, 1995, p. 3)

Some of the Audit Office staff attended short-term courses in Australia:

Australia is providing funding for short courses in effectiveness and efficiency auditing under its in-country training project. The content of the short course will be determined in consultation with the consultants<sup>16</sup> for the TA project. (TAR, 1995, p. 3)

Staton and Partners' consultants based at the Audit Office in Fiji provided in-house training to the audit staff (Staton and Partners, 1997). A senior Audit Office staff member made the assertion:

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<sup>16</sup> The TA provided three-four consultants from Australia for both financial and performance auditing (TAR, 1995, pp. 5-6).

We were provided with hands-on training; Mr Woodgate (consultant auditor) used performance audit manuals and case studies to illustrate how performance auditing was undertaken. We worked in teams and that was useful. (Senior Audit Staff, July, 2005)

Another Audit Office staff member offered the following opinion:

The Australian consultant Mr. Woodgate provided a group of us with hands-on training to undertake performance auditing. We used case studies and developed manuals. Once we acquired the skills necessary for performance auditing, only then did we engage in this type of audit. (Senior Audit Officer, Audit Office, July, 2005)

Overseas training for staff in countries like Australia, New Zealand and the U.S. indicated that pressure for Fiji's return to democracy from these countries was easing as overseas 'aid' to Fiji was suspended after the 1987 coups. It also indicated the willingness of these countries to support the Fiji Audit Office to strengthen its oversight role.

The audit staff were trained to improve their financial audit skills and to acquire practical skills such as auditing for managers performance based on resource management in terms of input, output and outcomes to undertake performance audit investigations. The ranges of views expressed by the participants indicate that the Auditor-General's accountability to Parliament was strengthened by these early steps to ensure that the staff were sufficiently skilled. These skills acquired by the performance auditors can be interpreted as the development of the operational capability of the Fijian Audit Office (Sud, 2008).

*Sub-theme 1.1.2.2: Exogenously imposed changes to legislation*

The Asian Development Bank required that the consultants from Staton and Partners and the Fijian Auditor-General provide a progress report on the

institutional strengthening activities of the Audit Office to the relevant authorities. The reports exposed the need for changes to policies and legislation relevant to the operations of the Audit Office (Staton & Partners, 1997). This exposition provided strong support for changes to the 1970 Audit Act and to sections 167 and 168 of the 1990 Constitution. The proposed changes to the 1970 Audit were to empower the Auditor-General to undertake performance audits and changes to the sections of the Constitution were to empower him to submit the Audit Reports to the Parliament instead of to the Minister for Finance.

The Technical Assistance Report under the section ‘Implementation Arrangement’, stated:

The consultants, together with the Auditor-General, will review the success of each component (of the project). They will report to the Ministry of Finance and Economic Development and the Bank on the progress in improving the operations of the OAG. (TAR, 1995, p. 3)

To meet this demand the Fiji government and the TA project team formed a Steering Committee. The membership of the Committee was comprised of representatives from: (i) the Ministry Finance and Economic Development, responsible for developing and implementing economic policies on behalf of the government, implementing and monitoring the application of Public Finance and Management Act within the various government departments and ministries, and for developing the government budget; (ii) the Public Service Commission (PSC), responsible for the recruitment and dismissal of the employees of the public service and for the enactment of the various legislation in Fiji; (iii) Staton Partners’ consultants hired by the Asian Development Bank to execute the

technical assistance; (iv) the Asian Development Bank representative and (v) the Auditor-General and the deputy Auditor-General (Staton & Partners 1997).

The members of the Steering Committee met at regular intervals to discuss the progress reports indicating the possibilities of a socialising form of accountability (Roberts, 1996). During their discussions the members of the Committee had the opportunity to engage in open dialogue, exchange ideas, ask questions and seek clarifications (Roberts, 1996) thus meeting the demands of the ADB to improve the audit capabilities of the Fijian Audit Office.

The aim of the Steering Committee was 'to deal with any policy issues that might arise from the assistance and to be informed of the progress of the technical assistance' (Staton & Partners, Institutional Strengthening Final Report, 1997, p. 6) provided by the Bank. The Steering Committee therefore could influence changes to audit practices in Fiji.

To carry out the TA project, Staton and Partners divided the 'technical assistance provided by the Australian consultants to the Audit Office into five tasks'<sup>17</sup>, (Staton & Partners, Institutional Strengthening Final Report, 1997, p. 5). For each of these the Steering Committee was provided with reports before, during and after the completion of each of the tasks (Staton & Partners, Minutes of Steering Committee Meeting, 1997). As such, this Committee appeared to be potentially influential in bringing changes at the Audit Office.

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<sup>17</sup> The tasks as stated in the Executive Summary of the Staton and Partners' Final Report (p. 2) were: (i) enhancement of performance audit and performance management; (ii) enhancement of computer capabilities; (iii) a review of the OAG procedures and practices; (iv) improvement of financial audit capabilities; and (v) strengthening of the Office and audit portfolio management of the OAG's capabilities.

During the meetings, the consultants and the Auditor-General reported to the Committee on the progress made in each of the tasks and on issues arising from the technical assistance requiring ‘policy changes’. The first part of the minutes of the third meeting of the Steering Committee stated the progress with operational strengthening of the Audit Office was positive and was within the timeframe set by Staton and Partners’ (Staton & Partners, p. 34). The second part stated ‘policy changes have to be made to the Constitution and to the 1970 Audit Act so that the changes to the Audit Office arising from the technical assistance could be sustained’ (Staton & Partners, Minutes of Meeting, July, 1996, p. 34).

One of the policy changes suggested by the Australian consultant was amending the 1970 Audit Act to allow the Auditor-General to report directly to the legislature instead of the Ministry of Finance. This could have resolved the delay in submitting the Annual Audit Report to the Fijian Parliament.

The Steering Committee was also instrumental in bringing the proposed changes to section (12) of the 1970 Audit Act which resolved the problems of delayed submission of Annual Audit Reports to the Parliament by the Minister of Finance. In October 1998, the Parliament passed the Audit Amendment Act No. 7 of 1998. This amendment required the Auditor-General ‘to submit the Annual Audit Reports or any report made by him to the Speaker of the House of Representatives who shall then lay it before the House’ (Audit Amendment Act 7 of 1998). The Auditor-General was responsible to the Parliament, not to the Minister of Finance, thus symbolizing the independence of the Audit Office from relying on the Minister of Finance to table the Annual Audit Report (Prasad and Mir, 2002; David, 2001).

The Australian consultant and Auditor-General Datt had proposed changes to the 1970 Audit Act to the Steering Committee, to provide the Auditor-General with powers to undertake public sector performance auditing. A discussion paper on this was presented to the Steering Committee Meeting in November, 1996. Upon receiving the discussion paper the Steering Committee suggested that:

---the 'discussion paper' should be presented to the Ministry of Finance for further discussion and then tabled in the Parliament. (Staton & Partners Report: Steering Committee Minutes, November, 1996, p. 35)

The 'discussion paper' included 'the Audit Mandate to cover all public sector enterprises and encompass performance auditing' (Staton and Partners, p. 34), was submitted to the Chairman of the Public Accounts Committee (Staton & Partners, 1997) and also to the Ministry of Finance by Deputy Auditor-General Vatuloka (Auditor-General's Annual Report, Audit Office, 1997). The interpretation is that the submission to these two influential agencies is as much a political process as a procedural one. Procedural in the sense that the Ministry of Finance is the government's agency responsible for changes to financial regulations and hence is the first point of call. Political in the sense the Ministry of Finance (the Minister) can delay tabling the submission in the Parliament or even overlook the submission, as changes to the 1970 Audit Act would perhaps have budgetary implication. The Ministry of Finance is responsible for the government budget which includes Audit Office budget. This practice emphasises the role the social structures and influential elements of public (audit) sector played (Riceour, 1981) towards mandating performance audit.

Despite the submissions by the Steering Committee and the Deputy Auditor-General to the Minister of Finance (Kubuabola) and the Chairman of the

Public Accounts Committee (Khaiyum), there was no revision of the 1970 Audit Act. The following observation was made by the Project Team on the completion of the TA project:

Most recommendations have now been implemented. However there are still two very important areas that require finalisation and these are review of the Audit Act and review of the Structure of the OAG. (Staton & Partners, 1997, p. 8)

A senior Audit Office staff member claimed:

The discussion document on the inclusion of performance auditing in the 1970 Audit Act was submitted to the Ministry of Finance in 1996. The Audit Office and the Ministry of Finance held discussions on the submission but no decision was made. (Senior Auditor, Audit Office, August, 2005).

The lack of any decision during 1996-1997 period on the amendment of the 1970 Audit Act to incorporate performance audit indicates the Ministry's possibly the government's reluctance towards implementation of such audits. This is possibly because the Ministry was not keen to increase the budgetary allocation to the Audit Office to sustain the costs of such audits. As such, the Auditor-General and the Australian consultants efforts to seek accountabilities by including non-accounting (Roberts, 1996) was prevented by the actions of the Minister of Finance.

Despite the implementation of the 1996 Public Enterprise Act, which required that public sector entities publish auditable performance statements, the Ministry of Finance did not progress with the amendment to mandate performance audits. This lack of progress can be linked to the fact that the Ministry was considering introducing the 1998 Public Finance Management Bill (the 1998 Bill)

which took their time and effort and it contained implication for public sector audit, hence the Audit Office. The 1998 Bill contained clauses that identified the financial reporting requirements to be followed by the public sector entities and also outlined the powers and duties of the Auditor-General. Using these arguments the Ministry appeared to apply delay tactics with respect to amending the 1970 Audit Act. The Ministry's actions such as delaying the revision of the 1970 Audit Act and providing the Auditor-General with a performance audit mandate indicate how social structures can be used by powerful actors to condition and enable meaning (Myers, 1994).

A hermeneutic-dialectic interpretation is that the Ministry of Finance created a problematic environment for the Audit Office to operate. The former's action prevented the Audit Office from using the new accounting such as performance audit, which could heighten levels of organisational transparency and improve accountability (Cooper & Owen, 2007; Power, 1994) by focusing on non-accounting measures of performance.

#### *Sub-theme 1.2: Exogenous influences on Audit Office reforms*

The Fiji Audit Office was influenced by contracted technical assistance providers in revising the 1995 Corporate Plan and attempting the restructuring of the Audit Office as required by the Asian Development Bank. These activities were perceived as exogenous influences as these concerns had been raised in the ADB's technical assistance report. The Steering Committee had made recommendations that these be addressed by the Audit Office and the consultants (TAR, 1995; Staton & Partners, 1997). The following is an analysis of how the

revision of the 1995 Corporate Plan and the restructure of the Audit Office expanded the implementation of performance audit.

*Sub-sub theme: 1.2.1 Corporate plan*

This section provides a narrative on how and why the TA project team revised the 1995 Corporate Plan and how these events influenced the implementation process.

The Technical Assistance Report stated:

OAG has produced an outline of the corporate plan, but this needs to be developed further. (1995, p. 2)

The Auditor-General and the Australian technical assistance consultants took up the suggestion:

A corporate plan was prepared with subsequent amendments and handed over to the Deputy Auditor-General. (Staton & Partners, 1997, p. 16)

A senior Audit Office staff member made the following claims regarding the revised corporate plan:

The technical assistance consultants helped the senior staff to develop a corporate plan. The Steering Committee endorsed the plan. We implemented some aspects of the plan. (Senior Auditor, Audit Office, August, 2005)

A senior member of the Parliament made the following assertions:

The Australian consultants developed the corporate plan for the Audit Office as part of restructuring the Audit Office. Scope for performance auditing was incorporated into the plan facilitating the Auditor-General's ability to implement performance auditing. It was the influence of the Australian consultants. (Parliamentarian, July, 2005)

The revision resulted in ‘the operations of the Audit Office being divided into four business units’ (Annual Report, Audit Office, 1996, p. 18). One of the units was called the ‘Performance Business Unit’, whose objective was to undertake performance audits (Annual Report, Audit Office, 1996).

The revised corporate plan reflected Auditor-General Datt’s aspiration to hold the public sector managers to account using the indicators of economy, efficiency and effectiveness. To meet the expectations set by the revised corporate plan, a restructuring of the Audit Office was considered by the Project Team.

*Sub-sub theme 1.2.2: Attempts to Reorganise the Audit Office*

The Australian consultants and the AG Datt’s attempt to restructure the Audit Office was influenced by concerns raised by the ADB regarding its audit delivery services. The discussion here explicates the events and how they influenced the implementation of performance auditing.

