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# REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

## Volume 2

### Audit Report on General Administration Sector 2016

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### Audit Report on General Administration Sector 2016

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# OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing



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File: 102

29 June 2017

The Honorable Dr. Jiko Luveni  
Speaker of the Parliament of the Republic of Fiji  
Parliament Complex  
Gladstone Road  
SUVA

Dear Dr. Luveni

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## **Audit Report on the Whole of Government Financial Statements and Annual Appropriation Statement of the Republic of Fiji for the year ended 31 July 2016**

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In accordance with section 152 (13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the audit of the Whole of Government financial Statements and the Annual Appropriation Statement of the Republic of Fiji for the year ended 31 July 2016.

A copy of the report has been submitted to the Minister for Finance who as required under section 152 (14) of the Constitution will lay the report before Parliament within 30 days of receipt, or if Parliament is not sitting, on the first day after the end of that period.

Ajay Nand  
**AUDITOR-GENERAL**



# Foreword

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The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. In February 2016, the nation was devastated by severe Tropical Cyclone Winston which became the strongest tropical cyclone to make landfall in Fiji and the South Pacific Basin in recorded history. Immediately following the cyclone, Government with the support of the local and international community engaged in rehabilitation works which are still continuing as a result of the large extent of damage to infrastructure.

The accounts of Whole of Government of Republic of Fiji together with 36 Ministries and Departments (Agencies) for the seven-month period ending 31 July 2016 were audited during 2016/2017. The audit reports and significant audit findings have been reported in accordance with section 152 of Constitution of the Republic of Fiji.

The audit of financial statements for Whole of Government for the period ending 31 July 2016 concludes with an unqualified audit report. The accounts have been faithfully and properly kept in accordance with section 152(2) of the Constitution, section 6 of the Audit Act 1969 and sections 46 and 47 of the Financial Management Act 2004.

However, emphasis has been made to improve expenditure authorization and budgetary control, reconciliation of Trust Fund and Trading and Manufacturing Accounts against the general ledger and funds kept in bank accounts. In addition, the accounts of government has not been consolidated with the financial statements of other controlled entities, as voluntary disclosure, to promote accountability and transparency.

The financial statements of the Republic of Fiji have been presented in accordance with the Financial Management Act 2004 with direct reference to the budget estimates of Government. Presentation and certain disclosures have also been made in accordance with cash-basis International Public Sector Accounting Standards (IPSAS).

The audit reports comprise of four volumes which have been presented in accordance with the budget sectors as follows:

Volume	1	Audit Report on the <i>Accounts and Finance</i> of Government
	2	Audit Report on the General Administration Sector
	3	Audit Report on the Social Services Sector
	4	Audit Report on the Economic Services and Infrastructure Sector

Volume 1 of the report should be read in conjunction with the 2016 financial statements for Whole of Government, the appropriation statement of the Republic of Fiji and my opinion expressed on them for the year ended 31 July 2016. Since the 2016 financial statements reflect transactions for a seven-month



period whereas the 2015 financial statements is for a 12-month period, there are significant variances with the comparative balances.

#### ***Audit Opinion on respective Ministry/Department (Agency) Financial Statements***

A total of 36 Agency Financial Statements were prepared in accordance with the Financial Management Act 2004 and Finance Instructions 2010. Of these, unqualified audit reports were issued on 23 financial statements while audit reports on 13 financial statements were qualified on the following grounds:

- Closing account balances were not always properly reconciled or not reconciled at all resulting in unexplained variances which were significant in some cases ; and
- Financial transactions were not always properly supported or not supported at all by relevant supporting documents.

#### ***Trust Fund Accounts***

Large amounts of funds are held in Trust Fund account and transactions of significant value were made from these accounts during the financial year. However, proper books of records were not maintained for some accounts while others were operated without documented and approved Standard Operating Procedures. In addition, definite plans on how the substantial closing balances in some accounts would be utilized in the next twelve months, was not sighted. Due to these reasons, there is a high risk of funds held in trust being utilized for purposes which were not intended.

#### ***Trading and Manufacturing Accounts***

Financial transactions of significant value are also effected through Trading and Manufacturing Accounts (TMAs) operated by Ministries and Departments. Similar to Trust Fund accounts, Standard Operating Procedures have not been documented and approved for the operation of some TMAs. The operation of TMAs which were set-up by Government years ago, have not been reviewed in view of their need in the current business environment. Hence some TMAs seem to have outlived their purpose.

#### ***Public debt***

At the end of financial period ended 31 July 2016, the percentage of national debt relative to GDP (provisional figure) at 46% when compared to 2015. The percentage growth in Government debt was same as the percentage growth in the economy resulting in no change in the debt burden of individuals in 2016.

The Government needs to sustain its existing resources to fund its current programs, commence new projects as well as meet existing creditor obligations in order to maintain the level of borrowings at a sustainable level.

### ***Root Cause Analysis***

The root-cause for the issues highlighted in *Volumes 1 – 4 of the 2016 Audit Reports* can be attributed to the quality of human resources employed in Ministries and Departments which needs to be improved immediately. Permanent Secretaries, who have been assigned the responsibility for efficient, effective and economical management of Ministries and Departments by section 127(3) of the Constitution, should use the authority provided to them by section 127(8) of the Constitution to design policies, processes and procedures which hold staffs accountable for non-performance of assigned roles and responsibilities.



Ajay Nand  
**AUDITOR GENERAL**



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19. Republic of Fiji Military Forces
20. Fiji Police Forces



## Section 1

## Office of the President

### Roles and Responsibilities

Under the Constitution of the Republic of Fiji, the President is the Head of State and the Executive Authority of State. The President is also the Commander-in-Chief of the Republic of Fiji Military Forces and performs ceremonial functions for the military in this capacity. The President is also the Chancellor of the Order of Fiji and oversees the recognition of both citizens and non-citizens for their contributions at the community, national and international levels that help Fiji develop as a nation.

The President is apolitical and symbolizes national unity for all Fijians. The President's responsibilities include approving all Constitutional appointments, opening each annual session of Parliament with an address outlining the policies and programmes of the Government, assenting to Bills passed by Parliament receiving the credentials of foreign diplomats and conducting State Visits to strengthen Fiji's diplomatic and foreign relations. The President also maintains an active programme of community engagements.

The Office of the President's primary role is to assist the President in fulfilling all constitutional, official and ceremonial obligations. They provide direct policy advice on matters of national interest by providing a full range of administrative, protocol, domestic and landscape services on a daily basis. The Office of the President also coordinates security services to the President through the Republic of Fiji Military Forces and the Fiji Police Force.

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## PART A: FINANCIAL STATEMENT

### 1.1 Audit Opinion

The audit of the 2016 accounts of the Office of the President resulted in the issue of a qualified audit report. The basis for the qualified opinion is that prior year balances in the Revolving Fund Account totalling \$776,847 were cleared by posting to various expenditure allocations without adequate supporting documents being provided to audit, thus overstating expenditure of the Office in the current period by the same amount.

### 1.2 Statement of Receipts and Expenditure

The Office of the President recorded revenue totalling \$676 and incurred expenditure totalling \$1,784,193 for the seven months period ended 31 July 2016. Refer to Table 1.1 for details.

**Table 1.1: Statement of Receipts and Expenditures for 2016**

Description	2016 (\$)	2015 (\$)
<b>REVENUE</b>		
State Revenue	676	1,416
<b>Total Revenue</b>	<b>676</b>	<b>1,416</b>
<b>EXPENDITURES</b>		
<b>Operating Expenditure</b>		
Established Staff	380,706	653,316
Government Wage Earners	111,735	194,920
Travel & Communications	866,952	370,396
Maintenance & Operations	265,878	519,975
Purchase of Goods & Services	118,421	172,270
<b>Total Operating Expenditure</b>	<b>1,743,692</b>	<b>1,910,877</b>
<b>Capital Expenditure</b>		
Capital Construction	---	1,381,386
Capital Purchase	---	157,999
<b>Total Capital Expenditure</b>	<b>---</b>	<b>1,539,385</b>
Value Added Tax	40,501	377,541
<b>TOTAL EXPENDITURES</b>	<b>1,784,193</b>	<b>3,827,803</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

Travel and communication costs increased by \$496,556 or 134% in 2016 compared to 2015. This was mainly due to retirement of previous year balances from the Revolving Fund Account.

In addition, the proposed capital projects for 2016 could not be implemented due to Cyclone Winston and change in government financial period.

### 1.3 Appropriation Statement

The Office of the President incurred expenditure totalling \$1,784,193 in 2016 against the budget of \$3,428,146 resulting in savings of \$1,643,953 or 48%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditures against the budget estimates are provided in Table 1.2.

**Table 1.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	649,621	(242,000)	407,621	380,706	26,915
2	Government Wage Earners	230,604	(100,000)	130,604	111,735	18,869
3	Travel & Communication	311,900	576,384	888,284	866,952	21,332
4	Maintenance & Operations	483,400	(202,600)	280,800	265,878	14,922
5	Purchase of Goods & Services	157,400	(31,784)	125,616	118,421	7,195
	<b>Total Operating Expenditure</b>	<b>1,832,925</b>	<b>---</b>	<b>1,832,925</b>	<b>1,743,692</b>	<b>89,233</b>

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
	<b>Capital Expenditure</b>					
8	Capital Construction	1,384,821	---	1,384,821	---	1,384,821
	<b>Total Capital Expenditures</b>	<b>1,384,821</b>	<b>---</b>	<b>1,384,821</b>	<b>---</b>	<b>1,384,821</b>
13	Value Added Tax	210,400	---	210,400	40,501	169,899
	<b>TOTAL EXPENDITURE</b>	<b>3,428,146</b>	<b>---</b>	<b>3,428,146</b>	<b>1,784,193</b>	<b>1,643,953</b>

## PART B: AUDIT FINDINGS

### 1.4 Anomalies noted in the Revolving Fund Account

Travel advance allocation is used to record all the travel advances made for all official travel. The travel advance shall be charged to the advances account until cleared through submission of the acquittals.<sup>1</sup>

The Revolving Fund Account allocation (1-01101-01101-570301) for the Office had a debit balance of \$3.25 as at 31/07/16, a decrease of \$776,847.06 when compared to the 2015 closing balance. Refer to Table 1.3 for travel advance balances in the account for the past five years.

**Table 1.3: Revolving Fund Account Balance over the five year period.**

Ending Balances	Amount (\$)
2016 (31/07/16)	3.25
2015	776,850.31
2014	746,326.03
2013	146,818.31
2012	42,851.66

The audit noted the following anomalies:

- Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts.<sup>2</sup> Journal vouchers must be numbered in sequential order. Supporting documents shall be attached to the voucher.<sup>3</sup> The Accounts Officer or Senior Assistant Secretary must check that:
  - i. all relevant details are included on the voucher;
  - ii. balances are adequately supported; and
  - iii. the correct accounts have been debited or credited

Journal vouchers totalling \$832,424.99 were raised to clear the outstanding balances in the Revolving Fund Account which were brought forward from previous years. It was noted that

<sup>1</sup> Office of the President Finance Manual 2015 Section 10.1.9

<sup>2</sup> Office of the President Finance Manual 2015 Section 16.1.1

<sup>3</sup> Office of the President Finance Manual 2015 Section 16.1.3

journal vouchers were not adequately supported with relevant supporting documents to substantiate the adjustment. Refer to Table 1.4 for details.

**Table 1.4 Details of JVs used to clear Accountable Advance**

Particulars	Date of Adjustment	Amount (\$)
Mispostings - RFA/ Retirement Petty Cash	31/07/16	48,885.44
Mispostings - RFA/ Retirement Petty Cash	31/07/16	6,689.24
Clear 2013 - 2015 Balance-JV 07/16	31/07/16	733,246.37
Clearance of advance balances	31/01/16	31,554.27
Clearance of advance balances	30/06/16	12,049.67
<b>Total</b>		<b>832,424.99</b>

The clearance of the balance without adequate supporting documents indicates lack of supervisory checks and controls in the Accounts Section which could result in unauthorised adjustments.

In addition, the clearance of previous year's balances from the current year's budgetary allocation has resulted in expenditure in the Statement of Receipt and Expenditure as at 31 July 2016 being misstated.

- The Senior Assistant Secretary, Principal Assistant Secretary or Official Secretary must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.<sup>4</sup> By nature Revolving Fund Account should contain transactions relating to travel advances which are cleared within seven days.

The audit noted in 2016, a sum of \$55,577.93 was debited in the Revolving Fund Account of which \$48,531.22 or 87% was related to procurement of goods and services. It was noted that this was done due to unavailability of funds in the relevant expenditure allocations.

Channelling the procurement of goods and services from the Revolving Fund Account indicates circumvention of standing government finance policies and regulations.

The above anomalies indicate absence of proper management of the Revolving Fund Account and lack of proper supervisory checks being carried out.

### **Recommendations**

**The Office should ensure that:**

- **Journal Vouchers raised are properly supported with relevant documents before it is posted into the general ledger;**
- **all accountable advances issued are retired within the stipulated timeframe and the relevant expenditure allocation is debited;**
- **the use of accountable advance allocation is restricted to recording of travel advances; and**
- **underline accounts are not used to make procurements of goods and services. If the need arise for additional funds in a SEG/allocation, the Office should consider applying for virement to transfer the funds between the SEGs or seek additional funding from Ministry of Economy.**

<sup>4</sup> Office of the President Finance Manual 2015 Section 2.8.4.v



### **Management Comments**

*The Office acknowledges the findings and recommendations with appreciation.*

*The issues arose because of a series of factors including the absence of a dedicated accounts officer position and a fully-fledged accounts section for 16 years up to 2014; the lack of institutional strengthening and capacity-building leading to the serious lack of financial management capabilities; and among other things, the absence of a dedicated space for accounting records.*

*However, to address the issues raised and, importantly, to ensure that they do not recur, the Office has implemented a major re-organisation including establishing a dedicated Accounts Officer position; creating a fully-fledged accounts section with three accounting staff; recruiting qualified and experienced accounting staff; and creating a dedicated and secure space for the management and safekeeping of accounting records. The Office undertook a lot of developments from 2012 to-date. These developments are a significant transformational shift that will ensure the Office of the President manages its finances in accordance with the Finance Management Act and Financial Instructions.*

*Following the clearance of all the outstanding accounts in 2016 with the support of the Ministry of Economy, the Office is determined to ensure that the issues highlighted by the Auditor-General will not recur. The Office's focus now is on continuous learning and increased monitoring of accounting procedures to ensure compliance.*

## Section 2

## Office of the Prime Minister

### Roles and Responsibilities

The Prime Minister is the Head of Government and is responsible for leading Cabinet and guiding the Government's legislative and reform agenda.

One of the Prime Minister's primary responsibilities is to ensure that Government adopts a holistic approach to Fiji's development by promoting close cooperation among his Ministers. It is also the duty of the Prime Minister to ensure that his Ministers uphold their responsibilities to Parliament.

The Office of the Prime Minister [OPM] provides policy advice and administrative support to the Prime Minister and Cabinet. It liaises with and seeks input from Government Ministries to provide the Prime Minister with policy advice.

Under the Prime Minister's guidance, the OPM's work includes but is not limited to projects of particular priority for Government, such as rural and outer island development, small and community grant projects and the development of specific industries which require a national focus.

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## PART A: FINANCIAL STATEMENT

### 2.1 Audit Opinion

The audit of the 2016 accounts of the Office of the Prime Minister resulted in the issue of an unqualified audit report. However, attention was drawn to the Mahogany Industry Council Trust Fund Statement of Receipts and Payments which includes receipts for License fees of \$1,110,987. It was noted that monthly reconciliations were not performed between the logs harvested/ sold by Fiji Hardwood Corporation Limited and the fees collected for licenses issued. In addition, the Council was yet to determine the total receivables for the Trust Fund Account as at 31 July 2016.

## 2.2 Statement of Receipts and Expenditure

The Office of the Prime Minister recorded revenue totalling \$47,664 and incurred expenditure totalling \$5,964,743 for the seven months period ended 31 July 2016. Refer to Table 2.1 for details.

**Table 2.1: Statement of Receipts and Expenditure for 2016**

Description	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
State Revenue	47,664	954,654
<b>TOTAL REVENUE</b>	<b>47,664</b>	<b>954,654</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	1,464,308	2,939,578
Government Wage Earners	275,447	439,630
Travel & Communications	813,869	979,868
Maintenance & Operations	478,457	733,648
Purchase of Goods & Services	146,342	387,878
Operating Grants & Transfers	512,690	663,550
Special Expenditures	146,605	154,038
<b>Total Operating Expenditure</b>	<b>3,837,718</b>	<b>6,298,190</b>
<b>Capital Expenditure</b>		
Capital Grants & Transfers	2,036,944	6,039,927
<b>Total Capital Expenditure</b>	<b>2,036,944</b>	<b>6,039,927</b>
Value Added Tax	90,081	215,043
<b>TOTAL EXPENDITURE</b>	<b>5,964,743</b>	<b>12,553,160</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

Travel and Communication expenditure for the financial period ending 31 July 2016 amounting to \$813,869 mainly consisted of costs related to the official local/overseas engagements for the Honourable Prime Minister as the Head of State and his entourage.

The Capital Grant and Transfer expenditure for the financial period ending 31 July 2016 was \$2,036,944. The reduction in the expenditure was mainly due to the management's heavy involvement in Cyclone Winston rehabilitation work, short financial period and the tender processes involved for implementation of planned projects.

## 2.3 Appropriation Statement

The Office of the Prime Minister incurred expenditure totalling \$5,964,743 in 2016 against the revised budget of \$15,499,425 resulting in a savings of \$9,534,682. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditure against the budget estimates are provided in Table 2.2.

**Table 2.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>Operating Expenditure</b>					
1	Established Staff	2,936,529	---	2,936,529	1,464,308	1,472,221
2	Government Wage Earners	537,276	---	537,276	275,447	261,829
3	Travel & Communication	2,207,720	(105,000)	2,102,720	813,869	1,288,851
4	Maintenance & Operations	783,700	(95,000)	688,700	478,457	210,243
5	Purchase of Goods & Services	429,900	109,007	538,907	146,342	392,565
6	Operating Grants & Transfers	815,000	---	815,000	512,690	302,310
7	Special Expenditure	258,100	90,993	349,093	146,605	202,488
	<b>Total Operating Costs</b>	<b>7,968,225</b>	<b>---</b>	<b>7,968,225</b>	<b>3,837,718</b>	<b>4,130,507</b>
	<b>Capital Expenditure</b>					
10	Capital Grants & Transfers	7,200,000	---	7,200,000	2,036,944	5,163,056
	<b>Total Capital Expenditure</b>	<b>7,200,000</b>	<b>---</b>	<b>7,200,000</b>	<b>2,036,944</b>	<b>5,163,056</b>
13	Value Added Tax	331,200	---	331,200	90,081	241,119
	<b>TOTAL EXPENDITURE</b>	<b>15,499,425</b>	<b>---</b>	<b>15,499,425</b>	<b>5,964,743</b>	<b>9,534,682</b>

## 2.4 Trust Fund Account Statement of Receipts and Payments

The Office of the Prime Minister maintains the following Trust Fund Accounts:

1. Chinese Grant Trust Fund Account – records grants that are provided by the Chinese Government to the Fiji Government through bilateral agreements. The grant agreement outlines the purpose and conditions for the utilisation of the funds. The balance in this account as at 31 July 2016 was \$360,930. Refer to [Appendix 2.1](#) for details.
2. Taiwan Grant Trust Fund Account – records grants that are provided by the Taiwanese Government to the Fiji Government through bilateral agreement. The grant agreement outlines the purpose and conditions for use of the funds. Balance in the account as at 31 July 2016 was \$50,080. Refer to [Appendix 2.2](#) for details.
3. Retention Fund Account – maintains retention funds for various projects as per conditions of the contract agreements. Funds held in this account will be paid out to contractors when certificate of completion is submitted and all conditions of the contract agreement have been met. Balance in the account as at 31 July 2016 was \$953,810. Refer to [Appendix 2.3](#) for details.
4. Mahogany Trust Fund Account – records proceeds from mahogany licenses which are received monthly from mahogany license holders. This account was previously maintained by the Treasury Section of Ministry of Economy and was transferred to Office of the Prime Minister in August 2015. Balance in this account as at 31 July 2016 was \$2,068,910. Refer to [Appendix 2.4](#) for details.



## PART B: AUDIT FINDINGS

### 2.5 Advance Payment

An advance is a transfer of cash to finance the provision of goods, services or works not yet delivered.<sup>1</sup>

Advance payment in Government is synonymous with travel advances, pro forma invoice; executed contracts and any form of payment made to suppliers prior to the delivery or completion of goods, services or works.<sup>2</sup>

The Office of the Prime Minister (OPM) signed an agreement with Water Authority of Fiji (WAF) on 13/06/16 for water supply works project to be carried out at Natutale Primary School and Wauosi Nursing Station. An advance payment of \$146,000 was paid to Water Authority on 20/06/16 through cheque number 83133.

The audit noted that the project commencement and completion date was not stated in the signed agreement and as at the date of audit (21/11/16) works were yet to commence.

According to the OPM, the delay was attributed to the WAF's work load and schedule.

Delay in executing the project defeats the objective of the advance payment made to the Authority.

#### **Recommendation**

**The OPM should follow up with the Water Authority of Fiji on project status and strategies to expedite the project commencement and completion.**

#### **Management Comments**

*The office has noted the audit recommendation.*

*For the Natutale Primary School and Wauosi Nursing Station, the WAF undertook a reassessment of the project in September 2016.*

*OPM had been consistent in following through with the WAF representatives on the project implementation since the deposit of the cheque on 22 June 2016. The initial assurance was given on September 29, 2016 that the survey and estimate has been completed and WAF was preparing a business case to be discussed in the project appraisal committee, they further advice that once the business case is approved they will work in implementing the Project.*

*On 14 November 2016, the WAF had advice that the project is expected to start late November 2016(in-house) or if outsource than it was forecasted for February 2017 and it was yet to be approved.*

*From the December 16, 2016 follow-up, WAF a business case was submitted to the Project Quality Assurance Team, from their vetting had requested technical details and upon resubmission approval was expected by the end of December 2016.*

*Another follow-up on February 13, 2017 and the WAF response dated 20 February 2017 advice that the Project was approved in principle and were on the verge of tendering out the project.*

<sup>1</sup> Advance Payment Policy 2013 – Section 2.1

<sup>2</sup> Advance Payment Policy 2013 – Section 2.2

*WAF Tender process began on 8 March 2017 and anticipates to award the Contract by the 1<sup>st</sup> week of May 2017, the work to commence on the last week of May 2017.*

*As to date – The project construction will commence on 9 June 2017, approximately 3 to 4 weeks construction and the commissioning date is scheduled on 31 July 2017.*

*OPM will follow through with WAF for a monthly report and quarterly verification will also be undertaken based on the report. As for the existing Memorandum of Agreement (MOA), WAF is expected to submit the followings:*

- *within two weeks at the completion of the project a report to be submitted; and*
- *within one month of the completion of the project a financial acquittal report to be submitted .*

## **2.6 Anomalies in Operating Trust Account**

Trust money is money that the agency is holding in trust (it does not include creditor payments such as salary deductions or money that is held in a separate “trust fund” which is not a true trust). As stipulated in the Act and Finance Instructions, trust money is to be kept in a separate bank account and accounted for separately from “public money” and “other money”.<sup>3</sup>

Audit review of the Operating Trust Account reconciliations showed that the OPM was maintaining and administering two trust fund accounts namely the Sporting Trust Fund (1-02101-02101-899988) and Miscellaneous Trust Fund (1-02101-02999-899988) which had closing balance of \$577,456 and \$62,795, respectively.

- The Sporting Trust Fund account was transferred from Ministry of Youth and Sports to the OPM in 2012 on the directive of the Honourable Prime Minister. The account was primarily used to retain funds received from corporate bodies for sports sponsorship before the OPM distributes the amount to the relevant sporting bodies.

Upon clearance of the sponsorship amount by the OPM to the relevant sporting bodies, two and half percent of the total fund received was retained in the Sports Trust Fund Account to assist minor sporting bodies on the approval and directive of Honourable Prime Minister. However, it was noted that payment has not been made from the funds retained since 2012.

As at the date of audit<sup>4</sup> the OPM was in the process of establishing Standing Operating Procedures/policy (SoPs) on the utilization of the fund. The funds kept in this account constitute trust monies paid by sponsors, other non-government organisations and business enterprises for specific purposes and does not originate from the Government thus constitute trust money similar to trust money maintained in the Fund 9 FMIS general ledger.

- The Miscellaneous Trust Fund account was used primarily to retain proceeds from the sales of books namely “The Three Legged Stool” and “Ratu Sukuna Biography”. Details of when the account was opened was not available at the OPM. Therefore, the purpose of the fund and how it should be utilized could not be determined. There has been no movement in this account for the seven months period ending 31 July 2016.

<sup>3</sup> Pro – forma Finance Manual – Part 15 – Paragraph 1

<sup>4</sup> 27/01/17

In absence of a proper documentation and policy guidelines on the use of the trust accounts, the objectives of the trust accounts may not be clearly understood and achieved.

### **Recommendations**

**The Office should:**

- **formulate SoPs on utilization of the funds in held in the trust accounts;**
- **consider transferring the two trust accounts to the Main Trust general ledger under Fund 9 in the FMIS with separate bank accounts; and**
- **re-consider the need to maintain the Miscellaneous Trust account for proceeds from sale of books.**

### **Management Comments**

*The Office has noted the audit recommendation.*

#### **Sporting Trust Fund**

*The Office has been liaising with Ministry of Economy and Ministry of Youth and Sports for the establishment of a separate Trust Account for Sporting Trust Fund which is currently held under the Operating Trust.*

*In a meeting with the Chief Accountant of Ministry of Economy, the Office has been informed to formulate a guideline for the Trust Account and establish a trust deed to open a new trust account. The Office has been liaising with Ministry of Youth and Sports to formulate a draft framework outlining the guidelines for the Fund especially for minority Sports. The last consultation with Ministry of Youth and Sports was in March 2017 and we anticipate new guidelines for the funds by 31 July 2017.*

*In the absence of the policy guidelines for the Sporting Trust Fund, the Office has a standard operating procedure for the payment process*

#### **Miscellaneous Trust Account – “The Three Legged Stool” and “Ratu Sukuna Biography”**

*Funds are currently sitting in this trust Account due to lack of information on the process involved regarding its establishment. The Office is currently gathering information in regards to the purpose and the establishment of the Account. From records gathered it was noted that the account was established on 9<sup>th</sup> November, 1973.*

*The status of the account will be determined once accurate and relevant information for the account is obtained so that funds can be transact to its correct allocation.*

*The office will consult Chief Accountant, Ministry of Economy and SG’s Office on how best to manage the funds.*

## **2.7 Visa Card Expenses not acquitted**

Credit card maintenance and monitoring is the responsibility of the Accounting Head within each ministry and department.<sup>5</sup> It is the responsibility of the designated reconciliation clerk within each ministry and department to examine and reconcile the credit card bank statement and the individual receipts produced by the card user on a monthly basis.<sup>6</sup>

<sup>5</sup> Credit Card Policy 2016 – Section 6.1

<sup>6</sup> Credit Card Policy 2016 – Section 7.1

Any transaction appearing on the credit card bank statement that is not supported by a signed receipt is to be personally reimbursed by the card holder 7 days upon return. Proper justification needs to be provided to the reconciliation clerk and the accounting head to support the non-availability of the receipt.<sup>7</sup>

The visa card with a credit limit of \$50,000 is used to cater for the Honourable Prime Minister's accommodation and incidental expenses while on official trip overseas.

Audit review of reconciliations for the Visa card account revealed that visa card expenses amounting \$6,492.11 were cleared without acquittals/invoices from overseas suppliers contrary to Section 7 of the Credit Card Policy 2016. Refer to Table 2.3 for details.

**Table 2.3: Details of Unsupported Payments**

Date	Cheque No.	Payee	Description	Amount (\$)	Unacquitted Amount (\$)
19/02/16	82785	Company A	Being PM's visa card top up for the month of December 2015 & January 2016	9,428.16	3,368.87
20/06/16	83132	Company A	Being PM's visa card top up for the month of May 2016	14,721.26	2,699.41
<b>Total</b>				<b>24,149.42</b>	<b>6,068.28</b>

According to the Principal Accounts Officer, the above charges were accidentally debited to the Office credit card and a refund was being arranged. However, as at the date of audit<sup>8</sup> refund was yet to be received.

The audit finding indicates control weaknesses in the administration of the credit card payments which may result in payments being made for fraudulent transactions.

### **Recommendations**

**The Principal Accounts Officer must ensure that:**

- individual receipts for payments made through the credit card are submitted to the Accounts Section within seven days of return from a trip;
- immediate action is taken to recover any incorrect charges made to the credit card; and
- necessary arrangement is made for refund of the amount incorrectly charged.

### **Management Comments**

*The office has noted the audit recommendations.*

*Tabulated below are the responses on issues raised:*

Date	Cheque No	Payee	Description	Amount (\$)	Un-acquitted Amount	Response
19/02/16	82785	Company A	Being PMs visa card top up for the month of December 2015 &	9,428.16	3,368.87	The un-acquitted amount of \$3,368.87 was the result of visa Card

<sup>7</sup> Credit Card Policy 2016 – Section 7.3

<sup>8</sup> 30 January 2017



<i>Date</i>	<i>Cheque No</i>	<i>Payee</i>	<i>Description</i>	<i>Amount (\$)</i>	<i>Un-acquitted Amount</i>	<i>Response</i>
			<i>January 2016</i>			<p><i>scam that happens worldwide.</i></p> <p><i>The Bank has been informed about the fraudulent transaction and the Office has requested for the refund of \$3,368.87. OPM has an on-going discussion with the Bank for this issue.</i></p>
20/06/16	83132	Company A	Being PM's visa card top up for the month of May 2016	14,721.26	2,699.41	The Hon. Prime Ministers Secretary/PSO are following up on the balance of refund amounting to <b>\$2,699.41</b>

## 2.8 Capital Projects Undertaken by RFMF under the Small Grants Scheme

The Small Grants Scheme (SGS) is a Government development program that provides funds for ad hoc community projects which cannot be funded by other programs of Ministries and Departments. The Scheme aims to assist both rural and peri-urban disadvantaged communities in having access to Government funded assistance.<sup>9</sup>

The ultimate aim of the Scheme is to empower the beneficiaries to be self-sustainable through working in partnership with the Government and ultimately taking full ownership of projects that actually originated from them. The Small Grants Scheme has largely assisted communities in the areas of Education, integrated village development, youth development, women's groups and minority group settlement development

The Office of the Prime Minister (OPM) and the Republic of Fiji Military Forces Engineers Regiment entered into a Memorandum of Understanding (MOU) for construction of buildings and schools under the small grants scheme. Provisions of the MOU provided that the Commanding Officer, Republic of Fiji Military Forces Engineers Regiment to:

- Inspect and submit monthly work progress report to the Permanent Secretary, Office of the Prime Minister on the fifth working day of the new month.
- Submit a final report on the substantial completion of the project within two weeks after the completion of the project.
- Submit a financial acquittal report to the Permanent Secretary, Office of the Prime Minister within 30 days of the substantial completion of the project on the funds allocated and utilized on the project by the Republic of Fiji Military Forces Engineers Regiment.

<sup>9</sup> Office of the Prime Minister, Official Website – [www.pmooffice.gov.fj](http://www.pmooffice.gov.fj)

- Any unutilized funds allocated for the project shall be reimbursed to the Office of the Prime Minister by the RFMF Engineers Regiment within 30 days of the substantial completion of the project.<sup>10</sup>

In 2015, the OPM awarded the Republic of Fiji Military Forces Engineers Regiment to carry out 11 projects related to renovation and construction of new classroom/building and teacher's quarters totalling \$1,385,360.21.

Audit review of these projects revealed that four projects worth \$425,427.73 were incomplete as at the date of audit and for some of the completed projects, monthly progress reports, financial acquittal, completion certificate and engineer's certificate were yet to be submitted to the OPM. Refer to Table 2.4 for details:

**Table 2.4: Construction Projects undertaken by RFMF**

Project Name Location	Assistance	Project Cost (\$)	Remarks
<b>Completed Projects</b>			
Voivoi Kindergarten – Legalega, Nadi	Completion of the partly constructed Voivoi Kindergarten Building	56,560.75	The project was completed in December 2015 commissioned on 27/01/16. However, <ul style="list-style-type: none"> <li>financial acquittal report was not submitted by the RFMF to the OPM.</li> <li>completion/Engineers certificate was pending from RFMF.</li> </ul>
Batirilagi Primary School – Macuata, VanuaLevu	Construction of 1X2 teachers quarters and 1X4 classroom block for Batirilagi Primary School	247,804.57	The project was completed in November 2016. However, <ul style="list-style-type: none"> <li>monthly progress reports were not submitted by RFMF to the OPM.</li> <li>completion/Engineers certificate was pending from RFMF.</li> </ul>
Nailagotabua Primary School – Naloto, Verata, Tailevu	Nailagotabua Primary School involved the renovation of five school building and five teachers' quarters.	80,871.40	The project was completed in September 2016. However, <ul style="list-style-type: none"> <li>monthly progress reports were not submitted by RFMF to the OPM.</li> <li>completion/Engineers certificate was pending.</li> </ul>
Annesly Primary School - Toorak, Suva	Construction of a 1 X 5 Classroom at Annesly Primary School	158,923.85	Project had been completed in September 2016 and commissioned on 22/11/16. However, monthly progress reports were not submitted by RFMF to the OPM.
Napuka - Cakaudrove, Vanualevu	Napuka - Construction of 1 x 3 concrete classroom block and 1 x 2 Bedroom Teacher Quarters	147,808.55	The project was completed in December 2015 and commissioned in January 2016. However, <ul style="list-style-type: none"> <li>financial acquittal report was not submitted by the RFMF to the OPM.</li> <li>completion/Engineers certificate was pending.</li> </ul>
Vugalei District School – Tailevu	Renovation of School Building	209,774.43	Project was completed and commissioned in November 2016. However, <ul style="list-style-type: none"> <li>monthly progress reports were not submitted by</li> </ul>

<sup>10</sup> Memorandum of Understanding between the Permanent Secretary, Office of the Prime Minister and the Commanding Officer, Republic of Fiji Military Forces Engineers Regiments on the construction of various capital projects under the Small Grants Scheme, Article 1

Project Name Location	Assistance	Project Cost (\$)	Remarks
			RFMF to the OPM. <ul style="list-style-type: none"> <li>completion/Engineers certificate was pending.</li> </ul>
Rt Filimoni Memorial School – Sorokoba, Ba	Rt Filimoni Memorial School - Construction of Walkway, Fencing and Renovation Works	58,188.93	The project was completed by December 2015 and commissioned on 29/01/16. However, <ul style="list-style-type: none"> <li>financial acquittal report was not submitted by the RFMF to the OPM.</li> <li>completion/Engineers certificate was pending.</li> </ul>
<b>Total Completed Projects</b>		<b>959,932.48</b>	
<b>On-Going Projects</b>			
Ba Methodist High School – Ba	Renovation works to female barracks and mess hall at Ba Methodist High School	50,519.16	<ul style="list-style-type: none"> <li>The project was 85% complete as at 31/12/15. Due to Tropical Cyclone Winston, the Mess Hall sustained extensive damages which the OPM is currently resolving to address.</li> <li>Monthly progress reports were not submitted.</li> </ul>
Naivicula District School – Tailevu	Renovation of school building and construction 1X2 bedroom teachers quarters at Naivicula District School	156,812.00	<ul style="list-style-type: none"> <li>The project was 70% complete as at 31/12/16. The project was on hold due to redeployment of RFMF troops after Tropical Cyclone Winston.</li> <li>According to the Project Officer at OPM the pending work has recommenced and scheduled to be completed by end of February 2017.</li> <li>Monthly progress reports were not submitted.</li> </ul>
Ratu Luke Primary School – Bua	Renovation of Ratu Luke Primary School	99,388.96	<ul style="list-style-type: none"> <li>The project was 85% complete as at 31/12/16. The project was on hold due to redeployment of RFMF troops after Tropical Cyclone Winston.</li> </ul> <p>According to the Project Officer at OPM the work was scheduled to re-commence from February 2017.</p> <ul style="list-style-type: none"> <li>Monthly progress reports were not submitted.</li> </ul>
Holy Family Primary School – Macuata, Vanua Levu	Construction of 1 X 4 Classroom Block & Renovation to school buildings for Holy Family Primary School	118,707.61	<ul style="list-style-type: none"> <li>The project was 75% complete as at 31/12/16.</li> <li>According to the Project Officer at OPM the work was scheduled to re-commence from February 2017.</li> <li>Monthly progress acquittal reports were not submitted by RFMF to the Office.</li> </ul>
<b>Total On-Going Projects</b>		<b>425,427.73</b>	
<b>Grand Total</b>		<b>1,385,360.21</b>	

According to the OPM, the delay in the completion of the project and submission of the progress/acquittal report was due to the redeployment of staffs and resources to the Tropical Cyclone Winston rehabilitation works.

Non-submission of the monthly progress reports by the RFMF indicates the project was not vigorously followed-up by the OPM. In absence of the acquittal records and engineers report it could not be ascertained if the funds were used for its intended purpose and required building standard was complied.

