



Tonga Office
of the
Auditor General

Annual Report
2017 - 2018

Nuku'alofa
March, 2019





Our Reference: LC1052/393/19

Your Reference:

Date: 29th March, 2019

To the Honourable Speaker
Legislative Assembly

I have the honour to submit herewith the Annual Report of the Tonga Office of the Auditor General for the financial year ended 30th June, 2018, in accordance with section 24 of the *Public Audit Act 2007 (as amended)*.


Sefita Tangi *FCPA, Australia*
AUDITOR GENERAL


The official seal of the Auditor General of Tonga is circular with a blue border. It features a crown in the center, surrounded by the text 'OFFICE OF THE AUDITOR GENERAL' at the top and 'TONGA' at the bottom, with a small star on the right side.

cc: Hon. Prime Minister
Prime Minister's Office

AUDITOR GENERAL’S FOREWORD AND REVIEW	3
1. ROLES AND RESOURCES	5
1.1 Role	5
1.2 Core Functions of the Office	5
1.3 Organisational Structure	5
1.4 Financial Activities Summary	7
2. RESULTS ACHIEVED FOR THE YEAR	8
2.1 Summary of the Total Output by Divisions in 2017-18	8
2.2 Independent Audit Office that Lead by Example	8
2.3 Total Revenue and Expenditure between 2013-14 to 2017-18	9
3. REPORT OF EACH DIVISION	10
3.1 Corporate Management Division	10
3.2 Financial Audit Division	11
3.2.1 Public Enterprise	11
3.2.2 Public Accounts	12
3.3 Performance Audit Division	13
3.4 Compliance Audit Division	14
3.4.1 Ministries, Department and Agencies (MDA)	14
3.4.2 Development Projects	15
4. TOAG AUDITED FINANCIAL STATEMENT FOR 2017-18 (shown in Item 4 Tongan version.)	16

AUDITOR GENERAL'S FOREWORD AND OVERVIEW

I am pleased to hereby present the Annual Report of the Tonga Office of the Auditor General, (TOAG), for the financial year 2017-18.

The year has been marked with the TOAG delivering the audit services against its mandate under the *Public Audit Act 2007*. We delivered independent and objective audit reports and advice to the Legislative Assembly, the Government, and the community. The focus as stated in our vision, is to improve the Government public sector **integrity, accountability, and transparency**.

Overview

We delivered the financial and compliance audits and advisory services as planned for the year 2017–18. We completed the audits of 18 audit units, (in Line Ministries, Departments, and Agencies), 17 financial statements, 11 audit reviews, 2 special audits, and 132 audit certifications. In our audit reports, we raised 62 issues and issued 150 recommendations, the remedial actions for the management to consider and acted upon.

We completed the audit of the Government Financial Statements for the year ended 30th June, 2018 and issued our audit opinion on 27th February, 2019.

Similar to previous years' audit conclusions, I issued a qualified audit opinion. The qualification is on the modifications of the basis for the preparations and presentations of the financial statements from the International Public Sector Accounting Standards, *IPSAS*, Cash Basis, to “modified cash basis”, which is outside the *IPSAS*. This is in order to include the assets and liabilities of Government and their fair values as of the balance date in the financial statements. This work is still in progress to account and report the complete assets and liabilities of Government hence, the conclusion of the audit is qualified audit opinion until the financial statements is fully complied with the *IPSAS Accrual Accounting Standards*.

The audit findings from our financial and compliance audits during the year are reported in a separate report to the Lord Speaker, “Financial and Compliance Audit 2017–18” similar to 2016-17.

However, similar to previous years, we fell short on delivering the performance audit we planned for the year. This is a major challenge for the TOAG for we have not yet obtained the skills and competencies on performance audit. We are seeking for every opportunity in our endeavour to build up the skills and knowledge of performance audit methodologies and techniques.

Staff Training and Professional Development Programme

The capacity building and staff development programme continued throughout the year. Auditor, Setila Eke left for a Graduate Diploma in Professional Accounting in Auckland, New Zealand. Audit Manager, Lotomo'ua Tu'ungafasi is still progressing her Master in Professional Accountancy course at the University of New South Wales, Sydney and Accountant, 'Akuila Lomu is still progressing his study for a Bachelor of Commerce at the Victorian University of Wellington, New Zealand. Audit Manager, Fatafehi Taumoha'apai have completed her Master of Professional Accounting from Auckland New Zealand as well as Filatoa Vailea with his Master of Economics from Shanghai, China. Both have returned back to work

The Pacific Association of Supreme Audit Institutions, *PASAI*, is still continue with their training to TOAG Staff on different levels, which added to the capabilities and competences of all staff. I would like to hereby acknowledge the financial assistance of the Department of Foreign Affairs and Trade of the Australian Government, which made these trainings possible. It added value to the TOAG's effort for enhanced quality of audits.