The Asian Development Bank in its ‘terms of reference’ for the technical assistance project stated:

Technical assistance will advise on and support changes to the internal management structures and procedures designed to improve the delivery of audit services, and the quality of management in the Office. (TAR, 1995, Appendix, p. 1)

The consultants from Staton and Partners, while addressing the ADB’s concern, made the following comments:

In the Inception Report it was indicated that the current organisation, structure, roles and responsibilities of line management needed to be

reviewed. In particular the issues that needed to be addressed regarding the reorganisation of the Office were:

- the office structure should be re-organised so as to improve delivery of audit services;
- difficulties were experienced in recruiting staff with the necessary expertise and retaining graduates due to the lack of career paths;
- a need to improve the accounting and auditing expertise of staff in order to deal with the complexities of the audit profession. An emphasis of recruiting should be based on University qualifications;
- key positions were held by unqualified staff and in due course these should be occupied by staff holding the relevant qualifications who are members of the Fiji Institute of Accountants. (Staton & Partners, 1997, p. 31)

These concerns indicate the limitations faced by the Audit Office in providing the audit services required of it. Concerns regarding untrained and under-qualified staff were recurring (Annual Report, Audit Office, 1996) and had to be addressed. Reorganising the Audit Office with inappropriate staff would not improve the audit quality, and it would be highly unlikely that an inappropriately qualified person could effectively head a department.

The Australian consultants presented these concerns to the Steering Committee members with 17 recommendations<sup>18</sup> on how the concerns were being addressed (Staton & Partners, Minutes of Steering Committee Meeting, June, 1997). The Steering Committee agreed to most of the recommendations, with one exception, which was the implementation of the proposed restructure of the Audit Office. One of the members of the Steering Committee brought to the Committee's attention 'that the request for the restructure should be processed through the Ministry of Finance' (Staton & Partners, 1997, p. 32).

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<sup>18</sup> The text evidence I collected did not specify the 17 recommendations and I was unable to locate any documentary evidence of the actual recommendations.

One possible reason for this is funding. The Ministry for Finance is responsible for the budgetary allocation and any increases would have to be sanctioned by the Finance Minister (Kubuabola) before Parliamentary approval is sought. This provided the Minister with the right to hold back or delay approval for the restructure. This is yet another example of how the Minister of Finance exerted power and influenced audit development in Fiji.

The Report further stated that on the completion of the project ‘the issue of restructure was not resolved’ (p. 8). The Ministry of Finance appeared to show a reluctance to support the restructure of the Audit Office, thus frustrating the Audit Office staff and perhaps the Australian consultants. This was a signal that the Ministry was not keen for performance auditing.

A senior Ministry of Finance officer made the following comment regarding the restructure:

It was the Auditor-General’s responsibility to ensure a resolution was reached on the restructure of the Audit Office in 1996. (Senior Executive Officer, Ministry of Finance, July, 2005).

The Ministry of Finance was thus not taking ownership/responsibility for the restructure.

A senior Audit Office staff member offered the following:

The Ministry of Finance delayed the decision on restructure because the Audit Office had to be relocated, as the office space occupied by us was not suitable to set up different units. Relocating the Audit Office meant the Ministry had to provide us with additional funds. (Senior Auditor, Audit Office, August, 2005)

It appeared that Auditor-General Datt and the Minister of Finance Kubuabola did not communicate or consult with each other on how the cost of restructure would be financed. Instead, each blamed the other without taking responsibility. The hierarchical form of accountability allowed the Minister to inhibit Auditor-General Datt's efforts to promote transparency by auditing for economy, efficiency and effectiveness. The Minister's self-serving behavior was possible due to asymmetrical distribution of power (Collier, 2005) that is because he had the ultimate authority for setting the budgetary allocation for the Audit Office.

According to Staton and Partners Report 'the Ministry of Finance and the Auditor-General were working on the restructure of the Audit Office' (1997, p. 8). The Report contained the proposed organisational structure<sup>19</sup> of the Audit Office. The proposed model indicated the need for a performance auditing department and its staffing needs.

Despite the restructure plans not coming to fruition, the Auditor-General (AG) proceeded with performance auditing in some of the public sector entities (Annual Report- Audit Office, 1997). AG Datt implemented performance auditing on the assumption that the restructure plan would be implemented in due course. The assumption is rooted in the belief that since the proposed restructure was being discussed with the Ministry of Finance, the existence of the performance audit division would be formalised retrospectively.

A senior staff member of the Audit Office claimed:

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<sup>19</sup> Attached as Appendix 4. The restructure model has a section/division identified as performance auditing (PA) and lines of responsibilities and staff for the division.

The restructure and reorganisation plans of the Audit Office led to the identification of staff for the performance auditing division who undertook performance auditing under the leadership of Mr Woodgate, an auditor and consultant hired by Staton and Partners. (Senior Auditor, Audit Office, July, 2005)

A senior media reporter observed the following:

With the restructure of the Audit Office still under consideration, the Office decided to undertake performance auditing. (Senior Media Reporter, August, 2005)

The reorganisation plan for the Audit Office was a direct outcome of the ADB's concern about audit service delivery. The Australian consultants and AG Datt probably assumed that the Minister of Finance (Kubuabola) would be influenced by the ADB's concerns and approve the restructure but this did not happen. Hence the indication is the government was deflecting Datt's attempts to hold the auditees to account.

*Sub-theme 1.3: Public sector reforms - Audit requirements*

The World Bank and the International Monetary Fund influenced the public sector reforms in Fiji under the Ratu Sir Mara government (1980-1986), Ratu Sir Mara interim government (1987-1992) and the Rabuka government (1992-1997) (Kumar & Prasad, 2004). One major outcome was the privatisation of the public sector commercial entities and the enactment of the 1996 Public Enterprise Act (McMaster, 2001). Auditor-General Datt was influenced by the new legislation to proceed with the implementation of performance auditing.

As part of the public service reforms led by the Ministry of Finance and the requirements of the 1996 Public Enterprise Act, the public sector entities had

to develop corporate plans with a focus on quantifiable objectives and outputs that could be measured and audited. Within this context, the Auditor-General is provided with opportunities to audit the performance of the public sector entities under the guise of meeting the requirements of the 1996 Public Enterprise Act. The following evaluation explains how the requirements of the 1996 Act influenced the Auditor-General to do so.

The Ratu Sir Mara government in the early 1980s initiated public sector reform in Fiji in an attempt to reduce the perceived public sector expansion and expenditure as claimed by the proponents of such reforms (McMaster, 2001; Sarker & Pathak, 2003; Sutherland, 2000). In 1993, the Rabuka government, during its annual budget presentation, formally introduced the public enterprise reform package. Fusing this text within the historical context of the 1987 coups and the formation of a military government, this action is interpreted as creating a (false) perception that the government is concerned about public sector expenditure.

There are claims that the Rabuka led government was influenced by the new public management trends (McMaster, 2001), and the Asian Development Bank's willingness to provide technical assistance to support economic reform (Appana, 2003; Sarker & Pathak, 2003). It appears that the Rabuka government was using the new public management phenomenon to attract funding agencies such as the ADB and probably others to fund economic developments in Fiji, thus portraying the image of a successful government that was trying to stimulate economic growth. This perception was also a means of warding off international and national economic pressures for the restoration of Parliamentary democracy.

The claimed key objective of the Rabuka government's public enterprise reform was to 'ensure that public enterprises provide the taxpayers with maximum benefits through improved enterprise management' (McMaster, 2001, p. 231). To achieve this, the government set up a Public Enterprise Department within the Ministry of Finance and Economic Planning headed by Minister Kubuabola. The Department monitored the progress and performance of the public enterprise sector and developed policies for the implementation of its reform. These events explicate how powerful elements such as the Rabuka led undemocratic government and Minister Kubuabola imitated public sector efficacy to appease the Fijian public, Auditor-General Datt, the international community and funding agencies (Myers, 1994).

In 1996, the Public Enterprise Act was passed by Parliament and the Ministry of Public Enterprise was established. This Act provided a legal framework for the public sector reforms and the government's attempt at addressing three major aspects of public management: the civil service, public sector enterprise, and financial management. Section 100 (subsections 1-6) of the 1996 Public Enterprise Act is relevant to the Audit Office. Section 100 of the 1996 Act and its subsections state the audit requirements of state owned commercial companies and commercial statutory authorities, and the role of the Auditor-General. Section (100) (s. 5) states:

---the Auditor-General can act as an auditor under subsection (3) (a)<sup>20</sup> and in such cases the provisions of the Audit Act will apply. (Public Enterprise Act, 1996)

In providing financial statement audit services to the state owned companies and commercial enterprises, the Auditor General could also audit the performance of such entities (sections 50 and 79 of the 1996 Public Enterprise Act). These sections require that the state-owned companies and commercial statutory entities develop and implement objectives and performance indicators which are output-based and are auditable. The Auditor-General therefore, if required to audit state owned companies and commercial enterprises, could stretch his audit authority to perform audits of economy, efficiency and effectiveness. This would hold public sector managers to account in new ways.

The provisions in section 100 (subsection 1-6) of the Public Enterprise Act ‘do not provide a clear mandate for, and neither deny, the Auditor-General the power to undertake performance audits of public sector enterprises’. However, the provisions of section 100 of the 1996 Public Enterprise Act specify that ‘public sector entities prepare and submit a statement specifying quantifiable outputs and outcomes for audit on an annual basis’. This ambiguity can be interpreted as support for the ADB’s requirement that the Auditor-General be mandated to undertake performance audits.

Section 100 (subsection 5, clause 3) of the 1996 Public Enterprise Act specifies that ‘the Auditor of a public sector enterprise shall be appointed by the Board of the relevant enterprise as directed by the Minister of Finance’. The

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<sup>20</sup> Section 100 (s. 3 (a)) of the 1996 Public Enterprise Act states: ‘the Auditor shall be appointed by the Board and shall be such person that the Minister of Finance directs the board in writing to appoint’. The Auditor-General does not have the power to audit the state owned enterprises and commercial companies.

implication is that the Board can appoint a private sector auditor and seek the Minister's approval, thus excluding the Auditor-General.

The public sector enterprise reform was taking place in the same period as the institutional strengthening of the Audit Office. The ADB provided the technical assistance for both projects, therefore it can be reasonably construed that the Bank influenced section 100 (subsection 1-6) of the 1996 Public Enterprise Act to provide a role for the Audit Office.

Auditor General Datt made a submission to the 1995-1996 Constitution Review Committee seeking a 'mandate to audit [financial statement audit] all public sector enterprises in Fiji including commercial enterprises and companies' (Reeves, Vakatora & Lal 1996, p. 540), and report the financial statement audit findings to the Parliament. In his submission Datt claimed:

----under the 1996 Public Enterprise Act, the accounts of these entities are audited by private sector accountants appointed by the Board of Directors, whose accountability to the Parliament is not assured because the accountant does not report to Parliament. (Reeves et al., 1996, p. 539)

In response to this submission the Review Committee composed of Sir Paul Reeves a New Zealander, Tomasi Vakatora, an indigenous Fijian and long serving political and Doctor Brij Lal, an Australian based academic, an Indo-Fijian and a former Fiji citizen, made the following recommendation. 'The Auditor-General be given these additional powers and be conferred with the authority to conduct modern forms of audits such as efficiency and value for money' (Reeves, Vakatora, & Lal, 1996, p. 540). Despite such recommendations the Auditor-General was not given the mandate for performance audit under the 1997 Constitution, neither was the 1970 Audit Act amended to provide a mandate

for such audits during the 1995-1997 period by the Rabuka government. This exposes the power the government has over the Audit Office and also reveals how a powerful institution such as the government can legitimatise its action (Sud, 2008).

#### **9.4 Theme 2: Establishing Performance Audit Scope without a Mandate**

The Audit Office undertook performance audits in two public sector entities during the 1996-1997 period without a performance audit mandate; hence only these two entities' reports are used as text evidence for interpreting what happened and why. Senior managers at the Customs Department had raised concerns regarding such audits (Parliamentary Paper 60/1997, p. 15), but could not refuse being subjected to them because the Minister of Finance had asked for the audit. Despite the absence of a mandate, the Auditor-General determined the audit scope using the public sector reform framework, and the audit team members focused on the contents of the corporate plan for both the entities they audited.

The discussion in this theme focuses on how and why the implementation of performance auditing took place in the way it did. Descriptions of what happened during the process and how it occurred will provide an insight into the scope of the performance audit and will reveal the power relationships pressing for and resisting accountability.

### *Sub-theme 2.1: Performance auditing - Customs Department<sup>21</sup>*

The Auditor-General conducted a performance audit at the Customs Department in 1997 on the request of the Minister of Finance Kubuabola (Parliamentary Paper 60/1997). The text and the context is fused with this researcher's understanding of the Fijian (audit) public sector to provide interpretations of why the request was made, what was audited at the Customs Department, who decided what to audit and why, in order to reveal how the Auditor-General set the scope for such an audit.