### **Recommendation**

**The OPM should follow up the pending documents from RFMF and keep track of on-going capital projects to ensure its timely completion.**

### **Management Comments**

*The office has noted the audit recommendation.*

### **Completed Projects**

*For the seven (7) completed projects the RFMF has confirmed the submission of the outstanding Financial Acquittals by April 2017.*

<b>COMPLETED PROJECTS</b>				
<b>Project Name, Location</b>	<b>Assistance</b>	<b>Project Cost (\$)</b>	<b>Remarks</b>	<b>DCFO Response as at 29 March 2017</b>
Voivoi Kindergarten, Legalega, Nadi	Completion of the partly constructed Voivoi Kindergarten Building	56,560.75	The project was completed in December 2015 commissioned on 27/01/16. However; <ul style="list-style-type: none"> <li>Financial acquittal report was not submitted by the RFMF to the OPM</li> <li>Completion/Engineers certificate was pending from RFMF.</li> </ul>	<ul style="list-style-type: none"> <li>RFMF will submit the financial acquittal to OPM by <b>July 2017</b>.</li> </ul>
Batirilagi Primary School, Macuata, Vanua Levu	Construction of 1x2 teachers quarters and 1x4 classroom block for Batirilagi Primary School	247,804.57	The project was completed in November 2016. However; <ul style="list-style-type: none"> <li>The monthly progress reports was not submitted by RFMF to the OPM</li> <li>Completion /Engineers certificate was pending from RFMF.</li> </ul>	<ul style="list-style-type: none"> <li>Project was commissioned by the Hon. Prime Minister on 25.02.17</li> <li>Completion Certificate received from RFMF.</li> <li>RFMF will submit financial acquittals to OPM by <b>31 July 2017</b>.</li> </ul>
Nailagotabua Primary School - Naloto, Verata, Tailevu	Nailagotabua Primary School involved in the renovation of five school building and five teachers quarters	80,871.40	The project was completed in September 2016. However; <ul style="list-style-type: none"> <li>The monthly progress reports were not submitted by RFMF to the OPM.</li> <li>Completion/Engineers certificate was pending.</li> </ul>	<ul style="list-style-type: none"> <li>RFMF has submitted financial acquittals to OPM on 04/11/16.</li> <li>RFMF has submitted acquittals for Admin, contingency and ration cost. They are working on the acquittals for</li> </ul>

<b>COMPLETED PROJECTS</b>				
<b>Project Name, Location</b>	<b>Assistance</b>	<b>Project Cost (\$)</b>	<b>Remarks</b>	<b>DCFO Response as at 29 March 2017</b>
				<i>the building materials and will submit by the end of June 2017.</i>
Annesley Primary School, Toorak, Suva	Construction of a 1x5 classroom at Annesley Primary School	158,923.85	<ul style="list-style-type: none"> <li>Project had been completed in September 2016 and commissioned on 22/11/16. However, the monthly progress reports were not submitted by RFMF to the OPM.</li> </ul>	<ul style="list-style-type: none"> <li>RFMF has submitted acquittals for Admin, contingency and ration cost. They are working on the acquittals for the building materials and will submit by the end of June 2017.</li> </ul>
Napuka Cakaudrove, Vanualevu	Napuka construction of 1x3 concrete classroom block and 1x2 bedroom teachers quarters	147,808.55	<p>The project was completed in December 2015 and commissioned in January 2016. However;</p> <ul style="list-style-type: none"> <li>Financial acquittal report was not submitted by the RFMF to OPM.</li> <li>Completion/Engineers certificate pending.</li> </ul>	<ul style="list-style-type: none"> <li>RFMF will submit the financial acquittal by end of June 2017.</li> </ul>
Vugalei District School, Tailevu	Renovation of school building	209,774.43	<p>Project was completed and commissioned in November 2016. However;</p> <ul style="list-style-type: none"> <li>The monthly progress report was not submitted by RFMF to the OPM.</li> <li>Completion/Engineers certificate was pending.</li> </ul>	<ul style="list-style-type: none"> <li>RFMF will submit the financial acquittal by end of June 2017.</li> </ul>
Ratu Filimoni Memorial School – Sorokoba, Ba	Ratu Filimoni Memorial School – Construction of walkway, fencing and renovation works	58,188.93	<p>The project was completed by December 2015 and commissioned 29/1/16. However;</p> <ul style="list-style-type: none"> <li>Financial acquittal report was not submitted by the RFMF to the OPM</li> <li>Completion /Engineers certificate was pending</li> </ul>	<ul style="list-style-type: none"> <li>Acquittal was received at OPM in November 2016. It was assessed and returned to RFMF Engineers.</li> <li>RFMF will resubmit the financial acquittal to OPM by June 2017.</li> </ul>
<b>Total Completed Projects</b>		<b>959,932.48</b>		

**Ongoing Projects**

As for the four (4) ongoing projects, one is completed and three are currently ongoing. The Desk Officers will follow-up with the RFMF on a monthly progress report of the projects together with the Financial Acquittals at the end of the project.

<b>ONGOING PROJECT</b>				
<b>Project Name, Location</b>	<b>Assistance</b>	<b>Project Cost (\$)</b>	<b>Remarks</b>	<b>DCFO Response as at 29<sup>th</sup> March 2017</b>
Ba Methodist	Renovation	50,519.16	<ul style="list-style-type: none"> <li>The project was 85%</li> </ul>	<ul style="list-style-type: none"> <li>Report has been</li> </ul>

<b>ONGOING PROJECT</b>				
<b>Project Name, Location</b>	<b>Assistance</b>	<b>Project Cost (\$)</b>	<b>Remarks</b>	<b>DCFO Response as at 29<sup>th</sup> March 2017</b>
High School, Ba	works to female barracks and mess hall at Ba Methodist High School		complete as at 31/12/15. Due to Tropical Cyclone Winston, the mess hall sustained extensive damages which the OPM is currently resolving to address.	received. <ul style="list-style-type: none"> <li>The RFMF engineers will be submitting a report to OPM by June 2017.</li> </ul>
Naivicula District School, Tailevu	Renovation of school building and construction of 1x2 bedroom teachers quarters at Naivicula District School	156,812.00	<ul style="list-style-type: none"> <li>The project was 70% completed as at 31/12/16. The project was on hold due to redeployment of RFMF troops after Tropical Cyclone Winston.</li> <li>According to the Project Officer at OPM the pending work has recommended and scheduled to be completed by end of February 2017.</li> <li>Monthly progress reports were not submitted.</li> </ul>	<ul style="list-style-type: none"> <li>RFMF has confirmed that project was completed by May 2017 and will submit the financial acquittal by end of June 2017.</li> </ul>
Ratu Luke Primary School, Bua	Renovation to Ratu Luke Primary School	99,388.96	<ul style="list-style-type: none"> <li>The project was 85% completed as at 31/12/16. The project was on hold due to redeployment of RFMF troops after Tropical Cyclone Winston.</li> <li>According to the Project Officer at OPM the work was scheduled to re-commence from February 2017.</li> </ul>	<ul style="list-style-type: none"> <li>Renovation work is 95% in progress and is scheduled to be completed by end of June 2017.</li> </ul>
Holy Family Primary School, Macuata, Vanua Levu	Construction of 1x4 classroom block & renovation to school building for Holy Family Primary School	118,707.61	<ul style="list-style-type: none"> <li>The project was 75% completed as at 31/12/16.</li> <li>According to the Project Office at OPM the work was scheduled to re-commence from February 2017.</li> <li>Monthly progress acquittal reports were not submitted by RFMF to the Office.</li> </ul>	<ul style="list-style-type: none"> <li>The project was commissioned by the Hon. Prime Minister on 23.02.17.</li> <li>Acquittals will be submitted by RFMF by June 2017.</li> </ul>
<b>Total On-Going Projects</b>		425,427.73		
<b>Grant Total</b>		1,385,360.21		

As the way forward for OPM projects engagement under the RFMF:

- i. A Memorandum of Agreement (MOA) signed between the two parties for the transfer of the Small Grant Schemes project fund to the RFMF Trust Accounts.

- ii. *The MOA to include the timeline for the undertaking of the project from the start date to the completion date.*
- iii. *Monthly reconciliation is undertaken for each project and a copy send to the Ministry of Economy from the RFMFER.*
- iv. *A Monthly Physical & Monthly Report to be submitted on the 7<sup>th</sup> working day of the new month from the RFMFER.*
- v. *A quarterly monitoring will be undertaken by the DCFO Desk Officers in verifying projects implementation progress on the ground.*
- vi. *A final project report to be submitted 4 weeks after the completion of the project together with the financial acquittal report to OPM.*

*The MOA to include the timeline for the undertaking of the project from the starting date to the completion date.*

## **2.9 Anomalies noted in Mahogany Industry Council Trust Fund Account**

Each month the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation should be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.<sup>11</sup>

In performing its functions, the Council has the power to determine how the proceeds of sale of mahogany timber are to be distributed or used, including the amounts that are to be paid to the State, as reimbursement of costs incurred in connection with the mahogany industry or for use in the repayments of debt owed by Fiji Hardwood Corporation Limited that have been guaranteed by the State or set aside for reforestation or other purpose.

The audit noted Mahogany trust funds totalling \$321,241 previously held in the Ministry of Economy's Miscellaneous Trust Fund Account was transferred into the newly opened Mahogany Industry Council Fund Account (MICFA) held with the HFC Bank on 04/08/15 and maintained by the OPM. The remaining balance of \$44,164 was transferred to the MICFA in May 2016.

The current practise is that the Fiji Hardwood Corporation Limited (FHCL) harvest and sells the log to Licensee and also bills them the license fees charged on cubic meters and the grade of log, reforestation fees and branding fee. Licensee pays these fees to FHCL who then forwards the cheque to OPM.

Audit review of the MICFA revealed the following anomalies:

- The OPM does not have Standard Operating Procedures (SoPs) on the use of the trust fund;
- Monthly reconciliations are not being performed by the OPM on the Mahogany log harvested against the licence fees collected as at 31 July 2016;
- There are five grades of log harvested for which the rate varies. No independent monitoring/spot checks was carried out by the OPM since August 2015 on the operation and billing process of FHCL to Licensee;
- The rates used by the FHCL to levy licence fee to Licensee is not gazetted or formalised by the Mahogany Industry Council; and
- The fees are only disclosed as License Fee in the Statement of Receipt and Payments (Agency Financial Statement). (It is not referenced to the purpose the fees is being received).

<sup>11</sup> Finance Instruction 2010, Section 58(3)

It was noted that as at the date of audit<sup>12</sup> the OPM was in process of reconciling the records and rectifying the anomalies identified.

In absence of the monthly reconciliations, the audit could not ascertain the total trust fund revenue due to be collected from licensees.

### **Recommendations**

**The OPM should:**

- **ensure that monthly reconciliation of Trust Fund Account is carried out and unreconciled item(s) are promptly investigated and resolved;**
- **develop SoPs for the operation of the trust fund;**
- **assess and formalize the license fee levy; and**
- **carry out independent monitoring and checks on the operation and billing process of the FHCL to Licensees.**

### **Management Comments**

*The Office has noted the audit recommendation.*

*The Office is conducting monthly Trust Fund Bank Reconciliation which is submitted to Ministry of Economy.*

*Mahogany Industry Council Fund reconciliation is targeted to be completed next week with consultations involving Ministry of Economy, Ministry of Public Enterprises, OAG, Office of the Solicitor General and Fiji Hardwood Corporation Ltd. In addition, the new mahogany licenses regime will most likely to be rolled out by August 2017 including improved accounting controls namely:*

- i. FHCL to facilitate invoicing, receipting, depositing of funds unlike the current arrangement where OPM and MOE facilitated the deposits;*
- ii. FHCL to facilitate follow ups monthly reconciliations and follow up on arrears with license holders;*
- iii. FHCL to provide monthly reconciliation reports to OPM and MOE*

*OPM and FHCL will also formally notify and follow up with the current license holders by mid - June 2017 on the arrears with the license and replanting fees for logs supplied since June 2011.*

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<sup>12</sup> 31/01/17



**Appendix 2.1: Trust Fund Account for 2016 - Chinese Grant**

Account	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
Interest	178	1,370
Refunds	8,948	8,210
<b>Total Receipts</b>	<b>9,126</b>	<b>9,580</b>
<b>PAYMENTS</b>		
Assistance to Schools	---	119,260
Assistance to Settlements	---	9,877
Assistance to Other Integrated Projects	---	494,862
Netball Fiji Sponsorship	---	80,000
Withholding Tax	18	274
Transfer to Retention Fund Account	---	937,873
Withdrawal Transfer – Bank Fees	40	40
<b>Total Payments</b>	<b>58</b>	<b>1,642,186</b>
Net Surplus/(Deficit)	<b>9,068</b>	<b>(1,632,606)</b>
Adjustment of Foreign Cheque	---	<b>8,400</b>
Opening Balance as at 1 January	351,862	1,976,068
<b>Closing Balance as at 31 July 2016/ 31 December 2015</b>	<b>360,930</b>	<b>351,862</b>

**Appendix 2.2: Trust Fund Account for 2016 – Taiwan Grant**

Account	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
Interest Received	21	119
Other receipts	41,849	-
Taiwan Cash Grant	---	211,893
<b>Total Receipts</b>	<b>41,870</b>	<b>212,012</b>
<b>PAYMENTS</b>		
Assistance to Community Projects	---	113,900
Assistance to Schools	---	170,787
Transfer to Retention Fund Account	---	5,000
Withdrawal Transfer – Bank Fees	43	---
<b>Total Payments</b>	<b>43</b>	<b>289,687</b>
Net Surplus / (Deficit)	<b>41,827</b>	<b>(77,675)</b>
Opening Balance as at 1 January	8,253	85,928
<b>Closing Balance as at 31 July 2016/ 31 December 2015</b>	<b>50,080</b>	<b>8,253</b>

**Appendix 2.3: Trust Fund Account for 2016 – Retention Fund**

Account	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
Interest	474	925
Retention for Nawaka River Dredging	---	175,971
Retention for Ba River Dredging	---	330,431
Retention for Nadi River Dredging	---	431,471
Development Fund for Grassroot People	---	5,000
Retention for Rabulu Sanatan Primary School	---	4,830
Contribution Keyasi Hospital	---	5,000
<b>Total Receipts</b>	<b>474</b>	<b>953,628</b>
<b>PAYMENTS</b>		
Bank fee	40	20
Resident Withholding Tax	47	185
<b>Total Payments</b>	<b>87</b>	<b>205</b>
<b>Net Surplus</b>	<b>387</b>	<b>953,423</b>
Opening Balance as at 1 January	953,423	-
<b>Closing Balance as at 31 July 2016/ 31 December 2015</b>	<b>953,810</b>	<b>953,423</b>

**Appendix 2.4: Trust Fund Account for 2016 – Mahogany Industry Council Fund**

Account	2016 (\$)	For the period from 17/07/15 to 31/12/15 (\$)
<b>RECEIPTS</b>		
Interest	8,478	1,628
Transfer from Ministry of Finance/Economy	44,164	321,451
License Fees	1,110,987	583,490
Reversal Withholding Tax	76	---
<b>Total Receipts</b>	<b>1,163,705</b>	<b>906,569</b>
<b>PAYMENTS</b>		
Bank chargers	76	39
Withholding Tax	923	326
<b>Total Payments</b>	<b>999</b>	<b>365</b>
<b>Net Surplus</b>	<b>1,162,706</b>	<b>906,204</b>
Opening Balance as at 1 January	906,204	-
<b>Closing Balance as at 31 July 2016/ 31 December 2015</b>	<b>2,068,910</b>	<b>906,204</b>

## Section 3

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## Office of the Attorney General

### Roles and Responsibilities

The Attorney-General is the Chief Legal Adviser to Government, whose Permanent Secretary is the Solicitor-General.

The Attorney-General's Chambers seeks to continually review and improve Fijian laws to bring about a more just and secure society. It provides legal services to Government and represents the State in legal proceedings. It also prepares draft laws on request of Cabinet and maintains a publicly accessible register of all written laws.

The Chambers is therefore responsible for:

- Providing legal advice to Government and to the holders of a public office on request;
- Drafting laws on the request of Cabinet;
- Maintaining a publicly accessible register of all written laws;
- Representing the State in Tribunals and Courts in legal proceedings to which the State is a party, except criminal proceedings; and
- Performing other functions assigned by the Constitution, any written law, Cabinet or the Attorney-General.

The Department of Civil Aviation comes under the Office of the Attorney-General and is responsible for the regulation of air transport in Fiji. The Department develops air safety protocols, in line with international standards, and looks after the development of Fijian airports.

The Legal Aid Commission, the Fiji Intellectual Property Office and the Media Industry Development Authority also come under the Office of the Attorney-General.

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## PART A: FINANCIAL STATEMENT

### 3.1 Audit Opinion

The audit of the 2016 accounts of the Office of the Attorney General resulted in an unqualified audit opinion.

### 3.2 Statement of Receipts and Expenditure

The Office of the Attorney General recorded revenue totalling \$196,241 and incurred expenditure totalling \$8,469,241 for the seven months period ended 31 July 2016. Refer to Table 3.1 for details.

**Table 3.1: Statement of Receipts and Expenditure for 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Hotel License	40,757	246,100
Trademark and Patent Registration	19,974	35,958
Civil Aviation Licence	3,520	7,960
Miscellaneous Fees	8,152	12,812
Other	115,383	78,821
<b>Total State Revenue</b>	<b>187,786</b>	<b>381,651</b>
<b>Agency Revenue</b>		
Miscellaneous	8,455	12,600
<b>TOTAL REVENUE</b>	<b>196,241</b>	<b>394,251</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	1,723,001	2,566,198
Government Wage Earners	170,292	302,002
Travel & Communications	149,504	152,231
Maintenance & Operations	306,894	358,483
Purchase of Goods & Services	913,153	1,567,950
Operating Grants & Transfers	4,680,361	7,845,683
Special Expenditures	282,782	655,454
<b>Total Operating Expenditure</b>	<b>8,225,987</b>	<b>13,448,001</b>
<b>Capital Expenditure</b>		
Capital Grants and Transfers	-	10,140
<b>Total Capital Expenditure</b>	<b>-</b>	<b>10,140</b>
Value Added Tax	243,254	297,538
<b>TOTAL EXPENDITURE</b>	<b>8,469,241</b>	<b>13,755,679</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

### 3.3 Appropriation Statement

The Office of the Attorney General incurred expenditure totalling \$8,469,241 in 2016 against a revised budget of \$18,278,344, resulting in savings of \$9,809,103 or 54%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditures against the revised budget are provided in Table 3.2.

**Table 3.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,829,134	(90,000)	3,739,134	1,723,001	2,016,133
2	Government Wage Earners	177,362	90,000	267,362	170,292	97,070
3	Travel & Communications	226,750	-	226,750	149,504	77,246
4	Maintenance & Operations	372,300	102,000	474,300	306,894	167,406
5	Purchase of Goods & Services	1,783,973	(29,200)	1,754,773	913,153	841,620
6	Operating Grants & Transfers	10,360,825	(48,200)	10,312,625	4,680,361	5,632,264

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
7	Special Expenditures	1,205,000	(24,600)	1,180,400	282,782	897,618
	<b>Total Operating Expenditure</b>	<b>17,955,344</b>	<b>-</b>	<b>17,955,344</b>	<b>8,225,987</b>	<b>9,729,357</b>
	<b>Capital Expenditure</b>					
10	Capital Grants & Transfers	-	-	-	-	-
	<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13	Value Added Tax	323,000	-	323,000	243,254	79,746
	<b>TOTAL EXPENDITURE</b>	<b>18,278,344</b>	<b>-</b>	<b>18,278,344</b>	<b>8,469,241</b>	<b>9,809,103</b>

## Section 4

## Ministry of Economy

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### Role and Responsibilities

The Ministry of Economy manages the finances of Government. It ensures that public funds are used as its elected leaders intend and that all spending adheres to Fijian law.

The work of the Ministry of Economy helps put the economy on a path to sustainable long-term development by ensuring that the national economy is well managed and meets its macroeconomic targets.

To carry out this responsibility, the Ministry of Economy must provide sound economic and financial forecasting and analysis, manage the nation's financial assets and debts, oversee fiscal policy and tax collection, carry out Government-wide financial management reforms, manage the national budget and ensure that Government can procure the goods and services it needs to serve the people of Fiji.

As part of the Ministry of Economy, the Strategic Planning Office (SPO) formulates and coordinates the implementation of the national development plan including monitoring of Annual Corporate Plans, capital projects and climate change, and providing input to the Office of the Prime Minister. The Office also coordinates with the budget division on operating expenditure. The Fiji Bureau of Statistics [FBOS] is responsible for the analysis and publication of all statistical information in a timely and coherent manner.

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## PART A: FINANCIAL STATEMENT

### 4.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Economy resulted in the issue of an unqualified audit opinion.

### 4.2 Head 4, 50, 51, 52, and 13 - Statement of Receipts and Expenditure

#### Head 4 – Ministry of Economy

The Ministry of Economy budget is appropriated as Head 4 in the 2016 Budget Appropriation Act with Fiji Procurement Office (FPO), Strategic Planning Office (SPO) and Fiji Bureau of Statistics (FBOS).

The Ministry of Economy recorded revenue totalling \$1,762,592,179 and incurred expenditure totalling \$45,624,908 for the seven months period ended 31 July 2016. In addition, total payments of \$10,335,087 were made by third parties on behalf of the Ministry. Refer to Table 4.1 for details.

**Table 4.1: Head 4 – Consolidated Statement of Receipts and Expenditure in 2016**

Description	31 July 2016 (\$)	Payment by Third Party (\$)	31 December 2015 (Restated) (\$)	Payment by Third Party (Restated) (\$)
<b>RECEIPTS</b>				
<b>State Revenue</b>				
Operating Revenue	1,395,649,666		2,476,039,436	
Investing Revenue	67,543,602		255,403,229	
Borrowing Revenue	295,167,550	10,335,087	687,417,443	114,106,619
<b>Total State Revenue</b>	<b>1,758,360,818</b>	<b>10,335,087</b>	<b>3,418,860,108</b>	<b>114,106,619</b>
<b>Agency Revenue</b>				
Board Member Fee	41,253		97,815	
Miscellaneous Revenue	4,189,265		10,641,500	
Sales of Publications	843		3,233	
<b>Total Agency Revenue</b>	<b>4,231,361</b>		<b>10,742,548</b>	
<b>TOTAL REVENUE</b>	<b>1,762,592,179</b>		<b>3,429,602,656</b>	
<b>EXPENDITURE</b>				
<b>Operating</b>				
Established Staff	6,233,315		10,813,339	
Government Wage Earners	336,503		571,272	
Travel and Communication	414,112		426,173	
Maintenance and Operations	649,569		1,034,469	
Purchase of Goods and Services	1,456,979		1,741,595	
Operating Grants and Transfers	28,904,974		54,094,244	
Special Expenditure	1,590,361		1,694,662	
<b>Total Operating Expenditure</b>	<b>39,585,813</b>		<b>70,375,754</b>	
<b>Capital Expenditure</b>				

Description	31 July 2016 (\$)	Payment by Third Party (\$)	31 December 2015 (Restated) (\$)	Payment by Third Party (Restated) (\$)
Capital Construction	---		---	
Capital Purchases	---		---	
Capital Grants and Transfers	5,641,266		6,500,000	
<b>Total Capital Expenditure</b>	<b>5,641,266</b>		<b>6,500,000</b>	
Value Added Tax	397,829		604,718	
<b>TOTAL EXPENDITURE</b>	<b>45,624,908</b>		<b>77,480,472</b>	

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven months period whereas the financial statements for the year ended 2015 is for a twelve month period, thus the significant variances with the comparative balances.

### Head 50 – Miscellaneous Services

The Ministry incurred expenditure amounting to \$217,293,889 from Head 50 for the seven months period ended 31 July 2016. Refer to Table 4.2 for details.

**Table 4.2: Head 50 - Statement of Receipts and Expenditure in 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	687,163	26,411,569
Travel & Communications	1,740,196	2,037,874
Purchase of goods & services	19,432,100	2,435,752
Operating grants & transfers	7,298,933	4,926,002
Special expenditures	2,803,397	14,647,415
<b>Total Operating Costs</b>	<b>31,961,789</b>	<b>50,458,612</b>
<b>Capital Expenditure</b>		
Capital Construction	---	---
Capital Purchases	5,954,755	11,522,820
Capital Grants & Transfers	176,701,594	111,267,080
<b>Total Capital Expenditure</b>	<b>182,656,349</b>	<b>122,789,900</b>
Value Added Tax	2,675,751	3,327,604
<b>TOTAL EXPENDITURE</b>	<b>217,293,889</b>	<b>176,576,116</b>

The total expenditure-increased by \$40,717,773 or 23% in 2016 compared to 2015. This-was due to the increase in Capital Grants and Transfers expenditure arising from payment of housing assistance under Help for Homes Initiative to people affected by Tropical Cyclone Winston.



## Head 51 – Pensions, Gratuities and Compassionate Allowances

The Ministry incurred expenditure amounting to \$20,754,067 from Head 51 for the seven months period ended 31 July 2016. Refer to Table 4.3 for details.

**Table 4.3: Head 51 - Statement of Receipts and Expenditure in 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Pensions	16,193,233	30,554,331
Gratuities	886,487	1,528,107
Compassionate Allowance	3,674,347	6,795,881
<b>TOTAL EXPENDITURE</b>	<b>20,754,067</b>	<b>38,878,319</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven months period whereas the financial statements for the year ended 2015 is for a twelve month period, thus the significant variances with the comparative balances.

## Head 52 – Finance charges on Public Debt

Finance Charges on Public Debt amounted to \$240,484,614 in 2016 compared \$972,409,393 in 2015. Details are shown in Table 4.4:

**Table 4.4: Head 52 - Statement of Receipts and Expenditure in 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Finance Charges on Public debt – Miscellaneous Payment	2,612,686	7,564,667
Finance Charges on Public debt – Overseas Loans	61,077,127	635,306,062
Finance Charges on Public debt – Domestic Loans	176,794,801	329,538,664
<b>TOTAL EXPENDITURE</b>	<b>240,484,614</b>	<b>972,409,393</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven months period whereas the financial statements for the year ended 2015 is for a twelve month period, thus the significant variances with the comparative balances.

### Head 13 – Independent Commissions (Fiji Independent Commission Against Corruption)

The operating grants and transfers of \$4,428,374 was paid to Fiji Independent Commission Against Corruption to finance its operations. Refer to Table 4.5 for details.

**Table 4.5: Head 13 - Statement of Receipts and Expenditure in 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>EXPENDITURE</b>		
<b>Operating</b>		
Operating Grants and Transfers	4,428,374	8,503,686
<b>TOTAL EXPENDITURE</b>	<b>4,428,374</b>	<b>8,503,686</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a twelve month period, thus the significant variances with the comparative balances.

## 4.3 Appropriation Statement - Head 4, 50, 51, 52, and 13

### Head 4 – Ministry of Economy

The Ministry incurred expenditure totalling \$45,624,908 against a revised budget of \$84,142,135 resulting in savings of \$38,517,227 or 46%. The significant savings was primarily due to the budget being for twelve months while expenditures incurred were only for seven months up to 31 July 2016. Details of expenditure against the budget estimates are provided in Table 4.6.

**Table 4.6: Head 4 - Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	13,987,021	(97,681)	13,889,340	6,233,315	7,656,025
2	Unestablished Staff	513,681	66,960	580,641	336,503	244,138
3	Travel & Communication	1,017,301	8,184	1,025,485	414,112	611,373
4	Maintenance & Operations	1,238,996	---	1,238,996	649,569	589,427
5	Purchase of Goods & Services	2,009,834	22,537	2,032,371	1,456,979	575,392
6	Operating Grants & Transfers	49,512,062	---	49,512,062	28,904,974	20,607,088
7	Special Expenditure	3,689,404	---	3,689,404	1,590,361	2,099,043
	<b>Total Operating Costs</b>	<b>71,968,299</b>	<b>---</b>	<b>71,968,299</b>	<b>39,585,813</b>	<b>32,382,486</b>
10	Capital Grants and Transfers	11,500,000	---	11,500,000	5,641,266	5,858,734
	<b>Total Capital Expenditure</b>	<b>11,500,000</b>	<b>---</b>	<b>11,500,000</b>	<b>5,641,266</b>	<b>5,858,734</b>
13	Value Added Tax	673,836	---	673,836	397,829	276,007
	<b>TOTAL</b>	<b>84,142,135</b>	<b>---</b>	<b>84,142,135</b>	<b>45,624,908</b>	<b>38,517,227</b>

## Head 50 – Miscellaneous Services

The Ministry of Economy administers Miscellaneous Services under Appropriation Head 50. The funding provided for contingency funding and other common central pool of funds that are available to the whole of Government. It also includes funding for activities that require scrutiny and monitoring by the Ministry of Economy. These funding is disbursed under the authority of the Permanent Secretary for Economy.<sup>1</sup>

The Ministry incurred expenditure totalling \$217,293,889 in Head 50 in 2016 against a revised budget of \$304,135,946 resulting in savings of \$86,842,057 or 29%. The significant savings was primarily due to the budget being for twelve months while expenditures incurred were only for seven months up to 31 July 2016. Details of expenditure against the budget estimates are provided in Table 4.7.

**Table 4.7: Head 50 - Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	6,000,000	(2,000,000)	4,000,000	687,163	3,312,837
3	Travel & Communication	4,723,600	---	4,723,600	1,740,196	2,983,404
5	Purchase of Goods & Services	32,000,879	207,000	32,207,879	19,432,100	12,775,779
6	Operating Grants & Transfers	14,687,400	---	14,687,400	7,298,933	7,388,467
7	Special Expenditure	8,810,000	(207,000)	8,603,000	2,803,397	5,799,603
	<b>Total Operating Costs</b>	<b>66,221,879</b>	<b>(2,000,000)</b>	<b>64,221,879</b>	<b>31,961,789</b>	<b>32,260,090</b>
9	Capital Purchases	18,417,091	---	18,417,091	5,954,755	12,462,336
10	Capital Grants and Transfers	133,741,335	82,000,000	215,741,335	176,701,594	39,039,741
	<b>Total Capital Expenditure</b>	<b>152,158,426</b>	<b>82,000,000</b>	<b>234,158,426</b>	<b>182,656,349</b>	<b>51,502,077</b>
13	Value Added Tax	5,755,641	---	5,755,641	2,675,751	3,079,890
	<b>TOTAL</b>	<b>224,135,946</b>	<b>80,000,000</b>	<b>304,135,946</b>	<b>217,293,889</b>	<b>86,842,057</b>

The Ministry redeployed \$80 million from Head 43 – Fiji Roads Authority budget into Head 50 to fund payments for Help for Homes Initiative.

## Head 51 – Pensions, Gratuities and Compassionate Allowance

Appropriation Head 51 - Pensions, Gratuities, and Compassionate allowance is also administered by the Ministry of Economy. The allocation is for expenditures relating to Government Pensioners, Ex-Parliamentarian, Ex-Prime Minister and Presidents, Ex-Chief Justice, Retired Judges and Service Pensioners.

The Ministry incurred expenditure totalling \$20,754,067 in Head 51 in 2016 against a revised budget of \$42,343,400 resulting in savings of 21,589,233 or 51%. The significant savings was primarily due to the budget being for twelve months while expenditures incurred were only for seven months up to 31 July 2016. Details of expenditure against the budget estimates are provided in Table 4.8.

<sup>1</sup> 2016 Budget

**Table 4.8: Head 51 - Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
11	Pensions, Gratuities and Compassionate allowance	42,343,300	---	42,343,300	20,754,067	21,589,233
	<b>TOTAL</b>	<b>42,343,300</b>	<b>---</b>	<b>42,343,300</b>	<b>20,754,067</b>	<b>21,589,233</b>

**Head 52 – Finance Charges on Public Debt**

Appropriation Head 52 – Charges on Account of Public Debt was allocated for the repayment of domestic and overseas loans.

The Ministry incurred expenditure totalling \$240,484,614 in Head 52 in 2016 against a revised budget of \$436,626,600 resulting in savings of \$196,141,986 or 45%. The significant savings was primarily due to the budget being for twelve months while expenditures incurred were only for seven months up to 31 July 2016. Details of expenditure against the budget estimates are provided in Table 4.9.

**Table 4.9: Head 52 - Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
12	Finance Charges on Public Debt	436,626,600	---	436,626,600	240,484,614	196,141,986
	<b>TOTAL</b>	<b>436,626,600</b>	<b>---</b>	<b>436,626,600</b>	<b>240,484,614</b>	<b>196,141,986</b>

**Head 13 – Fiji Independent Commission Against Corruptions (FICAC)**

The Ministry incurred expenditure totalling \$4,428,374 in Head 13 in 2016 against a revised budget of \$8,480,987 resulting in savings of \$4,052,613 or 48%. The significant savings was primarily due to the budget being for twelve months while expenditures incurred were only for seven months up to 31 July 2016. Details of expenditure against the budget estimates are provided in Table 4.10.

**Table 4.10: Head 13 - Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	8,480,987	---	8,480,987	4,428,374	4,052,613
	<b>TOTAL</b>	<b>8,480,987</b>	<b>---</b>	<b>8,480,987</b>	<b>4,428,374</b>	<b>4,052,613</b>

#### 4.4 Statement of Losses

The Ministry of Economy did not record any loss of cash or revenue in 2016. However, items worth \$172,754 were written off following the Board of Survey conducted by the Ministry in 2016.

#### 4.5 Fiji Procurement Office Trading & Manufacturing Activity – Profit & Loss Statement

The Fiji Procurement Office (FPO) operates a Trading Manufacturing Account (TMA) selling Fiji flags. The TMA was transferred from the former Government Supplies Department, a retail arm of Government.

The Profit & Loss Statement – Trading & Manufacturing Activity showed a net profit of \$497,740 as at 31 July 2016 compared to \$998,624 in 2015.

The sales decreased by \$534,504 or 48% in 2016 as the financial year for the Government was changed from 31 December to 31 July as stipulated in the Financial Management (Amendment) Act 2016. The financial statement for the period ended 2016 reflect transactions for a seven months period whereas the financial statements for the year ended 2015 is for a twelve month period, thus the significant variances with comparative balances.

Refer to Table 4.11 for details.

**Table 4.11: Profit & Loss Statement - Fiji Procurement Office**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>Income</b>		
Sales	578,427	1,112,931
Cost of Finished Goods Sold	(19,918)	( 20,875)
Gross Profit	<b>558,509</b>	<b>1,092,056</b>
<b>Expenses</b>		
Direct Labour	---	4,117
Maintenance & Operations	57,084	53,064
Other Expenses	3,685	36,251
<b>Total Expenses</b>	<b>60,769</b>	<b>93,432</b>
<b>Net Profit</b>	<b>497,740</b>	<b>998,624</b>

#### 4.6 Fiji Procurement Office Trading & Manufacturing Activity - Balance Sheet

The net assets of the FPO TMA in 2016 totalled \$1,117,111. Refer to Table 4.12 for details.

**Table 4.12: Balance Sheet**

Description	31 July 2016 (\$)	31 December 2015 (\$)
Deposits & Deductions	---	(49,293)
VAT Refund	(47,556)	---
<b>Total Liabilities</b>	<b>(47,556)</b>	<b>(49,293)</b>
<b>Equities</b>		
TMA Surplus Transferred to Consolidated Fund	(4,787,404)	(4,762,420)
TMA Accumulated Surplus	5,406,775	5,211,660
Net Profit	497,740	998,624
<b>Total Equity</b>	<b>1,117,111</b>	<b>1,447,864</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,069,555</b>	<b>1,398,571</b>
<b>Current Assets</b>		
Cash at Bank	994,411	1,303,509
Finished Goods	75,144	95,062
Accounts Receivable	---	---
<b>TOTAL ASSETS</b>	<b>1,069,555</b>	<b>1,398,571</b>

#### 4.7 Office Accommodation and Government Housing Trading & Manufacturing Activity – Profit & Loss Statement

The Office Accommodation was transferred from the Public Service Commission to provide housing to eligible civil servants.

In 2009, the responsibility of the function was extended to commercial rental to interested members of the public resulting in the establishment of the TMA in 2011. The TMA was solely responsible for semi-commercial nature that caters for commercially renting out of quarters.<sup>2</sup>

The Profit & Loss Statement – Trading & Manufacturing Activity showed a net profit of \$3,751,882 as at 31 July 2016 compared to \$1,731,324 in 2015. This was attributed to the increase in Total income by \$1,621,400 or 57% in 2016. Refer to Table 4.13 for details.

<sup>2</sup> Office Accommodation & Government Housing, Construction Implementation Unit, Ministry of Economy TMA Business Plan 2016  
Ministry of Economy

**Table 4.13: Profit & Loss Statement – Office Accommodation and Government Housing**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>Income</b>		
Other income	4,489,251	2,867,851
<b>Expenses</b>		
Direct Labour	---	32,248
Maintenance & Operations	---	25,200
Other Expenses	737,369	1,079,079
<b>Total Expenses</b>	<b>737,369</b>	<b>1,136,527</b>
<b>Net Profit</b>	<b>3,751,882</b>	<b>1,731,324</b>

#### 4.8 Office Accommodation and Government Housing Trading & Manufacturing Activity – Balance Sheet

In 2016, the net assets of the activity totalled \$4,561,636 which increased by \$3,740,714 or 456% compared to 2015 due to increase in Cash at Bank by \$3,695,264 or 356%. Refer to Table 4.14 for details.

**Table 4.14: Balance Sheet**

Description	31 July 2016 (\$)	31 December 2015 (\$)
Accounts Payable	36,333	---
Deposits & Deductions	136,991	218,425
<b>Total Liabilities</b>	<b>173,324</b>	<b>218,425</b>
<b>Equities</b>		
TMA Surplus Transferred to Consolidated Fund	(3,735,666)	(3,724,498)
TMA Accumulated Surplus	4,545,420	2,814,096
Net Profit	3,751,882	1,731,324
<b>Total Equity</b>	<b>4,561,636</b>	<b>820,922</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		
<b>Current Assets</b>		
Cash at Bank	4,734,611	1,039,347
Accounts Receivable	349	---
<b>TOTAL ASSETS</b>	<b>4,734,960</b>	<b>1,039,347</b>

## 4.9 Consolidated Trust Account Statement

The Ministry had seven types of main trust fund accounts, details of which are as follows:

- Performance Bond - These are performance bonds for tenders awarded by Fiji Procurement Office for which payments are made according to the tender contracts.
- IHRDP Trust Account - Integrated Human Resource Development Programme (IHRDP) account is used for the 1/3 contribution received for projects in small communities. This account is maintained by National Strategic Planning.
- Government Tuna Stabilisation Fund - This is the bunker fuel levy of \$0.04 per litre collected from foreign fishing vessels from March 2014 to March 2016, in accordance with the Tuna Stabilisation Fund policy. Monies will be reverted to Ministry of Fisheries.
- Winston Trust - This account is used for donations received for Cyclone Winston relief from various donors. Donors either directly deposit funds into the bank accounts, or issued cheques which are received and receipted at the Treasury Section in the Ministry of Economy.
- Group Insurance Trust Account - This trust account receives insurance payment and after assessment pay-out is made to the nominees of the Insurance Policy Holders upon their death.
- Miscellaneous Fund v Others - This account was opened following Cabinet decision "Effective management of trust monies - FIN 60/16" CP (09)72 of 16/06/09. Surplus funds in Agency trust bank accounts was transferred into the Consolidated Trust Fund account. The funds in the consolidated trust fund account will be used for investments and to fund Government's expenditures during tight cash flow situation.
- ODA Performance and Tenancy Bond - Tenancy bonds are paid by tenants for occupation of quarters on rent.