TOAG is still in progress with looking for work attachment opportunity to a more advance Audit Office in the area of performance audit. TOAG also continued with its staff professional development programme, especially trying for both Chartered and Certified Accountant, CA and CPA, professional qualifications. TOAG is still the approved training institution of the Institute of Chartered Accountants of Australia and New Zealand.

Audit of the TOAG Financial Statements 2017-18

The audit of the financial statements of the TOAG for the financial year ended 30th June, 2018 has been completed and is herewith attached as part of this annual report, *Item 4* below. The auditor, Grant Thornton New Zealand Audit Partnership, issued an unqualified opinion, and is similar to the previous financial year, 2017. This is another milestone achieved; the completed of the audited TOAG financial statements and be part of the same year annual report.

Overall, the TOAG underspent its budgeted allocation by \$405,590, about 21%. The unspent amount was mainly from vacancies.

The timely completion of the TOAG annual financial statements, independently audited with unqualified opinion, and part of the Auditor General annual report may indicate that if any initiative to decentralise the financial management and processes from the Treasury, the TOAG is more than ready to implement this.

New audit computer program, TeamMate

TeamMate is an audit computer program that is widely used by audit offices. TOAG purchased and introduced TeamMate to TOAG during May/June 2015. Currently, we are at the implementation stage and most of the teams carrying out audits using Team Mate, it covers all stages of an audit from planning, field-work, review, to reporting stages. Overall, it very much help all audit officers, at all levels, with more efficiency and more focus audits. TOAG now joins with developed SAIs in using this expert audit technological package to complement its works.

TOAG is currently mastering its using of Team Mate with the assistance of the provider and the Pacific Association of Supreme Audit Institutions, *PASAI*.

Challenges

The major challenge is the building up of our staff capacity in order to manage the gap between the actual and the expected level of competencies and proficiencies in all our audits, and we appreciate that this is a long-term challenge. TOAG continuous staff training in all forms; on-job, training sessions by us, *PASAI*, and *IDI*, short term attachment to the Office of the Auditor General of Audit New Zealand and Australia, and our professional development programme are all aimed at meeting this challenge at all times.

Our financial resource through the TOAG allocated fund in the Government annual budget is always a challenge to our operation and our independence as a *SAI*. Fortunately, TOAG was allocated with the additional fund for the purchasing of the computer program Team Mate since 2014-15 Office's Budget and still continued to this year's budget, 2017-18, in meeting the annual maintenance fee to the provider. Our annual fee to the provider for annual service and maintenance is expected to be considered annually in our budget.

We are fortunate to have complimented by our development partners in areas that are not sufficiently covered by our annual budgeted allocation. We sincerely hope that we will continue to receive those valuable assistances in the future.

The challenge of timely completed of audits is always in existence and the significant part of this challenge is the late submission of (draft) accounts to be audited, public accounts and quarterly statements, public enterprises, and development projects. We have started distributing a program/timetable for when each accounts to be audited to all auditees in the effort to manage this challenge.

Looking ahead

The development of the TOAG is continuously as ongoing agenda. The priority and focus is on capacity building of staff and using of computer assisted audit techniques, which overall will advance the efficiency and quality of carrying out the audits.

We are currently seeking for opportunities for our senior staff to attach to developed and more advance SAIs in the area of performance audit.

We are in progress with introducing the audit computer program, Team Mate, to all our financial and compliance audit staff and with the assistance of the supplier of Team Mate and the Pacific Association of Supreme Audit Institutions, *PASAI*. We are looking forward to fully operate with this Team Mate in the very near future.

We are continuing with our professional training program, currently four (4) officers are taking the CA and CPA programs and seven (7) officers are taking the undergraduate courses part-time with the USP Campus here in Tonga as well as the Tonga Institute of Higher Education (TIHE). The Office is giving them all the assistance and encouragement that we could afford.

Restructure of our operations unit mentioned in 2015-16 annual report commenced in 2017-18 with only three (3) divisions namely: Financial Audit Division; Performance Audit Division; and Compliance Audit Division.

We are working for closer working relationship with the Public Accounts Committee of Parliament and the Audit Oversight Committee of Cabinet, particularly in the scrutinizing process of our audit reports and the appropriate responses and actions from auditees. It will move forward the endeavour for integrity, accountability, and transparency in all our works.