According to the Parliamentary Paper 60/1997, the Audit Office was approached by the Minister of Finance to conduct a performance audit into the affairs of the Customs Department amidst the following concerns:

Over the past several years there have been numerous reported cases of poor management practices, and allegations of fraud and corruption occurring within Customs. Additionally there has been mounting pressure for improvements to be made to the operations of the Customs for other government agencies and industries within Fiji who are dissatisfied with the current levels of service. These factors have resulted in a poor public and stakeholder perception and an overall lack of confidence in the operations of Customs. (Parliamentary Paper 60/1997, p. 10)

The following interpretation is offered. The politically powerful Minister of Finance (Kubuabola) called for a performance audit of the Customs Departments. This Department was part of the Ministry of Finance and ultimately the Minister was responsible for the management and operations of the Department. His action indicates that performance auditing was used in a 'symbolic' manner by him to safeguard his own reputation in the eyes of the public (Sud, 2008).

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<sup>21</sup> Customs was established in 1881. Customs derives its legislative authority from the Customs Act 1986, the Customs Excise Tariff Act 1986, and the Tax Free Zone Decree 1991. Customs also administers legislation on behalf of other agencies in relation to movement of goods and people into Fiji. In 1997 it was Fiji's second largest source of income. It collected approximately one third of all internally generated government revenue (Parliamentary Paper 60/1997).

The Audit Office carried out performance auditing of the Customs Department for: (i) management activities and (ii) operational activities, to address the operational and management issues. In order to address these issues the Auditor-General Datt determined:

The primary objective for management issues was: to appraise the efficiency and effectiveness of the management functions at Customs. (Parliamentary Paper 61/1997, p. 10)

He determined the scope as:

----a review of management issues forming part of overall Civil Service Reform programme. (Parliamentary Paper 61/1997, p. 10)

Datt's choice of audit scope for management functions was driven by the public sector reform agenda because it 'required public sector entities to develop and implement an output based corporate plan' (Public Enterprise Act 1996). As a result he chose to use the Custom Department's corporate plan to determine whether the strategies outlined in the corporate plan were implemented (Parliamentary Papers 60 and 61/1997).

In appraising the management functions at the Customs Department, Datt chose to determine how the corporate plan was developed and who was involved.

The audit investigations revealed:

The whole corporate planning process within Customs is driven by one of the Deputy Comptrollers. Line managers who were required to develop business/management plans were not actively involved in the corporate planning process, nor were they provided the plan or any corporate direction to assist them. Junior officers were not consulted at all. (Parliamentary Paper 61/1997, p. 13)

Although the Customs Department developed a corporate plan as required by public sector reforms, the audit revelations indicated a lack of communication amongst the managers and a lack of senior management's involvement in the development of the corporate plan. The revelations of a lack of cohesive group effort in developing the corporate plan indicated either senior management at Customs were not interested in the corporate plan or they were resisting the public sector reforms. Hence, it appears that some senior managers were resisting being held to account for their responsibilities as they failed to provide thus not committing to their unit/department's future business plans, this in Roberts' terms is obstructing transparency (1991).

Despite being informed about the performance audit investigation, some senior managers had inquired about 'the role of the Audit Office in undertaking such audits' (Parliamentary Paper 60/1997, p. 15). The inquiry was of concern to the Auditor-General Datt:

Of particular concern to audit was senior managers' view of our audit. Most were reluctant to formally provide information to the audit. (Parliamentary Paper 60/1997, p. 15)

Since there was a lack of involvement of senior management in corporate planning, they were likely to raise concerns and to resist participating in the performance audit. In their attempts to resist such audits the managers had:

Directed some sections not to photocopy any documents under audit observation, and all requests for the release of files should first be directed to senior management. (Parliamentary Paper 60/1997, p. 15)

The managers' actions indicated partial success; they could not completely resist participation since the Minister of Finance had directed this audit. The Auditor-General's comments were nonetheless:

My audit staff were hampered in the due discharge of their duties.  
(Parliamentary Paper 60/1997, p. 15)

The lack of a performance audit mandate provided the managers with the opportunity to prevent full disclosures thus hindering the investigations.

In choosing to evaluate how the corporate plan was developed and who developed it, Auditor-General Datt limited the scope of the performance audit within the requirements of the public sector reforms.

The performance audit team did investigate the key performance indicators used by the managers of various units at the Customs Department to evaluate their performance and the performance of their divisions (Parliamentary Paper 61/1997, pp. 28-29). The audit of the key performance indicators can be linked to the civil service reform requirements, which required the 'public sector entities to develop and implement key performance indicators as part of their corporate planning and programme budgeting' (Parliamentary Paper 61/1997, p. 28), and to 'report the performance measures to parliament at activity level in terms of output' (Parliamentary Paper 61/1997, p. 29).

The audit investigations of the performance indicators used by the Customs Department revealed that although Customs had set key performance indicators to assess its performance, the audit team 'did not consider these as key indicators' (Parliamentary Paper 61/1997, p. 29) of Customs' performance. The

audit team reached this conclusion because the indicators ‘showed the workload related to process instead of being output orientated and therefore their overall usefulness to Parliament was limited’ (Parliamentary Paper 61/1997, p. 32).

The successful completion of the performance audit strengthened the Auditor-General’s ability to hold the auditees to account using both accounting and non-accounting measures. This signalled to the government that the Audit Office could effectively contribute towards public sector efficacy and hence audits of economy, efficiency and effectiveness should be mandated. This reveals that the Auditor-General will use his powers to influence and change the status quo (Thompson, 1980). The completion also shows that performance audit can make real contribution to transparency by exposing how effectively the senior managers carried out the roles assigned to them. Such audit also has the potential to reveal whether the key performance indicators are suitable to measure the desired outcomes or not, as was the case in the Customs Department.

#### *Sub-theme 2.2: Implementation at the Colonial War Memorial Hospital<sup>22</sup>*

The Audit Office carried out a performance audit at the Colonial War Memorial hospital (CWM) in 1996, which focused on the following:

- Hospital based manpower resources - planning and control of manpower needs.
- Hospital medical and dental equipment - maintenance and replacement of equipment.
- Hospital catering services - costs of meals and hygiene requirements for food preparation.
- Hospital outpatient services.

(Parliamentary Paper 8/1997, p. 2)

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<sup>22</sup> Colonial War Memorial Hospital (CWM) is the largest government owned hospital, situated in the capital (Suva).

This audit was undertaken against the backdrop of rising costs<sup>23</sup> of operating the hospital during the 1992-1995 period and public complaints regarding the services they received at the hospital (Parliamentary Paper 8/1997, pp. 2-3). The exposition explains what was audited and how Auditor-General Datt determined the scope of the performance audit without a mandate by using the powerful status of the Audit Office.

The Audit Office had liaised with the 'Permanent Secretary for Health and the Medical Superintendent of the CWM Hospital to undertake performance auditing, and both were invited to comment on the audit findings' (Parliamentary Paper 8/97, p. 3). Such an invitation suggests the possibilities of a socialising form of accountability (Roberts, 1996) by bringing together the auditor and the auditee. The parties have the opportunity to engage in frank dialogue on the objective of the audit and can come to a mutual agreement. Documented evidence on whether the two parties agreed on what was to be audited could not be located, but during the interviews a senior audit officer claimed:

We informed the auditee of our intention to undertake a performance audit at the CWM hospital. The auditee was also informed on why certain areas were of interest to the Audit Office. The auditee and the Auditor-General discussed the areas which were to be audited. (Senior Audit Officer, Audit Office, August, 2005)

A senior Ministry of Health accounting officer commented:

Before the performance audit, the Audit Office and our senior management staff had agreed on the areas of audit at the kitchen. We saw this as an opportunity to streamline the operations in the kitchen. (Auditee, Senior Accounting Officer, Ministry of Health, August, 2005)

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<sup>23</sup> Total operating expenditure for CWM in 1995 was \$15.2 million, out of which \$11.7 million were personnel costs. The costs of operating the Hospital had been increasing substantially since 1992. The Hospital is totally government funded, that is taxpayer funded (Parliamentary Paper 8/97).

In the absence of the mandate to undertake performance audits, Auditor-General Datt liaised with the auditees to get their agreement on the areas to audit. In getting the auditees to agree to such audits the probability of the auditees' resistance appeared to be reduced thus indicating the benefit of a socialising form of accountability.

The Audit Office initiated the performance audit at the Colonial War Memorial hospital in 1996. Although the auditees agreed to the audit being undertaken, the Auditor-General was instrumental in setting the scope despite not having the statutory power to do so. By liaising with the auditees and setting the audit scope the Auditor-General was trying to create an acceptance of performance audit to make transparent the conduct of the auditees via non-accounting.

The audit team undertook an evaluation of the manpower resources at CWM with a focus on the strategic planning and control of manpower resources (Parliamentary Paper 8/1997, p. 4). This decision was motivated by the requirement of the 1996 Public Enterprise Act. The requirement was that 'all public sector entities develop a corporate plan for a three to five year period' (1996 Public Enterprise Act).

Auditor-General Datt and his team performed the audit to evaluate whether the Hospital management had put in place a three to five year plan for the maintenance of existing and the demand for additional resources. As part of the process of evaluating the strategic planning and control of manpower resources, the team compared the actual staff composition over a number of years with the corresponding established staff positions in those years.

The audit findings revealed:

The Health Ministry did not have a long term medical manpower strategic plan to provide a satisfactory guide to future projections of demand on medical manpower. (Parliamentary Paper 8/1997)

Since the auditee was invited to respond to the audit findings, the auditee (hospital management's) response to the lack of planning was:

Co-ordinated planning between the Planning Unit of the Health Ministry, Fiji School of Medicine, Public Service Commission (PSC) and the hospital was lacking in projecting target number of places for the medical students at Fiji School of Medicine to meet the medical manpower needs (Parliamentary Paper 8/1997, p. 5)

The auditee response indicates that there was an opportunity for a socialising form of accountability between the Health Ministry, the Fiji School of Medicine and the PSC but the parties failed to use it. As such this made transparent the lack of communication and long term planning by the relevant authorities responsible for the daily operation of the CWM Hospital.

The Auditor-General recommended that the management of the hospital develop a long-term strategic plan for its manpower needs and the parties involved co-ordinate the planning and training of medical personnel. The Health Ministry responded by stating that they were developing a '15 year Health Workforce Plan' (Parliamentary Paper 8/1997, p. 5).

The Medical Superintendent's response to the Auditor-General's recommendation was:

More prominence needs to be given to the importance of improving the working conditions in order to attract and retain medical personnel. While Audit has highlighted the need to have a better co-ordination to train the

number of and type of workers the hospital needs, it would be a waste of resources if the hospital was unable to retain them in its system. The Medical Superintendent is sure a lot of private practitioners would re-join the service if they were offered better salaries etc. (Parliamentary Paper 8/1997, p. 7)

The Auditor-General did not have the right to determine the scope of performance audits but he used the requirements of the 1996 Public Enterprise Act to undertake an audit with limited scope. The recommendation that the Hospital management develop a long term strategic plan was not only to improve the performance of the Hospital but was also a reinforcement of the requirements of the 1996 Public Enterprise Act. In doing this the Auditor-General was discharging his responsibility as the overseer of public sector resources. He used non-accounting information to make transparent (Roberts, 2003) the lack of strategic planning for manpower needs by the CWM management.

The audit staff conducted a performance audit of the ‘maintenance and replacement services’ of the medical and dental equipment at the CWM (Parliamentary Paper 8/1997, p. 8). The audit focused on the ‘planning aspects of maintenance and replacement services of equipment used by the dental and medical departments’ (Parliamentary Paper 8/1997, pp. 8; 12).

The performance audit findings revealed that the medical equipment maintenance and replacement services were provided by the ‘Biomedical Engineering Unit’. The Unit had put in place ‘a Preventive Maintenance Programme’ and was providing the required maintenance services (Parliamentary Paper 8/1997, p. 8). The Dental Department did not have any equipment maintenance and replacement services. The Department did not have a workshop or a technician to carry out maintenance and replacement of dental equipment.

Dental equipment had remained unserviced over the years (Parliamentary Paper 8/1997, p. 9).

The Auditor-General recommended that the departments ‘develop a strategic plan for equipment servicing and replacement’. The Biomedical Unit was to be responsible for providing services to both the departments. (Parliamentary Paper 8/1997)

The Auditor-General’s decision to focus the audit on the ‘planning aspects’ of services provided to the two departments is linked to the public service reforms that were being implemented in Fiji. Despite having a ‘limited scope’ audit, Auditor-General Datt and his audit team managed to undertake performance audits. The completion of such audit establishes that non-accounting can effectively contribute in making transparent the conduct of the accountors (auditees). It also indicates that power relationships between the performance auditors and the auditees can be used to press for mandating performance audits. For example in the case of the CWM hospital performance audit the socialising form of accountability enabled the audit.

### **9.5 Summary**

The interpretations provided on the implementation phase were a result of intertwining the text with the social, political and historical contexts and fusing these with this researcher’s pre-understanding of the Fijian audit environment. The interpretations revealed that Auditor-General Datt’s insistence on the implementation of performance auditing in the Fijian public sector was supposedly driven by exogenous factors such as the ADB’s funding requirements and the international public sector reform, known as New Public Management.