Total trust funds for the Ministry increased by \$6,419,296 or 52% in 2016 compared to 2015 due to creation of new trust fund accounts at various commercial banks for Prime Minister's National Disaster Relief and Rehabilitation to receive donations following Tropical Cyclone Winston and Government Tuna Stabilisation Fund – Bunker Levy (FRCA). Refer to Table 4.15 for details.

**Table 4.15: Trust Account**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>Opening Balance 1 January</b>	<b>12,459,423</b>	<b>10,216,898</b>
<b>Receipts</b>		
Performance Bond - Tender Deposit, Performance Bond, Retention & Bank Interest	1,468,636	3,412,561
IHRDP Trust Account - Lawaki Bakery Community Contribution	94,799	32,346
Government Tuna Stabilisation Fund - Bunker levy (FRCA) & Interest	7,165,730	---
Prime Minister's National Disaster Relief and Rehabilitation: Cyclone Winston - Donation, Interest & Bank Reversal	10,767,003	---
Group Insurance Trust - Insurance proceeds	487,551	---
Miscellaneous Fund v Others - Bank Interest	26,798	2,000,676
ODA Performance and Tenancy Bond - Funds received from Performance, Tenancy Bond, Bank Reversal & Interest	192,674	---
<b>Total Receipts</b>	<b>20,203,191</b>	<b>5,445,583</b>



Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>Payments</b>		
Performance Bond - Tender Deposit, Performance Bond, Retention & Bank Interest	1,860,732	847,494
IHRDP Trust Account - Lawaki Bakery Community Contribution	86,673	46,618
Government Tuna Stabilisation Fund - Bunker levy (FRCA) & Interest	3,582,859	---
Prime Minister's National Disaster Relief and Rehabilitation: Cyclone Winston - Donation, Interest & Bank Reversal	8,012,356	---
Group Insurance Trust - Insurance proceeds	237,084	---
Miscellaneous Fund v Others - Bank Interest	3,829	2,308,946
ODA Performance and Tenancy Bond - Funds received from Performance, Tenancy Bond, Bank Reversal & Interest	362	---
<b>Total Payments</b>	<b>13,783,895</b>	<b>3,203,058</b>
<b>Closing Balance</b>	<b>18,878,719</b>	<b>12,459,423</b>

#### 4.10 Governance Issues

Each month, the Accounting Head must provide a signed and dated report to the Permanent Secretary to advise whether all reconciliations and checks required in the agencies finance manual have been carried out; and the current status of any unresolved issue external or internal audit issue.<sup>3</sup>

Audit noted that the monthly signed report was not provided to the Permanent Secretary contrary to section 60 of the Finance Instructions 2010. Other control issues which were noted in the Ministry for the financial period ended 31 July 2016 were as follows:

- Annual Corporate Plan and Strategic Plan was not developed.
- Unresolved audit issues continued in the new financial year. Refer to section 4.14 for matters raised as “follow-up” issues.
- The following administrative controls were absent:
  - Formal monthly meetings of section heads were not held.
  - The Office Accommodations Trading and Manufacturing Account section did not provide the following records contrary to Section 7 (1) (a) and (b) of Audit Act.
    - Provisional tax reconciliations from January to July 2016; and
    - Handing over statements as at 31/12/15. The Office Accommodation Unit was transferred from Public Service Commission to Construction Implementation Unit (CIU) within Ministry of Economy with effect from 1/1/16;

<sup>3</sup> Finance Instructions 2010 - Section 60 (1)

- The following records were also not provided for audit review contrary to Section 7 (1) (a) and (b) of the Audit Act.
  - Report on work done on Rice Raising Project from 2015 to 2016; and
  - Individual Work Plan for officers employed in Construction Implementation Unit (CIU). Refer to the Table 4.16 for details.

**Table 4.16: Individual Work Plan not Provided**

EDP	Salary Paid (\$)	Individual Work Plan Provided
61065	80,000	No
92087	45,000	No
60021	45,000	No
91521	45,000	No
95565	15,000	No
95548	15,000	No
95549	15,000	No
47578	39,452	No
61978	29,530	No
93246	29,530	No
94247	35,000	No
92721	25,000	No
63850	19,069	No
53821	19,069	No
90701	Resigned in 2016	No
61942	19,069	No
63022	12,659	No

- Ministry's Internal Audit and Governance Division carried out an investigation for recipients who breached the Help for Home initiative. However, a copy of the investigation report was not made available to audit.

Non-submission of records required for audit purposes is a serious breach of the Audit Act 1969.

### **Recommendations**

**The Ministry should ensure that:**

- **the Annual Corporate Plan and Strategic Plan are developed to document its deliverables and performance indicators;**
- **all records requested for audit is provided in compliance with the 2013 Constitution and Audit Act 1969.**

### **Ministry's Comments**

*Audit findings and recommendations are acknowledged. In view of the audit findings, Ministries comments are as follows:*

- *We acknowledge that ACP was not prepared. This was mainly due to non-finalization of the National Development Plan.*
- *Handing Over Statement – the Office Accommodation was first with DS FAM and was later transferred to CIU, there was no Handing over statement submitted.*

## PART B : AUDIT FINDINGS

### Head 4

#### 4.11 Irrecoverable Surcharge Amount

The Surcharge Unit was established under the Financial Management Act 2004, Part 10 Division 2, Section 67-71. Its main function is to recover cost of assets or money lost by Government through negligence.<sup>4</sup>

Upon death or termination of the surcharged officer during the period mentioned in (2) above, full recovery of the outstanding amount must be made from any dues outstanding by Government to the surcharged officer.<sup>5</sup>

The audit noted that the total surcharge amount for on-going cases and irrecoverable cases as at July 2016 was \$362,965.89 and \$472,091.65, respectively totalling to \$835,057.54. Refer to Table 4.17 for details.

**Table 4.17: On-going cases and Irrecoverable Surcharge Cases**

Cases	Amount (\$)	Percentage (%)
<b>On-Going Cases</b>		
Civil Case	81,930.69	22.57
Damage to Government Vehicle	252,533.29	69.57
Loss of Government Property	9,981.05	2.75
Loss of Government Funds	9,941.76	2.74
Unauthorised Expenditure	8,579.10	2.36
<b>Total</b>	<b>362,965.89</b>	<b>100.0</b>
<b>Irrecoverable Surcharge Cases</b>		
BOS Deficit	10,977.57	2.33
Civil Case	16,906.88	3.58
Damage to Government Vehicle	219,513.57	46.50
Loss of Government Property	63,367.39	13.42
Loss of Government Funds	93,759.90	19.86
Unauthorised Expenditure	67,566.34	14.31
<b>Total</b>	<b>472,091.65</b>	<b>100.0</b>
<b>Grand Total</b>	<b>835,057.54</b>	

<sup>4</sup> <http://www.economy.gov.fj/sections/iagg.html>

<sup>5</sup> Finance Instructions 2010 - Section 65 (4)

Ineffective recovery procedures and prolonged recovery period has resulted in accumulation of surcharge amount.

The irrecoverable surcharge cases accounts for 56.5% of the total surcharge balance of \$835,057.34 and could lead to write off as the officers with debts have resigned, retired, migrated, deceased and terminated.

### **Recommendation**

**The Ministry should employ stringent recovery measures to recover outstanding amounts from on-going cases to avoid write offs.**

### **Ministry's Comments**

*The Ministry has taken a number of approaches to ensure the recoveries of surcharge.*

1. *Recovery to be within the surcharged officers' contract period;*
2. *Regular review of surcharge arrears;*
3. *Increase of surcharge deductions to those nearing retirement dates and completion of contract.*
4. *Signing of Debt Agreement with surcharged officers with significant surcharge amounts.*
5. *Allotment of mobile to contact officers in remote locations*

## **4.12 Installation of Accessories on Leased Vehicles**

The Lessee agrees with the Lessor that any accessories, parts, tyre replacements and tools which now or thereafter are supplied with or are attached to a Leased Vehicle described in the Order and Acknowledgement Form and the Acknowledgement of Delivery Form shall be or become part thereof and shall be deemed to be included in the term "Leased Vehicle" herein, except that the Lessor may, with respect to accessories fitted by the Lessee with the prior written approval of the Lessor, elect to require the Lessee to remove the same and make good and damage of such fitting or removal.<sup>6</sup>

The Lessee shall not without the written consent of the Lessor make any additions, improvements or alterations to the Vehicle and if the Lessee does so, it will, immediately upon being required to do so in writing by the Lessor, reinstate the Vehicle to its original state at the Lessee's cost and expense.<sup>7</sup>

The Ministry leased a number of vehicles from the respective franchise dealers for its daily operations as per the lease agreement.

The audit noted that the Fiji Bureau of Statistics (Bureau) division installed canopies and other accessories to eight of its leased vehicles totalling \$51,829.55. However, written approval from the lessor to install the canopies and other accessories on the leased vehicles was not produced for audit verification. In addition, the expenditure for installation of canopies and other accessories was not budgeted for in the 2014, 2015 and 2016 budget estimates. Hence, the expenditures were funded from budgets allocated for repairs and maintenance, employment and unemployment survey, population demography household survey and population census. Therefore, the expenditure of \$51,829.55 was not properly authorised. Refer to Table 4.18 for details.

<sup>6</sup> Master Operating Lease Agreement between Bank of the South Pacific, The Government of the Republic of Fiji and Toyota Tsusho (South Sea) Ltd dated 06/07/2011 – Clause 7.1

<sup>7</sup> Master Lease Agreement between VB Holdings Ltd and The Government of the Republic of Fiji dated 17/04/2014 – Clause 9.1

**Table 4.18: Details of Leased Vehicles with canopies without Lessor's approval**

Registration No.	Accessories Installed	Amount (\$)	Payment Date	Payment Voucher
<b>YEAR – 2014</b> GP 401	Supply and Install Canopy	6,024.45	7/4/14	23670
GP 714	Supply and install canopy, side steps and weather shield	7,900.00	16/12/14	00005
<b>YEAR – 2015</b> GP 778	Supply and install canopy, side steps and weather shield	7,900.00	30/1/15	00002
<b>YEAR – 2016</b> GP 715	Supply and Install Canopy	6,200.00	1/6/16	00012
GQ 253	Supply and install canopy and weather shield	17,659.45	6/9/16	4532
GQ 265	Supply and install canopy and weather shield			
GQ 295	Supply and install canopy, weather shield and bonnet protector			
GQ 291	Supply and install canopy, weather shield and bonnet protector	6,145.65	18/10/16	4944
<b>TOTAL</b>		<b>51,829.55</b>		

The above is a breach of the lease agreements that could result in additional cost to the Ministry if the canopies are removed at the expiry of the lease agreements.

### **Recommendations**

**The Ministry should ensure that:**

- vehicle lease agreements are complied with at all times;
- prior approval is obtained from the lessor for additions, improvements or alterations to the leased vehicles; and
- expenses incurred are budgeted for to avoid unauthorised payments.

### **Ministry's Comments**

*Audit Recommendations are noted. For our type of work we need four-wheel drive covered vehicles. The twin cabs are not our choice vehicles however we have had make do with them as these were the type of vehicles given to us. Our Pajero fleet are quite old and are no longer safe to take into areas with poor road conditions or in difficult terrain. The vehicles are used to transport our staff for field visits so we need to carry bags, survey documents and other survey tools. With the canopies fitted, these materials can be placed in the back to allow the transporting of 3 staff. Even with the canopies we still have our stuff covered with dust but they do provide sufficient protection. The current fleet of twin cabs (with canopies) are really not suitable for transporting survey officers to the more remote rural locations, as they can only carry 3 passengers at a time so in some cases there is a need to make two trips.*

*The above justification is provided by Bureau of Statistics in terms of staff safety and urgency of the matter. However Bureau of Statistics accepts that this was an oversight on their part in failure to communicate with HQ (Ministry of Economy) in particular with Government Fleet Management Unit to obtain necessary approvals. The decision taken at that time was in the best interest of the safety of official documents and staff. In terms of Budget, then it is always the case if a particular procurement has been approved then Ministry/Department needs to source from within if possible.*

*Ministry through its Government Fleet Management Unit has informed all the Ministries and Departments that any installation of accessories in Government leased Vehicles needs prior approval from the lessor.*

#### **4.13 Delay in Clearing Goods from Wharf**

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>8</sup>

The audit noted that a container shipment of medicines consigned for the Fiji Pharmaceutical and Biomedical Services (FPBS) via Suva wharf remained uncleared by the Fiji Procurement Office (FPO) for 253 days due to an oversight. Therefore, the Ministry had to pay a sum of \$48,984.60 for the uncleared item. Refer to Table 4.19 for details.

**Table 4.19: Details of Payment**

Date	Cheque No.	Amount (\$)	Details
24/3/16	5052	48,984.60	Being payment of ports charges for un-cleared container for 253 days.

The negligence of FPO officers resulted in wastage of public funds.

#### **Recommendation**

**The Ministry should ensure that goods received at the wharf are cleared on time to avoid loss of public funds.**

#### **Ministry's Comments**

*Audit Recommendations are noted. The Ministry is putting in place strategies to ensure that this incident is not repeated. The bond checking has been re-introduced whereby stakeholders and shipping agents' permission are requested for warehouses to be physically inspected for any pending government consignments that need to be cleared. Currently the process is for Ministries and Departments to advise of inbound consignments upon receipt of arrival notice which was not the case in this instance. The agency's advice was received 76 days later upon follow up from the shipping agent hence the delay should not be attributed to the negligence of officers involved.*

<sup>8</sup> Ministry of Economy, Finance Manual 2015 – Part 2 Introduction  
Ministry of Economy

#### **4.14 Follow-Up on Previous Year Accounting and Control Anomalies Raised**

During the 2016 audit, the status of the matters reported in the previous year was followed up. These matters have remained outstanding as actions are yet to be taken by the board to resolve them. The status of outstanding issues is set out below:

**Table 4.20: Follow-up on Previous Year Accounting and Control Anomalies**

Issues	Recommendations	Current Status	Management's Proposed Action
<b>Ministry of Economy</b>			
<b>Regularity Audit – Head 50 Miscellaneous Services</b>			
<p><b>SLG 84 Reconciliations not submitted to FMIS Division</b></p> <p>The following anomalies were noted on the SLG 84 reconciliations:</p> <p>(i) The following Ministries/Department did not submit their SLG 84 December 2015 reconciliation as required under SLG 84 Reporting Guide, section 9.2:</p> <ul style="list-style-type: none"> <li>a) Bureau of Statistics;</li> <li>b) Ministry of Foreign Affairs;</li> <li>c) Fijian Elections Office;</li> <li>d) Judiciary Department;</li> <li>e) Public Service Commission;</li> <li>f) Ministry of Women, Children &amp; Poverty Alleviation;</li> <li>g) Ministry of Fisheries &amp; Forests;</li> <li>h) Ministry of Lands and Mineral Resources;</li> <li>i) Ministry of Industry, Trade and Tourism;</li> <li>j) Ministry of Sugar;</li> <li>k) Ministry of Infrastructure &amp; Transport;</li> <li>l) Ministry of Local Government, Housing &amp; Environment; and</li> <li>m) Ministry of Health and Medical Services.</li> </ul> <p>(ii) The Ministry of Women, Children &amp; Poverty Alleviation; Ministry of Fisheries &amp; Forests; Ministry of Industry, Trade and Tourism; and Ministry of Infrastructure &amp; Transport showed negative general</p>	<p>The Ministry should ensure that reconciliations for funds transferred from Head 50 are prepared by the receiving ministries and submitted to the Ministry of Economy. Negative ending balances identified should be corrected.</p>	<p>Several Ministries and Departments have negative balances in SLG 84 accounts as at 31 July 2016.</p>	<p>We duly agree that this was the issue in 2015. As a way forward, Ministry of Economy; through its budget division have requested Ministries and Departments to acquit the SLG 84 funding before the next request is made. Acquittals are available with Budget Division.</p> <p>Follow up FMIS have revealed that they are now receiving reconciliations from most of the Ministries and Departments.</p> <p>For those Ministries and Departments that are not submitting the SLG 84 reconciliation to FMIS, will be dealt with accordingly by the Chief Accountant.</p>



Issues	Recommendations	Current Status	Management's Proposed Action
ledger balances and audit was not able to establish the correctness of these balances which indicate lack of monitoring and supervision.			
<b>Regularity Audit – Head 4</b>			
<p><b>Monthly Reconciliations of Underline Accounts not verified at FMIS Section</b></p> <p>The audit noted that the reconciliation were not submitted to the Ministry of Economy within the set-timeframes. Audit further noted that there was no evidence that the reconciliation were being verified by the Head of Department at FMIS to ensure that the reconciliations submitted were correct and free from errors and omissions. The monthly reconciliations were being submitted after 2 to 4 months has elapsed.</p>	<ul style="list-style-type: none"> <li>• The ministry should ensure that reconciliations submitted by the respective ministries are reviewed by the Head of FMIS.</li> <li>• The ministry should follow up with the respective Permanent Secretaries if reconciliation are not submitted out on time</li> </ul>	Reoccurring	<p>Audit Recommendations is acknowledged. Ministry of Economy in its oversight role for Government's overseer for reconciliations have been repeatedly reminding Accounting Heads at the monthly meetings to ensure that reconciliations are carried out correctly and in timely manner.</p> <p>If Ministries &amp; Departments fail to adhere to MOE recommendations, then Chief Accounting Officers; who in this case are the Permanent Secretaries should be blamed.</p>

### **Ministry's Comments**

*Audit Recommendations are noted. For those Issues noted by the auditors which are recurring, Ministry is putting concerted efforts to rectify these issues.*

## Section 5

## Ministry of *i*-Taukei Affairs

### Role and Responsibilities

Government is committed to protecting the rights, customs and traditions of the iTaukei. Through the Ministry of *i*-Taukei Affairs, Government develops implements and monitors policies and programs for the good governance and wellbeing of the iTaukei people. The Ministry's specific roles and responsibilities are outlined in the iTaukei Affairs Act and other legislation, but its overall direction is guided by the Fijian Constitution, which recognises the iTaukei, their ownership of land, and their unique culture, customs, traditions and language.

The Ministry's core function is to provide the link between Government and the various institutions that govern the affairs of the iTaukei. The Ministry is responsible for ensuring that these institutions are well run, accountable and transparent so as to best serve the interests of all iTaukei. The iTaukei administration – established across 14 Provinces in Fiji – is under the direction of the iTaukei Affairs Board, an eight member group appointed by the Minister for iTaukei Affairs. The Ministry is the custodian of various registers that detail iTaukei land ownership, customary fishing grounds, village boundaries and traditional titles, including the *Vola ni Kawa Bula*, known as the VKB.

As such, the Ministry has the important responsibility of resolving disputed claims in relation to these matters. In support of its role as official record keeper, the Ministry conducts surveys of iTaukei land, as well as demarcations of village and fishing boundaries, in areas where no records exist. The Ministry is also entrusted with preserving and promoting iTaukei culture for the present and future generations. It develops programs aimed at deepening the understanding of iTaukei customs, language and traditional knowledge, as well as documents important ceremonial occasions and conducts research on a broad range of topics.

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## PART A: FINANCIAL STATEMENT

### 5.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of *i*-Taukei Affairs resulted in an unqualified audit opinion.

## 5.2 Statement of Receipts and Expenditure

The Ministry recorded revenue totalling \$19,571 and incurred expenditure totalling \$6,033,591 for the seven months period ended 31 July 2016. Refer to Table 5.1 for details.

**Table 5.1: Statement of Receipts and Expenditure for 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>RECEIPTS</b>		
State Revenue	17,967	31,260
Agency Revenue	1,604	1,986
<b>TOTAL REVENUE</b>	<b>19,571</b>	<b>33,246</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	1,275,161	2,342,137
Government Wage Earners	98,642	155,618
Travel & Communications	56,793	71,452
Maintenance & Operations	155,490	275,045
Purchase of Goods & Services	105,788	80,763
Operating Grants & Transfers	3,272,351	5,589,394
Special Expenditures	603,858	666,587
<b>Total Operating Expenditure</b>	<b>5,568,083</b>	<b>9,180,996</b>
<b>Capital Expenditure</b>		
Capital Grants & Transfers	389,586	426,838
<b>Total Capital Expenditure</b>	<b>389,586</b>	<b>426,838</b>
Value Added Tax	75,922	109,896
<b>TOTAL EXPENDITURE</b>	<b>6,033,591</b>	<b>9,717,730</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

## 5.3 Appropriation Statement

The Ministry of *i-Taukei* Affairs incurred expenditure totalling \$6,033,591 against a revised budget of \$11,464,415 resulting in savings of \$5,430,824 or 47%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditure against the budget estimates are provided in Table 5.2.

**Table 5.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	2,491,546	(219,287)	2,272,259	1,275,161	997,098
2	Government Wage Earners	114,400	57,022	171,422	98,642	72,780

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
3	Travel & Communications	80,212	5,665	85,877	56,793	29,084
4	Maintenance & Operations	265,500	-	265,500	155,490	110,010
5	Purchase of Goods & Services	94,000	83,100	177,100	105,788	71,312
6	Operating Grants & Transfers	6,545,900	-	6,545,900	3,272,351	3,273,549
7	Special Expenditures	1,051,259	73,500	1,124,759	603,858	520,901
	<b>Total Operating Expenditure</b>	<b>10,642,817</b>	<b>-</b>	<b>10,642,817</b>	<b>5,568,083</b>	<b>5,074,733</b>
	<b>Capital Expenditure</b>					
10	Capital Grants & Transfers	688,798	-	688,798	389,586	299,212
	<b>Total Capital Expenditure</b>	<b>688,798</b>	<b>-</b>	<b>688,798</b>	<b>389,586</b>	<b>299,212</b>
13	Value Added Tax	132,800	-	132,800	75,922	56,878
	<b>TOTAL EXPENDITURE</b>	<b>11,464,415</b>	<b>-</b>	<b>11,464,415</b>	<b>6,033,591</b>	<b>5,430,823</b>

## PART B: AUDIT FINDINGS

### 5.4 Back Log *i*-Taukei Affairs Board Audit

A grant agreement must provide for the organisation or person receiving the grant to agree to keep proper files and accounting records in relation to the grant and to make these files and records available upon request by the administering agency or the Auditor General.<sup>1</sup>

Where required under Finance Instruction 16-(8), the recipient shall prepare an acquittal report. The acquittal report shall provide financial statement (audited if practicable) for grants/projects of \$20,000 or more.<sup>2</sup>

The Ministry paid a total of \$3.2 million in grants to *i*-Taukei Affairs Board. Refer to Table 5.3 for details.

**Table 5.3: Details of Allocation of Funds**

Recipient	Actuals (\$)
I-Taukei Affairs Board	1,987,292
Provincial Councils	509,259
Na Mata	25,000
Turaga ni koro Allowance	536,500
Mata ni Tikina Allowance	214,300
<b>Total</b>	<b>3,272,351</b>

Although quarterly reports have been provided by the Board to the Ministry, the accounts of the Board have not been audited since 2008. Refer to Table 5.4 for details.

<sup>1</sup> Ministry of Finance Instruction 2010 – Section 16 (3)

<sup>2</sup> Ministry of *i*-Taukei Affairs Finance Manual 2015 - Section 3.3.1 (3)

**Table 5.4: Details of pending audited financial statements for *i*-TAB**

Year	Actual Grant Amount (\$)	Remarks
2008	14,547,214	Yet to be submitted for audit
2009	15,751,046	
2010	16,448,918	
2011	14,612,936	
2012	13,393,168	
2013	11,938,243	
2014	4,122,000	
2015	5,589,394	
<b>Total</b>	<b>96,402,919</b>	

In the absence of the timely submission of annual accounts for audit, there is a risk that funds provided by the Ministry are not being utilised for its intended purpose.

### **Recommendations**

- **The Ministry should ensure that the *i*-Taukei Affairs Board provides the audited financial statements in a timely manner; and**
- **To improve compliance, the Grant Agreement between the Ministry, and *i*-Taukei Affairs Board should include the submission of draft financial statements for audit as one of the key deliverables of the Board.**

### **Management Comments**

#### *Current Status for Annual Accounts Submission*

Station	Last Audited Accounts	2017 March PAC Update on Annual Accounts Submission to OAG	Current Status of Annual Accounts Submission to OAG	Remarks on Target to Submit Annual Accounts up to 2007
Ba	2000	2002-2006	2002-2007	Target Submission – 89 Annual accounts  Achieved – 89 Annual accounts submitted to OAG
Bua	2002	2003-2007	2003-2007	
Cakaudrove	2001	2004-2007	2004-2007	
Kadavu	2001	2002-2007	2002-2007	
Lau	2002	2003-2006	2003-2007	
Lomaiviti	2004	2005-2007	2003-2007	
Macuata	2004	2005-2007	2004-2007	
Nadroga	2001	2002-2007	2002-2007	
Naitasiri	1999	2000-2007	2000-2007	
Namosi	2000	2001-2007	2001-2007	
Ra	1999	2000-2007	2000-2007	
Rewa	2001	2002-2006	2002-2007	
Serua	2001	2002-2005	2002-2007	
Tailevu	2001	2002-2005	2002-2007	
TAB	2000	2001-2007	2001-2007	

*The Board targets to submit 93 annual accounts in 2017 i.e. *i*-TAB: 2008-2016 accounts (9years) and 14 Provincial Councils accounts for 6 years (2008-2013).*

## 5.5 Unsigned Agreement with Native Reserve Commission

A grant agreement must provide for the organisation or person receiving the grant to agree to keep proper files and accounting records in relation to the grant and to make these files and records available upon request by the administering agency or the Auditor-General.<sup>3</sup>

The Ministry disbursed a sum of \$153,975 to the *i*-Taukei Reserve Commission in 2016. The grant was provided to assist the Commission in meeting its operational needs.

The audit noted that the grant agreement between the Ministry and the *i*-Taukei Reserve Commission for the financial year 2016 was not signed by both parties until 17/02/17 or more than six months after the financial year had lapsed. However, the Ministry continued to disburse funds to the Commission without the signed agreement.

Failure to have a signed agreement prior to the release of grant indicates that the agreement is not legally binding and may result in funds not being utilised for the intended purpose.

### **Recommendation**

**The Ministry should ensure that the grant agreement is signed on a timely basis and prior to disbursement of funds.**

### **Management Comments**

*The comment highlighted is duly noted however the holdup was due to the amendment made to the Grant Agreement from 12 months to 7 months financial period 2016.*

## 5.6 Scholarship Bond Recovery Balances Not transferred to TSLB

The Tertiary Scholarships and Loans Board (TSLB) was established by the Tertiary Scholarships and Loans Decree 2014 to handle all administration of scholarships effective from 18 December 2013. All administration of scholarship is to be handled by TSLB from 2014.

All Scholarships records including the Scholarships bond recovery documents were transferred to the TSLB in 2014. The documents were received by the TSLB on 07/01/14.

The audit noted that the balances for scholarship bond recovery were still reflected in the Ministry's general ledgers despite the transfer of the administration of scholarships to the TSLB from 2014. Refer to Table 5.5 for details.

**Table 5.5: Scholarship Bond Recovery Account Balance**

Account Type	Account Description	2016 (\$)	2015 (\$)	2014 (\$)
<b>Domestic Bank Balances</b>				
1-05101-05101-520415	BSP/CNB-Indigenous Affairs Scholarship	116,158	600,331	575,550
<b>Term Loans Receivable -Clearing Account</b>				
1-05101-05101-391206	Pay Loan-FAB (investing revenue)	(15,843)	(24,821)	(169,295)

<sup>3</sup> Finance Instructions 2010 – Section 16(3)

In addition to the above, the Ministry's state revenue included loans amounting to \$15,843 recovered from students in 2016 whilst the scholarship administration has been transferred to the Tertiary Scholarships and Loans Board in 2014.

Despite the issue being raised in previous years audit reports, no action has been taken to address the issue. The delay in transfer bond recovery balances to the TSLB has resulted in the Ministry recording revenue which it is no longer required to collect.

### **Recommendations**

#### **The Ministry should:**

- liaise with the Ministry of Economy to transfer the scholarship bond recovery balances from its general ledger to TSLB; and
- update TSLB on the loan recovered through its direct bank deposits.

### **Management Comments**

*DCS will be meeting with Mr Kenneth Brown (Principal Accounts Officer – Treasury) to discuss on transfer of Scholarship Bond Recovery Account to TSLB.*

## **5.7 Diversion of Funds without Proper Approval**

In cases where it has been determined that funds approved for this initiative has been used for other purposes other than what it was approved for, the Chief Accountant - Treasury with the approval of the Permanent Secretary of Finance shall deactivate the account.<sup>4</sup>

The Ministry of Economy had allocated funds from Head 50 to the Ministry totalling \$37,676 for the purchase of the Ministry's new office equipment through the standard liability account allocation 1-05101-05101-840101.

The audit noted that the Ministry spent \$24,882 for the purchase of new office equipment and the remaining balance of \$12,794 was used to pay for NEC employee wages for which prior approval of Ministry of Economy was not obtained. Refer to Table 5.6 for details:

**Table 5.6: Details of funds utilization**

Date	Cheq/EFT #	Particulars	Amount (\$)	Remarks
10/05/16	4215	Payment of 13 x Dell Optiplex 3020SFF Business Class & 1 Dell Latitude Series Business Notebook	24,282	Funds Utilised for intended purpose
29/06/16	4652	Payment of Various Inkjet & Coloured Ink	600	Funds Utilised for intended purpose
<b>Total for new office equipment purchases</b>			<b>24,882</b>	
		Payment of NEC Employee Wages	12,794	Funds Utilised for purposes it was not intended for.
<b>Total funds allocated for new office equipment</b>			<b>37,676</b>	

The above finding indicates non-compliance to government finance regulations.

<sup>4</sup> Standard Liability Account (SLG 84) Reporting Guide Appendix 1 – Paragraph 10.1

### **Recommendations**

**The Ministry should ensure that:**

- **funds are utilised for the purpose it has been approved for; and**
- **disciplinary action is taken against responsible officers for any future non-compliance.**

### **Management Comments**

*The findings of the auditors are hereby noted. The Ministry admits that this was an oversight on our part and we have strengthened our verification process and to strictly adhere to the Ministry Finance Manual and Financial guidelines to ensure that it is not repeated.*



## SECTION 6 **MINISTRY OF DEFENCE, NATIONAL SECURITY AND IMMIGRATION**

### **Roles and Responsibilities**

Ensuring the safety and security of the Fijian people is one of Government's most sacred obligations. This is something that only Government can do, and it goes to the core of people's faith in their Government.

The Ministry of Defence, National Security and Immigration ensures peace and stability in Fiji by coordinating and supervising all activities and functions of Government concerned directly with national security. The Ministry is responsible for the implementation of security-related legislation and policy initiatives, managing national crises and emergencies, aerial surveillance and search-and-rescue operations.

Through the Security Forces Division, it coordinates with the Fiji Police Force and Republic of Fiji Military Forces on security matters. The Security and Assessment Divisions are responsible for the coordination of Government's intelligence and security requirements.

Government is also responsible for managing and protecting Fiji's borders to ensure the legal and orderly flow of citizens and visitors in and out of the country.

The Department of Immigration is responsible for facilitating clearance of all inward and outward passengers, vessels and aircrafts, detention and deportation, combating the trafficking of persons, determining refugee status and managing migration. The Department issues passports, visas, permits and citizenship.

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## **PART A: FINANCIAL STATEMENTS**

### **6.1 Audit Opinion**

The audit of the 2016 accounts of the Ministry of Defence, National Security and Immigration resulted in a qualified audit opinion. The qualification was due to the following:

- There was an unreconciled variance of \$94,196.80 between the receipts generated by Integrated Border Control Management System (IBMS) and manual receipts issued and the amount posted in the General Ledger (FMIS).

## 6.2 Statement of Receipts and Expenditure

The Ministry of Defence, National Security and Immigration recorded revenue totalling \$7,241,900 and incurred expenditure totalling \$4,356,762 for the seven months period ended 31 July 2016.

**Table 6.1: Statement of Receipts and Expenditure for 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>REVENUE</b>		
State Revenue	7,197,715	11,174,929
Agency Revenue	44,185	46,472
<b>Total Revenue</b>	<b>7,241,900</b>	<b>11,221,401</b>
<b>EXPENDITURE</b>		
Established staff	2,472,932	4,178,502
Government wage earners	181,412	308,732
Travel and communications	180,951	321,520
Maintenance & operations	408,727	549,157
Purchase of goods and services	617,027	1,077,042
Operating grants and transfers	10,708	30,826
Special expenditures	284,695	348,933
<b>Total Operating Expenditure</b>	<b>4,156,452</b>	<b>6,814,712</b>
Capital Constructions	16,227	-
Capital grants and transfers	29,951	-
<b>Total Capital Expenditure</b>	<b>46,178</b>	<b>-</b>
Value Added Tax	154,132	313,693
<b>Total Expenditure</b>	<b>4,356,762</b>	<b>7,128,405</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

Capital expenditure in 2016 included expenses incurred for the construction of the National War Memorial and War Museum and the Integrated Passport Issuance System.

## 6.3 Appropriation Statement

The Ministry of Defence, National Security and Immigration incurred expenditure totalling \$4,356,762 in 2016 against a revised budget of \$9,241,159, resulting in a saving of \$4,884,397 or 53%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditure against the revised budget are provided in Table 6.2.

**Table 6.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	4,322,710	(265,839)	4,056,871	2,472,932	1,583,939
2	Unestablished Staff	277,249	57,639	334,888	181,412	153,476
3	Travel & Communication	217,930	52,955	270,885	180,951	89,934
4	Maintenance & Operations	567,837	152,459	720,296	408,727	311,569
5	Purchase of Goods & Services	1,140,872	76,861	1,217,733	617,027	600,706
6	Operating Grants & Transfers	35,200	0	35,200	10,708	24,492
7	Special Expenditure	489,061	(74,075)	414,986	284,695	130,291
	<b>Total Operating Costs</b>	<b>7,050,859</b>	<b>0</b>	<b>7,050,859</b>	<b>4,156,452</b>	<b>2,894,407</b>
9	Capital Constructions	1,060,000	0	1,060,000	16,227	1,043,773
10	Capital Grants and Transfers	750,000	0	750,000	29,951	720,049
	<b>Total Capital Expenditure</b>	<b>1,810,000</b>	<b>0</b>	<b>1,810,000</b>	<b>46,178</b>	<b>1,763,822</b>
13	Value Added Tax	380,300	0	380,300	154,132	226,168
	<b>TOTAL</b>	<b>9,241,159</b>	<b>0</b>	<b>9,241,159</b>	<b>4,356,762</b>	<b>4,884,397</b>

**PART B: AUDIT FINDINGS****DEPARTMENT OF DEFENCE AND NATIONAL SECURITY****6.4 Accounting for Security License Fees**

Each journal voucher or input form shall be checked by the Accounts officer who must ensure that:

- vouchers are adequately supported;
- dollar values are accurately computed;
- the correct account codes have been debited or credited.<sup>1</sup>

The audit noted that all revenue receipts were posted to the Security License Fees allocation (1-06101-00000-230400) irrespective of their nature. Refer to Table 6.3 for details.

**Table 6.3: Examples of other receipts posted in Security License Fees allocation**

Receipt Number	Receipt Date	Particulars	Amount (\$)
122660	05.02.16	Being refund of double payment	1,895.65
122662	10.02.16	Refund of Deposit AG's conference	100.00
122666	16.02.16	Travel expenditure Joji & Alipate ATT 24-27/08/16	15,916.60
122674	01.04.16	Retirement of Accountable advance	115.00
122677	15.04.16	Internet charges	44.10
122678	29.04.16	RFMF (RESF)	10,000.00
122690	01.06.16	Accountable advance payment	300.00
122691	02.06.16	Incidental retirement	295.50
122696	06.06.16	New Zealand PM's visit	1,844.75
122702	15.06.16	Reimbursement	202.00
122704	15.06.16	Accommodation & OPR	364.00
122719	30.06.16	Refund for refreshment	220.00
122736	29.07.16	Meal allowance -MSG	535.50

<sup>1</sup> Ministry of Defence –Finance Manual Section 5.5.6.

As a result of the above, there was a variance of \$21,410 between revenue reflected in the Ministry's 2016 Agency Financial Statements and the general ledger. Details are shown in Table 6.4.

**Table 6.4: Variance in revenue between financials and general ledger**

Revenue	Financial Statement (\$)	General Ledger (\$)	Variance (\$)
Security Industry License Fees	22,775	44,185	21,410

Accounting for the above receipts under Security Licenses Fees revenue has resulted in the revenue and respective expenditure allocations from which refunds or reimbursements were sourced from being misstated.