We continue striving for our vision, which started in January 2016 to be "***Integrity, Accountability, and transparency***" and obviously it is starting with us and all our audits, reports and advices and then to all our audit clients which ultimately impact on whole of Government as part of the measures to expand potential and growth.

Sefita Tangi
AUDITOR GENERAL

1 ROLES AND RESOURCES

1.1 Roles

The TOAG’s primary role is to provide independent report, assurance and advice to the Speaker of the Legislative Assembly on how government and other public bodies account for and use public money and public resources. The role is discharged by carrying out audits and report on whether government activities are carried out and accounted for consistent with applicable legislation, accounting and auditing standards, and achieve or otherwise the intended outcomes.

1.2 Core Functions of the Office

The core output of the Office for the year are classified into four (4) categories. They cover:

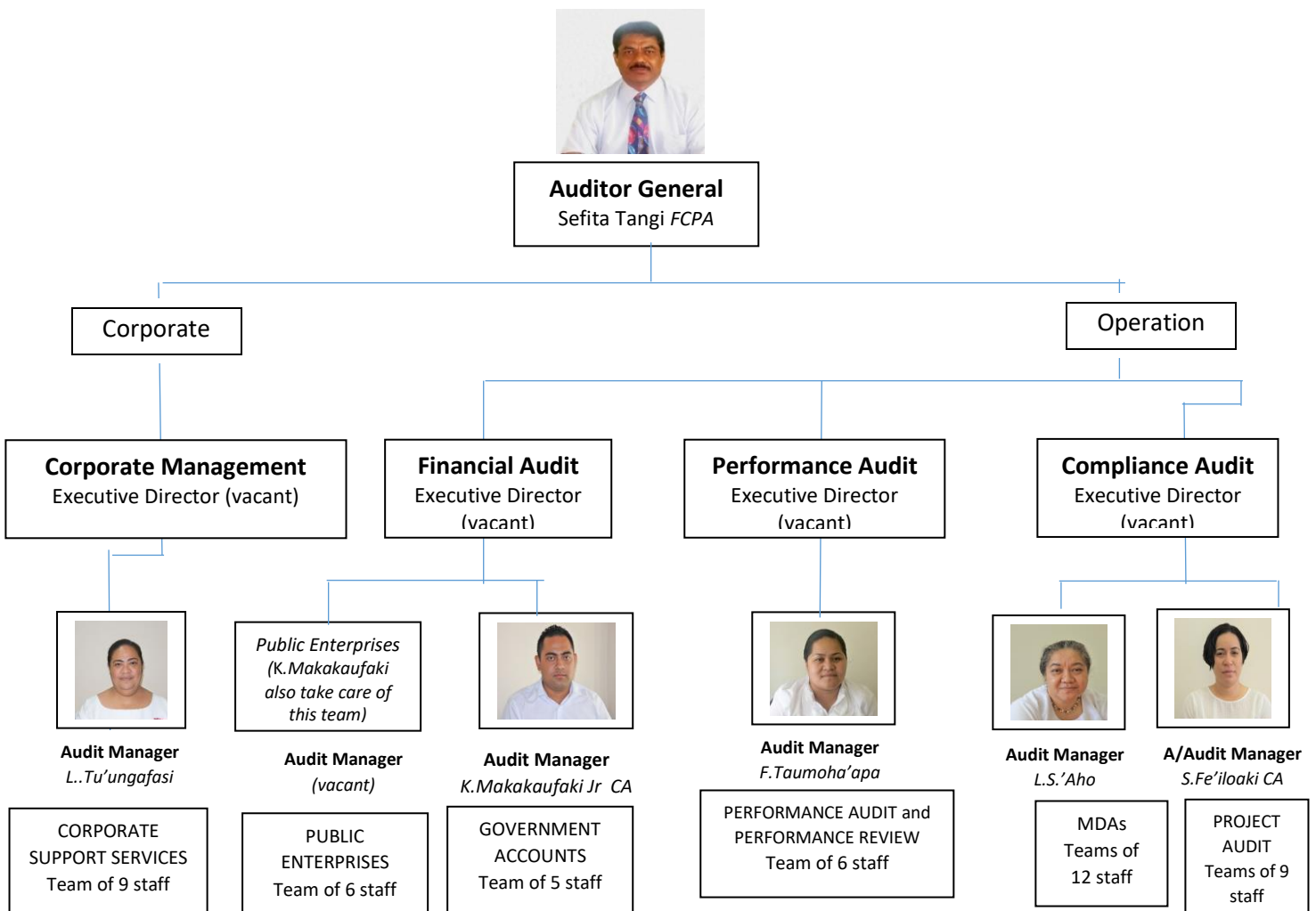
- Support and Parliamentary services
- Financial Audit
- Performance Audit
- Compliance Audit