In the process of implementing performance auditing, the Steering Committee suggested changes to the 1970 audit legislation to mandate such audits. This was met with resistance from the Minister of Finance (Kubuabola) who succeeded in preventing the mandate for such audit thus revealing the asymmetrical power relationship between the two.

Despite the lack of a performance audit mandate and power to determine the scope of such audits, Auditor-General Datt and his team undertook performance audits in two major public sector entities: the Customs department and the Colonial War Memorial Hospital in 1996. They demonstrated that they had the capability to effectively contribute towards improving public sector efficacy. This was also a signal to the government that the Auditor General wanted support for performance audits to be mandated. By undertaking such audits the Auditor-General used non-accounting to lay bare the activities of the two public sector entities (Roberts, 1991) and revealed the potential performance audits have for increasing transparencies. Apparent transparency with limited scope occurred (Roberts, 2010) because what was audited was matched with the requirements of the 1996 Public Enterprise Act and not the 1970 Audit Act. The next chapter provides a discussion on how and why the practice of performance auditing was discontinued with accounting accepted as a substitute for accountability.

## **Chapter 10 Results and Analysis**

### **Discontinuation of Performance Auditing (1997-2000)**

#### **10.1 Introduction**

In this chapter the text and the contextual stories fused with the researcher's horizon are explored to explain how and why the practice of performance auditing was discontinued after 1997. The exploration is organised as a theme and related sub-themes extending the hermeneutical enquiry to provide interpretations of how the proposal to empower the Auditor-General to undertake economy, effectiveness and efficiency audit was inhibited by legislation leading to discontinuation.

In January 1998 the newly appointed Auditor-General (AG) Jacobs, like his predecessor, Datt, submitted a proposal for the amendment of the 1970 Audit Act (1970 Act) to the Ministry of Finance headed by Ratu Kubuabola. Simultaneously, the undemocratically elected and military backed Rabuka government was proposing the new 1998 Public Finance Management Bill. The two proposals under consideration raised a debate on who should authorise performance audits, the Auditor-General or the Parliament thus creating potentials for tension between them.

The events related to this debate and the roles played by parties involved in the enactment and the subsequent withdrawal of the 1999 Public Finance Management Act (1999 Act) are informed by Roberts' (1991, 1996, 2010) interpretations of critical accountability.

The chapter describes and evaluates the events and processes related to the Auditor-General's efforts to seek a performance audit mandate, ending with a summary of the findings related to the discontinuation phase.

## **10.2 Theme 1: Auditor-General's Effort**

Auditor-General Datt and the Deputy Vakabua were both due to retire from the civil service by the end of 1997 (Staton & Partners, Steering Committee Meeting Minutes 11 October, 1997). They had served in their positions for almost ten years and appeared to be dedicated to public sector accountability. Their dedication was thwarted to a large extent by the political instabilities caused by the 'Rabuka led military coups in 1987 and his demands of Fijian political supremacy' (Robertson, 1998. p.37).

In anticipation of the retirement of both AG Datt and the deputy AG the Steering Committee members decided that the positions should be advertised (Staton & Partners, 1997. Steering Committee Meeting Minutes October 11, 1997) and forwarded their proposal to the Rabuka government. At this point in time and according to senior Audit Office staff, the Audit Office did not have a suitable candidate who could be promoted to the position of either the auditor-general or the deputy.

None of the Audit Office staff (were) qualified to take over as the auditor-general or the deputy when Datt retired [1997] and Vakabua passed away before retirement. Vatuloka [another potential candidate] was transferred from the Ministry of Finance to the Audit Office. He did not have the level of experience required to run the Audit Office, so was not given the Auditor-General's position but was appointed as the deputy. There was no choice but to recruit an experienced expatriate [Jacobs]. (Senior Auditor Audit Office July, 2005)

The revelation here is that the Steering Committee's agenda was to recruit an expatriate as the Fijian Auditor-General instead of appointing Vatuloka. The decision was politically motivated and, as it was backed by the Asian Development Bank (ADB) hired consultants, the Rabuka led government accepted it.

A long serving Member of the Fijian Parliament [1992-1999] made the following observation regarding Jacobs's appointment:

Jacobs was recruited with the help of the Australian consultants under the technical assistance project. Due to his experiences as a deputy auditor-general in Australia he was able to provide leadership to the audit staff and continue with the development of public sector auditing. (Senior Parliamentarian, August, 2005)

Auditor-General Jacobs submitted a proposal for amendments to the 1970 Act to the Fijian Ministry of Finance in January 1998 (Annual Report- Audit Office, 1998.,p.13). This new submission was made because the Minister of Finance, Ratu Kubuabola 'did not respond to similar submissions made by Auditor-General Datt in 1996' (Staton & Partners, 1997, p. 33). Jacobs was continuing to seek a performance audit mandate which was part of the deal made by the Fiji government with the ADB in 1995. He was attempting to influence changes to the 1970 Act. This illuminates the hermeneutics of suspicion (Stewart, 1989), that is, communicative acts such as seeking revisions to legislation and involving two or more parties are necessarily political.

Auditor-General Jacobs' amendment required annual performance audits of all government departments and ministries, local government and provincial councils and public sector statutory bodies and companies a total of 136

government managed/controlled entities (Parliamentary Paper 8/2000, Appendix B, p. 6). In his proposal he sought to secure the right to ‘select the audit subject’ and to ‘formulate other objectives for performance audits’ (Parliamentary Paper 8/2000, Appendix B, p. 6). In attempting to secure such rights the Auditor-General would be able to determine the scope of such audits without the influence of a third party. The independence of the Audit Office would be protected under law.

This was indeed a unique proposal in Fiji’s audit history. Prior to and since independence in 1970 and the coups of 1987, the Audit Act (1970 and the 1956 Audit Ordinance) only allowed the AG’s to undertake cash flow, budgetary compliance and financial attest audits. Fiji’s socio-political history is dominated by stories of indigenous Fijian rights and political supremacy secured via tribal warfare, coups and undemocratic governments. Given Fiji’s socio-political history accounting reporting and auditing appears to have been used by the indigenous Fijian government to elude being held to account. Auditing (accounting) thus remains an artefact.

A long sitting Parliamentarian made the following observations on the need to amend the 1970 Act:

Unless the 1970 Audit Act is amended and performance audit is mandated, the auditees will continue to resist such audits. (Parliamentarian and Member of Public Accounts Committee, August, 2005)

In submitting a proposal to amend the 1970 Audit Act, AG Jacobs’ was trying to reduce auditees’ ability to resist participating in performance audits. The period (1998) during which AG Jacobs submitted the proposal to amend the 1970

Audit Act to mandate performance auditing was the same period during which the Ministry of Finance was considering the new 1998 Public Finance Management Bill. This Bill was introduced by the Rabuka government.

The two proposals, the proposal to amend the 1970 Audit Act to mandate performance audit henceforth (proposal to amend the 1970 Audit Act and the new 1998 Public Finance Management Bill (hence forth 1998 Bill) appeared to have been used as competing pieces of legislation by the Ministry of Finance.

The series of events that significantly influenced the outcome of the 1998 proposal to amend the 1970 Audit Act during the 1998-1999 period are summarised in Table 10.1.

**Table 10-1: Time Frame and Summary of Significant Events**

<b>Date/Year</b>	<b>Events affecting the two proposed legislation</b>
January 1998	Auditor-General Jacobs submitted a proposal for amending the 1970 Audit Act to the Ministry of Finance during Rabuka led government.  Purpose: seek a mandate for performance auditing.
January 1998	Rabuka government proposed the New Public Finance Management Bill.
Jan- Dec 1998	Ministry of Finance considered the New Public Finance Management Bill as the government's agency for development and monitoring financial regulations for public sector.
Jan –Dec 199	Discussions on proposal between the Ministry of Finance and the Audit Office.
Nov 1998	Minister of Finance, Ratu Kubuabola, tabled the 1998 New Public Finance Management Bill in the Parliament.
March 1999	Parliament enacted the 1999 New Public Finance Management Act.
May 1999	Chaudry led Labour government came into power and withdrew the 1999 New Public Finance Management Act.

*Sources: Annual Audit Reports, 1997, 1998, 1999, 2000; Staton and Partners Report 1997; interview transcripts.*

The proposed amendments to the 1970 Act were discussed between the Ministry of Finance and the Audit Office between January and December 1998 (Parliamentary Paper, 18/2000, p.3). Minister Kubuabola (an indigenous chief) encouraged discussion without decision for the whole year, thus exposing how communicative actions were used to promote self-interest (Myers, 1994) by the two parties. The proposal remained with the Ministry and was not forwarded to a Parliamentary sub-committee or presented to Parliament in 1998.

The lack of progress on this amendment has been intended by the Minister of Finance (Kubuabola) to avoid mandatory performance audits. This avoidance would have been an outcome of the Minister of Finance's role (in 1998) as he was seeking Parliamentary approval for the proposed new Public Finance Management Bill (1998 Bill). Section 86 1(b) of the 1998 Bill 'empowered the Auditor-General to conduct performance audits but only with Parliamentary approval or agreement'. As such this provision was alluding to accountability and transparency in the public sector by allowing for performance audits while holding on to tribal indigenous political power by requiring that the AG seek Parliamentary approval and agreement for such audits.

The juxtaposition of the text and contextual episodes reveal that the politically influential Minister of Finance was legitimising the superiority of his Ministry's position with respect to the 1998 Bill by including the powers and role of the Auditor-General and providing a clause which reduced the Auditor-General's powers to undertake performance audit. The interpretation here is that the 1998 Bill was of greater importance to the Minister because if the 1998 is enacted by the Fijian Parliament it would limit the Auditor-General's power to

undertake performance audit. The discussion that follows will illuminate how the 1998 Bill affected the proposal for changes to the 1970 Act.

*Sub-theme 1.1: Rabuka- Led Government's Efforts to Dissuade*

The 1998 Bill was proposed by the Rabuka led government (Table 10-1) in January, 1998 as part of reforms to purportedly achieve 'sustained improvements in allocation and utilisation of resources for economic growth' (Sarker & Pathak, 2003, p. 58). The Ministry of Finance, the government agent responsible for financial regulations and policies in the public sector, was also responsible for seeking Parliament's approval for the proposed 1998 Bill because as a future finance regulation it would affect the Ministry's responsibilities. The discussion in this section focuses on how and why the 1998 Bill, which was enacted in March 1999, affected the proposal to amend the 1970 Act.

The 1998 Bill and the proposal to amend the 1970 Act to mandate performance auditing were both under consideration by the Ministry of Finance simultaneously in 1998. In November 1998 the Ministry of Finance submitted the 1998 Bill to a cabinet sub-committee for tabling in the Parliament's March 1999 sitting.

The 1998 Bill specified the roles and duties of Parliament, the Cabinet, the various government ministries, departments, statutory bodies, government-owned enterprises and the Auditor-General. Part 5, Divisions 1 and 2 of the 1998 Bill 'specified the responsibilities and the reporting requirements of the government Ministers'. Section 37 of the 1998 Bill specified:

Each government Minister was responsible for the preparation of an annual portfolio plan (corporate plan) and a budget for each portfolio for each financial year and for tabling in the Parliament.

The portfolio plan had to indicate the planned outputs in quantifiable terms so that these were auditable and performance could be measured. Accounting numbers and reporting is being given prominence and therefore it follows that the intention of the 1998 Bill is to hold the public sector Ministers to account via accounting. In this context by simply complying (developing the plan) with these authoritative expectations the auditees were securing legitimacy in an accountant-accountee relationship (Roberts 2009, 2010).

Section 39 of the 1998 Bill required ‘the Ministers to submit to the Auditor-General the annual financial statements together with their initial portfolio plans within 2 months after the close of the financial year’. These statements had to be accompanied by a performance statement indicating the variances between the actual and planned outputs. The Auditor-General was given only one month after the receipt of the financial statements to express his opinion. As such the time frame for completing the audits of about 136 public sector entities is very short (Annual Report, Audit Office, 1995). This would perhaps constrain audit completions unless the Audit Office was appropriately resourced with skilled and qualified auditors which was doubtful given Fiji’s political instability.

Part 8, Division 1, section 86 (1 a-b) of the 1998 Bill laid out the responsibilities of the Auditor-General. Section 86 1 (a) stated:

----the Auditor-General is responsible for conducting audits of the annual financial statements required by this Act in respect of -

- (i) the whole of government
- (ii) every public entity.<sup>24</sup>

(Public Finance Management Bill, 1998)

With respect to financial statement compliance audits the Bill provided the Auditor-General with the same authority to select to review as is provided by section 12 of the 1970 Act. So there is no change to the ‘object of audit’ and the AG will still be reporting on compliance to financial regulations and appropriateness of record keeping. With respect to performance audits section 86 1 (b) of the 1998 Bill stated:

-----at the request or with the agreement of parliament, the Auditor-General is responsible for conducting investigations into-

- (i) the management of government financial transactions;
- (ii) the financial management of any public sector entity,

(Public Finance Management Bill, 1998)

This indicates that the Auditor-General has the authority for such audits but needs both Parliamentary approval and agreements thus reducing his rights. Whereas the 1998 proposal to amend the 1970 Act, section 19(1 and 2) stated:

- (1) The Auditor-General may conduct performance audits to ensure government policies are carried out effectively, efficiently and with due economy.
- (2) The Auditor-General may formulate other objectives for performance audits.