### **Recommendations**

#### **The Department should:**

- **ensure that revenue is posted to correct allocation; and**
- **liaise with Ministry of Economy to create specific revenue allocations for other revenue collected by the Department.**

### **Department's Comments**

*The Ministry wishes to acknowledge the finding and recommendations of the Auditor General's Office. We totally agree to the finding of the mis-posting of all receipts were posted to security license fees allocation which should be irrespective of their nature. The Ministry has also taken corrective action to eliminate such action from continuing into the future.*

*The following are the proposed way forward as the corrective action to be undertaken by the Ministry:*

- The IWP of the Account officials inclusive of the Manager Corporate has been reviewed and to reflect in detail that that the process to be follow to avoid mis-posting as highlighted above;*
- The process will be articulated into the Standing Operating Procedures [SOP] that the Ministry will be developed to improve its systems and processes;*
- The Manager Corporate Services Business Plan will incorporate the changes that are highlighted above to ensure proper monitoring of procedures; and*
- The Ministry have also developed a checklist to ensure that the full processes are followed in line with the SOP.*

## **6.5 Provisional Tax not withheld**

A business making commission payment or payment under a contract for services where there is a written agreement is required to withhold 5% withholding tax (also known as provisional tax)...<sup>2</sup>

The Department engaged a consultant to prepare the National Security Strategy and draft papers for the National Security Council.

The audit noted that provisional tax was not deducted and remitted to Fiji Revenue & Customs Authority from the consultancy fees paid to the consultant. A sum of \$21,236.28 was paid to the consultant.

Failure to deduct and remit provisional tax is a violation of the Income Tax Act.

<sup>2</sup> FRCA Fiji Tax & Customs Summary – Clause 19

**Recommendation**

**The Ministry should ensure that provisional tax is deducted from any commission payment or payments made under a contract for services.**

**Department's Comments**

*The Ministry acknowledges the finding of the Audit Team and also the recommendation of the Auditor General. We do confirm that the oversight on the Ministry's part is the non-payment of the provisional tax that was not deducted and remitted to Fiji Revenue & Customs Authority [FRCA] from the consultancy fees paid to the consultant.*

*As a way forward, it is proposed that we undertake the following proposals:*

- *Engage with the Ministry of Economy on processes to be carried out by the Ministry to rectify this oversight;*
- *Possibly seek the support of the consultant in the payment of the tax to FRCA;*
- *Ensure that provisional tax is deducted from any commission payment or payments made under a contract for services; and*
- *Further, we will incorporate this as part of our improvement in the SOP that we are developing.*

*We will also as part of our improvement and alignment to SOP's we will also incorporate these in into the IWP's of the Accounts Officer and all the processing line of the accounts section.*

**DEPARTMENT OF IMMIGRATION****6.6 Unreconciled Passport Revenue**

Each Accounting Head must ensure that the recording of revenue is reconciled monthly with the Ministry of Finance.<sup>3</sup>

The audit noted an unreconciled variance of \$94,196.80 between the receipts generated by Integrated Border Control Management System (IBMS) and manual receipts issued and the amount posted in the General Ledger (FMIS). Refer Table 6.5 below for details.

**Table 6.5: Variance in revenue balances**

	<b>Total Receipts (VIP) \$</b>	<b>VAT (\$)</b>	<b>Actual Receipts (VEP) \$</b>
Receipts as per IBMS generated (new) report	5,153,286.00	425,500.68	4,727,785.32
Revenue collected overseas – Receipts posted by Foreign Affairs and Ministry of Economy			306,228.54
Receipts as per Manual record (4 stations)	2,255,432.06	186,228.34	2,069,203.72
Total Receipts collected from January - July 2016			7,103,217.58
Balance as per GL FMIS 1-06201-70999-230306			7,197,414.38
<b>Variance</b>			<b>94,196.80</b>

Furthermore, the Department did not have any supporting documents for overseas remittances (immigration revenue collected overseas) totalling \$306,228.54 that were posted in the general ledger by the Ministry of Economy and Ministry of Foreign Affairs.

<sup>3</sup> Finance Instruction 2010 – Section 21 (1) (c)

The audit finding indicates that the Accounting Head responsible did not ensure that the IBMS records and manual receipts to the General Ledger (FMIS) were properly reconciled and relevant supporting documents were held for amounts remitted from overseas.

### **Recommendations**

#### **The Department must:**

- **ensure that the passport revenue as per the IBMS system and manual receipts are reconciled with the general ledger balance at the end of each month and variances are investigated and rectified; and**
- **ensure that supporting documentation is maintained for all funds remitted from overseas before these are posted to the general ledger and documentation is provided for audit verification.**

### **Department's Comments**

*Your comments are noted. The International Border Management System (IBMS) is software purchased by the Department in 2012 to automate its processes. Of the 11 modules one is the receipting module whereby all revenue collected by the Department for its services is done electronically. This system is not linked to government's FMIS so all revenue receipted by IBMS is journalized and posted to FMIS daily.*

*Also, note that Fiji embassies around the world also provide Immigration services to current and former Fiji citizens in the respective countries and collect revenue for the service rendered. This revenue is sent to the Ministry of Foreign Affairs who raises the necessary journals to be posted directly to FMIS, the Department do not have records of these transactions. This is the reason there is a difference in the revenue balance between FMIS and IBMS.*

*In reconciling the difference highlighted in the report we determined that the Ministry of Foreign Affairs posted revenue to FMIS totalling \$306,299.91. This figure will not appear in the IBMS.*

*Also, the revenue receipted manually will not appear in the IBMS as it is posted directly to FMIS using the journal voucher. There are four revenue streams that the Department receipts manually, namely Issue fees, Appeal fees, Uplift of Prohibited Immigrant fees, and Bond fees. Other contributing factors to manual receipting include power outages and natural disasters that affect the supply of power hence; the cashiers have to resort to manual receipts so our services can continue. Total revenue of \$1,889,087.91 was manually receipted for the period 1/1-31/7/16.*

## **6.7 Untimely Preparation of Reconciliations**

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, *CO-Reconciliation/the Assistant Accounts officer* shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>4</sup>

Audit review of the Department's underline accounts revealed that monthly reconciliations were not prepared in a timely manner. Instances were noted where reconciliations were prepared after two months of receiving the monthly general ledger reports from Ministry of Economy.

Failure to prepare the reconciliations on timely manner may result in errors and incorrect postings not being detected in a timely manner.

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<sup>4</sup> DOI Finance Manual 2013 s.16.3.3

**Recommendation**

**The Department should ensure that underline accounts reconciliations are prepared within 3 days of receiving the monthly general ledger reports from the Ministry of Economy.**

**Department's Comments**

*Your comments are noted. The Department has ensured that ledger is updated and will be available for sighting upon request.*

**6.8 Incorrect Payment of VAT**

Value Added Tax (VAT) is a tax on spending that is levied on the supply of goods and services in Fiji at the rate of 9%, with effect from 1 January, 2016.<sup>5</sup>

Audit review of the monthly VAT returns revealed that department calculated VAT at 15% resulting in an over payment of VAT to Fiji Revenue and Customs Authority amounting to \$254,919.69. Refer to Table 6.6 for details.

**Table 6.6: Calculation of VAT output/input**

Details	Jan 2016 paid in Feb 2016	Feb 2016 paid in Mar 2016	Mar 2016 paid in Apr 2016	Apr 2016 paid in May 2016	May 2016 paid in Jul 2016	Jun 2016 paid in Jul 2016	TOTAL
Total Supplies subject to VAT	942,777.00	982,071.00	1,100,709.00	1,039,203.45	1,108,552.00	1,145,587.00	6,318,899.45
Total Output Tax	77,843.97	81,088.43	90,884.23	85,805.79	91,531.82	94,589.75	521,743.99
Vat paid on Local Supplies (Input Tax)	8,480.72	7,687.42	4,678.21	3,448.44	33,376.51	12,607.43	70,278.73
<b>Amount To Pay–Audit<sup>6</sup></b>	<b>69,363.25</b>	<b>73,401.01</b>	<b>86,206.02</b>	<b>82,357.35</b>	<b>58,155.31</b>	<b>81,982.32</b>	<b>451,465.26</b>
<b>Department calculation</b>	<b>114,490.19</b>	<b>120,408.80</b>	<b>138,892.53</b>	<b>132,099.84</b>	<b>89,220.32</b>	<b>111,273.27</b>	<b>706,384.95</b>
<b>Variance</b>	<b>(45,126.94)</b>	<b>(47,007.79)</b>	<b>(52,686.51)</b>	<b>(49,742.49)</b>	<b>(31,065.01)</b>	<b>(29,290.95)</b>	<b>(254,919.69)</b>

The above anomaly could have been avoided if the Senior Accounts Officer responsible was conversant with the changes in the VAT rates.

**Recommendations**

- **The Department should liaise with FRCA and offset the VAT overpaid with the current VAT payable; and**
- **The Senior Accounts Officer should be cautioned for the oversight.**

**Department's Comments**

<sup>5</sup> <http://www.frca.org.fj/value-added-tax/>

<sup>6</sup> Calculation performed by audit based on 9% VAT

*Your comments are noted. The Department will make arrangements with FRCA, as we have done before, to offset the overpaid VAT with the current VAT payable.*



## Section 7 **Ministry of Employment, Productivity and Industrial Relations**

### **Role and Responsibilities**

The Fijian Constitution guarantees every Fijian's right to economic participation, a just minimum wage, and fair employment practices, which include humane treatment in the workplace and proper working conditions. Government is committed to doing everything in its power to uphold these rights for workers across the country, while at the same time helping businesses grow and succeed.

The Ministry of Employment, Productivity and Industrial Relations is responsible for enacting policies and programs that support both of these aims.

The Ministry focuses on fostering strong relations between employees and employers, creating productive workplaces, combatting discrimination, and demanding fair working conditions. It also works to help Fijians find jobs, especially the country's young people, and to create healthy and safe work environments for all workers.

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## **PART A: FINANCIAL STATEMENT**

### **7.1 Audit Opinion**

The audit of the 2016 accounts of the Ministry of Employment, Productivity and Industrial Relations resulted in the issue of a qualified audit report. The qualification issue related to the Drawings Account balance of \$206,037 which include stale cheques totaling \$97,416 which were not journalized at financial year end. As a result, the Drawings Account balance and expenditure of the Ministry was overstated by \$97,416.

## 7.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$3,935 and incurred expenditure totalling \$7,628,074 for the seven months period ended 31 July 2016. Refer to Table 7.1 for details.

**Table 7.1: Statement of Receipts and Expenditure for 2016**

Descriptions	July 2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Commission	1,793	30
<b>Total State Revenue</b>	<b>1,793</b>	<b>30</b>
<b>Agency Revenue</b>		
Miscellaneous	2,142	-
<b>Total Agency Revenue</b>	<b>2,142</b>	<b>-</b>
<b>TOTAL Revenue</b>	<b>3,935</b>	<b>30</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	2,454,055	4,081,620
Government Wage Earners	202,746	199,965
Travel & Communications	158,373	307,370
Maintenance & Operations	310,717	349,949
Purchase of Goods & Services	785,038	775,654
Operating Grants & Transfers	137	30,384
Special Expenditures	3,420,581	8,082,537
<b>Total Operating Expenditure</b>	<b>7,331,647</b>	<b>13,827,479</b>
<b>Capital Expenditure</b>		
Capital Purchase	493	-
<b>Total Capital Purchase</b>	<b>493</b>	<b>-</b>
Value Added Tax	295,934	1,478,430
<b>TOTAL EXPENDITURE</b>	<b>7,628,074</b>	<b>15,305,909</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a 7 – month period whereas the financial statements for the year ended 2015 is for a 12 – month period, thus the significant variances with the comparative balances.

## 7.3 Appropriation Statement

The Ministry incurred expenditure totalling \$7,628,074 in 2016 against the revised budget of \$17,284,164 resulting in savings of \$9,656,090 or 55%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditures against the budget estimates are provided in Table 7.2.

**Table 7.2: Appropriation Statement as at 31 July 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	4,309,847	(110,268)	4,199,579	2,454,055	1,745,524
2	Government Wage Earners	199,971	110,268	310,239	202,746	107,493

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
3	Travel & Communications	372,495	(5,000)	367,495	158,373	209,122
4	Maintenance & Operations	440,300	70,310	510,610	310,717	199,893
5	Purchase of Goods & Services	1,379,900	(45,310)	1,334,590	785,038	549,552
6	Operating Grants & Transfers	55,000	(10,000)	45,000	137	44,863
7	Special Expenditures	9,425,651	(10,000)	9,415,651	3,420,581	5,995,070
	<b>Total Operating Expenditure</b>	<b>16,183,164</b>	<b>---</b>	<b>16,183,164</b>	<b>7,331,647</b>	<b>8,851,517</b>
9	Capital Purchase	50,700	---	50,700	493	50,207
	<b>Total Capital Expenditure</b>	<b>50,700</b>	<b>---</b>	<b>50,700</b>	<b>493</b>	<b>50,207</b>
13	Value Added Tax	1,050,300	---	1,050,300	295,934	754,366
	<b>TOTAL EXPENDITURE</b>	<b>17,284,164</b>	<b>---</b>	<b>17,284,164</b>	<b>7,628,074</b>	<b>9,656,090</b>

## 7.4 Trust Fund Account Statement of Receipts and Payments

The Ministry of Employment, Productivity and Industrial Relations has five trust accounts:

1. National Occupational Health & Safety Education and Accident Prevention
2. Child Labour Unit Trust Fund (CLU)
3. Employment Relations Agency (ERT)
4. National Employment Centre (NEC)
5. OHS Consultancy Services, Workmen's Compensation and Wages Dispute (WBC)

### 7.4.1 National Occupational Health and Safety Trust Statement of Receipts and Payments

The National Occupational Health & Safety Education and Accident Prevention Trust Account collected \$813,827 and made payments totalling \$721,833 for the seven months period ended 31 July 2016.

**Table 7.3: OHS Education and Accident Prevention Trust Statement of Receipts and Payments**

Descriptions	July 2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
OHS Trust Fund	813,827	1,925,298
<b>Total Receipts</b>	<b>813,827</b>	<b>1,925,298</b>
<b>PAYMENTS</b>		
OHS Trust Fund	721,833	1,409,169
<b>Total Payments</b>	<b>721,833</b>	<b>1,409,169</b>
<b>Net Surplus</b>	<b>91,994</b>	<b>516,129</b>
Balance as at 1 January	5,241,937	4,725,808
<b>Closing Balance as at 31/07/16</b>	<b>5,333,931</b>	<b>5,241,937</b>

### 7.4.2 Child Labour Unit (CLU) Trust Statement of Receipts and Payments

The Child Labour Unit Trust Account did not collect any receipts but made payments totalling \$2,759 for the seven months period ended 31 July 2016.

**Table 7.4: CLU Trust Statement of Receipts and Payments**

Descriptions	July 2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
CLU Trust Fund	-	10,995
<b>Total Receipts</b>	-	<b>10,995</b>
<b>PAYMENTS</b>		
CLU Trust Fund	2,759	4,566
<b>Total Payments</b>	<b>2,759</b>	<b>4,566</b>
<b>Net (Deficit)/Surplus</b>	<b>(2,759)</b>	<b>6,429</b>
Balance as at 1 January	7,406	977
<b>Closing Balance as at 31/07/16</b>	<b>4,647</b>	<b>7,406</b>

### 7.4.3 Employment Relations Agency Trust (ERT) Statement of Receipts and Payments

The Employment Relations Agency Trust Account received a sum of \$69,096 and made payments totalling \$3,234 for the seven months period ended 31 July 2016.

**Table 7.5: ERT Trust Statement of Receipts and Payments**

Descriptions	July 2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
ERT Trust Fund	69,096	231,702
<b>Total Receipts</b>	<b>69,096</b>	<b>231,702</b>
<b>PAYMENTS</b>		
ERT Trust Fund	3,234	3,448
<b>Total Payments</b>	<b>3,234</b>	<b>3,448</b>
<b>Net Surplus</b>	<b>65,862</b>	<b>228,254</b>
Balance as at 1 January	335,865	107,611
<b>Closing Balance as at 31/07/16</b>	<b>401,727</b>	<b>335,865</b>

### 7.4.4 National Employment Centre (NEC) Trust Statement of Receipts and Payments

The National Employment Centre Trust Account received funds amounting to \$16,619 and made payments totalling \$1,752 for the seven months period ended 31 July 2016.

**Table 7.6: NEC Trust Statement of Receipts and Payments**

Descriptions	July 2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
NEC Trust Fund	16,619	47,307

Descriptions	July 2016 (\$)	2015 (\$)
<b>Total Receipts</b>	<b>16,619</b>	<b>47,307</b>
<b>PAYMENTS</b>		
NEC Trust Fund	1,752	353,425
<b>Total Payments</b>	<b>1,752</b>	<b>353,425</b>
<b>Net Surplus /(Deficit)</b>	<b>14,867</b>	<b>(306,118)</b>
Balance as at 1 January	195,357	501,475
<b>Closing Balance as at 31/07/16</b>	<b>210,224</b>	<b>195,357</b>

#### 7.4.5 OHS Consultancy Services, Workmen's Compensation and Wages Dispute Trust (WBC) Statement of Receipts and Payments

This account comprises of Wages Disputes, Workmen's Compensation and OHS Consultancy. The purpose of the respective accounts are as follows:

- Workmen's compensation – compensation that is paid to workmen and their dependents are first placed in the trust account before it is paid to them.
- Wages dispute – has the arrears of wages owed by employers to workmen. These are first placed in the trust account before it is paid out to them.
- OHS consultancy – OHS officers usually carry out overtime for clients. Overtime is paid into the trust account by clients and is later paid out to OHS officers. Also, the project officer's salaries are paid from OHS Trust Account to OHS consultancy from where it is being paid to relevant SEGs.

The WBC Trust Account received a sum of \$3,432,382 and made payments totalling \$2,874,941 for the seven months period ended 31 July 2016.

**Table 7.7: WBC Trust Statement of Receipts and Payments**

Descriptions	July 2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
Workmen's Compensation	2,422,812	4,189,213
Wages Dispute	202,646	562,328
OHS Consultancy	806,924	1,427,482
<b>Total Receipts</b>	<b>3,432,382</b>	<b>6,179,023</b>
<b>PAYMENTS</b>		
Workmen's Compensation	2,049,903	3,963,750
Wages Dispute	225,043	644,541
OHS Consultancy	599,995	1,200,155
<b>Total Payments</b>	<b>2,874,941</b>	<b>5,808,446</b>
<b>Net Surplus</b>	<b>557,441</b>	<b>370,577</b>
Balance as at 1 January	1,324,795	954,218
<b>Closing Balance as at 31/7/16</b>	<b>1,882,236</b>	<b>1,324,795</b>

## PART B: AUDIT FINDINGS

### 7.5 Excessive Annual Leave

The Permanent Secretary or Head of Ministry shall ensure scheduling of leave to avoid bulging of leave entitlements at any time of the year. Officers may be allowed to carry over up to a maximum of ten working days leave entitlement from one leave year to the next.<sup>1</sup>

Due to Government's stringent control of funds, the compensation of accumulated leave will not be entertained and officers are encouraged to utilize their accumulated leave on a piece meal basis.<sup>2</sup>

Audit noted that leave compensation totalling \$32,579.67 was paid to some staffs in the financial year upon their resignation or retirement from service. Refer to Table 7.8 for details:

**Table 7.8: Details of Leave Compensation**

Cheque No	Date	EDP	Details	Amount (\$)
5809	21/7/16	55550	Compensation of leave for the following: •29.75 consecutive days of annual leave - \$6,839.18 •28 consecutive days of long service leave- \$4,597.76 •759.5 time off hours at year 2003 salary- \$5,986.38	17,423.32
5258	10/5/16	62928	Leave compensation of 42 days =58.8 consecutive days	9,569.70
39535	21/4/16	54480	leave compensation of 20.25 days(19 days of annual leave carried forward to new leave year in 2016), 20.25 days balance= 28.35 consecutive days	5,586.65
<b>Total</b>				<b>32,579.67</b>

Audit also noted from the annual leave records of the Ministry that some officers have accumulated leave balance in excess of 10 working days.

The above finding indicates that the Ministry was not able to effectively manage the annual leave of its staffs.

#### **Recommendation**

**The Ministry should ensure that annual leave of staffs are rostered and staffs encouraged to take leave when due.**

#### **Ministry's Comments**

*The Auditor's comments are noted.*

*The Ministry is trying its best to improve management of leave. We have prepared leave schedules and are reminding staffs at the beginning of each month to take their leave as planned.*

*The Ministry will adhere to the Regulations governing the administration of leave as stipulated in the General Orders.*

<sup>1</sup> General Order 705 (c)

<sup>2</sup> PSC Circular No. 53/2009 – Effective Leave Administration dated 03/11/09

## 7.6 Over Expenditure

The *Senior Accountant* or *Accountant* must not certify a payment as correct unless they are satisfied that it is in accordance with an LPO, indent, contract, invoice or other authorization, there is documentation that the goods, services or works have been received and the expenditure account it is charged to is correct.<sup>3</sup>

Agencies must ensure that there is no over-expenditure and that the accounts are paid and charged correctly to allocations within the 2016 financial year. All payments for expenditure incurred in 2016 should be made by 4:00pm on 22<sup>nd</sup> July 2016.<sup>4</sup>

Audit of payments revealed the following instances which indicate over expenditure of the Ministry:

- The Ministry made payments totalling \$44,901.75 for some of expenditure which related to financial year ending 31 July 2017. These payments were made towards the end of the financial year 2016 and were based on an estimate. Refer to Table 7.9 for details.

**Table 7.9: Details of Advance Payments**

Date	EFT No.	Details	Total Amount <sup>5</sup> (\$)
22/7/16	05836	Estimated payment for mobile usage for month of August	3,536.45
22/7/16	05835	Estimated payment for telephone usage for month of August	10,040.50
22/7/16	05814	Estimated payment for power supply for month of August	17,154.80
20/7/16	05794	Estimated payment for fuel expenses for month of August	14,170.00
<b>Total</b>			<b>44,901.75</b>

- The Ministry paid a sum of \$16,093.84 for overdue electricity account of Ministry of Civil Service which is yet to be reimbursed. Refer to Table 7.10 for details.

**Table 7.10: Details of payments not reimbursed**

Date	EFT No.	Details	Total Amount <sup>6</sup> (\$)
07/06/16	05483	Payment made on behalf of Ministry of Civil Service from Ministry of Employment, Productivity and Industrial Relations for overdue accounts of electricity usage	16,093.84

The above payments indicate that the Ministry was utilizing budgetary savings at financial year end which were for the entire year.

### Recommendations

**The Ministry should:**

- ensure that the practice of advance payments to utilize budgetary savings is ceased immediately; and**

<sup>3</sup> Ministry of Employment, Productivity and Industrial Relations Finance Manual 2013- Section 2.8.4,p art (i), (ii), (v)

<sup>4</sup> Ministry of Finance Circular- Circular No. 04/2016, Objective 7.2.1

<sup>5</sup> Vat Inclusive Tax Amount

<sup>6</sup> Vat Inclusive Tax Amount

- **follow up with Ministry of Civil Service for the re-imburement.**

### **Ministry's Comments**

*This was a normal practice by the Ministry for years. We will seek the advice of Ministry of Economy on preparing advance payment in the future.*

*For the reimbursement of fund from Ministry of Civil Service to Ministry of Employment Productivity and Industrial Relations, we may not be able to prepare a Journal now since the 2016 account is closed however we will make sure this is not repeated in the future.*

## **7.7 Anomalies in engagement of ISO Auditor**

The guiding principles of procurement requires that any procurement of goods, services or works shall be issued so as to promote value for money and maximize economy and efficiency and the ethical use of government resources.<sup>7</sup>

Permanent Secretaries and Heads of Departments were advised that all Government contracts are to be vetted by the Solicitor General's Office during negotiations stage and as well as prior to its execution. This is to ensure that the Government's legal recourse and exposure are properly considered and protected.<sup>8</sup>

Due diligence is an integral part of the evaluation process that must be completed prior to awarding of the contract. During this phase, government agencies must check all the terms and conditions against the supplier's information as well as seek further information from the relevant authorities to verify the information provided. The process of due diligence will enable the Ministry to test the contractor's ability to fully perform the required standard of work.<sup>9</sup>

The *Senior Accountant* or *Accountant* must not certify a payment as correct unless they are satisfied that there is documentation that the works have been carried out.<sup>10</sup>

The Permanent Secretary of Finance under FI 72 (1) has the authority to authorize the conduct of any audit of an agency for the purposes specified in the FI.<sup>11</sup>

The Ministry contracted "Independent European Certificate (ASIA) Sdn. Bh" located in Malaysia to carry out audit of ministry's standing order procedures in view of aligning it to ISO 9001 certification. A total sum of \$272,116.52<sup>12</sup> was paid to the consultants to carry out this audit.

Audit review revealed the following anomalies in the above engagement:

- Documentary evidence was not provided to audit for ascertaining the selection process of the consultant;
- There was no evidence to indicate that the agreement with the consulting company was vetted by the Solicitor-General's Office; and
- Payment of \$37,560.89<sup>13</sup> made through cheque 39598 of 20/5/16 for balance of 50% of the Compliance audit and auditor's travelling expenses was not properly supported.

<sup>7</sup>Fiji Procurement Regulation 2012, section 3 (1)

<sup>8</sup>Public Service Circular 33/2013 on Government Contract and Ministry of Finance Circular 3/2013, clause 4.1 and 3.3

<sup>9</sup>Ministry of Finance Circular 8/2013, clause 2.3 and 2.4 – Conducting Due Diligence Prior to Finalizing Contracts

<sup>10</sup>Ministry of Employment, Productivity and Industrial Relations Finance Manual 2013- Section 2.8.4 (ii)

<sup>11</sup>Ministry of Employment, Productivity and Industrial Relations Finance Manual 2013-Section19.1.1

<sup>12</sup>VIP as per FMIS General Ledger allocation- 1-07101-07101-050301

<sup>13</sup>VIP



Refer to Table 7.11 for details

**Table 7.11: Detail of major payments made to Independent European Certificate (ASIA)**

Date	Cheque No.	Total Amount <sup>14</sup> (\$)	Details	Remarks
18/3/16	39478	165,497.20	Being payment to “Independent European Certificate (ASIA) Sdn. Bhd’ for the 50% payment of compliance audit, and 100% payment of surveillance audit year 2016.	Cost benefit analysis not provided for the expenditure
18/3/16	39477	45,805.27	VAT reversal charge and withholding tax for payment made through cheque 39478 of 18/3/16	Cost benefit analysis not provided for the expenditure
20/5/16	39598	37,560.89	<ul style="list-style-type: none"> <li>Balance of the 50% of Compliance audit and</li> <li>Airfare, and land transport costs borne by international auditors</li> </ul>	ISO Company failed to provide supporting documents to claim payment such as invoice with itinerary for airfare, 3 quotations for airfare and reason for the 4th auditor taking different route (transit Australia) for which the Ministry borne the cost.
<b>Total</b>		<b>248,863.36</b>		

The audit findings indicate the engagement of the consultant was not properly managed and the proper processes were not followed for payment.

### **Recommendations**

**The Ministry should ensure:**

- contracts should be vetted by the Solicitor General’s Office prior to engagement; and
- payments made are properly supported.

### **Ministry’s Comments**

*Yes, we agree that the original Contract with the ISO Certification Company “**INDEPENDENT EUROPEAN CERTIFICATION (ASIA) SDN. BHD**” in 2013 was vetted by the SG’s Office. However, we cannot trace any records.*

## **7.8 Misallocation of Expenditure**

Expenditure of money appropriated by an Appropriation Act may be incurred only in accordance with the authorisation effected by the Appropriation Act as indicated in the Act and any applicable appropriation categories specified in relation to the head of appropriation.<sup>15</sup>

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.<sup>16</sup>

<sup>14</sup> VIP

<sup>15</sup> Financial Management Act 2004 – Section 14 (1)

Audit review of a sample of payments revealed instances where payments were incorrectly allocated in the general ledger. Refer to Table 7.12 for examples.

**Table 7.12: Expenditure Recorded Contrary to Budget Appropriation**

Date	Cheque No.	Amount (\$)	Description of Expenditure	Recorded In	Anomalies
14/3/16	39469	12,384.47 <sup>17</sup>	Payment for fee of Master's program for Ministry's Doctor -(Unit-AVME801)	1-07103-91011-050405 (Training-OHS Promotion)	Approved on the understanding that it will be refunded once NOHSAB would sit, however \$12,384 was not refunded to Training allocation.
07/4/16	39687	13,002.20 <sup>18</sup>	Payment for fee of Master's program for Ministry's Doctor -(Unit-AVME802)	1-07103-91011-050405 (Training-OHS Promotion)	NOHSAB related expenditure paid from operating expenditure
04/2/16	4700	8,220.18	Purchase of Laptops for OHS training.	1-07103-91011-050810- (OHS Board Allowance)	The 9 laptops purchased were solely for the purpose of OHS training, however OHS Board allowance allocation was utilised without transferring back.
<b>TOTAL</b>		<b>33,606.55</b>			

Incorrect allocation of payments resulted in misstatement of Training -OHS Promotion account allocation and OHS Board Allowances account allocations at financial year-end.

### **Recommendation**

**The Ministry should ensure that expenditures are recorded in the correct general ledger allocation.**

### **Ministry's Comments**

*We will abide by your recommendation and we will make sure this is not repeated in future.*

## **7.9 Stale Cheques not Journalised for Drawings Account**

Specimen signatures of cheque and encashment signatories, and details of any conditions of appointment, must be submitted to the Chief Accountant.<sup>19</sup> The Accounting Head must make all attempts to issue stop notices for all cheques that have remained un-presented for more than 6 months.<sup>20</sup>

<sup>16</sup> Finance Instructions 2010 – Section 7

<sup>17</sup> VIP

<sup>18</sup> VIP

<sup>19</sup> Finance Instruction Section 33, subsection 1

<sup>20</sup> Finance Instruction Section 33, subsection 2

Stale cheques (those which are at least 6 months old) must be reviewed each month to determine the need for a replacement cheque. Where a replacement cheque is not required, action should be taken to clear it.<sup>21</sup>

The audit noted that stale cheques amounting to \$97,415.89 existed in the unpresented cheque listing of the Drawings account as at 31 July 2016. Refer to Table 7.13 for details.

**Table 7.13: List of stale cheques**

Stale Cheque	Date	Payee	Amount (\$)
38809	19/08/15	ANARE TOMASI BULEWA	273.75
39258	17/12/15	BILLUM	1,095.00
39259	17/12/15	CILIA LIGANIMASI TAU	2,190.00
39261	17/12/15	JOSHUA	1,095.00
39263	17/12/15	SEMISI SERU TAUBALE	2,190.00
39276	21/12/15	KALEVATI DROTAKI	938.57
39281	21/12/15	NACANIELI NARABE VAR	938.57
39353	29/12/15	AKARIVA MATANIWAI	9,855.00
39354	29/12/15	CHARLES STINSON	9,855.00
39356	29/12/15	ISOA VATURARABA	9,855.00
39357	29/12/15	JOPE SAREWA	9,855.00
39358	29/12/15	APIMELEKI KATONIB	9,855.00
39359	29/12/15	JOAPE KUINIKORO	9,855.00
39360	29/12/15	LORESIO JOPE TUILA	9,855.00
39362	29/12/15	N VEGA	9,855.00
39365	29/12/15	WAISEA SULIWALIWA	9,855.00
<b>Total</b>			<b>97,415.89</b>

The above finding indicates that review of bank reconciliations were not effectively carried out.

Non-reversal of stale cheques has resulted in the balance of Drawings account and expenditures of the Ministry being overstated as at 31 July 2016.

### **Recommendation**

**The Ministry should ensure that bank reconciliations properly reviewed and adjustments made where necessary.**

### **Ministry's Comments**

*Please note that all the payments that were highlighted was for the Christmas Island veteran. The exercise was a one-off payment and was only budgeted in 2015.*

*There were some consultations with Ministry of Economy in regards to the payment for Christmas Island. The recommendation was to void the cheque but not cancel the voucher, which we did in 2016. This is due to funding issues.*

## **7.10 Anomalies noted in Main Trust Fund Account**

The *Senior Accountant* is responsible for the safekeeping and proper maintenance of all accounting records or documents.<sup>22</sup>

<sup>21</sup> Finance Instruction Section 33, subsection 2

<sup>22</sup> Ministry of Employment, Productivity and Industrial Relations Finance Manual 2013- Section 18.1.3

A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who must inform the bank of the agency officers authorized to operate on it.<sup>23</sup> Trust money is to be kept in a separate bank account.<sup>24</sup> All agency bank accounts must be kept in the name of the agency or the official title of a unit within the agency.<sup>25</sup>

Trust money is money that the agency is holding in trust (it does not include creditor payments such as salary deductions or money that is held in a separate 'trust fund' which is not a true trust) As stipulated in the Act and Finance Instructions, trust money is to be kept in a separate bank account and accounted for separately from "public money" and "other money".<sup>26</sup>

Audit review of the Main Trust Fund Accounts revealed the following anomalies:

- Credit balances totaling \$30,921 as at 31/07/16 which have been brought forward from previous years could not be substantiated. Refer to Table 7.14 for details.

**Table 7.14: Unsubstantiated Main Trust Balances**

Allocation	Account Name	Amount (\$)	Comments
9-07101-07003-895002	Workmen's Compensation	(7,956)	The lump sum amount is carried forward in every month's reconciliation without any details
9-07101-07004-895003	Wages Dispute	(22,965)	The lump sum amount is carried forward in every month's reconciliation without any details
<b>Total</b>		<b>(30,921)</b>	

- A variance of \$920.68 was noted between the bank reconciliation and cash book reconciliation for the combined trust funds accounts.<sup>27</sup>

In absence of the supporting documents, the accuracy of the credit balance of \$30,921 could not be established. Therefore, there is a risk that the Main Trust Fund Accounts may be overstated by \$30,921. Although the variance is insignificant, there is a risk that it may increase to a significant amount in future.

### **Recommendations**

#### **The Ministry should:**

- **make concerted efforts to substantiate the credit balance; and**
- **ensure that variance of \$920.68 is investigated and rectified.**

### **Ministry's Comments**

*This was an ongoing issue which was carried forward from 2008.*

*The Ministry was able to reconcile the Wages Disputes account. There is a variance of \$22,965.16 in which we will need Ministry of Economy advice.*

*For the Workman's Compensation issue, the Ministry will need technical advice from Ministry of Economy to try to solve this issue.*

<sup>23</sup> Finance Instructions 2010- Section 32 (1)

<sup>24</sup> Finance Instructions 2010- Section 32 (3)

<sup>25</sup> Finance Instructions 2010- Section 32 (4)

<sup>26</sup> Ministry of Employment, Productivity and Industrial Relations Finance Manual 2013- Part 14

<sup>27</sup> Workmen's Compensation, Wages Dispute and OHS Consultancy.

*The new format was issued from Ministry of Economy in 2014.*

## Section 8

## Ministry of Foreign Affairs

### Roles and Responsibilities

Since adopting its “Look North Policy”, Fiji has become more confident in the conduct of its foreign policy. Fiji has forged new relations with countries on all corners of the globe – in the Middle East, Latin America, Europe, Africa and Asia – and has assumed a greater voice in international forums, such as the United Nations, where it has been a strong advocate for other small island nations on issues like climate change.

Fiji’s commitment to the independent conduct of its foreign policy has enabled it to determine its own destiny. Fiji intends to be a friend to all and enemy to none. At the same time, Fiji is committed to working closely with the international community to bring about peace, justice, dignity and respect for all the world’s peoples.

Fiji is equally determined to continue to strengthen its leadership role in the region, working with its neighbours to resolve the great challenges Pacific island countries face to develop their economies and improve the lives of their peoples.

The Ministry of Foreign Affairs promotes Fijian interests in other nations and on the world stage. This includes a broad range of activities from providing consular services to Fijians living overseas to organizing high-level visits to Fiji.

The Ministry develops and carries out Fiji’s foreign policy and manages Fiji’s relationships with other nations and with multi-national and sub-regional organizations like the United Nations and the Melanesian Spearhead Group. The Ministry is focused on securing the maximum benefits for Fiji from these relationships.

The Ministry maintains diplomatic relations with as many countries as possible and in co-ordination with the line ministries focuses on promoting and advancement of Fijian interests in the areas of tourism, employment opportunities, and investment and trade.

In 2015, Government hosted the ACP/EU Joint Parliamentary Assembly held in June and the PIDF Summit which was attended by the Deputy PM Thailand held in August.

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**PART A: FINANCIAL STATEMENT****8.1 Audit Opinion**

The audit of the 2016 accounts of the Ministry of Foreign Affairs resulted in the issue of an unqualified audit report.

**8.2 Statement of Receipts and Expenditure**

The Ministry of Foreign Affairs collected revenue totalling \$235,374 and incurred expenditure totalling \$26,171,606 for the seven months period ended 31 July 2016. Refer to Table 8.1 for details of revenue collected and expenditure incurred during the year.

**Table 8.1: Statement of Receipts and Expenditure for 2016**

Description	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Operating Revenue	6,512	49,506
<b>Total State Revenue</b>	<b>6,512</b>	<b>49,506</b>
<b>Agency Revenue</b>		
Miscellaneous Revenue	228,862	10,836
<b>Total Agency Revenue</b>	<b>228,862</b>	<b>10,836</b>
<b>TOTAL REVENUE</b>	<b>235,374</b>	<b>60,342</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	8,112,472	12,714,226
Government Wage Earners	2,314,685	3,623,754
Travel & Communications	2,213,025	3,753,378
Maintenance & Operations	7,866,241	11,576,284
Purchase of Goods & Services	439,574	858,013
Operating Grants & Transfers	3,709,985	3,472,083
Special Expenditures	622,943	2,325,599
<b>Total Operating Expenditure</b>	<b>25,278,925</b>	<b>38,323,337</b>
<b>Capital Expenditure</b>		
Capital Construction	46,927	60,621
Capital Purchase	252,278	562,340
<b>Total Capital Expenditure</b>	<b>299,205</b>	<b>622,961</b>
Value Added Tax	593,476	2,309,032
<b>TOTAL EXPENDITURE</b>	<b>26,171,606</b>	<b>41,255,330</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

Total revenue increased by \$175,032 or 290% in 2016 compared to 2015 due to the introduction of new postings whereby revenue earned from services rendered in missions are being reflected in

revenue allocation (Standard Revenue Group 27) and not in operating trust SLG 86 as was the previous practice.