(Details shown in Item 2.1 and 3 of this report)

1.3 Organisational Structure

The management structure of the TOAG as at 30th June, 2018 is shown in *Figure 1*. The four (4) main branches of the Corporate and Operations are directed by four Executive Directors. These positions are still vacant. Corporate Management Division is responsible for Administration and Support Services. The Operations Branch is divided into three (3) Divisions; (i) Financial Audit and they are responsible for audit of the Public Enterprises and the Government Accounts (Public Accounts) (ii) Performance Audit and Performance Review; and (iii) Compliance Audit and they are responsible for audit of the Government Ministries, Departments and Agencies (MDAs) and audit of development projects.

Figure 1: Management Structure as at 30th June, 2018



1.3.1 Staff Profile

During 2017-18 financial year, the Office had 42 staff with eight (8) vacant posts. Twenty-six (26) staff were female and sixteen (16) were males. With the exception of the Auditor General, *Table 1* presents the profile of the TOAG's established staff.

Table 1: Profile of Established Staff at 30th June, 2018

Positions	30 th June 2018
Executive Director	4(4 vacant)
Audit Managers	6(2 vacant)
Audit Senior	9
Human Resource Manager	1
System Analyst	1
Auditor	13(1 vacant)
Personal Assistant	1
Accountant	1
Communication Officer/Librarian	1
IT Support	1
Receptionist/Filing	1
Audit Assistant Gr I	4(1 vacant)
Audit Assistant Gr II	3
Audit Assistant Gr III	1
Driver/Groundsman	2
Total number of posts	49

1.3.2 Resignation

Shown in *Table 2* below staff resigned and have moved to different workplaces during the year.

Table 2: Staff resigned during the year

Name	Post	Effective date
1. Mr Maamaloa L. Fotofili	Audit Manager	31 st July, 2017
2. Ms 'Utu'one Vena	Audit Manager	11 th May, 2018
3. Ms 'Ilaisaane Sikulu	Auditor	11 th May, 2018
4. Ms Tae Vehikite	Audit Assistant Gr I	28 th September, 2017

1.3.3 Professional Development Program

The Office has made strong commitment to the professional development of staff through a number of key initiatives. Four senior officers are currently pursuing the CPA and CA professional qualification by taking the courses with the CPA Australia and the Institute of Chartered Accountants in Australia and New Zealand. Also, seven juniors took part time courses with the University of the South Pacific and the Community Development and Training Centre here in Tonga.

During the year, the audit staff attended training programs conducted by the *PASAI*, *IDI*, and other capacity building institutions overseas. The areas covered were; effective communication, effective audit of public assets, strengthening the oversight functions of public finance management, cooperative audit on procurement, and preparedness for the implementation of the Sustainable Development Goals, *SDGs*.

Also, the officers participated in two E-Learning courses during the year. Audit Senior, Cathreen Mafi and Auditor, Sepiuta Felemi completed Sustainable Development Goals (*SDGs*) from July to October 2017. System Analyst. Felix Fe'iloaki also completed Mentor for LMS Administrators for *CREFI AF* and *ARABS AI* which was run from May – July 2018.

During the year, the Auditor General attended the 20th *PASAI* Congress, August 2017 in Tuvalu; the Forum Secretariat : Audit Risk Sub Committee Meeting in Fiji, *PASAI* Governing Board Meeting in February 2018; Biannual Conference of Performance Auditors, March 2018 in Sydney, Australia, *SAI* Young Leader Coaches International Interaction, March 2018 in India; Forum Secretariat, April 2018 in Fiji; Strategy Performance Measurement & Reporting (*SPMR*) completed, April 2018 and International Public Sector Accounting Standards Board roundtable and capacity building forum, May 2018.

The experiences and knowledge obtained from the above training and development programs and meetings very much assisted with the capacity building programs of the TOAG.

1.4 Financial Activities Summary

Table 3 summarizes the TOAG operating result for 2017-18 showing estimates compared with actual amounts. The result is based on cash accounting.

Table 3: Summary of financial results

	Estimate 2017-18	Actual 2017-18	Actual 2016-17
Total revenue ¹	\$200,000	\$74,750	\$94,500
Total expenditure	\$1,896,000	\$1,490,410	\$1,764,486
Net cost of services	\$1,696,000	\$1,415,660	\$1,669,986

1 Audits of Ministries, Departments, and Agencies are free of charge

2. RESULTS ACHIEVED FOR THE YEAR

2.1 Summary of the output in 2017-18

The summary of the total output achieved during the year is shown *Table 4* below. The actuals are the completed audits, which indicated by the issuing of the audit opinion, management report, and audit certificate. Those audits which were still in progress as of 30th June, 2018 are not included in this summary. They will be reported when they are completed and reported.