Both proposals, the 1998 Bill and the 1998 proposal to amend the 1970 Act dealt with public sector management and allowed for performance audits. Should the 1998 Bill be passed in this form it would establish the government’s superior power over the Audit Office because the 1998 Bill limits the Auditor-

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<sup>24</sup> The 1999 PFM Act Part 2 – Interpretation - Definitions state; ‘Public Entity means a Ministry, department, statutory authority, parliamentary body or government company’.

General's powers to undertake performance audits. Whereas the proposal to change the 1970 Audit Act, provides AG autonomy for performing such audits which does not sit well with the tribal political structure and a government reluctant to be held to account. The 1998 Bill in limiting the Auditor-General's powers also creates less accountability than the proposal to amend the 1970 Act thus the former is created to divert attention from the proposal to change the 1970 Act and empower the Auditor-General to undertake performance audits without reduced authority.

The next theme provides a discussion on how the Auditor-General's rights to monitor what to review during performance audits differed under the two proposals.

#### *Sub-theme 1.2: Incompatibility of the Two Proposals*

The distinction between the two proposals is in terms of the Auditor-General's responsibilities for conducting performance audits with respect to the right to choose: i) what to monitor; ii) what to select to review; iii) what to report and iv) to whom to report, under the 1998 Bill and the 1998 proposal to amend the 1970 Act. Table 10.2 summarises these rights and forms the basis of discussion in this sub-theme illuminating why the 1998 Bill was given priority by the Ministry of Finance and the Rabuka led government.

**Table 10-2: Rights of the Auditor-General**

<b>Proposed Legislation</b>	<b>Choose what to Monitor- objective of the audit (purpose)</b>	<b>Choose what to Select - subject of the audit (theme question)</b>	<b>Choose what to Report</b>	<b>Whom to Report to</b>
1998 Public Finance and Management Bill	Yes, has the right to choose what to check during the audit per section 88.  Needs both Parliamentary agreement to and approval for such audits.	Yes, has the right to select.  Needs both Parliamentary agreement to and approval for such audits.  Limited authority.	No, 'what to report' is restricted to management of government financial transactions <sup>25</sup> and financial management of any public entity. <sup>26</sup>	Requires the AG to report to Parliament within 1 month of receiving the financial statements.
Proposal to Amend the 1970 Audit Act	Yes, right to determine what to monitor.  Has autonomy to make decisions.	Yes, right to choose the subject of audit.  Has autonomy to make decision.	Yes. The right to report includes financial and non-financial performance in terms of effective and efficient management of resources and achievement of policy.	Report to Parliament as and when the AG determines the necessity for performance audit.

<sup>25</sup> The 1999 Public Finance and Management Act defines government financial transaction as any financial transaction relating to government revenue, government expenses, government assets or government liabilities.

<sup>26</sup> The 1999 Public Finance and Management Act defined Public entity as ministry, department, statutory authority, parliamentary body or government company.

*Sub-theme 1.2.1 Right to monitor: (Object of Audit)*

The 1998 Bill provides the Auditor-General with the right to choose what to monitor during a performance audit but only with Parliamentary agreement and approval. This implies that Parliament can agree with the object for audit but has the right to deny approval, thus limiting the right. What can be monitored during the audit is dependent on Parliamentary goodwill and decision. Furthermore in deciding what to monitor (the objective) the Auditor-General could only choose those activities which are financial in nature and monitor how the input in financial terms achieved the desired output in financial terms. In this case, the Auditor-General did not have the right to monitor activities of an entity which did not have financial outputs or required outputs in terms of economy, efficiency and effectiveness. The interpretation here is that, he has to rely on financial numbers as a means of holding the auditees to account. As such, accounting is once again substituted for real accountability by requiring that audit objectives be limited to financial activities only (Collier, 2005; Roberts, 1991, 1996).

In contrast, the 1998 proposal to amend the 1970 Act provided the Auditor-General with unrestricted rights to decide what to monitor during performance audits. The Auditor-General could choose to monitor both or either one of the financial and the non-financial outcomes of any entity.

In both the cases, the Auditor-General was required to and was dependent on the accounting records and reports transmitted to him by the Minister of Finance (or whoever holds this position) to perform annual financial statement

and undertake performance audits. Hence his right to choose what to monitor is determined by financial accounting information.

Section 69 of the 1998 Bill:

authorises the Ministry of Finance to operate a centralised accounting system for the whole of government including the ministries, departments and other parliamentary bodies, to set accounting policies and regulate the management of public finance in public sector organisations.

The Ministry of Finance was responsible for prescribing accounting standards and the generally accepted accounting principles to Ministries, government departments and the statutory bodies and monitor their implementation. The Ministry of Finance therefore was responsible for ensuring that the financial statements and other reports including corporate plans, budget appropriation statements and variances analysis statements transmitted to the Auditor-General for financial compliance and performance audits complied with statutory financial requirements. In undertaking these responsibilities the Ministry of Finance made visible to the Auditor-General how the government departments and ministries kept their accounting records and complied with financial regulations. Therefore the transparencies created will be what the accountant wants (Roberts, 2009) who in this case is the Minister for Finance.

#### *Sub-theme 1.2.2 Right to select the subject*

Under the 1998 Bill, the Auditor General would have been provided with limited rights to select the subject of his audits. Having made his selection, he would have had to seek both Parliamentary approval and agreement (Section 86 (1) 1998 Bill). In choosing the subject (topic) of his audits he would have had the right to consider the monetary aspects only. He could not select to audit areas of policy

implementation as this does not fall under his powers. Given Fiji's socio-political history, allowing him to select policy audits is equivalent to elevating the AG's status above and beyond that of the indigenous Fijian chiefs and taking control of their rights.

In his 1998 proposal to amend the 1970 Act, the Auditor-General sought to have complete autonomy in deciding the subject of his audits. This would have given him an opportunity to audit beyond what was provided by the accounting numbers for that financial year, by selecting to audit projects and policies that extended beyond one year. Instead of annual audits which would be limited to operational issues only, the Auditor-General would have been able to audit the efficiency and effectiveness of long term projects.

#### *Sub-theme 1.2.3 Right to choose what to report*

According to the 1998 Bill, the Auditor-General's right to choose what to report is restricted to financial outcomes only. This indicates reporting on non-financial outcomes is not perceived as significant or perhaps desirable thus limiting audit reporting. Contextualising this within the broader Fijian political history, the Rabuka government was using the 1998 Bill to protect the political paramountcy of the indigenous Fijians. The indigenous Fijian government could elude being held to account by restricting reporting to accounting numbers hence reducing auditing to a mere artefact of the Westminster principles of democracy. The Auditor-General in this case would have been stretching the auditing rules to incorporate reports on management issues thus symbolising auditing as accountability.

One the other hand, the proposal to amend the 1970 Act would have provided the Auditor-General with powers to report on both the financial and the non-financial outcomes achieved by the entities and the Ministers. This might have been perceived by the Rabuka government as though the Auditor-General was given more or equal powers to those accorded to the Fijian tribal chiefs. Both proposals allowed the Auditor-General the right to report, (but) the 1998 Bill discouraged him from reporting on non-financial performance. Hence the 1998 Bill ensured that the auditee could secure legitimacy via producing and being audited only for accounting numbers (Roberts, 2009).

#### *Sub-theme 1.2.4 Whom to Report*

Both the proposals allowed the Auditor-General to report to the Parliament. The Constitution as the supreme legislation demands that the Auditor-General acts on behalf of the Parliament providing assurances to the public via the Parliament that public fund are used for the purposes for which they are allocated. Exogenous influence was however still active.

Publicly voiced concerns by the Auditor-General over the incompatibility found in the 1998 Bill and the 1998 proposal to amend the 1970 Act acted as a catalyst for a decision to prioritise one over the other (Annual Report-Audit Office, 1998, p. 18).

#### *Sub-theme 1.3: Pressure to Prioritise*

There was pressure from various stakeholders to prioritise one piece of legislation over the other to resolve the contradictions arising from the two. The following reveals the stakeholders and the processes employed to resolve this.

### *Sub-theme 1.3.1: Authority led pressure*

The Rabuka led government (1992-1999) proposed the Public Finance Management Bill in 1998 (1998 Bill). The following discussion reveals why and how the Rabuka government pushed the 1998 Bill through the Parliament and the results.

Fiji was scheduled to have a general election in May 1999 under the new 1997 Constitution. The Rabuka government therefore rushed the 1998 Bill through Parliament in March 1999. It was the final quarter of its term in Office and the passing of the 1998 Bill would establish its authority. An experienced media reporter made the following claim as to why the government promoted the 1998 Bill:

The Rabuka government proposed the Public Finance Management Bill for effective financial management and to control public sector spending. The government has not justified how this Bill meets the requirements of public sector financial management. Publicising this Bill just before the elections created the perception that the government was making attempts to control public sector spending. (Senior Media Reporter, August, 2005)

A long serving Parliamentarian agreed:

During Rabuka government's<sup>27</sup> eight year regime, the Auditor-General's reports indicated gross financial mismanagement in the public sector. The government therefore rushed this Bill through the Parliament indicating its commitment to reduce and eliminate such practices. This will make the government look good to the voters. (National Federation Party Parliamentarian and Member of the Public Accounts Committee, September, 2005)

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<sup>27</sup> In 1987, Rabuka led the military coup in Fiji, overthrew the democratically elected Labour government and formed a military government. In 1992 with pressure from the international community, Fiji had a general election which the Rabuka led SVT party won under the undemocratic 1990 Constitution. In 1999 under a new democratic constitution, Fiji had a general election which was won by the Chaudry led Labour Party.

In proposing the 1998 Bill just before the 1999 general elections the Rabuka led government was creating a perception that it was genuine in promoting public sector efficacy. This perception, from this researchers pre-understanding, is important as stimulant for economic growth, such as attracting overseas and local investors and improvements in tourism. It would also encourage the United Nations to continue inviting the Fijian military for overseas peacekeeping duties. This would project a positive image of the military.

The timing of the 1998 Bill appeared therefore to be a political move by the government to appease public concerns of financial mismanagement. The government was seeking accountability through accounting by mandating performance audits but limiting the focus of such audits on financial outcomes and providing the Auditor-General with limited powers for such audits (Roberts 1996).

#### *Sub-theme 1.3.2 Pressure from auditees*

A few auditees like the managers at the Customs Department and the Colonial War Memorial Hospital had participated in performance auditing during the 1995-1997 period. During this period the Fiji Audit Office was undergoing an institutional strengthening programme funded by the Asian Development Bank (ADB). Most auditees resisted participation in performance audit after 1997 (Annual Report, Audit Office, 1997). Table 10.3 provides a timeframe indicating events related to amending the 1970 Act and the 1998 Bill which allowed auditees' resistance to performance audits over the 1998-2000 period.

**Table 10-3: Timeframe showing events that allowed Auditee resistance**

Date /Years	Events related to amending 1970 Act and 1998 Bill
Jan-Dec 1998	<ul style="list-style-type: none"> <li>• Jacobs made fresh submissions to the Ministry of Finance seeking performance audit mandate.</li> </ul>
Jan-Dec 1998	<ul style="list-style-type: none"> <li>• Rabuka led government introduced the 1998 Bill and the Ministry of Finance was responsible to submitting this to Parliament.</li> </ul>
March 1999- May 1999	<ul style="list-style-type: none"> <li>• Parliament enacted the 1999 Public Finance Management Act.</li> <li>• Newly elected Chaudry led Labour government recalled the 1999 Act.</li> </ul>
Nov 1999	<ul style="list-style-type: none"> <li>• Newly appointed Auditor-General Vatuloka made fresh submissions to the Ministry of Finance seeking PA mandate.</li> </ul>

*Source: Annual Audit Reports, 1997, 1998, 1999, 2000 and interviews.*

Despite the ADB's requirement that the Auditor-General be given a performance audit mandate, this did not happen (Annual Report, Audit Office, 1997; Staton & Partners Report, 1997). Since the Auditor-General did not have a mandate, the auditees refused to participate in performance audits initiated by Auditor-General Jacobs. A senior auditor from the Audit Office expressed the following:

During our compliance audits in 1998, we approached at least three government departments for performance audits. We informed the Department Heads why we wanted to undertake such an audit and how it would be useful for them. The Heads simply refused and told us that the 1970 Audit Act does not allow for such audits (Senior Auditor, Fiji Audit Office, September, 2005)

A former senior auditor from the Audit Office had this to say about why the auditees resisted:

In early 1998, we wrote to a few government ministries, asking the Permanent Secretaries if the Audit Staff could undertake performance audits for some of their activities. The auditees informed us that there were no regulations which demanded such audits and therefore the answer was no. They pointed out that the 1996 Public Enterprise Act does not mandate performance audits and neither does the 1970 Audit Act.