### 8.3 Appropriation Statement

The Ministry incurred expenditure totalling \$26,171,606 in 2016 against the revised budget of \$42,968,947 resulting in savings of \$16,797,341 or 40%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016. Details of expenditure against the budget estimates are provided in Table 8.2.

**Table 8.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	14,001,156	(410,253)	13,590,903	8,112,472	5,478,431
2	Government Wage Earners	3,966,645	22,000	3,988,645	2,314,685	1,673,960
3	Travel & Communications	2,790,014	142,343	2,932,357	2,213,025	719,332
4	Maintenance & Operations	11,305,027	(598,318)	10,706,709	7,866,241	2,840,468
5	Purchase of Goods & Services	932,510	3,631	936,141	439,574	496,567
6	Operating Grants & Transfers	4,107,066	1,060,393	5,167,459	3,709,985	1,457,474
7	Special Expenditures	2,297,900	(444,988)	1,852,912	622,943	1,229,969
	<b>Total Operating Expenditure</b>	<b>39,400,318</b>	<b>(225,192)</b>	<b>39,175,126</b>	<b>2,5278,925</b>	<b>13,896,201</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	1,256,973		1,256,973	46,927	1,210,046
9	Capital Purchase	586,456	225,192	811,648	252,278	559,370
	<b>Total Capital Expenditure</b>	<b>1,843,429</b>	<b>225,192</b>	<b>2,068,621</b>	<b>299,205</b>	<b>1,769,416</b>
13	Value Added Tax	1,725,200	----	1,725,200	593,476	1,131,724
	<b>TOTAL EXPENDITURE</b>	<b>42,968,947</b>		<b>42,968,947</b>	<b>26,171,606</b>	<b>16,797,341</b>

## PART B: AUDIT FINDINGS

### 8.4 Unreconciled Variance in Overseas Mission Bank Reconciliation

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>1</sup> Unreconciled items must be investigated and resolved promptly.<sup>2</sup>

The PAO must verify balances in the bank reconciliation to the cashbook, bank statements, unrepresented cheque list and the previous month's bank reconciliation before certifying it.<sup>3</sup>

The overseas mission's bank accounts facilitate the payment for mission expenditure and the transfer of monies from the Consolidated Fund Account. At the end of the month, the expenditure is journalised to respective budgetary expenditure allocation.

<sup>1</sup> Finance Instruction 2010, Section 32 (6)

<sup>2</sup> Finance Instructions 2010, Section 58 (3)

<sup>3</sup> Ministry's Finance Manual 2013, Section 5.3.10



The cash held in overseas missions' bank accounts totalled \$7,918,927.29. However, an unreconciled variance of \$2,450,487.71 was noted between the FMIS general ledger balance \$7,508,292.42 and the bank reconciliation of \$5,057,804.71. Refer to Table 8.3 for details.

**Table 8.3: Variance in Bank Reconciliation and FMIS General Ledger**

Account Number	Missions	FMIS Balance as at 31/07/16	Bank Reconciliation Balance as at 31/07/16	Variance
1-08103-80102-510106	Fiji Consulate General Sydney	919,008.76	-	919,008.76
1-08103-80101-510107	FHC Canberra	337,725.00	1,806.74	335,918.26
1-08103-81001-510202	FHC London	239,214.64	63,589.20	175,625.44
1-08103-80501-510401	Fiji Embassy Tokyo	1,202,393.71	1,186,943.03	15,450.68
1-08103-80701-510502	FHC Wellington	606,110.10	520,568.80	85,541.30
1-08103-80201-510504	FHC Beijing	359,804.85	136,144	223,660.85
1-08103-80201-510506	Beijing RMB Account	1,513.33	(133,831.54)	135,344.87
1-08103-80201-510507	Beijing VISA Account	19,025.53	11,799.07	7,226.46
1-08103-80301-510601	Fiji Mission Brussels	358,009.24	304,554.48	53,454.76
1-08103-81101-510801	FHC UN	333,770.60	285,509.28	48,261.32
1-08103-81102-510802	Washington	109,747.05	157,670.41	(47,923.36)
1-08103-80301-510901	Adis Ababa Cash Account	148,563.97	154,494.11	(5,930.14)
1-08103-80405-510900	Fiji Embassy Abu Dhabi	856,412.87	636,660.70	219,752.17
1-08103-80406-510901	Fiji Embassy Korea	455,044.31	376,578.17	78,466.14
1-08103-80601-510901	Bank in Kular Lumpur	435,162.58	445,502.81	(10,340.23)
1-08103-80801-510902	Closing Balance for PNG	168,461.16	209,391.05	(40,929.89)
1-08103-80401-510903	FHC New Delhi	60,143.06	105,886.38	(45,743.32)
1-08103-80402-510905	Fiji Embassy Indonesia	184,307.61	259,254.93	(74,947.32)
1-08103-80403-510905	Fiji Embassy Brazil	400,906.42	209,170.30	191,736.12
1-08103-80401-510908	Jakarta Rupiah Account	186,223.18	21,714.65	164,508.53
1-08103-80401-510909	India IND Rupee Account	33,184.10	39,012.59	(5,828.49)
1-08103-80401-510910	India Rental Account	93,560.35	65,385.55	28,174.80
<b>1-08000-00000-510000</b>	<b>Total Overseas Bank Balances</b>	<b>7,508,292.42</b>	<b>5,057,804.71</b>	<b>2,450,487.71</b>

The audit also noted that Fiji Consulate General Sydney was closed and transferred to Ministry of Industry, Trade & Tourism during the month of April 2016. However, balance of \$919,008.76 was still appearing under the Ministry's head in the FMIS general ledger.

As a result, the audit could not ascertain the accuracy of the balances appearing under the above allocations in the FMIS general ledger.

### **Recommendations**

#### **The Ministry should ensure that:**

- overseas missions bank balance is reconciled with the FMIS general ledger bank balance on a monthly basis and any foreign exchange gains or losses are adjusted immediately; and
- balance of accounts at Fiji Consulate General Sydney are transferred to the Ministry of Industry, Trade & Tourism in consultation with the Ministry of Economy.

**Ministry's Comments**

*The Ministry is currently undertaking new measures in the Missions acquittal postings as well as format of Mission's Cash Account [Seg51] reconciliations whereby transactions are individually reflected in appropriate accounts and gain and loss are accounted monthly.*

*The new posting introduced reflects all monies received from Mission into Ministry's revenue account in GL whereas in previous practice, they are reflected in Trust Fund allocations. For expenses incurred in Missions are all accounted in respective Mission's expenditure account whereas in previous practice, RBC account was used to debit respective expenses.*

*The Ministry wishes to assure of the required GL adjustments to be made with regards to the Fiji Consulate General Sydney.*

**8.5 Revenues Collected by Overseas Missions**

Fiji Mission's in overseas collects revenue on behalf of other government departments in Fiji. The revenue collected by the Missions is deposited into their respective overseas bank accounts and is deducted from the monthly remittances made to the Missions by the Ministry of Foreign Affairs. However, the audit noted that the Ministry of Foreign Affairs does not remit this revenue (actual cash) to the relevant Ministries/Departments.

Further review of the revenues collected by the overseas Missions revealed the following anomalies:

- When monthly acquittal files from the overseas Mission are received, the Ministry calculates the revenue collected by all the Missions for the month and credits the respective government department's revenue allocation without any actual cash being remitted to the respective Ministries/Departments.

The revenue collected is held in the Missions overseas bank accounts and recorded in the Overseas Cash (SAG 51) allocation. Hence, the cash was available to the Missions to meet their operational expenses. Refer to Appendix 8.1 for examples.

- The overseas Missions charged administrative fees in addition to the prescribed fees and charges for the services provided. The administrative fees charged were not approved by Ministry of Economy.

The administrative fees collected by the overseas Missions were posted into the Operating Trust account instead of a revenue account. However, the Ministry following the audit query raised for the financial period ended 2015 on the current treatment, journalized all the postings from 01/01/16 to 31/07/16 to the miscellaneous revenue allocation.

In addition, the Operating Trust account only had book entries and no actual cash was held by the Ministry. Refer to Table 8.4 for the balances of administrative fees in FMIS Operating Trust account;

**Table 8.4: Operating Trust Account balance as at 31/07/16 in**

Allocation	Description	Amount (\$)
1-08103-80101-863101	Admin Contributions Foreign Mission	(239,444.54)
1-08103-80102-863101	Admin Contributions Foreign Mission	(330,157.99)

Allocation	Description	Amount (\$)
1-08103-80201-863101	Admin Contributions Foreign Mission	(49,269.33)
1-08103-80401-863101	Admin Contributions Foreign Mission	(3,261.14)
1-08103-80701-863101	Admin Contributions Foreign Mission	(131,018.25)
1-08103-81001-863101	Admin Contributions Foreign Mission	(23,961.59)
1-08103-81102-863101	Admin Contributions Foreign Mission	(8,100.51)
<b>Total</b>		<b>(785,213.35)</b>

The above findings show that the revenues collected by overseas missions were not properly accounted for by the Ministry.

### **Recommendations**

#### **The Ministry should:**

- ensure that all revenues collected on behalf of other ministries/department by the overseas missions are deducted from their remittances and remitted to the respective Ministries/Departments;
- formalize the administrative fees to be charged by the Missions to facilitate the request or applications for government services; and
- ensure all the funds collected from the administrative fees are deducted from the overseas mission remittance, deposited into the Consolidated Fund Account and posted to the Ministry's revenue allocation accordingly.

### **Ministry's Comments**

*The Ministry is currently accounting revenue by debiting Mission's cash [Seg 51] and crediting Ministry's miscellaneous revenue and other agencies account [Immigration, Justice]. The cash evolved within the whole of government cash system*

*With the current arrangement, Immigration Department is recognizing credit send from Ministry of Foreign Affairs through BLC journals within.*

*It is to be noted that either of the system can be used and NOT both. Its either directly crediting other agency accounts (Immigration & Justice) as per access given to us by Finance; or not to pass credit at all but issue cheque instead directly to these agencies.*

*To deposit actual cash in CFA will require us to make prior consultations with MOE, Missions and other government agencies in terms of processes and procedures that need to be implemented.*

## **8.6 Significant amount of unretired accountable advance**

A travelling officer shall retire the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents.<sup>4</sup> If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel.<sup>5</sup>

<sup>4</sup> Ministry of Foreign Affairs and International Co-operation Finance Manual 2013 – Section 6.1.10

<sup>5</sup> Ministry of Foreign Affairs and International Co-operation Finance Manual 2013 – Section 6.1.11

Where the advance has not been acquitted within seven days of travel, the Accounting Head shall effect recovery through a salary deduction from the concerned officer's salary within six fortnights with an inclusion of 12% per annum interest.<sup>6</sup>

The Accountant must also record the travel advance in the Accountable Advance Register.<sup>7</sup> Any arrears of payments for an Accountable advance shall be repaid first before any other advance is allowed by the PSFA & IC.<sup>8</sup>

Audit review of the Revolving Fund Accounts records revealed the following anomalies:

- The Ministry had an outstanding Accountable Advance of \$99,457.12 as at 31/07/16. It was noted that some of the advances have outstanding from previous years. Refer to **Appendix 8.2** for details.
- Out of the \$76,315.04 of Accountable Advance payments reviewed during audit, a total of \$41,858.28 or 55% of the advances paid was neither recorded in the Advance Register nor retired. Refer to Table 8.5 for examples.

**Table 8.5: Example of accountable advance not retired in 2016**

Officers Name	Date	Cheque No.	Particulars	Amount (\$)	Audit remarks
92464	02/09/15	33143	Payment of advance for Levuka summit	550.46	<ul style="list-style-type: none"> <li>• Not retired</li> <li>• Not recorded in the Register</li> </ul>
93764	30/11/15	33418	Payment of advance for IAEA fund	7,991.00	<ul style="list-style-type: none"> <li>• Not retired</li> <li>• Not recorded in the Register</li> </ul>
PS Foreign Affairs	25/01/16	33551	Payment for establishment of Ethiopia	20,009.22	<ul style="list-style-type: none"> <li>• Not retired</li> <li>• Not recorded in the Register</li> </ul>
13931	13/05/16	33858	Payment of advance for Litia Mawi	10,367.60	<ul style="list-style-type: none"> <li>• Not retired</li> <li>• Not recorded in the Register</li> </ul>
92464	2/09/15	33143	Payment of advance for Levuka summit	2,940.00	<ul style="list-style-type: none"> <li>• Not retired</li> <li>• Not recorded in the Register</li> </ul>
<b>Total</b>				<b>41,858.28</b>	

- The audit also noted that the Ministry continued to issue additional Accountable Advance to officers even though previous advances were not cleared. The Ministry also did not take any action to recover the outstanding advances. Refer to Table 8.6 for examples.

**Table 8.6: Failure to Retire Prior Years Advance**

Officers	2014 (\$)	2015 (\$)	2016 (\$)	Total (\$)
93764	(394.39)	7,991.00	800.00	8,396.61
TR	-	222.00	631.00	853.00
PS Foreign Affairs	(131.72)	1,000.00	20,747.36	21,615.64
49168	-	600.00	1,000.00	1,600.00
JT	-	1,413.88	564.00	1,977.88

<sup>6</sup> Ministry of Foreign Affairs and International Co-operation Finance Manual 2013 – Section 6.1.13

<sup>7</sup> Ministry of Foreign Affairs and International Co-operation Finance Manual 2013 – Section 6.1.10

<sup>8</sup> Ministry of Foreign Affairs and International Co-operation Finance Manual 2013 – Section 6.1.6

- Negative accountable advance balances amounting \$2,405.33 were noted in the reconciliations contrary to the nature of the account. Refer to **Appendix 8.3** for details.
- Accountable advances with “misposting” description was noted in the RFA reconciliation which were carried over from prior years. However, the Ministry did not take corrective action to clear them from RFA accounts. Refer to Table 8.7 for details.

**Table 8.7: Details of RFA Balances with “Mispostings” Description**

Description	Year	Amount (\$)
Misposting	2013	2,820.00
Misposting	2013	5,000.00
Misposting	2013	2,428.00
Misposting	2013	22,267.00
Misposting	2014	(26,653.26)
Misposting	2014	(13,008.99)
Misposting	2015	484.00
Misposting	2015	410.00
Misposting	2015	124.60
Misposting	2015	54.00
Misposting	2015	(869.40)
Misposting	2016	(299.45)

The above findings show that responsible officers did not perform their duties properly and diligently. As a result, public funds are held up as outstanding accountable advance.

### **Recommendations**

#### **The Ministry should:**

- **make direct deduction of salaries to recover all outstanding Accountable Advances; and**
- **review the administration of accountable advances and consider taking disciplinary action against responsible officers for failing to recover the advances on a timely basis.**

### **Ministry’s Comments**

*Accountable advance has been retired but not updated into the system. Majority of the advances for 2016 were retired and updated in the System as per attached listing. For other years, we are currently working on adjusting and rectifying these outstanding advances.*

## **8.7 Variance in Ministry’s reconciliation and FMIS balance**

Remittance Between Chests (RBC) account is used to facilitate remittance to Fiji Overseas Mission. Ministries and Departments are to reconcile and clear their RBC by making necessary adjustment to its expenditure and revenue allocation.

In essence, this account should have a zero balance. A monthly reconciliation is to be prepared and forwarded to the Ministry of Finance. At the end of the financial year, the RBC accounts should be zerorized to allow the new postings in the next financial year<sup>9</sup>

<sup>9</sup> Ministry of Finance Circular No. 21/13, Section 3.5

A variance of \$1,801,080.94 was noted between the Ministry's reconciliation balance and the FMIS general ledger balance as at 31/07/16. Refer to Table 8.8 for details:

**Table 8.8: RBC – FMIS General Ledger vs Reconciliation**

Account Type	Account Description	FMIS as at 31/07/16 (\$)	July Reconciliation (\$)	Variance (\$)
1-08101-08101-525202	RBC Foreign Mission	0	(1,801,080.94)	1,801,080.94

It was noted that the variance was due to differences between May 2016 closing balance and June 2016 opening balance amounting to \$389,014.77 and June 2016 closing balance and July 2016 opening balance of \$1,412,066.17.

As a result of the above anomalies, audit was not able to substantiate the accuracy of the RBC account for the period ended 31 July 2016.

### **Recommendations**

- **The Ministry should investigate and rectify the variances noted between its reconciliation statements and the FMIS General Ledger; and**
- **The Ministry should ensure that proper monthly reconciliations are prepared and errors and omissions are promptly detected and rectified.**

### **Ministry's Comments**

*The Ministry scheduled RBC report and prepared reconciliations when processing period for July 2016 was still open and clearance was still being carried out hence, the amount of \$1,801,080.94 not been cleared from the RBC account reconciliations.*

## **8.8 Anomalies noted for overseas travel**

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>10</sup>

The PAO, SAO & AO must not certify a payment as correct unless they are satisfied that; it is in accordance with an LPO, indent, contract, invoice or other authorization.<sup>11</sup> The calculation of the daily allowance of HE the President, Hon. Prime Minister, Ministers, shall include all days of travel excluding date of departure from Fiji and date of arrival into Fiji.<sup>12</sup>

Audit review of overseas travel made by the Honourable Minister revealed unauthorised claim of per-diem allowance and overpayment of per-diem/daily allowances on a number of instances. Refer to Table 8.9 for details.

<sup>10</sup> Ministry's Finance Manual 2013 – Part 2 Expenditure

<sup>11</sup> Ministry's Finance Manual 2013 - Section 2.8.4(i)

<sup>12</sup> Ministry Finance Circular 3/2015, dated 12/3/2015 – Per Diem Rates and Allowances for Overseas Travel, Section 1.4.

**Table 8.9: Examples of Overpayment of Per Diem and Daily Allowance**

Payee	Cheque Number	Overpaid Allowance (\$)	Anomalies
Minister	33599 dated 08/02/16	1,014.91	<ul style="list-style-type: none"> <li>As per Cabinet decision dated 19/01/16, Minister was approved to attend the PSIDS Ministerial Troika Meeting to be held in Tonga from 10-12 February 2016 where airfare and accommodation was funded by the Government of Sweden as communicated by the Cabinet office. The Ministry was responsible to cater for costs of meal and incidentals for the travel.</li> <li>The Minister was paid full per-diem of \$2,345.30 for which the Minister claimed that accommodation was not provided and that the actual accommodation cost was funded from the per diem paid by the Ministry.</li> </ul> <p>The Ministry did not provide any documentation as evidence that the accommodation was not provided by the Government of Sweden thus it is deemed the Ministry overpaid the Minister for accommodation portion (55%) of the per-diem allowance amounting \$1,014.91.</p>
Minister	33766 dated 07/04/16	4,343.04	<ul style="list-style-type: none"> <li>The Ministry paid 3 days per diem allowance from 14/04/16 to 16/04/16 to the Minister while on his <i>“private medical check-up”</i> in Shanghai, China totalling \$4,343.05. The Minister was not entitled to per diem allowance while on private medical treatment overseas. Airline fare to China cannot be determined as it was lumped together in the travel itinerary.</li> </ul>
Minister	33855 dated 12/05/16	2,998.44	<ul style="list-style-type: none"> <li>The Cabinet approved the Minister to attend bilateral meeting in Kuala Lumpur, Abu Dhabi and afterword travelling to Addis Ababa for the opening of this new mission.<sup>13</sup></li> </ul> <p>The Minister stayed in Seoul for 2 nights from 19/05/16 to 20/05/16 which was not approved by Cabinet. The Minister travel to Seoul and payment of per diem allowance was unauthorised.</p> <ul style="list-style-type: none"> <li>Also, the Minister was authorised to travel to Kuala Lumpur by Cabinet. However, no reason was provided to audit for not undertaking this visit.</li> </ul>
Minister	33869 dated 16/05/16	3,155.51	<ul style="list-style-type: none"> <li>The Minister travelled for bilateral meetings in Abu Dhabi and Addis Ababa for the opening of the new mission. In addition to his per diem (full UN rate, 50% top up and daily allowance of FJ\$250), a further advance of \$3,155.51 was paid to the Minister to cater for additional accommodation expenditure incurred. However, receipts for actual accommodation expenditure paid from the advance incurred by the Minister was not provided to substantiate/justify this payment.</li> </ul>
Minister	34040(B/B) dated 07/07/16	3,427.54	<ul style="list-style-type: none"> <li>The Minister travelled to Honiara to attend the PIDF and MSG meeting from the 12/07/16 to 14/07/16. A total of \$10,812.10 was paid in per-diem allowance for this travel for 7 days (09/07/16 -15/07/16).</li> <li>According to the audit calculation based on the UN per-diem rate provided by the Ministry of Economy, the total allowance including per-</li> </ul>

<sup>13</sup> Cabinet Decision dated 02/05/16

Payee	Cheque Number	Overpaid Allowance (\$)	Anomalies
			<p>diem, 50% top-up and daily allowance to be paid to the Minister was \$7,384.56.</p> <ul style="list-style-type: none"> <li>Hence the Minister was overpaid by \$3,427.54 in per diem allowance for this trip.</li> </ul>
Minister	26617A/B dated 09/05/13	4,618.00	<ul style="list-style-type: none"> <li>The Cabinet approved the Minister to travel to attend a Ministerial Meeting in Abu Dhabi from 15/05/13 to 31/05/13, proceed to Astana from 22/05/13 to 24/05/13 and then the Minister to proceed to Shanghai, China for his “<i>medical check-up</i>”. The Minister was scheduled to depart Nadi for Abu Dhabi on 15/05/13 and arrive back in the country on 31/05/13.</li> </ul> <p>The Minister travelled and stayed in Seoul for 3 days (16/05/13, 17/05/13 and 29/05/13) which was not approved by the Cabinet. The Minister was paid full per diem allowance for 3 days totalling \$2,427. The Minister's travel to Seoul and payment of per diem allowance was unauthorised.</p> <ul style="list-style-type: none"> <li>Also, the Ministry paid per diem allowance totalling \$2,191 to the Minister while he was on his private medical check-up in Shanghai China from 25/05/13 to 27/05/13. The Minister was not entitled to per diem allowance while on private medical treatment overseas.</li> </ul>
<b>Total</b>		<b>19,557.44</b>	

Although, similar concern was raised by audit in the previous audit reports, as at the date of audit<sup>14</sup> no documentary evidence was provided by the Ministry to justify the overpayments of allowance made to the Minister in 2015 totalling \$39,451.89.

Furthermore, the Ministry was unable to provide the Cabinet approval for travels made by the Minister detailed in Table 8.10.

**Table 8.10: Cabinet approval not provided for travels made**

Payee	Cheque Number	Allowance Paid (\$)	Anomalies
Minister	33695 dated 07/03/16	2,241.79	Minister travelled to Bali, Indonesia from 21/03/16 to 25/03/16 to attend the Bali Process Ministerial Conference. However, audit was not able to substantiate this release since Cabinet Approval was not provided for audit purposes.
Minister	33329 dated 28/10/15	2,251.91	The Minister was paid per diem of \$2,251.91 for official travel to Niue from the 03/11/15 to 08/11/15 to attend the SPC Conference & Meeting. However, audit was not provided with the Cabinet approval for this trip.
Minister	33284 dated 13/10/15	5,605.58	The Minister travelled to Port Vila Vanuatu to attend the MSG Foreign Affairs Ministers Meeting from 13/10/15 to the 14/10/15. However Cabinet approval was not provided to audit.

The above findings indicate lack of proper checks in the Ministry's Accounts Section which had resulted in payment of incorrect travel allowances.

<sup>14</sup> 23/01/17



The overpayment of travel allowances has resulted in loss of public funds.

### **Recommendations**

#### **The Ministry should:**

- ensure per diem allowance is paid to the Minister in accordance with the Cabinet approval; and
- investigate the recurring anomalies highlighted.

### **Ministry's Comments**

*The Ministry sought clarification from the Office of the former Minister now the Minister for Defence.*

*Hon. Minister response for Cheque No 33599 dated 08/02/16: The Government of Sweden only paid air fare and I had to pay for my accommodation from the per diem provided.*

*Hon. Minister response for Cheque No 26617A/B dated 09/05/13: I had meetings in Seoul that were arranged by the Fiji Embassy in Seoul in my capacity as Minister for Foreign Affairs. I had my medical check-up but also worked as I had bilateral meetings with the Chinese Ministry of Foreign Affairs officials from Beijing and that all the trips were approved by the Hon. Prime Minister.*

*The Ministry awaits response from Missions (Beijing and Seoul) on the official copies of the outcome of the bilateral meetings conducted by the Minister on the mentioned trips.*

## **8.9 Officers not bonded for overseas training**

An Officer receiving training at Government expense, including any on aid made available by donor countries and organizations, must be bonded before they proceed on training either on pay or without pay to serve in the Public Service or elsewhere for a specified period.<sup>15</sup>

Civil servants shall be bonded if they are attending a training program that is valued at \$2,000 and above.<sup>16</sup> All civil servants shall serve their bond in Fiji by working in the Public Service or the sponsoring Ministry, after attending training locally or overseas.<sup>17</sup> Ministries and departments shall be responsible for all initial bonding arrangements for officers.<sup>18</sup>

Audit review of various trainings attended by the Ministry staff revealed that the Ministry did not bond officers who attended local/overseas training costing above \$2,000. Refer to Table 8.11 for examples.

**Table 8.11: Examples of Officers not bonded for training attended costing above \$2,000.**

EDP no.	Training Program	Duration
81776	Capacity Building for Diplomats held in Seoul, Korea	June 30 <sup>th</sup> to July 16 2016
63905	62 <sup>nd</sup> Professional Course for Foreign Diplomats held in New Delhi, India	July 26 <sup>th</sup> to August 26 <sup>th</sup> 2016

<sup>15</sup> General Orders 2011 Section 901 (a) (i)

<sup>16</sup> Policy on Bonding in the Public Service Section 2.3.1.10

<sup>17</sup> Policy on Bonding in the Public Service Section 2.5.1

<sup>18</sup> Policy on Bonding in the Public Service Section 2.6.1.1

EDP no.	Training Program	Duration
90886	Diplomatic Training for Junior Officers held in Sri Lanka	1 <sup>st</sup> to 13 <sup>th</sup> August 2016
64691, 92464, 92790, PF770, 95150	Young Leaders Training held in China	May 23 <sup>rd</sup> to June 10 <sup>th</sup> 2016
92463, PF735, PF702, PF767 (Temporarily Reliving Officer)	2016 Seminar for Diplomats from Pacific Island Countries held in Beijing, China.	5 <sup>th</sup> May to 25 <sup>th</sup> May 2016
PF651 (TRO), 61550, 92228, 95107, 94971, 91391, 90947	2016 China-Fiji Seminar on Integration of Business Culture held in Beijing, China.	22 <sup>nd</sup> June to 5 <sup>th</sup> July 2016
95460, 95106	Australia DFAT International Participation in Graduate Training Program held in Canberra, Australia.	29 <sup>th</sup> August to 28 <sup>th</sup> October 2016
92790	Language & Culture Program for Junior Diplomats held in Seoul, Korea.	22 <sup>nd</sup> August to 29 <sup>th</sup> September 2016

In the absence of the above officers not being bonded, there is a risk that government may lose out on its investments should the employee decide to leave the public service.

### **Recommendation**

**The Ministry should ensure that all staffs attending trainings above \$2,000 are bonded in accordance with PSC bonding policy. Alternatively, the Ministry can develop its own bonding policy.**

### **Ministry's Comment**

*The Ministry is currently working on a draft Training and Bonding policy and will be strictly adhering to all bond requirements. The Ministry believes in capacity building opportunities for all staff and does not discriminate between permanent and temporary staff in accordance with Section 26 of 2013 Constitution.*

## **8.10 Capital Purchase expenditure allocation understated**

The AAO Payments and AAO Missions must input data on a daily basis and ensure all transactions for the month are posted before the monthly cut-off date set by the Ministry of Finance.<sup>19</sup> The Principal Accounts and Senior Accounts Officer must check every morning that all transactions from the previous day are updated in GL.<sup>20</sup>

The Brussels and Abu Dhabi Mission acquired a vehicle each during the year at a cost of \$161,824.48 and \$214,682.22, respectively.

Audit review of the capital purchase general ledger allocation revealed that the above payments were not fully posted into the FMIS general ledger, therefore the capital purchase expenditure was understated by \$237,977. Refer to the Table 8.12 below for details:

<sup>19</sup> Ministry of Foreign Affairs & Int'l Cooperation Finance Manual 2013 – Section 12.2.4

<sup>20</sup> Ministry of Foreign Affairs & Int'l Cooperation Finance Manual 2013 – Section 2.9.13

**Table 8.12: Capital purchase expenditure not posted into FMIS general ledger**

Date	Journal ID/ Cheque ID	Description	Amount (\$)	Expenditure Allocation	Amount posted in GL (\$)	Amount not posted in GL (\$)
17/07/16	JV 81096	Payment made to BMW for purchase of new BMW vehicle for Brussels Embassy. The Ministry had a budgetary allocation of \$138,530 for purchase of vehicle. However, the actual cost of the vehicle exceeded the budgeted amount by \$23,294.48.  The Ministry did not vire additional funds into this allocation to post the remaining balance of \$23,294.48.	161,824.48	1-08103-80101-090169	138,530.00	23,294.48
27/07/16	1289	Payment made to Emirates Motor Company for purchase of Mercedes Benz vehicle for the Abu Dhabi Embassy.  The actual cost of \$214,682.22 for purchase of vehicle was not posted to its respective general ledger allocation as at the date of audit. <sup>21</sup>	214,682.22	1-08103-80101-090168	-	214,682.22
<b>Total</b>						<b>237,976.70</b>

The above findings indicate that necessary checks were not carried out to ensure that expenditures were promptly posted to the general ledger.

### **Recommendations**

**The Ministry should ensure that:**

- expenditure is incurred are within the budgeted amount; and
- necessary checks are carried out to ensure that expenditure incurred is correctly recorded and posted in the respective general ledger expenditure account on a timely manner.

### **Ministry's Comments**

*The Ministry admits that it is an overlook on our part as we were trying to post all the Missions expenditures into the GL system prior to the closing of accounts in July 2016 and the beginning of the financial year from August 2016. We intend to address the understated transaction of \$23,294.48 during the Audit Adjustment period through virement.*

<sup>21</sup> 20/12/16

### 8.11 Anomalies noted in Foreign Missions monthly acquittal reports

The Senior Accounts Officer-Missions is responsible to check, reconcile, verify and monitor all Fiji Overseas Missions monthly drawings account against their bank account statements, financial acquittals submitted monthly to headquarters, before these acquittals are uploaded into the Financial Management Information System.<sup>22</sup>

The Ministry remits Foreign Missions monthly budgets to finance their operating expenditures. At the end of each month, Foreign Missions are required to submit hard copies of financial acquittal reports to headquarters for recording the transactions in the general ledger. Audit review revealed the following anomalies:

- A total of \$18,219,676 was incurred in mission expenditures as at 31 July 2016. There was no evidence to indicate that the mission acquittals were being reviewed and checked by the Senior Accounts Officer (Missions) to ensure accuracy and completeness of mission expenditures posted into FMIS.
- In addition, the monthly expenditures from the acquittal reports are summarised according to nature of expenditure incurred using MS Excel worksheet converted in Fiji Dollars and posted in the general ledger. The spread sheet was not checked/authorised by the Principal Accounts Officer before recording in the general ledger.
- On a number of instances, mission expenditure was not posted on a monthly or transaction basis. Instead, bulk posting was done. Refer to Table 8.13 below for examples.

**Table 8.13: Details of Bulk Postings noted in General Ledger**

Date Posted	Journal ID	Mission	Particulars	Amount (\$)
07/2016	81078	New Delhi	Jan-Jun 2016	721,624.85
07/2016	81104	Abu Dhabi	Posting Jan-July 2016	1,203,534.02
07/2016	81082	Brussels	Posting Jan-Jun 2016	697,603.14
07/2016	81099	PRUN	Posting Jan-Jul 2016	1,644,102.05
07/2016	81076	Geneva	Posting Jan-Jun 2016	981,264.98

- The following overseas missions did not submit their monthly acquittals to the Ministry for verification. Instead, MS Excel worksheets were provided. Refer to Table 8.14 for details.

**Table 8.14: Details of Acquittals not received from the Overseas Mission**

Mission	Months
Beijing	January to July 2016
Addis Ababa	February to July 2016

- A variance of \$620,099 was noted between the actual expenditure incurred as rental expenses for the occupancy of premises by Missions/diplomats and the amount that was posted in the FMIS rental expenditure allocations. No explanations were provided by the Ministry for the variance. Refer to Table 8.15 for details.

<sup>22</sup> Staff Board Paper No: 32/2015

**Table 8.15: Variance between Actual Expenditure and FMIS Posting**

Foreign Missions	General Ledger Balance (\$)	Actual Expenditure (\$)	Variance (\$)
New Delhi	476,227.47	259,357.74	216,869.73
Seoul	456,470.01	289,579.34	166,890.67
Brussels	283,031.86	132,795.51	150,236.35
Abu Dhabi	608,745.54	535,615.98	73,129.56
Beijing	553,076.20	480,206.68	72,869.52
Ethiopia	334,008.57	325,701.52	8,307.05
Washington	324,397.27	321,789.73	2,607.54
Tokyo	352,864.41	352,081.71	782.70
Papua New Guinea	598,199.65	607,315.18	(9,115.53)
PRUN	596,792.04	616,935.79	(20,143.75)
Jakarta	329,826.30	372,160.78	(42,334.48)
<b>Total</b>	<b>4,913,639.32</b>	<b>4,293,539.96</b>	<b>620,099.36</b>

The above findings indicate lack of proper checks in the Ministry's Accounts Section.

As a result, there is a high risk of Mission expenditures recorded in the general ledger being misstated.

### **Recommendations**

**The Ministry should ensure that:**

- the Senior Accounts Officer-Missions and the Principal Accounts Officer perform regular reviews on Foreign Mission acquittals before these are posted into the general Ledger;
- Mission expenditures are posted on a monthly and transaction level basis;
- all acquittal reports are received and vetted for accuracy on a timely manner; and
- investigate the variance noted and implement corrective measures.

### **Ministry's Comments**

*The Ministry has developed a checklist for a list of things to be verified upon receiving acquittals from Missions. Any anomalies identified is communicated back to the Mission as part of our feedback and this is addressed immediately.*

*The Ministry is committed to conduct postings on a monthly basis into the GL. This, has been regularly highlighted to all stakeholders –HQ and Missions.*

## **8.12 Absence of supporting documents to verify payment of post allowances**

All accounting staffs are responsible for proper maintenance and safekeeping of accounting records and documents, giving the Accounting Head the responsibility in implementing a sound internal control system to oversee this matter.<sup>23</sup>

Audit review of several personal files for diplomats engaged in Foreign Missions revealed that records such as marriage and birth certificates were missing from their files. Refer to Table 8.16 for examples.

<sup>23</sup> Finance Instruction 2010 – Section 59

**Table 8.16: Absence of Records from the Personnel Files**

EDP Number	Post & Mission	Missing Records	Type of Allowance Paid
53844	Counsellor-Tokyo	Marriage Certificate and Birth Certificate of children	Post Allowance at married rate and child allowance
94897	First Secretary-Tokyo	Marriage Certificate and Birth Certificate of children	Post Allowance at married rate and child allowance
94249	First Secretary-Abu Dhabi	Marriage Certificate and Birth Certificate of children	Post Allowance at married rate and child allowance
63903	Second Secretary-Abu Dhabi	Marriage Certificate	Post Allowance at married rate
57397	Counsellor-Jakarta	Marriage Certificate	Post Allowance at married rate
91491	Counsellor-Brussels	Marriage Certificate	Post Allowance at married rate
93832	First Secretary-Brussels	Marriage Certificate and Birth Certificate of children	Post Allowance at married rate and child allowance
44843	First Secretary-Brazil	Marriage Certificate	Post Allowance at married rate
65411	Second Secretary-Wellington	Marriage Certificate	Post Allowance at married rate

Although similar concerns were raised in previous years' audit reports, no improvement has been noted. In absence of above supporting documents, the audit was not able to verify the accuracy of post allowances paid to the diplomats concerned.

The above finding indicates that the Ministry paid post allowances without verifying the personal records of diplomats hence increasing the risk of fraudulent or unauthorised payments.

### **Recommendation**

**The Ministry should ensure that the personal files of the diplomats are updated with the necessary supporting documents pertaining to payment of post allowances.**

### **Ministry's Comments**

*The Ministry admit problems encountered in its internal filing system and is embarking on generally improving its overall filing system through adequate staffing and internal SOPs for filing.*

*The Ministry's Corporate Service Division is collating all due supporting documents to update personal records and ensures that Personal Files will have all the required information in future, particularly for those in the Mission.*

## **8.13 Inconsistent Rates used to calculate Travel Allowances**

Heads of Missions or officers serving at an overseas mission are entitled to be paid per diem at the applicable UN rate whilst on official duty in any other location away from the mission where the officer is required to spend more than 24 hours.<sup>24</sup>

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>25</sup>

<sup>24</sup> Public Service (Diplomatic and Counselor Services) Regulations 2006 Section 40

<sup>25</sup> Part 2 Expenditure: Ministry of Foreign Affairs Finance Manual

Audit review of travel allowances paid to the diplomats on official travel to Fiji revealed varying rate of per diem allowance claimed. Refer to Table 8.17 for details.

**Table 8.17: Payment of per diem allowance**

Cheque No	Payee	UN Per Diem Rate USD (\$)	Official Travel Days	Total USD (\$)	Total FJD (\$)	Details of Travel
203953	Counsellor-Malaysia	481	7	3,367	7,305.27	The Counsellor travelled to Fiji for official purposes from 09/02/16 to 19/02/16.
1283	High Commissioner-PNG	311	5	1,555	3,373.83	The High Commissioner travelled to Fiji to attend the MSG Meeting from 29/02/16 to 04/03/16.
B/WDL	Ambassador-Jakarta	243	7	1,701	3,651.00	The Ambassador travelled to Fiji for official purposes from 26/03/16 to 04/04/16.
1317	High Commissioner-PNG	311	5	1,555	3,276.44	The High Commissioner travelled to Fiji for official purposes from 05/04/16 to 10/04/16.
106	Acting High Commissioner-New Delhi	505	13	6,844	14,213.91	The acting High Commissioner travelled to Fiji for official purposes from 22/05/16 to 04/06/16.
101477	First Secretary-Jakarta	250	8	2,000	4,182.35	The First Secretary travelled to Fiji for official purposes from 16/07/16 to 02/08/16.
<b>Total</b>					<b>36,002.80</b>	

According to the Ministry, the per diem rate claimed was based on the United Nations approved per diem rate for the diplomats posted to Fiji. In addition, the payment of per diem allowance was made from the respective missions account.