Table 4: Summary of the Total Output by Divisions in 2017–18

Output 1: Support and Parliamentary Services	Target	Actual
Auditor General's Reports	5	5
Advisory Services	2	3
Support Services (Capacity Building & Professional Development programs)	6	9
Output 2: Financial Audits		
Audit Management Reports issued conveying the findings of audits	24	18
Audit Opinions	15	6
Reviews, approvals and Certificates	13	11
Audit Special		2
Output 3: Performance Audit		
Performance Audit Reports	3	0
Performance Reviews of MDAs	6	0
Output 4: Compliance Audit		
Audit Management Reports issued conveying the findings of audits	56	34
Audit Opinions	11	11
Audit Certificates issued on the financial statements of school and TVET Grant	30	132
Advisory Special	2	0
Total	173	231

The explanations for the outputs that were not achieved against the target are as follows:

- Output 2*, the teams were engaged in 2 advisory services during the year and team completed these requests as they were priorities. The actuals indicate the number of financial statements submitted and have been audited during the year. Even though we planned for and expected the total auditees but it is always limited to the number of submitted financial statements.
- Output 3*, similar to previous years this has been a challenge to TOAG since establishing of this Division and trying to developing the capacity and skills of the staff to do performance audit.
- Output 4*, Team completed an urgently request for transfer value of more than 100 civil servants which were prioritised and completed. The need to update the backlog of Grant to Non-Government Schools was given priority, which diverted the resources of the unit from the clients planned to cover in this year to update these backlog. Furthermore, this unit involved in a pilot project of *INTOSAI* as part of capacity building for the Office.

2.2 Independent Audit Office that Lead by example

In improving our management processes, the corporate support services unit continued to manage cost as a priority. The key strategies were to:

- Practice good corporate governance
- Create and maintain effective business managerial processes
- Manage TOAG resources efficiently

Table 5 below shows the labour cost of major products at 30th June 2018. As shown the chargeable products were the highest totalling \$759,704.00 or 52% of the total cost (\$1,490,410) of all activities carried out by the Office in 2017-18.

Table 5: Cost of activities at 30th June 2018

	Products	Cost(\$)	% of total
Indirect Labour:	1. Administration	51,122	3
	2. Corporate Services	82,047	6
	3. Staff Development	169,662	11
	4. Conference & Meeting	81,231	5
	5. Staff Leave	271,076	18
	6. Staff Social Welfare	75,568	5
Total Indirect Labour:		730,706	48
Direct Labour:	7. Chargeable	759,704	52
Total Labour		1,490,410	100

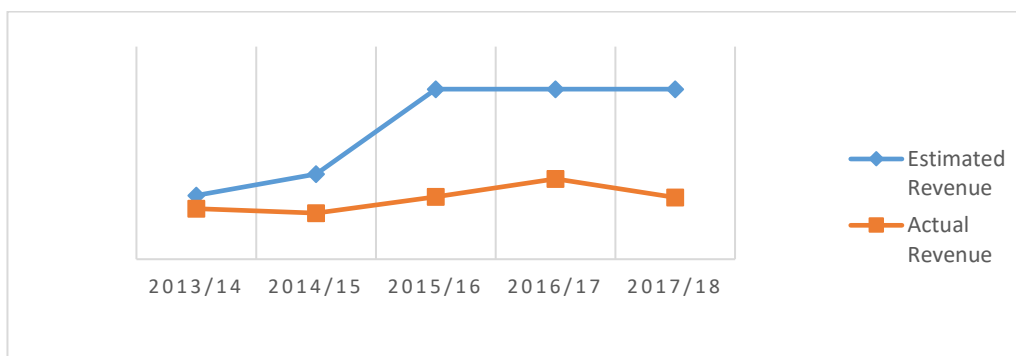
2.3 Total Revenue and Expenditure between 2013/14 - 2017/18

Revenue

Total audit fees collected in 2017-18 were \$74,750 which was \$125,250 below the estimate of \$200,000. The estimated revenue is certainly overstated since most of the audit of Government entities and development projects are free. The audit of Government Ministries is free of charge as are the audits of foreign aid donor's projects, the TOAG services are treated as part of the Government's contributions towards the projects.

TOAG cannot control the number of public enterprises who present their annual accounts to audit or review during the year.