This non-participation was sending a strong message to the Auditor-General that he needed a performance audit mandate. The auditees were using the lack of mandate to evade being held to account and perhaps they did not care to be held to account for such audits.

This was also observed by a Parliamentarian who was a member of the Labour party which formed the government after the April 1987 general elections

and lasted in Office for thirty days because Rabuka overthrew this government on 14<sup>th</sup> May:

The 1970 Audit Act, which governs public sector auditing in Fiji, does not empower the Auditor-General to engage in performance audit. The auditees therefore will not participate in such audits and the Auditor-General cannot impose this on the auditees. (Labour Parliamentarian, Member of Public Accounts Committee, August, 2005)

A long serving bureaucrat from one of the government ministries claimed:

Unless the Auditor-General gets a mandate for performance audit, there will be no support of such audit from the government departments and ministries. (Auditee, July, 2005)

So the auditees could resist participating in performance audits under the statute current at the time.

Nonetheless some government departments and Ministries participated in performance audits in 1997 (Annual Report, Audit Office, 1997) as was noted. It was therefore possible that some auditees might have continued to allow the Auditor-General to undertake such audits without a mandate. In any case, a claim can be made that the practice of performance audits without the support of a mandate would not be effective. This is because the auditees most likely to resist were also most likely to be hiding inappropriate practices such as mismanagement or misuse use of resources. Hence transparency by accounting would have resulted in accounts produced but not real accountability (Roberts, 2010) as no follow-up action or consequences accompanied the resistance to audits.

Given the Fijian political history and the researcher's pre-understanding Auditor-General Jacob's (1997-1999) insistence for a performance audit mandate

can be interpreted as overly optimistic. This may have been a result of the forthcoming general elections at that time (March 1997) under the new 1997 democratic Constitution. Jacobs and his audit team appeared to have been motivated by the perceptions of democratic future created by the new Constitution. It is rather surprising that the history of military coups and the dominance of the tribal Fijian political structure appeared to have been pushed aside.

Auditor-General Jacobs and his audit team appear to have the view that the mandate for performance audit would be given and hence auditees' resistance to such audits will be reduced. The change of any law is a political process and such processes not only take time but there is always a risk that the more politically savvy individual/s can tamper with the process. Therefore, a way forward for the Auditor-General and his team was to convince more departments to agree to performance audits by using the socialising form of accountability. Nonetheless, a corrupt manager is likely to resist such efforts.

#### *Sub-theme 1.4: Outcome of the Processes to Resolve the Incompatibilities*

The 1998 Bill was passed by Parliament as an Act in March 1999. This provided the Auditor-General with limited powers to undertake performance auditing. The newly elected Indo-Fijian dominated Labour government in May 1999 halted the public sector reforms upon taking Office and the 1999 Act was recalled, thus the implementation of the Act did not occur. The Auditor-General's performance audit mandate under the 1999 Act became void. In effect the Labour government did not honour the 1996 agreement reached between the ADB and the Rabuka

government. They ‘did not provide any reason for the recall’ (Reddy et al., 2004, p.5) but apparently acted in their own self-interest.

Jacobs’s contract as the Auditor-General expired at the end of 1999. In early 2000 Eroni Vatuloka (who was the deputy) was appointed as the Auditor-General. Vatuloka submitted yet another proposal seeking a performance audit mandate (Annual Report, Audit Office, 2000).

The powers of the Auditor-General would have been extended with the 1999 Public Finance Management Act. However, following the deferment of the commencement of the Act, the Office of the Auditor-General has submitted several proposals and recommendations to the Ministry of Finance to amend the 1970 Audit Act. (Parliamentary Paper 18/2000, p. 2)

Auditor-General Vatuloka continued pressing for a performance audit mandate as other Auditors-Generals had before him. The Ministry of Finance was preparing to submit a paper to Cabinet for changes to the 1970 Audit Act:

The Ministry of Finance has been soliciting comments from interested parties on our proposed amendment and would submit a paper on the Amendment to Cabinet. (Parliamentary Paper 18/2000, p. 2)

Unfortunately, the George Speight led coup in May 2000 put a stop to this. Amidst the chaos of the coup, the government was held captive for 56 days while Speight tried forming an illegal government. This coup further disrupted the internal and external pressures to give the Auditor-General a performance audit mandate.

The military, led by Commodore Bainimarama stepped in to defuse the coup and to get Fiji back to ‘normalcy’. Laisenia Qarase was nominated as the interim Prime Minister by Commodore Bainimarama in August 2000. The Qarase

led government passed decrees to govern and manage the public sector but reinstated the 1970 Act for public sector auditing. The Auditor-General's mandate for regulatory and financial statement compliance audit was re-established, but no progress was made on performance audit.

The processes employed to mandate performance auditing and honour the Fiji government agreement with the Asian Development Bank (technical assistance project) for a performance audit mandate did not take effect. The contradiction regarding what rights the Auditor-General has, to monitor and select for review when undertaking a performance auditing, was not resolved in the period 1997-2000<sup>28</sup>.

### 10.3 Summary

The interpretations provided in this chapter are drawn from the events that occurred during the 1997-2000 period in the public (audit) sector. The fusion of the researcher's pre-understandings of the Fijian socio-political history with the text revealed that the Auditors-General sought a performance audit mandate by proposing changes to the 1970 Act. This did not eventuate, instead financial statement attest and budgetary compliance audits remained the primary focus of public sector auditing in Fiji during the 1997-2000 period.

During the 1998-1999 period, Auditor-General Jacobs was pushing for amendments to the 1970 Audit Act, while the Rabuka Government was pushing for the 1998 Bill to be enacted, which had the potential to create tension in the accountee-accountor relationship. The Rabuka government gave priority to the

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<sup>28</sup> It is important to note however that the Audit (Amendment) Act 2006 and the military coup led by Lieutenant Bainimarama in the same year would have an impact on the future of performance auditing in Fiji.

1998 Bill and passed it as an Act in March 1999 weeks before the general elections.

The Labour government, which was in Opposition when the 1998 Bill was enacted came into power in May 1999 and recalled the 1999 Act. The underlying message conveyed here is that powerful institutions such as the government will use their influence to serve their own interest, legitimatising a particular form of power (Herda, 1999; Prasad & Mir, 2002). This is not always to the benefit of the accountability that can be provided through performance audit.

The scope of public sector auditing therefore remained regulatory and financial statements compliance-based, with auditees resisting participation in performance audit during the 1998-2000 period. The Auditor-General's scope to hold the accountees (Ministers and public sector managers) to account was limited to accounting. As such accounting was substituted for accountability (Roberts 2003, 2010).

## Chapter 11 Discussion/Conclusion

### 11.1 Introduction

The thesis aims to contribute to research on a developing country, Fiji. It seeks to provide a theoretical understanding of how the socially and politically powerful elements of a society protect their self-interest by conveying certain messages using text information. It draws on the expositions of critical hermeneutics to explore and interpret the events surrounding the emergence, implementation and discontinuation of performance auditing in the Fijian (audit) public sector during the 1970-1998 period. Roberts' (1996, 2001a, 2010) interpretations of accountability are used to critically inform the hermeneutical explorations.

Though public sector performance auditing is widely accepted in Commonwealth countries, the opposite proved to be the case in Fiji. The research findings reveal why the practice was not accepted in Fiji.

Prior studies (Flesher & Zarzeski, 2002; Funnell, 1994; Guthrie & Parker, 1999; Guthrie, 1990; Jacobs, 1998; Parker, 1990; Radcliffe, 1998; Scanlan, 1998) describe the socio-economic and political factors that influenced the emergence and acceptance of performance auditing in Commonwealth countries. These studies also claim that the Auditor-Generals of the various jurisdictions were the most influential sources. In countries like Australia, the United Kingdom and New Zealand, the audit acts were amended to mandate such audits. These studies do not describe or provide an instance of a country where the practice of economy, efficiency and effectiveness audit was not accepted; therefore, there is a gap in the existing literature.

This thesis fills such a gap in this context at least by exploring the Fijian situation where the practice emerged, was implemented, but was not accepted, and hence, discontinued. This thesis also contributes to the existing literature by tracing the emergence of performance audit in a Pacific Island country, and to date there has been no such study. Moreover, this thesis makes a further contribution by informing the hermeneutical explorations using Roberts' (1991, 1996, 2001b, 2010) interpretations of accountability, thus revealing how 'accounting is substituted as accountability'. Real accountability is also obfuscated because tribal traditions that promote indigenous political supremacy override democratic principles.

This chapter presents a discussion on research findings and outlines the contribution the thesis makes to the literature. A conclusion is then proposed, and the limitations of and potential future research studies are identified. This research was motivated by an interest in exploring and gaining a critical understanding of the processes that influenced the emergence and implementation of public sector performance auditing in Fiji during the 1970-1999 period. A reflection on the research process is now presented.

## **11.2 Reflections on the Research Process**

This study adopted a critical hermeneutics tradition of enquiry, where the researcher interprets the text within its context to gain an understanding of the phenomenon under study (Herda, 1999; Kinsella, 2006; Ricoeur, 1980). The researcher's reality is therefore based on textual interpretation for meaning. This methodology provided the researcher with an opportunity to capture the

subjectively construed 'objective reality' through textual interpretations (Healy, 1986; Kinsella, 2006; Riceour, 1980).

It was a challenging task to collect text information such as archival documents and interviews. The most challenging was collecting newspaper articles, as I had to personally sift through daily newspapers published in the period between 1970 and 2003 at the Fiji Archives in Fiji. In doing this I mastered the art of skim-reading the newspapers, taking short notes, even coming to an understanding of which particular months of each year will contain articles on audit reports.

'Fear' clearly was a factor influencing interviewees. Almost all the interviewees asked for reassurances of confidentiality and were given the reassurance. Knowing the interviewees made it easier for me and hopefully to them. Most willingly provided me with the names of potential interviewees and then telephoned them to arrange an interview. This was unique as well as valued in bringing views to light.

A critical perspective was added to this research by adopting Roberts' interpretation of accountability (1991, 1996, 2001b, 2010). The meanings construed from reading and interpreting the text within its context were critically informed to reveal the hidden meanings portrayed by the individuals and the institutions associated with public sector audits in general, and performance audit in particular. This was a new experience for this researcher because the processes involved interpretations and informing these critically to comprehend how the social order within the Fijian (audit) society was either changing, or not, and why.

In the course of this project, I developed an understanding of how interpretation and language is used by individuals and institutions to portray and convey certain messages to the intended audience. This was a move away from providing explanation and verification of facts to illustrate understanding, something that I was used to. It also dawned on me that politically savvy and powerful individuals in society are able to protect their interests by using language in a metaphorical and symbolic manner, instead of having to verify the so-called facts in a normative manner.

Through this critical-interpretive approach, I was able to construct an understanding by interpreting documents and interview text within a contextual setting; thus putting forward the case of a socially constructed reality where meanings are built on other meanings, social practices and power relations. The next section briefly discusses the research findings.

### **11.3 Research Findings**

The emergence, implementation and discontinuation of public sector performance auditing in Fiji during the 1970-1999 period was greatly influenced by individuals and institutions such as the Auditors-General (Bhim, Narain, Datt, and Jacobs), the Public Accounts Committee (PAC) members, the auditees, the Ministers of Finance, the Fijian Government, the contributions of the Asian Development Bank and the Australian consultants. The media also contributed to this process by publicising the audit findings and creating a perception of a lack of public sector accountability. Each of these parties, excluding the media, was associated with public sector (audit) accountability under the 1970 Audit Act.

### **11.3.1 The processes, accountabilities and power relationships in the Fijian public (audit) sector**

This section presents the research summary and conclusions drawn from the research empirics.

During the 1970-1984 period, Auditor-General (AG) Bhim performed financial attest and compliance audits to hold the Ratu Sir Mara led indigenous Fijian dominated government to account. In his audit reports he disclosed practices of mismanagement of funds and inappropriate record keeping in most public sector entities. These revelations made transparent the conduct of the accountors. The transparencies revealed by accounting were substituted as real accountability (Roberts, 1996). Such transparencies were deteriorative for the Ratu Sir Mara Government and were overlooked. As such the transparencies created by accounting were an empty gesture (Roberts, 1991, 2010) as consequences did not follow.

In his Audit reports (1970-1984) Bhim frequently indicated that the Audit Office faced funding and staffing constraints and requested additional funding from the Ministry of Finance. The then Minister of Finance [Stinson] overlooked the AG Bhim's request and withheld the funding. Similarly, the Permanent Secretary of the Public Service Commission (PSC) [Waqanivalagi] overlooked the staffing request. These two powerful government agencies exerted their power over the Audit Office and hindered Bhim's efforts to effectively hold the auditees and the government to account.