Although the diplomats travelled to Fiji from their respective Missions to attend their respective official duties, the cost of living was the same for all diplomats while in Fiji. Not having the standardised per-diem rate for all the travels made by the Diplomats to Fiji could result in loss of public funds through varying rates of per diem allowance claimed by them during their stay in Fiji.

### **Recommendations**

- **The Ministry should develop a standardized policy on the payment of travel allowance for the diplomats on their official travel to Fiji;**
- **The Ministry should also consider paying the subsistence allowance at a reasonable rate to those diplomats opting to stay in their official residence and for those diplomats opting to stay in the hotels while in Fiji should retire their travel allowance; and**
- **Supervisory controls and checks at the Missions and Headquarters should be strengthened to avoid such discrepancies from incurring in future.**

### **Ministry's Comments**

*For any travel by Officers based in HQ, the per diem rate is obtained from Ministry of Economy – which is the UN per diem Rate. However, as for Missions, our advice to them is to use the same UN Per diem rate for any payment on travel per diems;*

*The modes of paying per diem allowance for diplomats visiting Fiji is expected to be addressed in the draft FOSR as well as the draft Mission's Finance Regulations/Manual; and agree for stricter controls and checks at Missions and HQ*



### Appendix 8.1: Examples of revenue collected by overseas mission and not remitted to the relevant agencies

Month	Description	Total Amount (\$)
<b>CANBERRA</b>		
January	Immigration Fees for 2016	3,385.57
February	Immigration Fees for 2016	2,471.45
March	Immigration Fees for 2016	2,666.05
April	Immigration Fees for 2016	3,693.59
May	Immigration Fees for 2016	4,286.40
June	Immigration Fees for 2016	2,556.88
July	Immigration Fees for 2016	853.83
<b>Total – Canberra</b>		<b>19,913.77</b>
<b>WELLINGTON</b>		
January	Immigration Fees for 2016	22,651.77
February	Immigration Fees for 2016	23,530.83
March	Immigration Fees for 2016	15,194.58
April	Immigration Fees for 2016	20,685.50
May	Immigration Fees for 2016	22,289.97
June	Immigration Fees for 2016	37,015.53
July	Immigration Fees for 2016	20,180.54
<b>Total – Wellington</b>		<b>161,548.72</b>
<b>WASHINGTON</b>		
January	Immigration Fees for 2016	4,167.52
February	Immigration Fees for 2016	3,057.71
March	Immigration Fees for 2016	6,520.82
April	Immigration Fees for 2016	4,535.82
May	Immigration Fees for 2016	3,267.29
June	Immigration Fees for 2016	3,616.10
July	Immigration Fees for 2016	9,338.14
<b>Total – Washington</b>		<b>34,503.40</b>
<b>Total</b>		<b>215,965.89</b>

## Appendix 8.2: Outstanding advances to officer's and Ministries/ Department

Name	Date	Ending Balance (\$)
PL	26/02/13	200.00
PL	07/03/13	714.08
EC	07/03/13	108.00
PL	21/03/13	2,890.39
TV	12/04/13	17.00
Ministry of Information	03/05/13	6,690.00
RM	20/05/13	2,000.00
TV	28/05/13	166.00
Director of Immigration	11/06/13	190.00
YO	08/07/13	912.91
SE	23/07/13	572.00
JK	07/08/13	419.93
MK	29/08/13	692.00
M	20/09/13	200.00
AK	04/09/13	260.00
WL	07/11/13	2,106.94
WL	08/11/13	1,509.00
JV	15/11/13	200.00
MT	02/08/13	2,368.00
MT	05/08/13	0.90
MR	17/07/13	70.00
<b>Total 2013</b>		<b>22,287.15</b>
JV	28/02/14	380.00
IB	05/03/14	80.00
TV	06/03/14	108.00
KS	25/04/14	2.00
PT	07/08/14	34.60
<b>Total 2014</b>		<b>604.60</b>
PL	23/01/15	1,141.39
PS Foreign Affairs	28/01/15	1,000.00
NM	17/02/15	975.00
NM	18/02/15	200.00
LS	05/03/15	15.45
LS		60.00
SM	23/04/15	130.00
IB	22/04/15	18.00
WV	06/05/15	0.00
TF	12/05/15	243.30
MT	22/05/15	50.00
MC	10/06/15	0.00
LN	11/06/15	202.00
SK	31/07/15	194.00
SR	31/07/15	1,880.00
JT	31/07/15	1,413.88
AS	27/08/15	8.10
JV	28/08/15	252.00
RC	01/09/15	313.10
UW	02/09/15	550.46
VK	23/09/15	500.00
ST	23/09/15	500.00
MV	25/09/15	210.00

Name	Date	Ending Balance (\$)
AK	02/10/15	36.90
TR	08/10/15	72.00
JT	23/10/15	117.00
SK	05/11/15	174.00
FW	30/11/15	7,991.00
PE	28/10/15	2,642.28
TR	17/12/15	150.00
SD	02/12/15	600.00
BC	02/12/15	54.00
<b>Total 2015</b>		<b>21,693.86</b>
AV	22/01/16	135.00
JT	25/01/16	993.55
PS Foreign Affairs	28/01/16	20,009.22
E P	18/02/16	250.00
FW	01/03/16	800.00
PS Foreign Affairs	16/03/16	558.14
SB	24/03/16	212.00
TR	22/04/16	275.00
KS	26/04/16	132.70
AY	08/04/16	18.00
BC	08/04/16	36.00
UW	13/04/16	750.00
TR	26/05/16	356.00
UW	06/05/16	350.00
LM	13/05/16	10,367.60
JT	13/05/16	564.00
K	13/05/16	350.00
NV	06/05/16	630.00
MT	01/06/16	150.00
RC	03/06/16	345.00
AT	06/06/16	200.00
MT	10/06/16	50.00
VL	11/06/16	6,000.00
VL	11/06/16	1,513.05
FQ	24/06/16	459.00
S B	06/07/16	4,040.00
K R	06/07/16	3,437.25
MT	12/07/16	100.00
RD	15/07/16	610.00
PS Foreign Affairs	20/07/16	180.00
SD	20/07/16	1,000.00
<b>Total 2016</b>		<b>54,871.51</b>
<b>Grand Total</b>		<b>99,457.12</b>

**Appendix 8.3: Details of negative accountable advance balance**

<b>Names</b>	<b>Date</b>	<b>Amount (\$)</b>
AV	26/03/13	(71.20)
GB	26/03/13	(18.00)
I B	05/04/13	(40.00)
AY	10/04/13	(6.14)
TA	01/05/13	(18.00)
AM	03/05/13	(97.97)
AT	27/06/13	(26.40)
NC	16/08/13	(15.00)
LR	06/09/13	(60.00)
AV	11/10/13	(40.52)
AR	03/12/13	(27.09)
MC	03/12/13	(74.30)
RR	17/04/14	(60.00)
RR	25/04/14	(29.10)
AR	18/09/14	(594.39)
FW	19/09/14	(394.39)
ST	19/09/14	(405.88)
PS Foreign Affairs	07/10/14	(76.72)
PS Foreign Affairs	20/11/14	(55.00)
TK	13/03/15	(84.00)
AT	05/05/15	(30.00)
EP	01/06/15	(39.98)
VD	29/09/15	(112.25)
BC	20/11/15	(9.00)
T	20/11/15	(20.00)
<b>Total</b>		<b>(2,405.33)</b>

**Section 09****Office of The Auditor General****Role and Responsibilities**

Office of the Auditor General is an independent public office established and mandated by the Fijian constitution and is responsible for:

- The inspection, audit and report on the public accounts, property and transaction of state.
- To perform annual audits across various state entities, ministries, departments and whole of government accounts and finance. Report on performance, environment and information technology risk assessment.

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**PART A: FINANCIAL STATEMENT****9.1 Audit Opinion**

The audit of the 2016 accounts of the Office of the Auditor General was carried out by a Chartered Accounting firm, Ernst & Young. The audit resulted in the issue of an unqualified audit report.

**9.2 Statement of Receipts and Expenditure**

The Office collected revenue totalling \$188,186 and incurred a total expenditure of \$1,957,050 for the seven months period ended 31 July 2016.

Details are provided in Table 9.1.

**Table 9.1: Statement of Receipts and Expenditures from January to July 2016**

Description	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
<b>Agency Revenue</b>		
Audit Fees	186,998	544,480
Miscellaneous Revenue	1,188	1,795
<b>Total Agency Revenue</b>	<b>188,186</b>	<b>546,275</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		

Description	2016 (\$)	2015 (\$)
Established Staff	1,670,641	2,797,625
Unestablished Staff	16,759	29,738
Travel & Communications	56,195	77,358
Maintenance & Operations	41,188	75,979
Purchase of Goods & Services	149,471	287,302
Operating Grants & Transfers	4,279	4,531
<b>Total Operating Expenditure</b>	<b>1,938,533</b>	<b>3,272,533</b>
<b>Capital Expenditure</b>		
Grants & Operations	-	-
<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>
<b>Value Added Tax</b>	<b>18,517</b>	<b>57,270</b>
<b>TOTAL EXPENDITURE</b>	<b>1,957,050</b>	<b>3,329,803</b>

The financial year-end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

### 9.3 Appropriation Statement

The Office incurred expenditures totalling \$1,957,050 from January to July 2016 against a revised budget of \$2,564,712 resulting in a saving of \$607,662 or 23.7%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditures against the budget estimates are provided in Table 9.2.

**Table 9.2: Appropriation Statement from January to July 2016**

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Carry- Over (\$)	Lapsed Appropriation (\$)
1	Established Staff	1,967,025	---	1,967,025	1,670,641	---	296,384
2	Government Wage Earners	22,037	---	22,037	16,759	---	5,278
3	Travel & Communication	96,375	---	96,375	56,195	---	40,180
4	Maintenance & Operations	73,216	---	73,216	41,188	---	32,028
5	Purchase of Goods & Services	360,059	---	360,059	149,471	---	210,588
6	Operating Grants & Transfers	6,000	---	6,000	4,279	---	1,721
7	Special Expenditure		---	---	---	---	---
	<b>Total Operating Costs</b>	<b>2,524,712</b>	<b>---</b>	<b>2,524,712</b>	<b>1,938,533</b>	<b>---</b>	<b>586,179</b>
	<b>Capital</b>						
8	Construction	---	---	---	---	---	---
9	Purchases	---	---	---	---	---	---
10	Grants & Transfers	---	---	---	---	---	---
	<b>TOTAL CAPITAL</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
13	Value Added Tax	40,000	---	40,000	18,517	---	21,483
	<b>TOTAL EXPENDITURE</b>	<b>2,564,712</b>	<b>---</b>	<b>2,564,712</b>	<b>1,957,050</b>	<b>---</b>	<b>607,662</b>

#### **9.4 Statement of Losses**

The Office of the Auditor General did not report any loss of money or assets during the financial period ending 31 July 2016.

## Section 10

## Fiji Elections Office Grant

### Roles and Responsibilities

Government has carried out major reforms of Fiji's electoral system which led to the first truly democratic election in the nation's history on 17 September, 2014. It lowered the voting age to 18 and introduced the principle of equal votes of equal value, a cornerstone of free and fair elections around the world. It also introduced electronic voter registration to help eliminate voter fraud and changed the way political parties are registered to encourage the formation of broad-based parties, which are not based on narrow interests like geography or race. This new electoral system is managed by the Fijian Elections Office [FEO], which has the responsibility for the registration of voters and the conduct of free and fair elections in Fiji. The Office is run by the Supervisor of Elections, who acts under the direction of the Electoral Commission. It also maintains the National Register of Voters and registers new political parties.

The primary role of the FEO is to lead to the democratisation of Fiji. It prepares for and conducts national elections for Parliament, which occur every three-and-a-half to four years. It is also responsible for conducting elections for trade unions, and will start to conduct elections for other bodies as well. Unlike in the past, the FEO is now a permanent office that will keep a full staff year round. This will enable it to offer career paths to its employees, conduct various elections around the country, and develop local expertise so that Fiji will no longer have to rely so heavily on foreign experts.

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## PART A: FINANCIAL STATEMENT

### 10.1 Audit Opinion

The audit of the 2016 accounts of the Fijian Elections Office resulted in an unqualified audit opinion.

### 10.2 Statement of Receipts and Expenditure

The Fijian Elections Office recorded revenue totalling \$416 and incurred expenditure totalling \$3,508,815 for the seven months period ended 31 July 2016.

**Table 10.1: Statement of Receipts and Expenditure for 2016**

Description	July 2016 (\$)	2015 (\$)
RECEIPTS		



Description	July 2016 (\$)	2015 (\$)
Commission	416	262
Miscellaneous Revenue	-	15,782
<b>TOTAL REVENUE</b>	<b>416</b>	<b>16,044</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	---	-
Government Wage Earners	---	-
Travel & Communications	---	-
Maintenance & Operations	---	-
Purchase of Goods & Services	---	-
Operating Grants and Transfers	3,508,815	5,119,295
Special Expenditures	---	-
<b>Total Operating Expenditure</b>	<b>3,508,815</b>	<b>5,119,295</b>
Value Added Tax	---	-
<b>TOTAL EXPENDITURE</b>	<b>3,508,815</b>	<b>5,119,295</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

### 10.3 Appropriation Statement

The Fijian Elections Office incurred expenditure totalling \$3,508,815 in 2016 against a revised budget of \$6,388,552 resulting in a savings of \$2,879,737 or 45%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditures against the budget estimates are provided in the Appropriation Statement in Table 10.2.

**Table 10.2: Appropriation Statement for 2016**

Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
Established Staff	---	---	---	---	---
Government Wage Earner	---	---	---	---	---
Travel & Communications	---	---	---	---	---
Maintenance & Operations	---	---	---	---	---
Purchase of Goods & Services	---	---	---	---	---
Operating Grants & Transfers	6,388,552		6,388,552	3,508,815	2,879,737
Special Expenditures	---	---	---	---	---
<b>Total Operating Expenditure</b>	<b>6,388,552</b>	<b>---</b>	<b>6,388,552</b>	<b>3,508,815</b>	<b>2,879,737</b>
Value Added Tax	---	---	---	---	---
<b>TOTAL EXPENDITURE</b>	<b>6,388,552</b>	<b>----</b>	<b>6,388,552</b>	<b>3,508,815</b>	<b>2,879,737</b>

The expenditure and budget shown in Table 10.1 and Table 10.2 refer to budget provided through the Ministry of Economy. This audit report focuses only on the disbursement of grants from the Ministry of Economy to the Fiji Elections Office.

The audit of Fiji Elections Office will be reported together with audit reports on other statutory authorities.

## Section 11 Judiciary

### Role and Responsibilities

The Judicial Department is responsible for enhancing the quality of justice in the community by ensuring an effective and accessible Court System as the cornerstone of Justice. The Court System will uphold the principles of impartiality, equality, fairness and access, while protecting the dignity and rights of all members of the community. In line with the Constitution of the Republic of Fiji 2013, Chapter 5, Part A 97 (2), the courts and all judicial officers are subject only to the Constitution of the Republic of Fiji and the law, which they must apply without fear, favour or prejudice.

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## PART A: FINANCIAL STATEMENT

### 11.1 Audit Opinion

The audit of the 2016 accounts of the Judiciary Department resulted in the issue of a qualified audit report. The qualification issue relates to a variance of \$501,308 which existed between the Judiciary Trust Fund Cash at bank balance of \$25,779,288 in the FMIS general ledger which includes Suitors, Maintenance and Sundries Trust accounts and the Judicial Trust Fund Bank Reconciliation balance of \$25,277,980 as at 31 July 2016. In addition, the Trust Fund reconciliation for Suitors, Maintenance and Sundries Trust accounts have not been updated since May 1992.

### 11.2 Statement of Receipts and Expenditure

The Department collected revenue totalling \$2,706,168 and incurred expenditure totalling \$15,882,885 for the seven months period ended 31 July 2016. Refer to Table 11.1 for details.

**Table 11.1: Statement of Receipts and Expenditure for 2016**

Description	July 2016 (\$)	December 2015 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Court Fines	1,582,734	2,708,400
Court Fees	921,119	1,352,905

Description	July 2016 (\$)	December 2015 (\$)
Others	9,222	21,363
<b>Total State Revenue</b>	<b>2,513,075</b>	<b>4,082,668</b>
<b>Agency Revenue</b>		
Miscellaneous	152,456	232,826
Revenue from Surveys	38,349	53,952
Agricultural Landlord & Tenant	2,288	2,326
<b>Total Agency Revenue</b>	<b>193,093</b>	<b>289,104</b>
<b>Total Revenue</b>	<b>2,706,168</b>	<b>4,371,772</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	11,764,622	19,785,891
Government Wage Earners	679,488	1,131,338
Travel & Communications	1,130,737	1,567,814
Maintenance & Operations	508,421	911,564
Purchase of Goods & Services	442,198	667,243
Special Expenditures	426,320	707,064
<b>Total Operating Expenditure</b>	<b>14,951,786</b>	<b>24,770,914</b>
<b>Capital Expenditure</b>		
Capital Construction	645,931	1,957,474
Capital Purchases	99,913	293,185
<b>Total Capital Expenditure</b>	<b>745,844</b>	<b>2,250,659</b>
<b>Value Added Tax</b>	<b>185,255</b>	<b>670,534</b>
<b>TOTAL EXPENDITURE</b>	<b>15,882,885</b>	<b>27,692,107</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

### 11.3 Appropriation Statement

The Department incurred expenditure totalling \$15,882,885 in 2016 against the revised budget of \$44,016,519 resulting in a savings of \$28,133,634 or 64%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditures against the budget estimates are provided in Table 11.2.

**Table 11.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	25,383,526	(66,510)	25,317,016	11,764,622	13,552,394
2	Government Wage Earners	1,057,495	66,510	1,124,005	679,488	444,517
3	Travel & Communications	1,376,098	---	1,376,098	1,130,737	245,361
4	Maintenance & Operations	941,000	---	941,000	508,421	432,579
5	Purchase of Goods & Services	981,600	---	981,600	442,198	539,402
6	Operating Grants & Transfers	3,000	---	3,000	---	3,000
7	Special Expenditures	1,385,000	---	1,385,000	426,320	958,680
	<b>Total Operating Expenditure</b>	<b>31,127,719</b>	<b>---</b>	<b>31,127,719</b>	<b>14,951,786</b>	<b>16,175,933</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	11,200,000	---	11,200,000	645,931	10,554,069

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
9	Capital Purchases	238,000	---	238,000	99,913	138,087
	<b>Total Capital Expenditure</b>	<b>11,438,000</b>	<b>---</b>	<b>11,438,000</b>	<b>745,844</b>	<b>10,692,156</b>
13	Value Added Tax	1,450,800	---	1,450,800	185,255	1,265,545
	<b>TOTAL EXPENDITURE</b>	<b>44,016,519</b>	<b>---</b>	<b>44,016,519</b>	<b>15,882,885</b>	<b>28,133,634</b>

## 11.4 Trust Fund Account Statement of Receipts & Payments

Suitors, maintenance and sundries trust fund accounts are used to deposit and make payments pursuant to the orders made by the courts. Judiciary fund and Legal Practitioners' trust fund accounts are used to record the interest received from the trust fund kept by the individual legal practitioners. Table 11.3 outlines the trust fund account receipts and payments for the year.

**Table 11.3: Trust Fund Account Statement of Receipts & Payments**

Description	July 2016 (\$)	December 2015 (\$)
<b>RECEIPTS</b>		
Suitors Fund	6,452,122	12,075,018
Maintenance Fund	2,216,257	3,805,204
Sundries Fund	1,771,676	2,909,773
Judiciary Trust Fund Account	199,907	608,630
Legal Practitioners Unit Fund	157,935	171,940
<b>TOTAL REVENUE</b>	<b>10,797,897</b>	<b>19,570,565</b>
<b>PAYMENTS</b>		
Suitors Fund	6,356,592	8,240,197
Maintenance Fund	2,182,229	3,542,896
Sundries Fund	1,468,044	2,449,170
Judiciary Trust Fund Account	261,076	638,089
Legal Practitioners Unit Fund	48,089	14,584
<b>TOTAL PAYMENTS</b>	<b>10,316,030</b>	<b>14,884,936</b>
<b>Net Surplus</b>	<b>481,867</b>	<b>4,685,629</b>
Opening Balance as at 1 January	25,283,872	20,598,243
<b>Closing Balance as at 31 July</b>	<b>25,765,739</b>	<b>25,283,872</b>

## PART B: AUDIT FINDINGS

### 11.5 Unsubstantiated Variance in Main Trust Fund Account

Each month the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items must be investigated and resolved promptly.<sup>1</sup>

The Department maintains three trust fund accounts namely Suitor's Trust, Maintenance Trust and Sundries Trust as a Main Trust fund.

Audit review of Main Trust Fund Account revealed the following anomalies:

- A variance of \$501,308 existed between general ledger balance and bank reconciliation of the Main Trust Fund Account. Refer to Table 11.4 for details.

**Table 11.4: Variance between Bank Reconciliation and FMIS Cash at Bank Balance**

Particulars	Amount (\$)
Balance as per Bank Reconciliation	25,277,979
Balance as per FMIS Cash at Bank (SAG 52)	25,779,287
<b>Variance</b>	<b>501,308</b>

Audit was advised that the variance was due to the transfer of balances from old allocation to the new allocation in 2009 where the actual cash was not transferred to the new bank account by Ministry of Economy.

The above variance increases risk of overstatement of the Trust Account cash at bank balance. In addition, there is risk that the Department may not have adequate funds to meet the payments of the trust.

- There is unreconciled variance of \$618,546 between the Main Trust fund cashbook reconciliation and bank statement balance for these accounts as at 31 July 2016.
- A variance of \$13,548 was also noted between the Trust Fund Account balance (SLG 89) and the Cash at bank balance (SAG 52) in the FMIS general ledger as at 31 July 2016. Refer to Table 11.5 for details.

**Table 11.5: Variance in FMIS Trust Fund Account and FMIS Cash at Bank Balance**

Particulars	Amount (\$)
FMIS Cash at Bank Balance	25,779,287.72
FMIS Trust Fund Account Balance	25,765,740.12
<b>Variance</b>	<b>13,547.60</b>

The above findings indicate that reconciliations were not properly reviewed on a regular basis contributing to unreconciled variances. As a result of the variances noted, audit was not able to ascertain that all receipts and payments had been properly accounted in the Main Trust Fund Account.

<sup>1</sup> Finance Instructions 2010, Section 58 (3)

**Recommendation**

**The Department should ensure that trust fund account bank statement balance, trust fund cash at bank balance in FMIS general ledger and trust fund account balance in FMIS general ledger is reconciled on a monthly basis and any errors or omissions noted are investigated and resolved promptly.**

**Department's Comments**

*Department has three different Trust Fund Accounts which are the Main Trust Fund (Suitors & Sundries), Judiciary Fund and LPU Trust Fund. The variances in the three accounts i.e. between the ledger and bank were as follows as at 31<sup>st</sup> July 2016.*

**Main Trust Fund**

*Ledger Balance - \$24,831,959.94  
Bank Balance - \$24,213,413.87  
Difference \$ 618,546.09*

**Judiciary Fund**

*Ledger Balance - \$401,462.43  
Bank Balance - \$518,566.07  
Difference \$117,103.64*

**LPU Trust Fund**

*Ledger Balance - \$545,865.35  
Bank Balance - \$545,999.66  
Difference \$ 134.31*

*The total variance for all the Trust Accounts comes to \$501,308.12.*

*The details of the variances were stated in the reconciliations. Whilst the comments of the Auditors are noted, we would like to inform that these irregularities had been occurring for quite some time and it is difficult to regularize all these variances within a short period of time. We are trying to get things in order which was outstanding for many years. Hopefully we are able to resolve the variances by 31<sup>st</sup> July 2017 so that our next AFS reflects the correct balances.*

*As for the funds of \$734,677.41 not provided by Ministry of Economy, various emails had been sent but still no progress.*

**11.6 Main Trust Reconciliation and Listing not up to date**

Each month the Trust accounts shall be balanced and reconciled with trust bank account. The names and balances of each account shall be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items should be investigated and resolved promptly.<sup>2</sup>

The Department maintains three trust fund accounts namely Suitor's Trust, Maintenance Trust and Sundries Trust accounts. The records of trust accounts from all the district registries are maintained at headquarters for proper accountability.

The audit noted that the trust reconciliations have not been prepared since May 1992. Thus the balances owed by the Department and the detailed breakdown for these balances could not be substantiated. Refer to Table 11.6 for details.

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<sup>2</sup> Finance instruction 2010, Section 69.3

**Table 11.6: Balance in Trust Fund Account in 2016**

Trust Account	Composition of Fund Account	Balance as at 31/7/16 (\$)
Suitors Trust	Trust account comprises monies pending from Suva, Lautoka and Labasa High Court cases on FNPF, Public Trustee and substantial amounts of Civil and Criminal cases.	18,804,973.08
Maintenance Trust	Trust account comprises monies from maintenance payments by defendants to their spouses based on the judgments passed by the Family Law Court.	1,531,498.05
Sundries	Trust account comprises monies from pending Civil and Criminal cases awaiting Court judgments.	4,481,941.21
<b>Total</b>		<b>24,818,412.34</b>

It is apparent that the Department is 24 years behind in its reconciliations and this has been raised in previous audits. According to the Department they are facing resource constraints in going back through old records and documents.

In the absence of up-to-date reconciliations, the audit was not able to ascertain the correctness of the balance reflected in the Department's trust fund accounts.

### **Recommendation**

**The Department should consider employing additional resources to update the trust account reconciliations.**

### **Department's Comments**

*As explained in the last year's response, we are trying to update the reconciliations but to reconcile 24 years accounts is a big task. We do understand the importance of the reconciliations but we cannot do much as this backlog has been there from the previous years.*

*As per the recommendations of the Auditors, department will only be able to engage temporary officers to carry out the reconciliations once we have space to accommodate them.*

## **11.7 Significant Arrears of Revenue**

The credit officer must promptly follow up accounts that fall due. If the recovery is unsuccessful after one month, the following actions shall be taken:

- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than a month; and
- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.<sup>3</sup>

If a final notice had been issued to one of the debtors listed, the Principal Accounts Officer may approve the case to be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implication and the probability of recovery.<sup>4</sup>

The arrears of revenue comprises of court fees, fines and cost awarded to state.

<sup>3</sup> Judicial Department Finance Manual 2013, Section 9.2.1

<sup>4</sup> Judicial Department Finance Manual 2013, Section 9.2.4

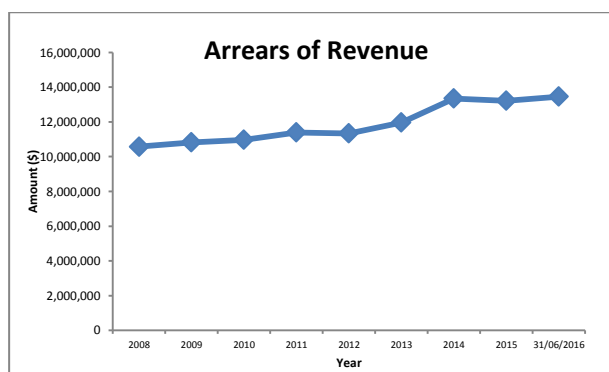


Audit review of arrears of revenue revealed following anomalies:

- Arrears of revenue reconciliation was not prepared as at 31/7/16 for submission to the Ministry of Economy and Auditor General's Office. Instead a reconciliation dated 30/6/16 was provided.
- Arrears of revenue increased by \$245,297 or 2% as at 30/06/16 compared to 2015. Despite the efforts made by the Department to reduce the arrears of revenue, a significant balance of \$13,461,155 in arrears of revenue still exists as at 30/6/16. Refer to Table 11.7 for details.

**Table 11.7: Arrears of Revenue over Eight Years and 7 Month Period**

Year	Balance (\$)	Change (\$)	Percentage Change (%)
2008	10,574,640		
2009	10,828,342	253,702	2
2010	10,970,177	141,835	1
2011	11,397,061	426,884	4
2012	11,341,730	(55,331)	0
2013	11,968,031	626,301	6
2014	13,345,569	1,377,538	12
2015	13,215,858	(129,711)	1
30/6/16	13,461,155	245,297	2



The audit also noted that the arrears of revenue between 1 to 2 years and 2 to 5 years had increased by \$15,499 (2%) and \$284,966 (28%), respectively as at 30/6/16 while arrears of revenue for more than 5 years amounted to \$9,901,397. Refer to Table 11.8 for details.

**Table 11.8: Aging of Debtors**

Age of Debtors	30/6/16 Amount (\$)	2015 Amount (\$)	Change (\$)	Percentage Change (%)
Less than 1 year	1,312,624	1,620,611	-307,987	-19%
1 – 2 years	956,319	940,820	15,499	2%
2 – 5 years	1,290,815	1,005,849	284,966	28%
More than 5 years	9,901,397	9,648,578	252,819	3%
<b>Total Debtors</b>	<b>13,461,155</b>	<b>13,215,858</b>	<b>245,297</b>	<b>2%</b>

Although the Department has established a Fine Enforcement Unit in 2007 to manage the arrears of revenue, the arrears of revenue for the Department remain substantial. There is also a high risk that some of the debts listed in the Table 11.8 may not be recoverable due to reasons such as deaths, unemployment and migration of debtors. However, the Department has not carried out any analysis on the debts which are over 5 years old to assess its recoverability.

Further delay in collecting the outstanding revenue will increase the risk of revenue not likely to be collected which may result in write-off and eventually result in loss of revenue for government.

### **Recommendations**

#### **The Department should:**

- consider employing additional officers in the Fine Enforcement Unit if delays are being caused by lack of human resources;

- **carry out a comprehensive review of arrears of revenue especially arrears over 5 years in view of establishing arrears which may not be recoverable; and**
- **ensure that the Arrears of Revenue report prepared for the Agency Financial Statement is as at the balance date.**

### **Department's Comments**

*The department is also concerned about the vast amount of Arrears of Revenue which still remains uncollected but as mentioned in the previous years it does not have the authority nor control over the execution process as this is mainly vested with the Police Department.*

*As recommended by the Auditors, the department had written to Ministry of Economy for additional staff to be employed in the Fine enforcement Unit but it hasn't been approved.*

*The department is intending to have an analysis carried out as recommended by the Auditors and make a submission for write off of Arrears of Revenue over 5 years which may not be recoverable. We always ensure the Arrears of Revenue Report is prepared according to the date of AFS but due to the sudden change in the financial year and some miscommunication with Ministry of Economy, the correct date was not taken into account. We ensure this won't happen again.*

## **11.8 Capital Expenditure**

It is imperative that amount allocated for capital expenditure is utilized effectively so that the Department's operations become more efficient and effective.

Audit review of Department's 2016 Appropriation Statement revealed that the Department only utilized \$645,931 for capital expenditure from the \$11,200,000 allocated.

Lapse of appropriation indicates that the Department was not effective in planning and implementing its capital expenditures.

The strategic objectives of Department may not be achieved if planned capital projects are not implemented on a timely basis.

### **Recommendation**

**The Department should properly plan and implement its capital projects in future.**

### **Department's Comments**

*Comments of the Auditors are noted. The department is trying its best to have the capital projects implemented as planned but due to some unforeseen circumstances it is not able to do so.*

*The CIU of Ministry of Economy is now handling most of the capital projects, thus we anticipate more projects to be implemented for the department as per the allocated funds.*

## Section 12 Parliament Office

### Roles and Responsibilities

The primary function of the Parliament is provided for under Section 46(1) of the Constitution of the Republic of Fiji which states that “the authority and power to make laws for the State is vested in Parliament consisting of the Members of Parliament and the President and is exercised through the enactment of Bills passed by Parliament and assented to by the President”.

The core business of the Parliament is to provide secretariat support and services to enable the Parliament of Fiji to perform the above functions.

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## PART A: FINANCIAL STATEMENTS

### 12.1 Audit Opinion

The audit of the 2016 accounts of the Parliament Office resulted in an unqualified audit opinion.

### 12.2 Statement of Receipts and Expenditure

The Parliament Office recorded revenue totalling \$18,519 and incurred expenditure totalling \$5.6 million for the seven months period ended 31 July 2016.

**Table 12.1: Statement of Receipts and Expenditure for 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>REVENUE</b>		
State Revenue	17,129	1,121
Agency Revenue	1,390	1,598
<b>Total Revenue</b>	<b>18,519</b>	<b>2,719</b>
<b>EXPENDITURE</b>		
Established staff	2,608,147	3,898,000
Government wage earners	196,070	269,989
Travel and communications	724,319	807,487
Maintenance & operations	414,333	1,257,096
Purchase of goods and services	616,446	537,103
Operating grants and transfers	750,000	750,000
Special expenditures	72,800	92,380

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>Total Operating Expenditure</b>	<b>5,382,115</b>	<b>7,612,055</b>
Capital Constructions	-	-
Capital grants and transfers	-	-
<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>
Value Added Tax	193,838	
<b>Total Expenditure</b>	<b>5,575,953</b>	<b>7,612,055</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

The increase in expenditure for Purchases of Goods and Services in 2016 was due to procurement of office equipment and furniture and fittings during the year.

Operating grant remained constant and included allocated funding to political parties for the running of their Parliamentary Offices as follows:

- Fiji First Party - \$480,000
- SODELPA - \$225,000
- National Federation Party - \$45,000

### 12.3 Appropriation Statement

The Parliament Office incurred expenditure totalling \$5.6 million in 2016 against a revised budget of \$9.8 million, resulting in a saving of \$4.2 million or 43%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditure against the revised budget are provided in Table 12.2.

**Table 12.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	-	-	-	-	
2	Unestablished Staff	-	-	-	-	
3	Travel & Communication	-	-	-	-	
4	Maintenance & Operations	-	-	-	-	
5	Purchase of Goods & Services	-	-	-	-	
6	Operating Grants & Transfers	9,850,878	-	9,850,878	5,382,115	4,468,763
7	Special Expenditure	-	-	-	-	
	<b>Total Operating Costs</b>	<b>9,850,878</b>	<b>-</b>	<b>9,850,878</b>	<b>5,382,115</b>	<b>4,468,763</b>
9	Capital Constructions	-	-	-	-	
10	Capital Grants and Transfers	-	-	-	-	
	<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
13	Value Added Tax	-	-	-	193,838	(193,838)
	<b>TOTAL</b>	<b>9,850,878</b>	<b>-</b>	<b>9,850,878</b>	<b>5,575,953</b>	<b>4,274,925</b>

## Section 13 Independent Commissions Grant

### Roles and Responsibilities

Fiji's independent commissions directly serve the people in specialised areas where objective and non-political judgment is required. These commissions apply the law independently, and are valuable tools for transparent and accountable governance. They share the larger purpose of defending the dignity of the individual in society, keeping institutions and the people who serve the public accountable and serving as a constant reminder that Government serves the people.

A sum of \$15.9 million is provided to fund the operations of the five Independent Commissions: the Human Rights and Anti-Discrimination Commission, the Accountability and Transparency Commission, the Freedom of Information Commission, Public Service Commission and the Fiji Independent Commission Against Corruption.

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## PART A: FINANCIAL STATEMENTS

### 13.1 Audit Opinion

The audit of the 2016 accounts for grants paid to the five Independent Commissions were conducted separately in conjunction with the line Ministry/Department responsible for administering the funds allocated under Head 13 of the budget estimates.

### 13.2 Statement of Receipts and Expenditure

The Independent Commissions incurred expenditure totalling \$7,214,461 for the seven months period ended 31 July 2016.

**Table 13.1: Statement of Receipts and Expenditure for 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>EXPENDITURE</b>		
Established Staff	398,656	
Operating grants and transfers	6,815,806	9,053,686
<b>Total Operating Expenditure</b>	<b>7,214,462</b>	<b>9,053,686</b>

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>Total Expenditure</b>	<b>7,214,462</b>	<b>9,053,686</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

### 13.3 Appropriation Statement

The Independent Commissions grant totalled \$7,214,462 in 2016 against a revised budget of \$15,882,939 resulting in savings of \$8,668,477 or 54%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditure against the revised budget are provided in Table 13.2.

**Table 13.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	---	---	---	398,656	(398,656)
6	Operating Grants & Transfers	15,882,939	---	15,882,939	6,815,806	9,067,133
	<b>Total Operating Expenditure</b>	<b>15,882,939</b>	<b>---</b>	<b>15,882,939</b>	<b>7,214,462</b>	<b>8,668,477</b>
	<b>Total Expenditure</b>	<b>15,882,939</b>	<b>---</b>	<b>15,882,939</b>	<b>7,214,462</b>	<b>8,668,477</b>

The Human Rights and Anti Discriminations Commissions were allocated \$1,164,352 for the year 2016. The Attorney General's Office is responsible for administration of this fund in accordance to the budget. For the period ending 31 July 2016, expenditure totalling \$194,059 was incurred under this appropriation.

Public Service Commission was allocated \$5,502,530 for the year 2016 to cater for salaries and allowances and other expenses for contracted Permanent Secretaries. The Ministry of Civil Service is responsible for the administration of this fund in accordance to the budget. For the transitional period ending 31 July 2016, expenditure totalling \$2,592,029 was incurred under this appropriation. No operating grant was paid out of this allocation but the salaries and other related expenses for Permanent Secretaries were directly charged to this allocation.

Fiji Independent Commission Against Corruption was allocated \$8,480,987 for the year 2016. The Ministry of Economy is responsible for the administration of this fund in accordance to the budget. For the period ending 31 July 2016, expenditure totalling \$4,428,374 was incurred under this appropriation.