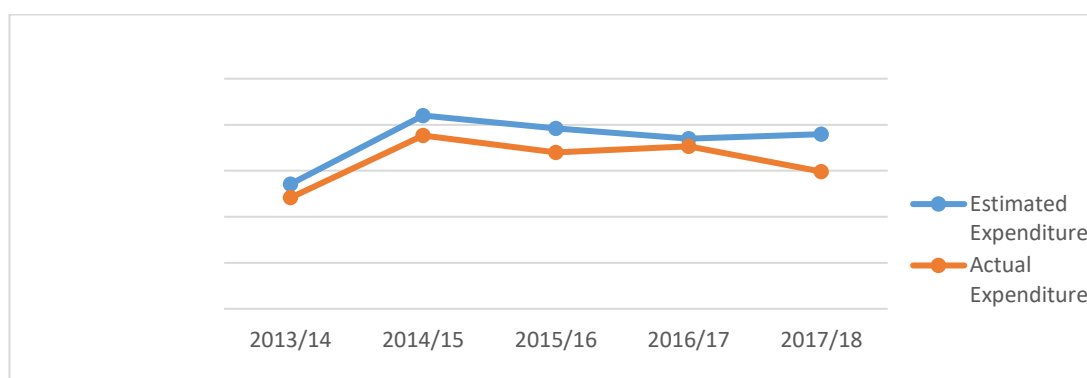
Figure 2: Provide the trend of budget revenue vs actual revenue for the last five (5) years.



Expenditure

The Office actual expenditure was \$1,490,410 which was below the estimate by \$405,590. The office expenditure between 2013/14 – 2017/18 are shown in Figure 3 below:

Figure 3: Estimated Expenditure vs Actual Expenditure



3. REPORT OF EACH DIVISION

The undermentioned reports from each Division summaries the overall total of the work completed during this financial year 2017-18. The details has been reported earlier in a separate report of the results of all the financial and compliance audits that has been carried out during this financial year.

3.1 Corporate Management Division

3.1.1 Background Information

The Corporate Management Division provides all the appropriate support services such as receptionist, files maintenance, information technology (IT), human resource services, audit certification of gratuity of deceased pensioner, estimates, mail and messenger, library, office supplies and equipment, accommodation, personal policies etc. They are also responsible for *Output I: Support and Parliamentary Services*.

The Division consisted of ten (10) staff altogether headed by the Audit Manager, Mrs Lotomo'ua Tu'ungafasi. During the year Mrs Tu'ungafasi with one (1) Officer left for further studies and the Division was closely supervising by the Auditor General.

3.1.2 Team Output Summary

The Division planned 13 outputs to perform during the year with a total budget hours of 9,199. At the end of the year, the Division managed to achieve the budget outputs with a total chargeable hours of 9,270 which is more than the allocated budget hours assigned for the Division. Fortunately, we were able to have obtained the extra hours, (71), from some of the staff of the Division who deferred their annual leave as scheduled.

Table 6 below are the outputs achieved against the target established for this Division during 2017-18

Table 6: Output 1 - Support and Parliamentary Services

Performance measures	Unit of measure	2017-18 Target	2017-18 Actual	2016-17 Actual	2015-2016 Actual
Quantity					
Auditor-General's reports (a)	Number	5	5	5	6
Advisory Services (b)	Number	2	3	2	1
Support Services (c)	Number	6	9	17	16

- (a) Reports include Corporate Plan, Annual Plan, Annual Budget, Annual Reports, and Annual Audited Financial Statements. Audit of the TOAG by an external auditor for the financial year ended 30th June, 2018 has been completed and included in this annual report.
- (b) Advisory Services were not budgeted for. However, advisory services were provided as per requests from stakeholders, Parliamentary Committees through the Honourable Speaker in particular.
- (c) Support services such as information technology, human resources services, working manuals, Office web-sites, staff trainings and developments.

3.1.3 Auditor General's report

The audit of TOAG financial statement for financial year 2017-18 has been completed in March 2019. The financial statements together with the external auditor's audit opinion is at *Item 4* of the Tongan Version.

3.2 Financial Audit Division

3.2.1 Public Enterprises Audit

3.2.1.1 Background Information

The Public Enterprises Division is responsible for the audit of the government's wholly owned public enterprises, reviewing and approval of audited accounts that has been audited by private firm and audits of private sector entities which includes Non-Government organization, civil societies and private companies.

The Division consisted of five (5) staffs altogether headed by the Audit Manager, Ms 'Utu'one Vena. During the year Ms Vena resigned and Mr Kelepi Makakaufaki Jr was also responsible for this team.