The media extensively publicised the audit report findings and disclosures of mismanagement and inappropriate record keeping practices. This did not

appear to affect the behaviour of the bureaucrats or the government and created a perception of a general lack of accountability in the public sector.

On May 14<sup>th</sup> 1987, the democratically elected Labour government was overthrown by the military coup led by Rabuka. The nomination of an indigenous Fijian chief as the interim Prime Minister (Ratu Sir Mara) by Rabuka exposed the presence of tribal influence. These events revealed the dominance of Fijian tribal leadership under a veneer of democracy. It also exposed the existence of a weak bureaucratic political structure in the Fijian public sector. So this combination was disastrous for real accountability.

During 1987-1997 Auditor-General Datt like his predecessors, performed financial attest and compliance to budget audits and disclosed mismanagement of funds, fraudulent practices and the weak accounting systems used by most public sector entities. The Ratu Sir Mara led and military backed interim government (1987-1992) and the Rabuka led undemocratic government (1992-1995) overlooked the audit findings and the bureaucrats were not chastised. This practice thus failed to promote accountability via auditing. It also apparently indicated to the auditees that such lack of accountability was acceptable.

Datt made frequent requests for additional funding to the Ministry of Finance and for adequate staffing to the PSC during 1987-1995. Both the Minister of Finance Kuboabola and the Permanent Secretary to PSC overlooked this requests. The actions of these two powerful individuals indicate how finance holders can suppress the AG's efforts to audit.

In 1995 AG Datt, with the help of the Rabuka led government, secured technical assistance from the Asian Development Bank (ADB) to strengthen the

operations of the Audit Office and to implement performance auditing. The ADB hired the Australian consulting firm of Staton and Partners to undertake the Technical Assistance Project at the Fijian Audit Office. The Australian consultants and AG Datt submitted a proposal to the Minister of Finance [Kubuabola] in 1996, seeking that the 1970 Audit Act be amended to mandate performance auditing, but did not receive a response. This exposes how politically powerful individuals use the structures in place to legitimise their actions (Herda, 1999)

In 1995-1996 AG Datt, with the help of the Australian consultants, undertook performance auditing at the Customs Department and the Colonial War Memorial Hospital without a mandate to do so. He used non-accounting measures to assess the performance of the managers in the two entities thus making visible the conduct of the auditees. This reveals that performance audit has the potential to effectively contribute towards transparency and if mandated would be beneficial in promoting public sector efficacy.

The new AG Jacobs an Australian expatriate made a new submission to Minister Kubuabola seeking changes to the 1970 Audit Act in 1998. Simultaneously, the Ministry of Finance was considering the 1998 Public Finance Management Bill. While these two important proposals were under consideration by the Minister of Finance, the Auditor-General approached some auditees with a request to undertake performance audits. Those who were requested declined the invitation to participate indicating that the Auditor-General did not have a mandate for such audits. The auditees' reaction indicates that they were not keen to be held to account via non-financial measures because they had something to

hide which may have been revealed via economy, efficiency and effectiveness audits. The Auditor-General cannot impose such audits due to a lack of audit mandate.

In his proposal to change the 1970 Audit Act, Jacobs was seeking autonomy in deciding to choose the subject and object of performance audits. In the 1998 Public Finance Management Bill the Auditor-General's rights for such auditing were reduced. He had to seek Parliament's approval to undertake such audits. These differences laid the potential for conflict between the rights of the Auditor-General and the Parliament. Minister Kubuabola gave priority to the latter thus exposing the power of the military backed indigenous government.

The 1998 Public Finance Bill was enacted as an Act in March 1999 just before the general elections under the new 1997 democratic Constitution. The incumbent Chaudry led, Indo-Fijian dominated Labour government recalled the Act in May 1999. As a result the, Auditor-General's limited powers to undertake performance auditing was also withdrawn and compliance to budgetary appropriations and financial attest auditing remained dominant after 2000.

The civilian coup led by Speight in May 2000 overthrew the democratically elected Chaudry led democratic government and caused further political disruptions. Once again the presence of tribal Fijian politics dominated the structures of democracy indicating that politically savvy individuals will use their influence to promote their own self interest and are probably apathetic towards being held to account under the principles democracy.

## 11.4 Implications of the Research

This section provides a discussion on the implications of the research findings.

Auditors-General (Bhim, Narain and Datt) findings and disclosures of financial attest and compliance to budgetary audits served no purpose because the Ratu Sir Mara government (1970-1987) overlooked these and perhaps used it to elude being held to account. As such public sector accountabilities in Fiji were inconsequential. The implication here is that for the audit findings to be useful, the government should follow-up on the audit disclosures. For this to occur the policy makers need to ensure that the public sector has established bureaucratic structures which are managed in such a way that they 'enable' the accountee to hold the accountant to account. The accountant-accountee relationship also be extended beyond the reporting stage to be effective. A lack of firmly established political bureaucratic structures have weakened the Auditor-General's ability to perform his role as an overseer of public funds and will probably continue to do so unless actions are taken by the government.

The presence of tribal Fijian political structures eroded public sector accountability in Fiji. The two military coups of 1987 led by Rabuka and the 2000 civilian coup led by Speight exposed the existence and supremacy of tribal Fijian political leadership. The implication to the policy makers and the indigenous Fijian dominated government is that if tribal systems of politics dominate they can override the principles of democratic accountabilities. Dominance of tribal political structures can also enhance tensions between the ethnic communities and lead to asymmetrical power relations amongst the actors in the public (audit) sector. Hence the accountant-accountee relationship in a

hierarchical structure remains weak. A socialising form of accountability has the potential to reduce the asymmetrical power relationship between the accountant (bureaucrats and the government) and the accountee (Auditor-General) by encouraging open discussion and dialogue. During the discussions the accountee can influence the accountant to take responsibility for his/her their actions by seeking explanations for the accountant's conduct.

Fiji's socio-political history indicates that the influence of the tribal structures will lead to resistance to any change which is perceived by the indigenous community as a threat to their political supremacy. The donor agency such as Asian Development Bank, the expatriate consultants and the Auditor-General (Indo-Fijians and expatriates) need to be sensitive to the unique cultural and tribal political structures that dominate the indigenous Fijian society.

The findings also revealed that without legislation, auditees resisted participating in performance auditing after 1997. The implication here is for the policy makers and the Auditor-General that changes in audit scope be accompanied by changes in statutes such as the Audit Act and the Public Finance Regulations.

The Auditor-General's ability to hold the auditees and the government to account was also weakened by the actions of the Ministry of Finance and the Public Service Commission. The former by withholding funds and the latter by failing to recruit appropriately qualified staff. These two agencies have exerted undue pressure on the Auditor-General. The implication here is that the Parliament be responsible for setting the budget for the Audit Office and not the Ministry of Finance. Similarly, the Auditor-General be allowed to recruit staff

independently of the Public Service Commission. The power of the Fijian Auditor General is significantly reduced by its dependency on these two government agencies.

In the Fijian public (audit) sector, the parties such as the Auditor-General, the auditees, the Minister of Finance, the government and others involved in the accountability relationship reported their conduct without regard to the responsibility and consequences of their actions on others. Most sought their own self-identity by recording and reporting financial accounting transactions as required by the public finance regulations and the Ministry of Finance and used accounting to make visible their actions such as the government accounting officers recorded accounting information without proper documentation. For example Auditors-General (Bhim and Datt) revelations of inappropriate accounting records did not result in the offenders being penalised indicating a lack of follow up on these disclosures. Roberts' (1996, 2001a, 2009, 2010) interpretation that accountability is inhibited without moral obligations when applied to the Fijian situation, reveals the existence of faux accountability and a pretence of parliamentary democracy. In the absence of accountability these parties were prone to fantasies of omnipotence such as the Ministers of Finance who withheld funds, suppressing the Auditor-General's efforts to audit public sector entities with a concomitant denial of dependence on the Audit Office for example to promote public sector accountability via auditing (Roberts, 2010).

### **11.5 Contribution**

This study contributes to the existing literature on the socio-economic and political factors that contributed to the emergence and development of public

sector performance auditing by adding the case of a small developing island dominated by military coups and military backed indigenous Fijian led governments. This study is unique in that it brings in a new dimension by providing empirical evidence and interpretations of how accountability was implicated by the socially and powerful elements of Fijian publics (audit) society to influence the non-acceptance of the widely acceptable practice of performance audits in the Fiji. The study thus adds new knowledge.

This research makes another contribution to the existing knowledge by exposing how public sector accountabilities are deflected by the presence of tribal political traditions when they override the democratic structures. As such, those who seek accountability are suppressed by the very structures which are supposed to promote accountability. Overall the study illuminates that the emergence, implementation and discontinuation of performance auditing in Fiji was shaped by the actors and social institutions associated with it.

### **11.6 Limitation**

The critical hermeneutics methodology uses the concept of a hermeneutic circle where the text is analysed in parts and then related to the whole and vice versa. As such, new meanings are revealed each time the process takes place and this can be infinite (Prasad & Mir, 2002; Riceour, 1980). Therefore, the onus is on the researcher to decide when to stop the process. This is a subjective decision and different researchers can decide differently when to stop the process. To overcome this limitation the interpretations of text and contextual events were informed by Roberts' (1991, 1996, 2001b, 2009, 2010) critical interpretations of accountability. Despite this limitation critical hermeneutics' explorations

informed by an accountability framework offer an insight into how human interest shaped accountability through communicative processes.

### **11.7 Future Research**

This study sets the scope for future studies that can investigate how the Fijian experience compares with the development and emergence of performance audit in other Pacific Island countries. The object of such studies would be to support theories capable of interpreting various observations, which have been made by research in developed countries (Flesher & Zarzeski, 2002; Guthrie & Parker, 1999). Future research could be undertaken to compare the findings in this study with findings that relate to emergence of such audits in a country like Malaysia where the indigenous Malaysians dominate the government and the public sector bureaucracies. Malaysia had also witnessed a coup (in 1967) where the democratic government was overthrown in the name of promoting indigenous Malay rights. Such a study would improve the understanding of ongoing conflict /struggle caused by the presence of the indigenous tribal political structures and the promotion of the rights of the indigenous communities. There is a need for more studies on how and who influenced the changes in public sector auditing within the context of less developed countries, as the socio-political history of these countries are different from that of the western developed democracies.

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## Appendices

### Appendix 1: Timeline of Governments in Fiji after Independence

Period	Type of Government and Leader/Prime Minister
1970-March 1987	Elected democratic government – Alliance Party- Conservative –Ratu Sir Mara
April 1987 - May 1987	Elected democratic government – Fiji Labour Party – Liberal – Dr Timoci Bavadra
June 1987 - September 1987	Military appointed Interim Caretaker government - Nationalist –Ratu Sir Mara
September 1987- December 1987	Martial Law- Nationalist –Military government : Rabuka as Prime Minister
December 1987- April 1992	Military appointed Interim Caretaker Government- Conservative –Ratu Sir Mara
May 1992 - May 1999	Elected government under 1990 undemocratic Constitution; SVT faced budget challenges and resigned -- Sitiveni Rabuka
May 1999 - May 2000	Elected democratic government under the 1997 multiracial Constitution- Fiji Labour Party – Mahendra Chaudry
May 2000 - July 2000	Terrorist government, (while democratic government held hostage ) George Speight self-elected Prime Minister
July 2000 - March 2001	Military appointed government with Qarase as Caretaker Prime Minister. Court ruling declared the government illegal- so resignation followed
March 2001 - September 2001	Military appointed government with Qarase as caretaker Prime Minister.
September 2001- December 2006	Elected democratic government – ‘Soqosoqo Duavata ni Lewanivanua Party (Nationalist Nationalist- Qarase as Prime Minister
December 2006 +	Military appointed government- Brigadier Lt Bainimarama Prime Minister

## **Appendix 2: Interview Questionnaire**

### **Dear Participant,**

Thank you for agreeing to participate in this interview.

Before proceeding with the actual interview, I would like to provide you with an introductory brief on my research project. The title of my research project is, **Performance Auditing and Public Sector Accountability. A Fijian Case Study.**

The research intends to provide an understanding of the practice and the processes by which performance auditing was undertaken, maintained and withdrawn in Fiji by the Fiji Audit Office. It will provide a theoretically grounded understanding of the meaning and usefulness of performance audit programs.

In the context of my study, performance auditing is viewed as an independent evaluation of the economy and efficiency of auditee operations, and the effectiveness of programs in the public sector. The terms economy, efficiency effectiveness are used to provide indications on how the managers have used the parliamentary approved resources to achieve the purpose for which the resources were given.