However, no expenditure was incurred on the budgetary allocations provided for the Accountability and Transparency Commission and Freedom of Information totalling \$635,070 and \$100,000, respectively for the period ended 31 July 2016.

## PART B: AUDIT FINDINGS

### 13.4 Backlog Audited Financial Statement

The accounts of the Fiji Human Rights Commission must be audited by the Auditor General.<sup>1</sup> The Fiji Human Rights Commission shall provide to the Office of the Attorney- General a final audit report in accordance with this clause no later than two months after the period under audit.<sup>2</sup>

The audit noted that the last audit of the accounts of the Fiji Human Rights Commission was carried out in year 2008 for the 2007 accounts. The Fiji Human Rights Commission has not been audited since 2008 even though quarterly reports have been provided to Attorney- General Office for the release of grants in 2016. Refer to Table 13.3 for details.

**Table 13.3: Details of Backlog Financial Statements**

Year	Grant Amount (\$)	Remarks
<b>Fiji Human Rights Commission</b>		
2008	950,000	Accounts are yet to be submitted to Auditor General's Office for audit since 2008.
2009	802,500	
2010	415,000	
2011	361,999	
2012	465,309	
2013	412,500	
2014	550,000	
2015	550,000	
2016	194,059 <sup>3</sup>	
<b>Total</b>	<b>4,701,367</b>	

The delay in submission of audited accounts indicates that necessary action was not taken against the Commission prior to release of grants. The significant delay in audit of the Commission's accounts also increases the risk of unauthorized expenses and diversion of funds.

#### **Recommendation**

**The Fiji Human Rights Commission accounts should be prepared and audited within two months at the end of each financial year in accordance with clause 7.3 of the Grant Agreement.**

#### **Office Comments**

*Section 45(2) of the Human Rights Commission Act expressly provides that "with the prior written approval of the Minister, any Commissioner may from time to time, by writing under his or her hand, delegate to any employee of the Commission any of the Commissioners powers under this Decree, except this power of delegation and the power to make any report under this Decree". Furthermore, pursuant to part 15 of the Human Rights Commission Finance Manual, the responsibility of the preparation of financial reports is assigned to the Director, the Deputy Director and Accountant. Procedurally, the Deputy Director is responsible for coordinating the preparation of a monthly management report outlining the performance of the Commission including the formulation of a financial performance report. The Accountant of the Commission is required to submit a financial performance report including (i) actual revenue collected against forecast (ii) actual*

<sup>1</sup>Fiji Human Rights Commission Decree 2009 – Section 16 (2)

<sup>2</sup> 2016 Grant Agreement Between Attorney General Office & Fiji Human Rights & Anti-Discrimination Commission – Clause 7.3

<sup>3</sup> This is the amount of Grant released for January to July 2016

expenditure to date against budget for each activity/output and each SEG (iii) actual expenditure to date and commitments against budget for each output/activity and each SEG.

Since 2008 however, the Commission has been functioning without a Chairperson and Commissioners. The Commission was without a Director and Deputy Director in 2009. The Principal Legal Officer assumed the responsibilities of the Officer in Charge in 2009 until 2011 when the Accountant took over the responsibilities of the Officer in Charge. It is imperative to note that since 2008, the officers of the Commission have failed to comply with the requirements of the Finance Manual. The Commission, however, has had periodic Operations Audit conducted by the Auditor General. The last Operations Audit was conducted in 2014 and the next is scheduled for later this year.

Pursuant to section 45 (2) of the Fijian Constitution, the President on the advice of the Constitutional Offices Commission appointed a Chairperson and four Human Rights Commissioners in May 2015. In February 2016, the Board appointed a substantive Director.

Following these appointments, the Commission conducted a full 'board of survey' in 2016 verifying the existence and physical health of all assets dating back to 1999. The Board of Survey reported missing items for which the Commission has instituted disciplinary proceedings including the termination of contract of service for three staff. Furthermore, the Commission has also conducted an Audit of the Complaints department in 2016 which revealed understatement of complaints received by the Commission. Assistance was also sought from the Fiji Revenue and Customs Authority to audit the Commission's accounting software. The Commission, therefore, has made serious efforts in strengthening institutional governance since the appointment of the Commissioners and the Director.

### **Way Forward**

In order to comply with the national legislations on financial accountability, the Commission will appoint a qualified auditor on project term who will undertake the responsibility of preparing the financials and submission to the Office of the Auditor General. The appointment will be made by June 2017. The timelines are as follows:

Year	Targets
2008 financials	30 November 2017 – submit to Board 15 December 2017 – submit to OAG
2009 financials	08 June 2018 – submit to Board 29 June 2018 – submit to OAG
2010 financials	30 November 2018 – submit to Board 21 December 2018 – submit to OAG
2011 financials	12 April 2019 – submit to Board 26 April 2019 – submit to OAG
2012 financials	09 August 2019 – submit to Board 30 August 2019 – submit to OAG
2013 financials	06 December 2019 – submit to Board 20 December 2019 – submit to OAG
2014 financials	10 April 2020 – submit to Board 01 May 2020 – submit to OAG
2015 financials	07 August 2020 – submit to Board 28 August 2020 – submit to OAG
2016 financials	04 December 2020 – submit to the Board 22 December 2020 – submit to OAG

Furthermore, the Commission has formulated a financial manual. By 2020, the Commission envisages to fully implement a standardised financial reporting mechanism compliant with International Financial Reporting Standards and national legislations.



### **13.5 Expenditure Classification**

The budget papers for a financial year (the “budget year”) comprise budget estimate that specify the appropriation categories for each head appropriation in the Bill.<sup>4</sup>

The Public Service Commission was allocated \$5,502,530 under Head 13 Independent Commission 2016 budget. The total budget allocated was recorded under SEG 6 – Operating Grants and Transfers and the actual expenditure incurred as at 31 July 2016 was \$2,193,373.

Moreover, total expenditure of \$398,656 was also incurred under SEG 1 of Head 13 without an approved budget.

The Ministry of Civil Service administered the allocation for Public Service Commission Budget Head 13 and it was used to cater for payment of salaries, allowances and other related payments for all permanent secretaries in the civil service. No grant was paid from the allocation.

The classification of the budget allocation for the Public Service Commission (Head 13) under SEG 6 – Operating Grant and Transfers may be inappropriate as the budget was used for payment of salaries and allowances of appointed Permanent Secretaries in Government.

#### **Recommendation**

**The operating expenditure allocation in Head 13 Public Service Commission should be classified appropriately to relevant Special Expenditure Groups (SEG).**

#### **Ministry’s Comments**

*The recommendation is agreed.*

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<sup>4</sup> Financial Management Act 2004 Section 13 (2)(b)(i)  
Independent Commissions

## **Section 14      Office of the Director of Public Prosecutions**

### **Role and Responsibilities**

The Office of the Director of Public Prosecutions is an independent office established by the Fijian Constitution. The Director of Public Prosecutions (DPP) is responsible for instituting and conducting criminal proceedings in Fiji. The Office does not conduct criminal investigations. In most cases, the investigation is done by the Fiji Police Force, which then presents the DPP with a brief containing the evidence it has collected.

Before launching a prosecution, the DPP examines the evidence to determine if there is a reasonable chance of conviction and if a prosecution is in the public interest. Should the DPP be satisfied on both counts, the DPP launches criminal proceedings.

The Office prosecutes all criminal trials before the High Court, as well as prosecutes criminal appeals before the Court of Appeal and the High Court. The Office also takes over cases of special difficulty or those relating to the public interest in the Magistrates' Courts.

The Director has the right to take over criminal proceedings that have been instituted by another person or authority and to discontinue, at any stage before judgment is delivered, criminal proceedings, except for those instituted by the Fiji Independent Commission Against Corruption.

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## **PART A:      FINANCIAL STATEMENT**

### **14.1    Audit Opinion**

The audit of the 2016 accounts of the Office of the Director of Public Prosecutions resulted in an unqualified audit opinion.

### **14.2    Statement of Receipts and Expenditure**

The Office of the Director of Public Prosecutions recorded revenue totalling \$9,515 and incurred expenditure totalling \$2,780,374 for the seven months period ended 31 July 2016.

**Table 14.1: Statement of Receipts and Expenditure for 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>RECEIPTS</b>		
Commission	9,515	1,985
Agency revenue	-	-
<b>TOTAL RECEIPTS</b>	<b>9,515</b>	<b>1,985</b>
<b>EXPENDITURE</b>		
<b>Operating</b>		
Established Staff	1,520,985	2,742,310
Government Wage Earners	111,494	172,886
Travel & Communications	156,083	236,680
Maintenance & Operations	290,283	387,655
Purchase of Goods & Services	604,984	797,761
Special Expenditures	-	117,259
<b>Total Operating Expenditure</b>	<b>2,683,829</b>	<b>4,454,551</b>
Value Added Tax	96,545	241,765
<b>TOTAL EXPENDITURE</b>	<b>2,780,374</b>	<b>4,696,316</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

Total revenue increased by \$7,530 or by 379% in 2016 compared to 2015. This was due to reimbursement of \$7,951 for Director of Public Prosecution travel to attend the New York Financial Crimes Symposium as a Speaker.

### 14.3 Appropriation Statement

The Office incurred expenditure totalling \$2,780,374 in 2016 against a revised budget of \$6,057,643 resulting in savings of \$3,277,269 or 54%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditures against the revised budget are provided in Table 14.2.

**Table 14.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,398,480	(232,000)	3,166,480	1,520,985	1,645,495
2	Government Wage Earners	188,033	26,000	214,033	111,494	102,539
3	Travel & Communication	244,930	20,000	264,930	156,083	108,847
4	Maintenance & Operations	337,200	106,000	443,200	290,283	152,917
5	Purchase of Goods & Services	1,565,000	145,000	1,710,000	604,984	1,105,016
7	Special Expenditure	120,000	(65,000)	55,000	-	55,000
	<b>Total Operating Expenditure</b>	<b>5,853,643</b>	<b>-</b>	<b>5,853,643</b>	<b>2,683,829</b>	<b>3,169,814</b>
13	Value Added Tax	204,000	-	204,000	96,545	107,455
	<b>TOTAL EXPENDITURE</b>	<b>6,057,643</b>	<b>-</b>	<b>6,057,643</b>	<b>2,780,374</b>	<b>3,277,269</b>

#### 14.4 Statement of Losses

The Office of the Director of Public Prosecutions did not report any loss of money or assets during the financial period ending 31 July 2016.

#### 14.5 Trust Fund Account Statement of Receipts and Payments

The Office of the Director of Public Prosecutions maintains Public Prosecution and Forfeited Assets Trust Fund Account.

The Public Prosecution Trust Fund Account recorded a balance of \$82,085 for the financial period ending 31 July 2016. The Office recorded receipts totalling \$2,747 and expenses totalling \$379 resulting in surplus of \$2,368 for the seven months period ended 31 July 2016.

Details of receipts against the payments are provided in Table 14.3.

**Table 14.3: Public Prosecution Trust Fund Account Statement of Receipts and Payments 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$) Re-stated
<b>RECEIPTS</b>		
Lawyers' Prosecution Training Fees	2,700	8,500
Interest	47	82
<b>Total Receipts</b>	<b>2,747</b>	<b>8,582</b>
<b>PAYMENTS</b>		
Court Order for transfer to Forfeited Asset Fund	-	8,339
Refund of Lawyers' Prosecution Training Fees	300	-
Bank Fees	79	142
<b>Total Payments</b>	<b>379</b>	<b>8,481</b>
<b>Net Surplus</b>	<b>2,368</b>	<b>101</b>
Opening Balance as at 1 January	79,717	79,616
<b>Closing Balance as at 31 July</b>	<b>82,085</b>	<b>79,717</b>

The Forfeited Assets Trust Fund Account recorded a balance of \$353,846 for the financial period ending 31 July 2016. The Office recorded receipts totalling \$295,173 but did not incur any expenses resulting in surplus of \$295,173 for the seven months period ended 31 July 2016.

Details of receipts and payments are provided in Table 14.4.

**Table 14.4: Forfeited Asset Trust Fund Account Statement of Receipts and Payments 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$) Re-stated
<b>RECEIPTS</b>		
Court Order for transfer from DPP Trust Account	-	8,339
Proceeds from sale of forfeited assets	205,440	-

Description	31 July 2016 (\$)	31 December 2015 (\$) Re-stated
Proceeds of the mortgagee sale	89,623	-
Interest	110	95
<b>Total Receipts</b>	<b>295,173</b>	<b>8,434</b>
<b>PAYMENTS</b>		
Purchase of Computer hardware and other equipment for Fiji Police Force	-	48,801
Bank Fees	-	1
<b>Total Payments</b>	<b>-</b>	<b>48,802</b>
<b>Net Surplus/(Deficit)</b>	<b>295,173</b>	<b>(40,368)</b>
Opening Balance as at 1 January	58,673	99,041
<b>Closing Balance as at 31 July</b>	<b>353,846</b>	<b>58,673</b>

## Section 15 Ministry of Justice

### Roles and Responsibilities

#### Department of Justice

The Ministry of Justice is responsible for the efficient and effective administration of the legal registries under its portfolio. The Ministry deals specifically with the registration of land titles, births, deaths, marriages, companies, business names, credit unions, money lenders, bankrupt people, wound up companies.

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## PART A: FINANCIAL STATEMENTS

### 15.1 Audit Opinion

The audit of the 2016 accounts for the Ministry of Justice resulted in the issue of a qualified audit report. The qualifications were as follows:

- The Trust Fund Account was first reflected in the FMIS general ledger in 2016. Included in the Official Receiver Liquidation Trust and the Official Receiver Bankruptcy Trust Account Statement of Receipts and Payment are opening balances of \$647,508 and \$176,520, respectively. Due to the lack of appropriate supporting documents, I was not able to substantiate the opening balances.
- In addition to the above, the Ministry did not maintain a detailed listing of the beneficiaries of the Trust Account. Hence, the completeness of the closing balances of \$617,248 and \$219,630, respectively as reflected in the Statement of Receipts and Payments for the Official Receiver Liquidation Trust and Official Receiver Bankruptcy Trust could not be substantiated.

## 15.2 Statement of Receipts and Expenditure

The Ministry collected revenue totaling \$1,418,274 and incurred expenditure totaling \$2,292,721 for the seven months period ended 31 July 2016. Refer to Table 15.1 for details.

**Table 15.1: Statement of Receipts and Expenditure for 2016**

Description	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Miscellaneous Fees	874,921	1,004,158
Registration Fees	525,782	563,307
Licenses Fees	15,104	49,563
Other State Revenue	2,467	2,060
<b>Total State Revenue</b>	<b>1,418,274</b>	<b>1,619,088</b>
<b>TOTAL REVENUE</b>	<b>1,418,274</b>	<b>1,619,088</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	1,189,941	1,843,054
Government Wage Earners	108,126	159,435
Travel and Communications	82,922	116,044
Maintenance and Operations	307,213	540,835
Purchase of Goods and Services	69,248	201,030
Operating Grants and Transfers	---	11,500
Special Expenditure	216,434	314,517
<b>Total Operating Expenditure</b>	<b>1,973,884</b>	<b>3,186,415</b>
<b>Capital Expenditure</b>		
Capital Construction	207,238	---
Purchase	36,927	463,132
<b>Total Capital Expenditure</b>	<b>244,165</b>	<b>463,132</b>
Value Added Tax	74,672	219,694
<b>TOTAL EXPENDITURE</b>	<b>2,292,721</b>	<b>3,869,241</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

The increase in Capital Construction expenditure in 2016 by \$207,238 was due to the construction of new Births, Deaths and Marriage (BDM) offices around the country.

## 15.3 Appropriation Statement

The Ministry incurred expenditure totaling \$2,292,721 in 2016 against the revised budget of \$4,879,321 resulting in savings of \$2,586,600 or 53%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016. Details of expenditure against the budget estimate are provided in Table 15.2.

**Table 15.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	2,601,907	(50,000)	2,551,907	1,189,941	1,361,966
2	Government Wage Earners	147,514	10,000	157,514	108,126	49,388
3	Travel & Communications	258,000	(60,000)	198,000	82,922	115,078
4	Maintenance & Operations	616,000	---	616,000	307,213	308,787
5	Purchase of Goods & Services	179,500	(50,300)	129,200	69,248	59,952
6	Operating Grants & Transfers	11,500	---	11,500	---	11,500
7	Special Expenditures	350,000	211,200	561,200	216,434	344,766
	<b>Total Operating Expenditure</b>	<b>4,164,421</b>	<b>60,900</b>	<b>4,225,321</b>	<b>1,973,884</b>	<b>2,251,437</b>
8	Construction	400,000	---	400,000	207,238	192,762
9	Purchase	140,000	(60,900)	79,100	36,927	42,173
	<b>Total Capital Expenditure</b>	<b>540,000</b>	<b>(60,900)</b>	<b>479,100</b>	<b>244,165</b>	<b>234,935</b>
13	Value Added Tax	174,900	---	174,900	74,672	100,228
	<b>TOTAL EXPENDITURE</b>	<b>4,879,321</b>	<b>---</b>	<b>4,879,321</b>	<b>2,292,721</b>	<b>2,586,600</b>

### 15.4 Trust Fund Account Statement of Receipts and Payments

The Ministry of Justice maintains the Official Receiver Liquidation and the Official Receiver Bankruptcy Trust Accounts.

The Official Receiver Liquidation Trust Fund Account recorded a balance of \$617,248 for the financial period ending 31 July 2016. The Ministry recorded receipts totalling \$950,071 and payments totalling \$980,331 resulting in deficit of \$30,260 for the seven months period ended 31 July 2016.

Details of receipts against payments are provided in Table 15.3.

**Table 15.3: Official Receiver Liquidation Trust Fund Account Statement of Receipts and Payments 2016**

Descriptions	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
Debtors search and petition fee/Bond/Proof of Debt Bankruptcy	950,071	1,068,300
<b>Total Receipts</b>	<b>950,071</b>	<b>1,068,300</b>
<b>PAYMENTS</b>		
Partial, Full and Final Payment Of Creditors	980,331	1,942,248
<b>Total Payments</b>	<b>980,331</b>	<b>1,942,248</b>
<b>Net Surplus/(Deficits)</b>	<b>(30,260)</b>	<b>(873,948)</b>
Balance as at 1 January	647,508	1,521,456
<b>Balance as at 31 December</b>	<b>617,248</b>	<b>647,508</b>

The Official Receiver Bankruptcy Trust Fund Account recorded a balance of \$219,630 for the financial period ending 31 July 2016. The Ministry recorded receipts totaling \$91,854 and payments totaling \$48,744 resulting in surplus of \$43,110 for the seven months period ended 31 July 2016.



Details of receipts against payments are provided in Table 15.4

**Table 15.4: Official Receiver Liquidation Trust Fund Account Statement of Receipts and Payments 2016**

Descriptions	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
Debtors search and petition fee/Bond/Proof of Debt Bankruptcy	91,854	150,631
<b>Total Receipts</b>	<b>91,854</b>	<b>150,631</b>
<b>PAYMENTS</b>		
Partial, Full and Final Payment Of Creditors	48,744	114,671
<b>Total Payments</b>	<b>48,744</b>	<b>114,671</b>
<b>Net Surplus/(Deficits)</b>	<b>43,110</b>	<b>35,960</b>
Balance as at 1 January	176,520	140,560
<b>Balance as at 31 December</b>	<b>219,630</b>	<b>176,520</b>

## PART B: AUDIT FINDINGS

### 15.5 Improper Recording of Trust Fund Account Balance in General Ledger

The receipt and payment of trust money must be recorded in a separate cash book or set of ledger accounts.<sup>1</sup>

The Ministry of Justice has recorded a credit balance of \$836,879 under the Standard Liability Group (SLG) 89 whilst the corresponding debits are reflected under their respective Standard Asset Group (SAG) 52 account.

Refer to Table 15.5 for details.

**Table 15.5: Official Receiver Bankruptcy and Liquidation Trust Fund Account Ledger Balances**

Description	SAG 52 Allocation	Amount (\$)	SLG 89 Allocation	Amount (\$)
Liquidation Trust	9-15101-15999-520401	617,249	9-15101-15999-895061	(617,249))
Bankruptcy	9-15101-91991-520401	219,630	9-15101-91991-895062	(219,630)

The audit noted that these accounts have been reflected in the FMIS general ledger for the first time in 2016. The Ministry had been previously maintaining manual cash book, bank statements and cash at bank reconciliations only. The opening balance of \$647,508 for the Liquidation Trust and \$176,520 for the Bankruptcy Trust reflected in the Statement of Receipts and Payments could not be substantiated.

The audit also noted that the Main Trust ledger balances consisted of just one bulk posting into each of the two accounts without details of receipts and payments made available for audit review.

<sup>1</sup> Finance Instructions 2010, Section 58 (1)

Furthermore, the account names of the two bank accounts in the general ledger are stated as “Generated Account” without any distinction on whether it is for the Bankruptcy or Liquidation trust account.

It is evident that the Ministry did not follow proper transition from their manual records to the FMIS in ensuring that the complete sets of transaction in the manual cash book were captured into the FMIS system.

As such, no reliance could be placed on the accuracy and completeness of the Main Trust ledger balances during the audit.

### **Recommendations**

#### **The Ministry should:**

- **avoid bulk postings into the general ledger; and**
- **ensure that receipts and payments in the Trust Accounts are posted in the general ledger.**

### **Ministry’s Comments**

*The bulk postings in the general ledger account for the Official Receiver Liquidation Trust Account and Bankruptcy Trust Account was done by the Ministry of Economy.*

*Prior to 2016, the Ministry did not have the general ledger account for the Official Receiver’s Trust Account. In 2016, the Office of the Auditor General recommended that the Ministry Of Justice should create a general ledger account which we have complied with last year and now all receipts and payments in the Trust Account are posted in the general ledger.*

## **15.6 Absence of Detailed Listings for Official Receivers Trust Fund Account Balances**

Within 5 days after the end of each month, the Assistant Accounts Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.<sup>2</sup>

Details of balances must be attached to the reconciliation statement.<sup>3</sup>

The Ministry maintains two separate Bank Accounts for the Official Receiver Bankruptcy Accounts and the Official Receiver Liquidation Accounts.

The Bankruptcy Accounts maintains records of receipts and payments for individuals under receivership whilst the Liquidation Accounts maintains records of receipts and payments for companies under provisional liquidation.

Details of cash at bank balances for the Official Receivers Bankruptcy and Liquidation Trust Fund Accounts as at 31 July 2016 are shown in Table 15.6.

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<sup>2</sup> Ministry of Justice Finance Manual 2011, Section 14.4.1, p 89

<sup>3</sup> Ministry of Justice Finance Manual 2011, Section 14.4.2, p 89

**Table 15.6: Official Receiver Trust Account Balances**

Description	Amount (\$)
Liquidation Trust	617,249
Bankruptcy Trust	219,630
<b>Total</b>	<b>836,879</b>

The audit noted that detailed listing of the balances for companies and individuals under provisional liquidation and receivership as at 31 July 2016 were not held. It is apparent that the Ministry has not been monitoring the balances as per Cash book against the corresponding debtors' accounts which has contributed to the problem.

In view of the above, the audit could not place any reliance on the completeness of the closing balances of the Official Receivers Liquidation and Bankruptcy Trust Account.

### **Recommendation**

**The Ministry should ensure that the records of individual debtors are updated and reconciled against the Trust Fund Account Balance.**

### **Ministry's Comments**

*We noted the audit finding and state that the debtors records and statements are not compiled listings however the statements are kept in respective debtor's folders. Based on the audit findings, we are in the process of compiling detailed listings for Official Receivers Trust Fund Account Balances.*

## **15.7 Drawings Reconciliation**

The Principal Accounts Officer must verify balances in the bank reconciliation to the cashbook, bank statements, unpresented cheque list and the previous month's bank reconciliation before certifying it.<sup>4</sup>

The audit noted that there were variances between the Drawings Account reconciliation and the general ledger balance. Refer to Table 15.7 for details.

**Table 15.7: Variance in the Drawings Reconciliation**

Department	General Ledger (\$)	Unpresented Cheque List (\$)	Difference (\$)
Ministry of Justice	184,921	182,810	2,111

Preparing monthly reconciliation statements is ineffective if variances noted in the Ministry's books of accounts or the FMIS general ledger are not promptly rectified.

<sup>4</sup> Ministry of Justice Finance Manual 2013 – Section 6.4.11

**Recommendations****The Ministry should:**

- investigate and rectify the variances noted between its reconciliation statements and the general ledger; and
- ensure that proper and accurate monthly reconciliations are carried out.

**Ministry's Comments**

*The variance between the drawings reconciliation and the general ledger was due to mis-postings of the sum of \$2,111.50 by the Ministry of Economy.*

**15.8 Revolving Fund Account (RFA)**

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at ministry/department level and/but most importantly at whole of government level.<sup>5</sup>

The Accounts Officer must reconcile all accounts to be submitted to Ministry of Finance within two weeks after the closing of each monthly account.<sup>6</sup>

The Principal Accounts Officer must verify all the reconciliations before signing and submitting it to Ministry of Finance.<sup>7</sup>

The audit noted the Ministry did not provide reconciliations for the following Revolving Fund Accounts as at 31 July 2016. Refer to Table 15.8 for details.

**Table 15.8: Reconciliations not provided**

Account No.	Account Description	Amount (\$)
1-15101-15999-570101	AR Prepaid Expenses	(47)
1-15101-15999-570304	Surcharges	(5,279)

Moreover, it was noted that the Revolving Fund Account (SAG 57 – Asset Account) had closing credit balance of \$4,661 as at 31 July 2016.

The above findings show the ineffective internal controls that exist within the Ministry.

**Recommendation**

**The Ministry should comply with the procedures relating to the preparation and submission of reconciliation statements.**

<sup>5</sup> Ministry of Justice Finance Manual 2013 – Section 16.2.4

<sup>6</sup> Ministry of Justice Finance Manual 2013 – Section 16.2.5

<sup>7</sup> Ministry of Justice Finance Manual 2013 – Section 16.2.6

**Ministry's Comments**

*For the overall credit balance of \$4,661.41 for the Revolving Fund Account, the Ministry of Economy had posted the sum of \$2,111.50 twice in the FMIS while the balance of \$438.41 will be cleared during the current financial year.*

## Section 15A **Fiji Corrections Service**

### **Roles and Responsibilities**

#### **Fiji Corrections Services**

The Fiji Corrections Service is responsible for the safety and security, the humane treatment and the provision of relevant and appropriate behavioural intervention programmes for all those committed to our custody by the Courts.

Under the framework of the Peoples' Charter for Change Peace and Progress and the Fiji Corrections Act 2006 and the 2013 Constitution, Chapter 2; Section 26, Chapter 5; Section 98,99,100,101,102,118,119, Chapter 6; Section 130, Chapter 7 and 8, the Department has continuously focused on enhancing the quality of custodial care, reviewing the relevancy and effectiveness of inmates' rehabilitation programmes, developing its human resources capacity and capability, promoting the effective and efficient use of resources and its active participation in the major Government reforms to modernize the service.

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## **PART A: FINANCIAL STATEMENTS**

### **15.A1 Audit Opinion**

The audit of the 2016 accounts of the Fiji Corrections Service resulted in the issue of an unqualified audit report.

### **15.A2 Statement of Receipts and Expenditure**

The Fiji Corrections Services recorded revenue totalling \$63,533 and incurred expenditure totalling \$16,861,453 for the seven months period ended 31 July 2016. Refer to Table 15A.1 for details.

**Table 15A.1: Statement of Receipts and Expenditure for 2016**

Description	31 July 2016 (\$)	31 Dec 2015 (\$)
<b>RECEIPTS</b>		
State Revenue	59,955	96,414
Miscellaneous Fee	3,121	3,430
Agency Revenue	457	596
<b>TOTAL REVENUE</b>	<b>63,533</b>	<b>100,440</b>
<b>EXPENDITURE</b>		
<b>Operating</b>		
Established Staff	11,205,824	19,093,500
Unestablished Staff	20,361	32,510
Travel and Communication	261,005	446,788
Maintenance and Operations	1,291,048	2,005,808
Purchase of Goods and Services	2,047,053	3,493,123
Operating Grants and Transfers	4,821	16,113
Special Expenditure	125,256	594,548
<b>Total Operating Expenditure</b>	<b>14,955,368</b>	<b>25,682,390</b>
<b>Capital Expenditure</b>		
Construction	1,275,618	6,264,343
Purchases	157,521	909,922
<b>Total Capital Expenditure</b>	<b>1,433,139</b>	<b>7,174,265</b>
<b>Value Added Tax</b>	<b>472,946</b>	<b>1,957,349</b>
<b>TOTAL EXPENDITURE</b>	<b>16,861,453</b>	<b>34,814,004</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

### 15.A3 Appropriation Statement

The Department incurred a total expenditure of \$16,861,453 against the revised budget of \$39,419,626 resulting in savings of \$22,558,173 or 57%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016. Details of expenditure against the revised budget estimate are provided in Table 15A.2.

**Table 15A.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Change (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	21,599,258	(208,760)	21,390,498	11,205,824	10,184,674
2	Government Wage Earners	34,656	---	34,656	20,361	14,295
3	Travel & Communication	490,670	---	490,670	261,005	229,665
4	Maintenance & Operations	1,793,000	166,352	1,959,352	1,291,048	668,304
5	Purchase of Goods & Services	3,285,432	---	3,285,432	2,047,053	1,238,379
6	Operating Grants & Transfer	46,260	---	46,260	4,821	41,439
7	Special Expenditure	605,650	---	605,650	125,256	480,394
	<b>Total Operating Costs</b>	<b>27,854,926</b>	<b>(42,408)</b>	<b>27,812,518</b>	<b>14,955,368</b>	<b>12,857,150</b>
8	Construction	9,440,000	---	9,440,000	1,275,618	8,164,382
9	Purchases	660,000	42,408	702,408	157,521	544,887

SEG	Item	Budget Estimate (\$)	Change (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>Total Capital Expenditure</b>	<b>10,100,000</b>	<b>42,408</b>	<b>10,142,408</b>	<b>1,433,139</b>	<b>8,709,269</b>
13	Value Added Tax	1,464,700	---	1,464,700	472,946	991,754
	<b>TOTAL EXPENDITURE</b>	<b>39,419,626</b>	<b>---</b>	<b>39,419,626</b>	<b>16,861,453</b>	<b>22,558,173</b>

## 15.A4 Trust Fund Account Statement of Receipts and Payments

Table 15A.3: Trust Account Statement for 2016

Trust Fund Account	31 July 2016 (\$)	31 Dec 2015 (\$)
<b>Receipts</b>		
Prisoners Cash	26,730	319,570
<b>Total Receipts</b>	<b>26,730</b>	<b>319,570</b>
<b>Payments</b>		
Prisoners Cash	43,759	145,762
<b>Total Payments</b>	<b>43,759</b>	<b>145,762</b>
<b>Net (Loss)/Surplus</b>	<b>(17,029)</b>	<b>173,808</b>
Balance as at 1 January 2015	457,389	283,581
<b>CLOSING BALANCE</b>	<b>440,360</b>	<b>457,389</b>

## 15.A5 Trade and Manufacturing Account

Table 15A.4: Manufacturing Account for 2016

Manufacturing Account	31 July 2016 (\$)	31 Dec 2015 (\$)
Opening Raw Material	150,988	116,530
<b>Add: Purchases</b>	<b>872,459</b>	<b>1,681,591</b>
<b>Less: Closing Raw Materials</b>	<b>142,969</b>	<b>150,988</b>
<b>Raw Material Used</b>	<b>880,478</b>	<b>1,647,133</b>
<b>Add: Opening Work in progress</b>	<b>58,031</b>	<b>2,725</b>
<b>Add: Direct Labour</b>	<b>10,905</b>	<b>30,945</b>
<b>Less: Closing Work In Progress</b>	<b>108,721</b>	<b>58,031</b>
<b>Cost of Goods Manufactured transferred to Trading Account</b>	<b>840,693</b>	<b>1,622,772</b>

Table 15A.5: Trading Account for 2016

Trading Account	31 July 2016 (\$)	31 Dec 2015 (\$)
Sales	1,508,348	2,462,430
Opening stock	459,387	440,123
<b>Add: Cost of Manufactured Goods</b>	<b>840,693</b>	<b>1,622,772</b>
<b>Less: Closing Finished Goods</b>	<b>396,308</b>	<b>459,387</b>
<b>Cost of Goods Sold</b>	<b>903,772</b>	<b>1,603,508</b>
<b>Gross Profit transferred to Profit &amp; Loss Statement</b>	<b>604,576</b>	<b>858,922</b>



**Table 15A.6: Profit & Loss Statement for 2016**

<b>Profit and Loss Statement</b>	<b>31 July 2016 (\$)</b>	<b>31 Dec 2015 (\$)</b>
<b>Income</b>		
Gross Profit transferred from Trading A/C	604,576	858,922
Other Income	---	---
<b>Total Income</b>	<b>604,576</b>	<b>858,922</b>
<b>Expenses</b>		
Travel & Communication	---	3,363
Maintenance & Operation	169,008	367,082
Other Expenses	---	---
Special Expenses	---	---
VAT	---	---
<b>Total Expense</b>	<b>169,008</b>	<b>370,445</b>
<b>Net Profit</b>	<b>435,568</b>	<b>488,477</b>

**Table 15A.7: Balance Sheet for 2016**

<b>Balance Sheet</b>	<b>31 July 2016 (\$)</b>	<b>31 Dec 2015 (\$)</b>
<b>Assets</b>		
Cash at Bank	639,420	315,781
Debtors	241,118	151,745
Raw Material	142,969	150,988
Work in progress	108,721	58,031
Finished Goods	396,308	459,387
<b>Total Assets</b>	<b>1,528,536</b>	<b>1,135,932</b>
<b>Liability</b>		
Deposit, Deduction and Retention Money	(2,303)	(4,982)
<b>Total Liability</b>	<b>(2,303)</b>	<b>(4,982)</b>
<b>Net Assets</b>	<b>1,530,839</b>	<b>1,140,914</b>
<b>Equity</b>		
Appropriation from CFA and TMA Operation	122,883	116,751
TMA Accumulated Surplus	972,388	535,686
Net Profit	435,568	488,477
<b>Net Equity</b>	<b>1,530,839</b>	<b>1,140,914</b>

## **PART B: AUDIT FINDINGS**

### **15.A6 Unsubstantiated Accounts Receivable**

The Accounts Officer shall prepare a quarterly report on the level of outstanding and overdue debts. This report shall be included in the quarterly management report to the Commissioner of Correction Services. The report must outline:

- (i) the amount outstanding but not yet due;
- (ii) the total for each overdue age category;
- (iii) name of each debtor within each age category; and
- (iv) the recovery actions taken for each overdue debt.<sup>1</sup>

<sup>1</sup> Fiji Corrections Services Agency Manual – Section 9.3.1-9.3.3

The aging of overdue debts shall be within the following categories:<sup>2</sup>

Not Yet Due	Overdue	Overdue	Overdue	Overdue
	0-3 months	4-6 months	7-9 months	10-12 months

Within the first week of each month, the Officer in Charge shall prepare a list of debts that are not yet due and those that are overdue.<sup>3</sup>

Audit review of TMA debtors revealed the following anomalies:

- (i) A variance of \$27,700 was noted between the general ledger balance and debtors listing as at 31/07/16. Refer to Table 15A.8 for details.

**Table 15A.8: Variances between Debtors listing and FMIS**

Particulars	Amount (\$)
GL balance: 4-15200-00000-56000	241,118
Less:	
Debtors listing - Tailor	19,520
Debtors listing – Joinery	13,201
Debtors listing – Bakery	43,400
Debtors listing – Poultry	121,515
Debtors listing – Other	13,148
Debtors listing – Piggery	2,634
	213,418
<b>Variance</b>	<b>27,700</b>

- (ii) The Department did not prepare individual debtors reconciliation showing opening balance, movements and closing balance as at 31/07/16.

- (iii) The Department did not prepare debtors ageing report as at 31/07/16.

The above findings indicate the existence of weak controls in receivables management which could result in errors and omissions and fraud not being detected on a timely basis.

### **Recommendations**

**Fiji Corrections Services must ensure that:**

- **debtor reconciliations are prepared on a monthly basis and ageing report is prepared;**
- **the reported variance is investigated and rectified; and**
- **recovery action is instigated against long outstanding debtors.**

### **Management Comments**

*The Tailor and Joinery debtors as listed in the report correlates to that on the ground, the variance raised in the report is from the debtors of the Poultry SBU.*

<sup>2</sup> Fiji Corrections Services Agency Manual – Section 9.3.4

<sup>3</sup> Fiji Corrections Services Agency Manual – Section 9.2.2

The department has adhered to the comments made by the audit team to which a directive has now been issued that there will no more collecting cheques for payment of outstanding balances. Improvement was also made to the debtor's record for the 2016 -2017 period and has progressed well with the debtors ageing report as shown below:

Tailor SBU Debtors as 31 July 16									
Date	Debtors	Description	Invoice	Current	0-3 months	4 - 6 Months	7 - 9 Months	10 - 12 Months	Total
31.01.16	FCS QM	Inmates Uniform	24238			\$3,444.00			\$3,444.00
25.02.16	FCS QM	Inmates Uniform	25239			\$1,406.00			\$1,406.00
17.05.16	FCS QM	Inmates Uniform	25242		\$650.00				\$650.00
19.05.16	COC Vaviano	Sulujaba	64246		\$76.00				\$76.00
11.06.16	Kalis Fashion	Sulujaba and Shirt	67108		\$1,602.00				\$1,602.00
07.07.16	Kalis Fashion	Sulujaba	67122	\$7,644.00					\$7,644.00
19.07.16	Tees Fashion	Men's Shirt	67130	\$2,450.00					\$2,450.00
19.07.16	Tees Fashion	Sulujaba	67131	\$2,248.00					\$2,248.00
31.07.16	Total			\$12,342.00	\$2,328.00	\$4,850.00			\$19,520.00

### 15.A7 Variances noted in TMA Cash at Bank

The Accounts Officer should ensure that all irregularities in the Bank Reconciliation is investigated and rectified within 7 work days and all irregularities are documented.<sup>4</sup>

For credit sales, the Supervisor Trading and Manufacturing Account shall prepare a sales invoice and delivery docket (if delivery is required). The original invoice shall be handed to the purchaser and the copies retained.<sup>5</sup>

The Officer in charge of Correction Institutions must promptly follow up accounts that fall due. If recovery is unsuccessful after one month, the following actions shall be taken:

- No further credit shall be extended to the debtor;
- A demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than one month; and
- If the account remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.<sup>6</sup>

The audit noted that as at 31 July 2016, there was a variance of \$15,859 between the Cash Book balance and the Bank Reconciliation Statement. Refer to Table 15A.9 for details.