3.2.1.2 Team Output Summary

Shown in *Table 7* below the Division output comparison of actual vs budget for 2017-18. At year end, the total hours used up by the Division for the audits was 4,369.

Table 7: Output Summary of Public Enterprises audit

Performance measures	Unit of measure	2017-18 target	2017/18 Actual	2016-17 actual	2015-16 actual
Quantity					
Audit Opinions (a)	Number	10	5	10	10
Audit management reports (b)	Number	22	16	11	15
Reviews, approvals and certificates (c)	Number	10	8	4	5
Advisory services (d)	Number		2	1	

The following explanation are provided in respect of budget vs actual.

- **Audit Opinion**
Five (5) audits were completed during the year out of the ten (10) planned. Two clients; Tonga Chamber of Commerce and Industry (*TCCI*) and Tonga Business Enterprise Centre (*TBEC*) were audited by external auditors. Civil Society Forum of Tonga (*CSFT*) 2016/17 audit did not submit their financial statements. The audit Legislative Assembly Retirement Benefit Board for both financial years 2015/16 and 2016/17 were not completed and was both deferred to next financial year 2018/19.
- **Management Report**
Sixteen (16) management report were issued which relates to: five (5) audits completed; two (2) audit stock-take report; one (1) report carry forward from previous years; and eight (8) audit review report of public enterprises.
- **Review**
Review of two (2) public enterprises were not completed during the year. This is due to the following reasons:

Names	Reasons
1. Tonga Post and Tonga Print Limited	Delayed to next financial year due to the audit file not being made available for review during the year
2. Tonga Asset Management Association Limited	√ √

- **Advisory**
During the year, there were only two advisory services carried out by the Auditor General
 - One (1) was in relation to Tonga Communication Corporation (*TCC*); and
 - The other was a special request from the Judiciary for a special audit for the court cases of the Tonga National Rugby League (*TNRL*) for four financial years.

Both the *TCC* and *TNRL* during the year.

3.2.2 Public Accounts Audit Division

3.2.2.1 Background Information

The Public Account Division is responsible for the audit of the Government of Tonga financial statements, Trust Fund and also issue Certificates on Quarterly Financial Statements of the government.

This Division consisted of four (5) staff altogether headed by the Audit Manager, Mr Kelepi Makakaufaki Jr.

3.2.2.2 Team Output Summary

Shown in *Table 8* below the Division output comparison of actual vs budget for 2017-18. At year end, the total hours used up by the Division for the audits was 3,212.5.

Table 8: Output summary of the Public Accounts and Performance Measurement Division

Performance measures	Unit of measure	2017-18 target	2017/18 actual	2016-17 actual	2015-16 actual
Quantity					
Audit Opinions (a)	Number	5	1	3	2
Audit management reports issued conveying the findings of audits (b)	Number	2	2	6	2
Certificates (c)	Number	3	3	3	3

a) Audit Opinions are issued on the Public Accounts

b) Audit management reports are reports issued on Public Accounts

c) Audit Certificates on review of the Quarterly Summary of Receipts and Payments

3.3 Performance Audit Division

3.3.1 Background Information

The core function of this Division is to carry out Performance Audit according to Section 10A of the Public Audit Act 2012 (as amended). In addition, audit review of performance information of ministries, departments and agencies (MDA) were also conducted by this division.

In this financial year, Audit Manager, Mrs Fatafehi Taumoha'apai was allocated to supervise this Division which consisted of five (5) staff. One (1) of the staff is on study leave.

3.3.2 Team Output Summary

As shown in *Table 9* below, similarly to past years since its establishment, the Division has been unable to complete any of the target Performance Audit Reports set out. The inexperience and very little knowledge on how to do Performance Audit among the staffs of the Division was obvious, hence the ability to carry out the Performance Audit topics set out in the Office Work Plan. At year end, the total hours used up by the Division for the audits was 5,029 hours altogether.

Table 9: Output Summary: Performance Audit

Performance measures	Unit of measure	2017-18 target	2017-18 actual	2016-17 actual	2015-16 actual
Quantity					
Performance Audit Reports (a)	Number	3	-	-	-
Performance Review (b)	Number	6	-	-	-

(a) Auditor General's reports cover only the performance audit reports

(b) Auditor General's report cover performance information reports

Out of the three (3) Performance Audits targeted, two (2) Performance Audits were currently underway and is expected to be finished in the next financial year. They are Government Asset Management and the Preparedness for the Implementation of Sustainable Development Goals (this is a PASAI Regional Co-operative Performance Audit).

This is the first time for the Office to conduct performance information audit review on MDA therefore, only two performance information audit review is currently underway and is to be finalized in the next financial year. The performance information of the Tonga Office of the Auditor General and the Legislative Assembly.