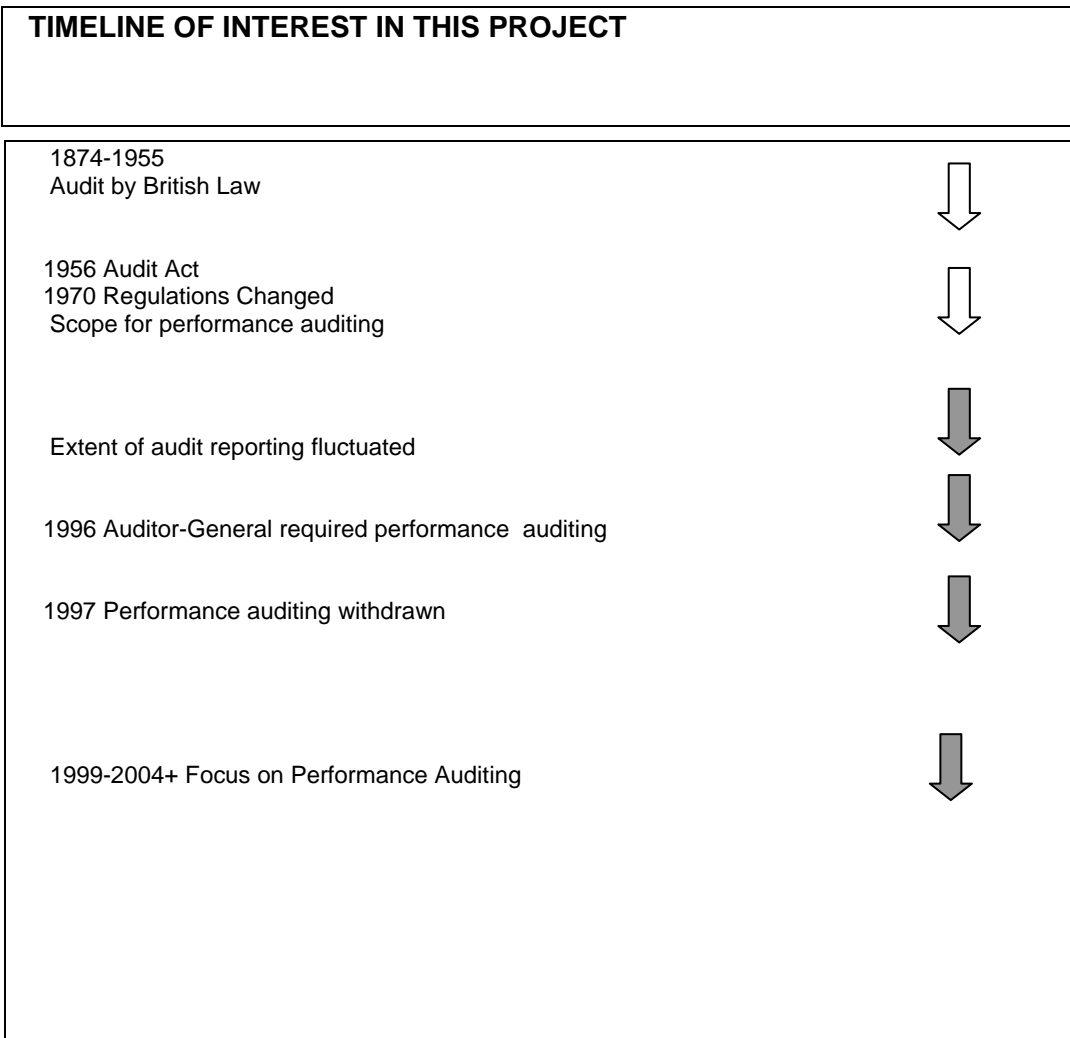
Using archival documents, I have constructed a timeline that signifies major events and developments which led to the emergence of performance auditing in Fiji. The timeline indicates that during the mid 1990's performance auditing was added to public sector auditing and towards the late 1990's the practice fizzled out. The 2004 Fiji Public Finance and Management Act has brought performance auditing again on the agenda. The events depicted by the timeline are the focus of my study. The grey shaded arrows are the major focus of this interview. The timeline is on page two.

The information provided during the interview and the interviewee details will remain confidential. The Waikato University's Management School Ethics' Committee has approved this research and approval has also been obtained from the relevant Fiji authorities.

Attached to this, you will find a participant information sheet and an outline of the issues I will be asking about. Please feel free to ask me any questions about the interview process.

Thank You

Nirmala Nath



## Interview Focus

### SECTION 1

Interviewee background:

This section explains the choice of selecting the interviewees. It indicates that the interviewees are either associated or have been associated with performance auditing and have contributed to the development of performance auditing. Specific group classification is to ensure that all possible groups are represented in the sample.

1. Which of the institution/s are you associated with? Please tick the most appropriate box/es

Audit Office

Public Accounts Committee

Media

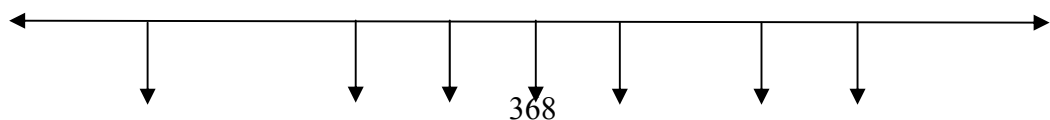
Ministry of Finance

Member of Parliament

Other (Specify)

2. For how long have you been associated with performance auditing?

3. With reference to the years outlined on the timeline below,



1970

1995 1996 1997 1998

2003

2004

Discuss your performance auditing role/ s during each of the periods above insofar as you can distinguish them from each other, in terms of

- What you had to do, discuss actions or activities.
- Objectives of action/s or activity/ies.
- To whom you had to report to. And on what
- Who reported to you; And on what.
- Did the scope of your role allow you to be effective in achieving objectives of your roles. Explain

You would have worked with other individuals and groups in carrying out the functions/roles you discussed above. In what way did these relationships contribute (or not contribute) to implementing, discontinuing and then bringing back performance auditing in the public sector.

4. What contribution do you believe was made by you or your department towards implementing performance auditing; Discontinuing performance auditing; and bringing back performance auditing in 2004.

## **SECTION 2**

### Changes in performance auditing

Referring to the timeline there were changes in the public sector auditing during the periods identified below. Performance auditing was implemented in 1995 and discontinued in 1998 and following the new 2004 Public Finance and Management Act, performance auditing is again on the agenda. I would like you to share your views, thoughts and insights on: the causes of these changes, why and how these changes took place and how these contributed to public sector performance auditing. To solicit your views I have written a few questions as a point of focus.

1. From your understanding of performance auditing in Fiji what caused the changes in processes and practices of auditing during periods suggested by the timeline. Consider its implementation and discontinuation.
  
1. In your opinion why did these changes occur?
  
2. Who or what was instrumental in bringing about the introduction of performance auditing in 1995, its discontinuation in 1997 and implementation in 2004?
  
3. What caused the implementation of performance auditing in 1995 and 2004?

Was it policy? Why?

Was it auditor-general's initiative? Why?

Was it restructure of audit office? Why?

Was it some other reason? Explain.

4. What was the benefit or cost of implementing performance auditing; its discontinuation. Explain.
  
5. Currently the changes in the Public Finance and Management Act 2004 include performance auditing as a part of public sector auditing. In your opinion what may have led to the inclusion of performance auditing?
  
6. Can you recommend any other source of information, documents or other potential interviewees who might help me in my investigations?

***Thank you for participating in the interview.***

Nirmala Nath



# Participant Consent Form

**Research Project Title:**

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1. I have read the Information Sheet for this study and have had details of the study explained to me.
  
2. My questions about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.
  
3. I also understand that I am free to withdraw from the study at any time, or to decline to answer any particular questions in the study.
  
4. I agree to provide information to the researchers under the conditions of confidentiality set out on the information sheet.
  
5. I wish to participate in this study under the conditions set out in the Information Sheet.
  
6. I would like my information: (circle your option)
  - a) returned to me
  - b) returned to my family
  - c) other(please specify).....

7. I consent/do not consent to the information collected for the purposes of this research study to be used for any other research purposes. (Delete what does not apply)

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**Participant's Name:** \_\_\_\_\_

**Participant's Signature:** \_\_\_\_\_

**Date:** / /

**Contact details:** \_\_\_\_\_

\_\_\_\_\_

**Researcher's Name:** \_\_\_\_\_

**Researcher's Signature:** \_\_\_\_\_

### Appendix 3: Sample List of Interviewees – Reasons for Their Selection

<b>Interviewees</b>	<b>Reasons for selecting these interviewees prior to the interview</b>	<b>Purposive Sampling Choice - Explanations</b>	<b>Purposive sampling: Number of interviewees Initial stage</b>	<b>Additional interviewee Y (Yes) N (NO) Number</b>	<b>Follow-up Interview Y (Yes) N (NO) Number of Participants</b>	<b>No of interviews Per individual/</b>
Auditor-General	<ul style="list-style-type: none"> <li>Understudy to the Auditor-General who implemented the performance auditing Project.</li> <li>Been at the Audit Office in various capacities since early 1990's.</li> </ul>	<ul style="list-style-type: none"> <li>Submitted a draft paper to Ministry of Finance for a need to change the 1970 Audit Act.</li> </ul>	1	N	Y - 1	2
Audit Office Staff	<ul style="list-style-type: none"> <li>Involved with the performance auditing project.</li> <li>Sent on overseas training</li> <li>Provided training to other staff</li> </ul>	<ul style="list-style-type: none"> <li>with Audit Office when the performance audit project started,</li> <li>still with Audit Office</li> </ul>	3	Y- I	Y – 2	6
Former Audit Office Staff	<ul style="list-style-type: none"> <li>Involved with the performance audit project.</li> <li>Moved to other government Ministries</li> </ul>	<ul style="list-style-type: none"> <li>Introduced by pre selected interviewees.</li> <li>Trained by Australian Consultants.</li> <li>sent to study performance auditing at GAO in- USA</li> </ul>		Y-3	N	3
Members of Public Accounts Committee	<ul style="list-style-type: none"> <li>Deliberate and formulate Report for Parliament on OAG's Reports.</li> </ul>	<ul style="list-style-type: none"> <li>PAC members on the committee during the 1996-1999 periods.</li> <li>Introduced by pre-selected</li> </ul>	3	Y-1	N	4

<b>Interviewees</b>	<b>Reasons for selecting these interviewees prior to the interview</b>	<b>Purposive Sampling Choice - Explanations</b>	<b>Purposive sampling: Number of interviewees Initial stage</b>	<b>Additional interviewee Y (Yes) N (NO) Number</b>	<b>Follow-up Interview Y (Yes) N (NO) Number of Participants</b>	<b>No of interviews Per individual/</b>
	<ul style="list-style-type: none"> <li>Responsible for seeking answers to questions raised in the Audit reports by the Auditor-General.</li> <li>Responsible for seeking clarifications from the Government Dept and Ministries whose accounts were audited by the Audit Office.</li> </ul>	interviewees				
Ministry of Finance Personnel	<ul style="list-style-type: none"> <li>Liaise with the Audit Office for budgetary allocations and funding.</li> <li>Senior Finance Officer provide Guidance to PAC members on matters of compliance with Public Finance Regulations ..</li> </ul>	<ul style="list-style-type: none"> <li>Senior Officers-liaised with Audit Office on matters of funding.</li> <li>Ensure- public sector institutions complied with the Public Finance Management Act 1980 and 2000.</li> <li>One personnel was former OAG-staff.</li> <li>One personnel - co-opted member of PAC- Public Finance regulations</li> </ul>	3	N	Y - 1	4
Auditees	<ul style="list-style-type: none"> <li>Institutions which had participated in the project.</li> </ul>	<ul style="list-style-type: none"> <li>From entities that participated in performance audits</li> <li>One was recommended by pre-selected group</li> </ul>	1	Y-1	N	2

<b>Interviewees</b>	<b>Reasons for selecting these interviewees prior to the interview</b>	<b>Purposive Sampling Choice - Explanations</b>	<b>Purposive sampling: Number of interviewees Initial stage</b>	<b>Additional interviewee Y (Yes) N (NO) Number</b>	<b>Follow-up Interview Y (Yes) N (NO) Number of Participants</b>	<b>No of interviews Per individual/</b>
Members of Parliament	<ul style="list-style-type: none"> <li>Parliament members when the first Performance Audit Report was presented to the Parliament</li> </ul>	<ul style="list-style-type: none"> <li>Members of Parliament and Also members of PAC</li> <li>Two additional participants - recommended by the media personnel, they were members of Parliament during 1992-1997 period.</li> </ul>	3	Y- 2	N	5
Media	<ul style="list-style-type: none"> <li>Print media journalists:- reported on the performance audit reports and the Audit reports in General</li> </ul>	<ul style="list-style-type: none"> <li>Publicised performance audit reports</li> <li>Wrote editorial reports on performance auditing and auditing during 1992-1996 period.</li> </ul>	3	N	N	3
<b>Total</b>			<b>17</b>	<b>8</b>	<b>4</b>	<b>29</b>

*Four follow-up interviews were undertaken and the total number of interviews was 29.*

# Appendix 4: Proposed Organisational Structure of the Audit Office

## PROPOSED ORGANISATION STRUCTURE OF THE OFFICE OF THE AUDITOR-GENERAL