In addition to this audit review on Performance Information, the Division was preparing a book on the "Performance Information Principles" with close collaboration with the Ministry of Finance and National Planning. This book is to be finalized as a guide to use by all MDAs on performance information.

The main challenged faced by this Division, is the minimal knowledge on carrying out a Performance Audit and Audit Review of Performance Information. So it is the Office expectation that an opportunity for one or more staff attached to a more advanced SAI and actually involved in carrying out performance audit would improve this performance audit reports on a timely manner.

3.4 Compliance Audit Division

3.4.1 Ministries, Departments & Agencies (MDAs) Audit

3.4.1.1 Background Information

Compliance Audit Division carried out the audit of Government Ministries, Departments and Agencies (MDAs).

The Division consisted of eleven (11) staff altogether headed by the Audit Manager, Mrs Luseane S 'Aho.

3.4.1.2 Team Output Summary

The output targets for the Unit was set estimated to be 45 audit management reports and 30 audit certificates. The Compliance Audit Unit delivered 23 audit management reports and 132 audit certificates. The staff capacity in terms of productive hours of 11 staff were estimated to be 15,506 hours in total. Shown in *Table 10* below, details of the output.

Table 10: Output 2 - Outputs and performance statements of the Division

Performance measures	Unit of measure	2017-18 Target	2017-18 Actual	2016-17 Actual	2015-16 Actual
Quantity					
Audit Management Reports issued conveying the findings of audits (a)	Number	45	23	22	73
Audit Certificates issued on the financial statements of agencies (b)	Number	23	132	225	9
Audit Specials	Number	2		2	5

(a) *Audit Management Reports cover the management reports to Government Ministries, Departments and Agents (MDAs).*

(b) *Audit Certificates cover certificates on school grants, pension, and transfer values*

Acknowledged that the target output of the Compliance Audit Unit was not achieved, but considered the overall performance of the Unit was satisfactory. There was a backlog of 2 years (2014 and 2015) for non-Government School Grants, which the annual plan of the unit did not include. Ethically, it was considered that these outstanding audits (School Grants for 2014 and 2015) cannot be left uncompleted while audit of recent years (2016 and 2017) would be completed. The need to update this backlog was given priority which diverted the resources of the unit from the clients budgeted to cover in this year to update of Grant to Non-Government School. This backlog has now being brought up to date and most school grants, except for the Free Wesleyan Church Schools, are now on 2016 and 2017. This is considered a milestone for the Unit as it contributes to improving effectiveness and efficiency of audit of the Government grants to Non-Government Schools.

There was also an urgent request for reconfirmation of more than 100 Transfer values and these were prioritised and completed on time. Again the unit did not include these reconfirmation in its annual plan, but reflect further diversion of resources of the unit to these other priorities, identified during the year.

The Compliance Audit Unit also involved in a pilot project of compliance with International Standards for Supreme Audit Institutions (ISSAI) as initiated by the International Supreme Organisation for Supreme Audit Institutions (INTOSAI), to strengthen the capacity of SAIs to ensure compliance with the International Auditing Standards. Some of the staff of the unit spend some times with workshops and training of this initiative.

The Compliance Audit Unit continued to use Teammate in its audit work and there is continuous capacity development activities involved. It is acknowledged that technology comes with new frontiers of skills, knowledge and competencies, that staff has to be coached and monitored regularly. The Compliance Audit Unit will continue to learn and apply new skills in an effort to improve the quality of its output.

3.4.2 Development Projects Audit

3.4.2.1 Background Information

Development Projects are projects and activities that are funded through loan and grant that Government Ministries, Departments and Agencies are executing. The majority of the projects audit by this Division are funded by World Bank and/or Asian Development Bank.

The responsible of the Division is to carry out financial and compliance audit on all projects that MDAs are executing on behalf of the Government.

This Division consisted of four (4) staff altogether headed by the Acting Audit Manager, Ms Sisilia Fe'iloaki.

3.4.2.2 Team Output Summary

We have planned 22 outputs and were managed to complete them. At year end, the total hours used up by the Division for the audits was 3,306 hours altogether. Shown in *Table 11* below, details of the output.

Table 11: Output Summary of the Development Project Audit Division

Performance measures	Unit of measure	2017-18 target	2017-18 actual	2016-17 actual	2015-16 actual
Quantity					
Audit Opinions	Number	11	11	9	11
Audit management reports	Number	11	11	9	12

4. TOAG Audited Financial Statements for 2017-18

(Please refer to Item 4 of the Tongan Version of this report, pages 18 to 31)