**Table 15A.9: Variances in Cash at Bank Reconciliation Figures**

Description	Amount (\$)
<b>General Ledger Balances</b>	
Opening balance – 01/01/16	489,961
<b>Add: Receipts – 01/01/16 – 31/07/16</b>	1,480,689
<b>Less: Payments - 01/01/16 – 31/07/16</b>	(1,331,231)

<sup>4</sup> Fiji Corrections Services Agency Finance Manual, Part 6, Section 6.5.4

<sup>5</sup> Fiji Corrections Services Agency Finance Manual, Part 6, Section 6.4.6

<sup>6</sup> Fiji Corrections Services Agency Finance Manual, Part 9, Section 9.2.1

Description	Amount (\$)
<b>Closing balances as per Cash Book</b>	<b>639,419</b>
<b>Bank Reconciliation Statement</b>	
Closing Balance as per Bank Statement	627,483
<b>Add:</b> Lodgements not yet credited	-
<b>Less:</b> Un-presented Cheques	(3,923)
<b>Closing Balance as per Bank Reconciliation</b>	<b>623,560</b>
<b>Variance</b>	<b>15,859</b>

The audit noted also that a significant portion of the variance consists of outstanding debtors from 2015 and 2016 who have issued cheques as payment for various TMA goods which were later dishonoured by the bank. Refer to Table 15A.10 for details.

**Table 15A.10: Unpaid TMA Debts through Dishonoured Cheques**

Description	Amount (\$)
Dishonored Cheques January	3,730
Dishonored Cheques – Drawer 775864	4,884
Dishonoured Cheque at 28.07.15	1,246
Dishonoured Cheque – 16.1.15 (392)	520
Dishonoured Cheque – 16.1.15 (390)	520
Dishonoured Cheque – 16.1.15 (394)	600
Dishonoured Cheque – 16.1.15 (395)	690
Dishonoured Cheque – 16.1.15 (396)	1,058
Dishonoured Cheque – 16.1.15 (397)	300
<b>Total</b>	<b>13,548</b>

Variances in reconciliations could lead to fraud and misappropriation of funds resulting in write-offs in future. Dishonoured cheques indicate that credit worthiness of customers are not determined prior to sale of goods on credit. Credit sales not administered properly can also result in write-off of debts.

### **Recommendations**

**Fiji Corrections Services must ensure that the:**

- **reported variance is investigated and rectified;**
- **credit facilities over to customers whose cheques have been dishonoured are reviewed and discontinued if necessary; and**
- **necessary action is taken to recover debts arising from dishonoured cheques..**

### **Management Comments**

*This dishonoured cheques records were carried forward from the 2015 financial period. Check and balances were made against the Bank Statements from 2015 to July 2016. From the listing of dishonoured cheques shown in the report; only one cheque that was actually dishonoured is chq number 775864 -\$4,884.00. The other dishonoured cheques highlighted cannot be confirmed, whether it's a cheque or receipt serial numbers.*

*The variances between FMIS GL balance and the Bank Reconciliation balance cannot be ascertained that it contains the dishonoured amount due the Cash Basis and Accrual Basis of accounting inter-woven in our revenue collection for TMA.*

*FCS will rectify this issue through the implementation of the AR Module in the FMIS. This module will eliminate the accrual process completely and other delays of updating in the FMI system correlating to the transactions completed on the Ground. Submission will be made to the Commissioner of Correction for approval of implementation.*

## 15.A8 Lack of Guideline on Operation of Prisoners Trust Fund Account

Details of balances must be attached to the reconciliation statement.<sup>7</sup>

Subject to subsection (2)-

- a) the supervisor, in the case of any person sentenced to imprisonment, whether by one sentence or cumulative sentences, for any period not exceeding twelve months; or
- b) the Controller, in the case of any person who is serving a sentence of imprisonment for any period exceeding twelve months and who is within twelve months of his earliest possible date of release with remission,

-may, with the written consent of such person, release him to undertake public work outside the prison.<sup>8</sup>

Such person may, in addition to the public work which he is required to perform under this section, undertake for remuneration such other work as the supervisor or the Controller may approve.<sup>9</sup>

Subject to the provisions of this Act, every convicted criminal prisoner may be kept to labour, within or without the precincts of any prison, in any employment that may be prescribed and may be paid such remuneration in respect thereof as may be prescribed.<sup>10</sup>

The audit noted the following anomalies in relation to the operation of the Prisoner's Trust Fund Account:

- (i) The general ledger showed a balance of \$440,360.23 as at 31/07/16 for which details were not made available for audit purposes;
- (ii) Partial withdrawals were noted from Prisoners Trust Fund Account without any proper policy guidelines;
- (iii) The portion of the Prisoners Income which is to be transferred to government through the Consolidated Fund Account could not be ascertained by audit; and
- (iv) Approved Standard Operating Procedures (SoPs) were not prepared for receipt and payment of money into the Prisoners Trust Fund Account. Hence the basis on which income is recorded in Trust Fund Account could not be determined. Refer to Table 15A.11 for details.

**Table 15A.11: Deficiencies Noted on the Prisoners Main Trust Fund Account**

Purpose	Criteria	Remarks
Safekeeping of cash in the	The full 100% of money deposited into the Trust Account is eligible	-No policy guideline

<sup>7</sup> Fiji Corrections Services Agency Finance Manual, Part 15, Section 15.4.2

<sup>8</sup> Prisons Act (Cap 86), Section 61(1)

<sup>9</sup> Prisons Act (Cap 86), Section 61(5)

<sup>10</sup> Prisons Act (Cap 86), Section 62(1), p 31

Purpose	Criteria	Remarks
possession of inmates upon their admission	to inmates upon their discharge	-No list provided
<b>Job placement</b> – When Prisoners with less than 12 months left on their sentences are offered work attachments upon satisfactory progress.	<u>Draft Job Placement Policy- Section 5.0</u> <ul style="list-style-type: none"> <li>• 60% to inmates bank accounts</li> <li>• 40% to Trust Account which will be transferred to Consolidated Fund at the end of the year</li> <li>• On early release for employment, then 90% to inmates bank accounts and 10% to Trust Account which will be transferred to Consolidated Fund at the end of the year.</li> <li>• On full release 100% to inmates</li> </ul>	-No list of inmates with 60% -No evidence of funds transferred to CFA as at 31/07/16
Income earned by inmates from TMA Commercialisation	The full 100% of money earned from Prisoners engagement in TMA Activity is kept in Trust to be paid to Prisoners.	-No policy guideline -No list provided

In the absence of approved SoPs, there is a high risk of inconsistency in the operation of the Trust Fund Account which can lead to fraud and misappropriation of funds.

### **Recommendations**

#### **Fiji Correction Services must ensure that:**

- **SoPs are prepared and approved for the operation of the Prisoners Trust Fund Account; and**
- **the closing balance as at 31 July 2016 is substantiated with relevant supporting documents.**

### **Management Comments**

*The Prisoners Cash Trust Fund Account was guided by the amended CAP 86 – Prisons Act. The Prisoners Cash Trust Account has expanded its nature as we have introduced more Rehabilitation Programs for inmates such as the Art Gallery for paintings sold, job placements, sugarcane harvesting and pine propping.*

*There was a written memorandum by the then Commissioner Mr. Ioane Naivalurua on the portion of payment for the pay-out of paintings by the inmate sold at the Art Gallery which was a 60% for the inmate and 40% for government, for the painting materials requested by inmates.*

*The Job Placements was initiated during the then Commissioner Mr. Ifereimi Vasu and this was done through the signing of an Memorandum of Agreement between the companies that will take on the inmate on a temporary basis to work in their organisation whilst under the custody of the Fiji Corrections Service. The pay-out portion is similar to the paintings a 60% and 40%.*

*The last two earnings by the inmates are from the sugarcane harvesting and pine propping which is also a 60% and 40% pay-out. This undertaking were done through the advice of the then Commissioner Ifereimi Vasu in agreement with FSC and Fiji Pine.*

*FCS will review and amend the financial policies on all latest development as guidelines and will incorporate these policies into the Financial Manual for a guideline on the Operation of the Prison Trust Fund.*

## **15.A9 Expenditure recorded contrary to the Appropriation Provided**

The expenditure of money appropriated by an Appropriation Act from the consolidated fund or any other fund may be incurred only in accordance with the authorisation effected by the Appropriation Act as indicated in the Act.<sup>11</sup> The appropriation for power supply (\$500,000) and water, sewerage and fire services (\$170,000) was appropriated for the year 2016 accordingly.<sup>12</sup>

The audit noted that part of expenditure incurred for water, sewerage and fire services totalling \$35,812 was recorded as “Repair & Maintenance –Land” (\$25,180)<sup>13</sup> and “Electricity” (\$10,632)<sup>14</sup> expenditure.

In addition, “electricity” expenditure of \$3,432 was recorded as “Water, Sewerage and Fire services” expenditure.

As a result, water, sewerage and fire services expenditures in understated (\$32,379) while electricity (\$7,200) and repair and maintenance - land (\$25,180) expenditure has been overstated for the financial period ending 31 July 2016..

The misallocation of expenditures indicate that proper checks were not carried out by accounting officers prior to posting or the different allocations were used due to sufficient funding not being available in the allocations from which the expenditures should have been incurred.

The mispostings have resulted in the expenditures for the respective allocations being misstated at financial year end.

### **Recommendation**

**Fiji Corrections Services should ensure that expenditures are recorded in the correct allocations.**

### **Management Comments**

*The misallocation is noted and the reversal was not made due to the time constraints including the change of office of the accounting head (former SAO) thus divulging the corrections to these misallocations. These payments were made due to the urgency of the matter, as the institutions safety and security demands that water and electricity should never be disconnected because it is directly linked to the National Security Issues of Government. Virement was also made to address the shortfall to which it was returned back to its allocation.*

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<sup>11</sup> Financial Management Act 2004 – Division 2 – Activity 1 – General Administration - Section 14 (1)

<sup>12</sup> 2016 Budget Estimate – Fiji Corrections Service – Page 85

<sup>13</sup> Payment ID number 9469

<sup>14</sup> Payment ID number 642892 and 8927

## Section 16 Ministry of Communication Department of Information and Communication

### Roles and Responsibilities

Modern technology can create many opportunities for media, businesses, education, health and finance. It provides access to a world of information and helps keep families and communities, often separated by vast distances, connected.

Government is committed to spreading the benefits of technology to all Fijians – to bridge the digital divide between the rural and urban, the rich and the poor. The benefits of technological advances should be equally accessible to all Fijians and not just the elite.

In pursuit of this goal, the Ministry of Communication is responsible for providing coordination, support and leadership on all matters of policy, law, regulation and strategy for the Information, Communication and Technology [ICT] sector.

The Ministry comprises the following Departments: Information, Communication and Information Technology and Computing Services.

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## PART A: FINANCIAL STATEMENT

### 16.1 Audit Opinion

The audit of the 2016 accounts of the Department of Information and Communication resulted in an unqualified audit opinion.

### 16.2 Statement of Receipts and Expenditure

The Department of Information and Communication recorded revenue totalling \$8,728 and incurred expenditure totalling \$1,771,227 for the seven months period ended 31 July 2016.

**Table 16.1: Statement of Receipts and Expenditure for 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Revenue from Production of Film	606	1,844



Description	31 July 2016 (\$)	31 December 2015 (\$)
Licence Telecom and TV	42	990
Other State Revenue	-	-
<b>Total State Revenue</b>	<b>648</b>	<b>2,834</b>
<b>Agency Revenue</b>		
Miscellaneous	8,080	-
<b>Total Agency Revenue</b>	<b>8,080</b>	<b>-</b>
<b>TOTAL REVENUE</b>	<b>8,728</b>	<b>2,834</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	632,650	1,192,628
Government Wage Earners	78,164	138,256
Travel & Communication	114,302	193,740
Maintenance & Operations	57,463	127,079
Purchase of Goods & Services	395,590	541,718
Operating Grants & Transfers	283,150	1,179,139
Special Expenditure	150,665	77,659
<b>Total Operating Expenditure</b>	<b>1,711,984</b>	<b>3,450,219</b>
<b>Capital Expenditure</b>		
Capital Construction	-	-
Capital Purchases	-	-
Capital Grants and Transfers	-	-
<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>
Value Added Tax	59,243	139,214
<b>TOTAL EXPENDITURE</b>	<b>1,771,227</b>	<b>3,589,433</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

The overall revenue of the Ministry increased by \$5,894 due to increase in miscellaneous revenue due to refund of airfare from Asia Pacific Telecommunity for a 2015 training held in Japan.

### 16.3 Appropriation Statement

The Department incurred expenditures totalling \$1,771,227 in 2016 against a revised budget of \$7,710,545 resulting in a budget savings of \$5,939,318 or 77%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditures against the budget estimates are provided in Table 16.2.

**Table 16.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	1,652,292	---	1,652,292	632,650	1,019,642
2	Government Wage Earners	156,613	5,500	162,113	78,164	83,949
3	Travel & Communication	270,302	---	270,302	114,302	156,000
4	Maintenance & Operations	203,520	---	203,520	57,463	146,057
5	Purchase of Goods & Services	870,072	(6,100)	863,972	395,590	468,382
6	Operating Grants & Transfers	1,297,598	600	1,298,198	283,150	1,015,048
7	Special Expenditure	2,880,000	---	2,880,000	150,665	2,729,335
	<b>Total Operating Expenditure</b>	<b>7,330,397</b>	<b>---</b>	<b>7,330,397</b>	<b>1,711,984</b>	<b>5,618,413</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	---	---	---	---	---
9	Capital Purchases	---	---	---	---	---
10	Capital Grants & Transfers	---	---	---	---	---
	<b>Total Capital Expenditure</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
13	Value Added Tax	380,148	---	380,148	59,243	320,905
	<b>Total Expenditure</b>	<b>7,710,545</b>	<b>---</b>	<b>7,710,545</b>	<b>1,771,227</b>	<b>5,939,318</b>

## 16.4 Trust Fund Account Statement of Receipts and Payments

The Department of Communication maintains the Telecommunication Development Trust Fund Account.

The Department of Communication Trust Fund Account recorded a balance of \$21,428,144 for the financial period ending 31 July 2016. Receipts totalling \$3,794,026 were collected and while payments totalling \$2,253,152 were made resulting in surplus of \$1,540,874 for the seven months period ended 31 July 2016.

Details of receipts against payments are provided in Table 16.3.

**Table 16.3: Trust Fund Account Statement of Receipts and Payments for 2016**

Descriptions	2016 (\$)	2015 (\$) (Re-stated)
<b>RECEIPTS</b>		
Levy fees from Telecommunication Companies	3,781,662	6,080,193
Pay Reimbursement	73	-
Interest	12,291	20,480
<b>Total Receipts</b>	<b>3,794,026</b>	<b>6,100,673</b>
<b>PAYMENTS</b>		
DTV Expenses	1,881,838	6,257,384
Tele-centre Expenses	371,221	448,021
Bank Fees	93	199
<b>Total Payments</b>	<b>2,253,152</b>	<b>6,705,604</b>

<b>Descriptions</b>	<b>2016 (\$)</b>	<b>2015 (\$) (Re-stated)</b>
<b>Net Surplus/(Deficit)</b>	<b>1,540,874</b>	<b>(604,931)</b>
Balance as at 1 January	19,887,270	20,492,201
<b>Balance as at 31 July</b>	<b>21,428,144</b>	<b>19,887,270</b>

## Section 16A Department of Information Technology and Computing Services

### Role and Responsibilities

The primary role of DITCS Services is to support the Government in the provision of ICT capabilities on a secure platform that will showcase opportunities and enhance public sector efficiency, professionalism for the Government and its employees. One of DITCS Service's strategic priorities is to transform or re-engineer government services across all Government agencies through the realization of the e-Government strategy. This holistic strategy adopts the three legged stool approach, focusing on People, Processes and Technology. In collaboration with other Government agencies, corporate sectors, NGOs and other stakeholders, DITCS Services will develop, promote, coordinate and support strategies that foster services excellence through the utilization of e-Government Application tools.

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## PART A: FINANCIAL STATEMENT

### 16A.1 Audit Opinion

The audit of the 2016 accounts of the Department of Information Technology and Computing Services resulted in the issue of an unqualified audit opinion.

### 16A.2 Statement of Receipts and Expenditure

The Department recorded revenue totalling \$21,851 and incurred expenditure totalling \$6,721,644 for the seven months period ended 31 July 2016. Details are provided in Table 16A.1 below.

**Table 16A.1: Statement of Receipts and Expenditure for 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Commission	130	77
<b>Total State Revenue</b>	<b>130</b>	<b>77</b>
<b>Agency Revenue</b>		
Miscellaneous Revenue	21,721	21,483

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>Total Agency Revenue</b>	<b>21,721</b>	<b>21,483</b>
<b>TOTAL REVENUE</b>	<b>21,851</b>	<b>21,560</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	915,699	1,547,614
Government Wage Earners	19,639	39,690
Travel & Communications	836,909	1,444,937
Maintenance & Operations	884,631	1,093,081
Purchase of Goods & Services	2,213,462	2,360,832
Special Expenditure	1,314,153	1,690,921
<b>Total Operating Expenditure</b>	<b>6,184,493</b>	<b>8,177,075</b>
<b>Capital Expenditure</b>		
Capital Construction	-	-
Capital Purchases	18,072	3,456,754
Capital Grants & Transfers	-	190,098
<b>Total Capital Expenditure</b>	<b>18,072</b>	<b>3,646,852</b>
Value Added Tax	519,079	1,635,844
<b>TOTAL EXPENDITURE</b>	<b>6,721,644</b>	<b>13,459,771</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

### 16A.3 Appropriation Statement

The Department of Information Technology and Computing Services incurred expenditure totalling \$6,721,644 in 2016 against a revised budget of \$18,702,728 resulting in savings of \$11,981,084 or 64%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditure against the revised budget are provided in Table 16A.2.

**Table 16A.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,219,765	(3000)	3,216,765	915,699	2,301,066
2	Unestablished staff	32,172	3,000	35,172	19,639	15,533
3	Travel & Communications	1,614,392	-	1,614,392	836,909	777,483
4	Maintenance & Operations	2,186,000	-	2,186,000	884,631	1,301,369
5	Purchase of Goods & Services	4,304,760	-	4,304,760	2,213,462	2,091,298
7	Special Expenditure	2,000,000	-	2,000,000	1,314,153	685,847
	<b>Total Operating Cost</b>	<b>13,357,089</b>	<b>-</b>	<b>13,357,089</b>	<b>6,184,493</b>	<b>7,172,596</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	50,000	-	50,000	-	50,000
9	Capital Purchase	3,744,639	-	3,744,639	18,072	3,726,567

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
10	Capital Grants & Transfers	300,000	-	300,000	-	300,000
	<b>Total Capital Expenditure</b>	<b>4,094,639</b>	<b>-</b>	<b>4,094,639</b>	<b>18,072</b>	<b>4,076,567</b>
13	Value Added Tax	1,251,000	-	1,251,000	519,079	731,921
	<b>TOTAL EXPENDITURE</b>	<b>18,702,728</b>	<b>-</b>	<b>18,702,728</b>	<b>6,721,644</b>	<b>11,981,084</b>

#### 16A.4 Statement of Losses

The Department did not report any loss of money or assets during the financial period ending 31 July 2016. However, items worth FJ\$252,373 & US\$203,032 were written off and boarded in 2016 following a board of survey.

## Section 17

## Ministry of Civil Service

### Roles and Responsibilities

Articles (125) and (126) of the Constitution outline a devolved system of governance and authority provided to the Permanent Secretaries of Government. The Ministry of Civil Service has been created to oversee and implement necessary central guidelines in line with the Government's view of Civil Sector Reform which was undertaken to produce a more accountable, effective and professional Civil Service with the ultimate aim of providing quality service to the public.

The Ministry comprises of three main divisions: the Policy Division, responsible for the assessment of overarching government policies to ensure consistency and fairness within the Civil Sector's Human Resource policies; the Central Training Division, to coordinate central training programs that are necessary to facilitate the up-skilling of civil servants; and the Corporate Service Division, to administer the day-to-day activities of the Ministry. The Ministry has been allocated \$5.8 million.

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## PART A: FINANCIAL STATEMENT

### 17.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Civil Service resulted in the issue of a qualified audit report.

The qualification was that the Ministry of Civil Service under Budget Head 17 recorded Miscellaneous Revenue of \$1,002,443 for the period ended 31 July 2016. This could not be verified as the Ministry was not able to provide appropriate audit evidence to support the balances.

### 17.2 Statement of Receipts and Expenditure

The Ministry of Civil Service under its Head 17 recorded revenue totalling \$1,002,443 and incurred expenditure totalling \$1,968,218 for the seven months period ended 31 July 2016. Refer to Table 17.1 for details.

**Table 17.1: Statement of Receipts and Expenditures for 2016**

Description	2016 (\$)
<b>RECEIPTS</b>	
Agency Revenue	1,002,443
<b>TOTAL REVENUE</b>	<b>1,002,443</b>
<b>EXPENDITURES</b>	
<b>Operating Expenditure</b>	
Established Staff	1,221,347
Government Wage Earners	57,617
Travel & Communications	86,150
Maintenance & Operations	80,692
Purchase of Goods & Services	13,049
Operating Grants & Transfers	475,863
Special Expenditures	---
<b>Total Operating Expenditure</b>	<b>1,934,718</b>
Value Added Tax	33,500
<b>TOTAL EXPENDITURE</b>	<b>1,968,218</b>

The Ministry of Civil Service was established in 2016 under the civil service reforms to replace the former Public Service Commission. The Ministry's mandate is substantively different from the former PSC and its budgetary funding was not assessed in line with the former PSC as the programmes and outputs are not the same. Thus the Ministry of Civil Service is considered as a new entity.

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

### 17.3 Appropriation Statement

The Ministry of Civil Service incurred expenditure totalling \$1,968,218 in 2016 against the budget of \$5,810,200 resulting in a savings of \$3,841,982 or 66%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016. Details of expenditures against the budget estimates are provided in Table 17.2.

**Table 17.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,506,460	----	3,506,460	1,221,347	2,285,113
2	Government Wage Earners	226,189	----	226,189	57,617	168,572
3	Travel & Communication	161,250	----	161,250	86,150	75,100
4	Maintenance & Operations	221,300	----	221,300	80,692	140,608
5	Purchase of Goods & Services	420,755	----	420,755	13,049	407,706
6	Operating Grants & Transfers	1,201,900	----	1,201,900	475,863	726,037
	<b>Total Operating Expenditure</b>	<b>5,737,854</b>	----	<b>5,737,854</b>	<b>1,934,718</b>	<b>3,803,136</b>
13	Value Added Tax	72,346	---	72,346	33,500	38,846
	<b>TOTAL EXPENDITURE</b>	<b>5,810,200</b>	---	<b>5,810,200</b>	<b>1,968,218</b>	<b>3,841,982</b>



## PART B: AUDIT FINDINGS

### 17.4 Challenges for establishing Ministry of Civil Service

The Ministry of Civil Service was created with effect from 1 January 2016 to oversee and implement necessary central guidelines in line with the Government's view of Civil Sector (Service) Reform which was undertaken to produce a more accountable, effective and professional Civil Service with the ultimate aim of providing quality service to the public.<sup>1</sup>

The audit noted that a proper handing over of the records, financial accounts and assets from the de-established Public Service Commission was not done to the newly created Ministry of Civil Service or to other relevant ministries.

#### 17.4.1 Management of Fixed Assets

Physical assets provide a vital resource base that supports the delivery of outputs by the agency. Therefore it is important to ensure that:

- assets are safeguarded and properly maintained;
- assets are used for official purposes only;
- all assets held by the agency are used efficiently.<sup>2</sup>

The *accounts officer* shall be responsible for maintaining the fixed assets register. The fixed assets register shall provide the following details:

- i. date of acquisition (including if asset was acquired by transfer, gift or second-hand) and cost;
- ii. description;
- iii. serial number and model;
- iv. location;
- v. other relevant information (e.g. if asset is sold or written off).<sup>3</sup>

The *accounts officer* must ensure that the fixed assets register is kept updated.<sup>4</sup>

The audit noted that although most of the fixed assets used by the Ministry were from the former Public Service Commission (PSC), there was no evidence to indicate that these were properly handed over. A Fixed Assets Register was also not maintained to record the assets that were taken over by the Ministry.

In the absence of proper records being maintained, it was not possible to determine that all assets belonging to the former Public Service Commission were properly accounted.

#### **Recommendations**

- **The Ministry should record all assets held in a Fixed Assets Register which should be maintained up-to-date; and**

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<sup>1</sup> 2016 Budget Statement

<sup>2</sup> Pro – Forma Finance Manual 2011 – Part 11

<sup>3</sup> Pro – Forma Finance Manual 2011 – Section 11.2.1

<sup>4</sup> Pro – Forma Finance Manual 2011 – Section 11.2.2

- **The Ministry should formally notify Ministry of Economy on the lack of handing over and accountability of assets previously administered by the PSC so that improvements can be made going forward.**

### **Ministry's Comments**

*When the PSC was decommissioned at the end of 2015, many of its responsibilities moved to other ministries, yet the Ministry of Civil Service continues to be held responsible for the accounts of the former PSC. This reflects no account reconciliations upon closure at the end of 2015, no effective handover of balances or accounts to ministries taking on the former PSC responsibilities under the machinery of government change and no new accounts created for the new Ministry of Civil Service.*

*While the Ministry of Civil Service commenced from 1 Jan 2016, its permanent secretary and staff appointments began around May 2016. This left a gap between the disestablishment of the PSC and the establishment of the new Ministry, which has resulted in most of these audit findings.*

*No asset registers were handed over to the Ministry of Civil Service from the former PSC, nor were all assets of the former PSC handed over to the Ministry, as it was moved from the former PSC premises with many of the assets remaining behind. While the permanent secretary initiated a stock count and board of survey to identify which assets had been handed over, the stock on hand could not be verified back to the former PSC asset registers.*

*The Ministry of Civil Service is constructing a fixed asset register based on the assets identified as handed over from the former PSC and any new asset procurements.*

*While there have been informal discussions on this matter with the Ministry of Economy, this Ministry will now formally advise the Ministry of Economy of the lack of proper handover of the asset register, assets and other PSC records, as per the recommendation.*

*The Ministry will also provide feedback to the Ministry of Economy on the lessons learned from the disestablishment of the PSC.*

### **17.4.2 Lack of documentary records for inherited account balances**

The *Accounting Head* is responsible for the safekeeping and proper maintenance of all accounting records or documents.<sup>5</sup>

The *revenue collector* shall maintain a cashbook in which he/she shall enter on a daily basis the following details:

- i. date of receiving cash or cheques and name of payer;
- ii. receipt number and amount received;
- iii. revenue account code.<sup>6</sup>

The *revenue collector* must total the cashbook at the end of the day and give it to the *accounts supervisor* for checking. The *accounts supervisor* must sign the cashbook after checking the details in the cashbook against the issued receipts, money on hand and bank lodgement forms.<sup>7</sup>

After reconciling details in the cashbooks, the *accounts supervisor* shall submit the cashbooks, duplicate receipts and lodgement forms to the *data entry clerk* for posting into the General Ledger.<sup>8</sup>

<sup>5</sup> Pro – Forma Finance Manual 2011 – Section 18.1.3

<sup>6</sup> Pro – Forma Finance Manual 2011 – Section 5.5.1

<sup>7</sup> Pro – Forma Finance Manual 2011 – Section 5.5.2

<sup>8</sup> Pro – Forma Finance Manual 2011 – Section 5.5.3

The Ministry's general ledger recorded an amount of \$1,002,442.54 as revenue under Operating Revenue – Other Revenue & Surplus (SRG 27) for the period ended 31 July 2016 and PSC Scholarship Lending Fund (SAG 61) accounts balance of \$1,463,143. The audit noted the PSC Scholarship Lending Fund (SAG 61) balance decreased by \$346,402.34 for the period ended 31 July 2016.

However, supporting documents were not maintained at the Ministry to support the operating revenue amounting to \$1,002,442.54 and the reduction in PSC Scholarship Lending Fund account balance by \$346,402.34. Refer to Table 17.3 for details.

**Table 17.3: Details of Unsubstantiated Balances**

Account No.	Account Description	Amount (\$)
1-17301-02999-611116	PSC Scholarship Lending Fund	346,402.34
1-17201-64101-279999	Miscellaneous Revenue	749,269.87
1-17301-02999-279999	Miscellaneous Revenue	253,172.67
<b>Total</b>		<b>1,348,844.88</b>

As a result, the audit was not able to ascertain the accuracy and validity of the above stated balances for the period ending 31 July 2016.

### **Recommendation**

**The Ministry should ensure that all accounting records are safeguarded and properly maintained to ensure that all the Ministry's account balances are sufficiently supported.**

### **Ministry's Comments**

*Please refer to previous comments under 8.1.1.*

*These balances relate to responsibilities that transferred from the PSC to the Ministry of Economy, not the Ministry of Civil Service, however there was never an effective reconciliation or transfer of accounts.*

### **17.4.3 Anomalies in Operating Trust Account**

Trust money is money that the agency is holding in trust (it does not include creditor payments such as salary deductions or money that is held in a separate "trust fund" which is not a true trust). As stipulated in the Act and Finance Instructions, trust money is to be kept in a separate bank account and accounted for separately from "public money" and "other money".<sup>9</sup>

Within 5 days after the end of each month, the trust officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account. Details of balances must be attached to the reconciliation statement. The trust officer shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents. The trust officer must submit the trust reconciliation to the Accounting Head within 10 days after the end of the month.<sup>10</sup>

The audit noted the following anomalies in the operation of the Operating Trust Fund Account.

<sup>9</sup> Pro – forma Finance Manual – Part 15 – Paragraph 1

<sup>10</sup> Pro – forma Finance Manual - Section 15.4.1 – 15.4.4

- The balance in the account was \$667,660.28 as at 31 July 2016. Majority of the balance was made up of transactions made by the former Public Service Commission in 2015 which was not regularized. Refer to Table 17.4 below for details.

**Table 17.4: Details of Accounts with a Significant Balances carried forward to 2016**

Account No.	Description	Amount (\$)
1-17305-02999-861701	Deduction for Rent of Government Quarters	428,940.66
1-17301-02999-861901	PD Tax Arrears/PAYE	80,941.64
1-17351-02999-861929	Payroll Deduction PSC Bond Quarters	84,071.07
1-17301-02999-861309	388 PD PSC Scholarship Loan	12,499.24
1-17301-02999-861923	Payroll Deduction Agriculture	4,491.89
1-17101-02999-899988	Miscellaneous Fund v Open	2,804.63
1-17301-02999-861106	390 PD Government Water Rates Charges	1,340.00
		<b>615,089.13</b>

- The Payroll Deduction PSC Bond Quarters account balance as at 31 July 2016 amounted to \$85,911.78 which was not transferred to TMA Liabilities account when the administration of quarters was transferred to Ministry of Economy with effect from 1 January 2016.
- The Ministry's Operating Trust Fund account has 108 sub accounts out of which 75 sub accounts are inactive. These accounts were inherited from the former PSC.
- A variance of \$42,920.99 existed between the Ministry's reconciliation and the general ledger as at 31 July 2016. Refer to Table 17.5 below for details.

**Table 17.5: Variance between the Ministry's Reconciliation and the General Ledger**

Reconciliation As at 31/07/16 (\$)	General Ledger (FMIS) As at 31/07/16 (\$)	Variance (\$)
624,739.29	667,660.28	42,920.99

The above findings are a result of proper planning and handing over not done when the former Public Service Commission was de-established.

### **Recommendations**

**The Ministry should ensure that:**

- **monthly reconciliations are carried out which are checked by immediate supervisors. Any variances noted should be investigate and rectified; and**
- **the Ministry should liaise with Ministry of Economy to regularize carried forward balances and close off inactive accounts.**

### **Ministry's Comments**

*Reconciliations are now carried out on a timely basis.*

*The Ministry is liaising with the Ministry of Economy on closing inactive accounts and handing over these balances as they do not relate to MCS responsibilities.*

#### 17.4.4 Anomalies in maintenance of Payroll accounts

The Accounting Head must ensure that payroll reconciliations are carried out fortnightly for salaries and weekly for wages and copies sent to the Ministry of Finance.<sup>11</sup>

The audit of the payroll of the Ministry revealed the following anomalies:

- salaries and wages monthly reconciliation for the financial period ending 31 July 2016 were not prepared on a timely manner,
- payment vouchers/records for manual payments amounting to \$177,824 for salaries, advertisement and leave compensation were not provided for audit verification.
- Operating expenditure amounting \$131,505 was posted to Established Staff expenditure allocation (SEG 1). In addition, it was noted the payment vouchers were not stamped “PAID” after payment had been made. Refer to Table 17.6 for details.

**Table 17.6: Details of Payments incorrectly posted to the Established Staff Allocation**

Date	Cheque No.	Payee	Description	Amount (\$)
19/05/16	38024	JS	Refund to JS and 1 day per diem allowance.	12,211
08/04/16	4222	JS	Payment of hotel accommodation	4,017
08/04/16	4187	JW	Reimbursement of travelling expenses	12,978
08/03/16	4158	JW	Reimbursement	808
26/02/16	5977	PB	Reimbursement of travelling expenses	4,444
30/06/16	4298	NH	PSC board member allowance	6,250
02/06/16	4276	BW	Reimbursement of travelling expenses	5,864
10/05/16	4242	EP	Reimbursement for shipment of personal effects	3,906
10/05/16	4241	AB	Reimbursement for shipment of personal effects	3,304
14/03/16	4163	FC	Lease agreement	5,000
17/03/16	4182	AS	Reimbursement of recharge cards	25
11/05/16	4247	C1	School fees	6,928
19/04/16	38100	C2	Re - payment of PS cocktail at the museum	3,837
11/05/16	4248	C3	PS's retreat	39,440
11/04/16	4232	C4	PS's cocktail invitation cards	165
12/05/16	4251	C5	Hotel accommodation	2,786
12/05/16	4250	C6	Hotel Accommodation	3,120
17/03/16	4177	C7	Hotel Accommodation	4,905
17/03/16	4185	C7	Hotel Accommodation	4,905
31/03/16	4217	C8	PS's cocktail	3,183
11/04/16	4231	C9	PS's cocktail	1,580
17/03/16	4186	C10	Catering Service for PS's Interviews	410
10/05/16	4156	C11	Hotel accommodation	526
22/03/16	4197	C12	Dog post quarantine	913
<b>Total</b>				<b>131,505</b>

Posting of operating expenditure in to SEG 01 Payroll allocation has resulted in the operating expenditure being understated which payroll expenses have been overstated. The authenticity of unsupported expenditures could not be determined.

<sup>11</sup> Finance Instructions 2010 – Section 17 (7)

### **Recommendations**

#### **The Ministry should:**

- ensure that payroll reconciliations are prepared in a timely manner;
- ensure that payment vouchers and supporting documents are properly kept and maintained;
- ensure that operating/non-payroll expenditures are not posted to SEGs 1 and 2 in the general ledger and misallocations are adjusted in a timely manner; and
- ensure all payment vouchers are stamped “PAID” immediately after the payment.

### **Ministry’s Comments**

*The recommendations are agreed. These processes are now in place.*

## Section 18 Ministry of Rural and Maritime Development and National Disaster Management

### Role and Responsibilities

The Ministry of Rural and Maritime Development and National Disaster Management manages and coordinates Government's rural and maritime development programs. Guided by the socio-economic rights enshrined in the Fijian Constitution, the Ministry is focused on providing Fijians with the things they need to empower themselves and support their families.

The Ministry's programs are targeted at generating economic growth and improving living standards in Fiji's rural and maritime communities. This includes self-help programs and work on non-cane access roads, maritime roads and housing assistance.

The Ministry runs the Committee for the Better Utilization of Land which is tasked to help landowners put their land to productive use.

The Ministry also provides support services to rural, peri-urban and maritime communities such as registration of births, deaths, marriages, issuing licences and collecting licence and permit fees.

The Ministry is also responsible for the implementation of the National Disaster Management Strategy as required by the 1995 National Disaster Management Plan and the National Disaster Management Act 1998, covering disaster prevention, mitigation, preparedness, response, emergency operations, relief and rehabilitation. Correspondingly, the Ministry implements climate change mitigation programmes.

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## PART A: FINANCIAL STATEMENTS

### 18.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Rural and Maritime Development and National Disaster Management resulted in the issue of an unqualified audit opinion.

### 18.2 Statement of Receipts and Expenditure

The Ministry recorded revenue totalling \$794,739 and incurred expenditure totalling \$31,403,894 for the seven months period ended 31 July 2016. Refer to Table 18.1 for details.

**Table 18.1: Statement of Receipts and Expenditures for 2016**

Description	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
License Arms	---	657
License Liquor	388,154	696,403
License Trading	270,588	204,901
Other State Revenue	30,941	61,008
<b>Total State Revenue</b>	<b>689,683</b>	<b>962,969</b>
<b>Agency Revenue</b>		
Miscellaneous	105,056	246,189
<b>TOTAL REVENUE</b>	<b>794,739</b>	<b>1,209,158</b>
<b>EXPENDITURES</b>		
<b>Operating Expenditure</b>		
Established staff	3,845,814	5,286,723
Unestablished staff	1,297,563	1,411,416
Travel & communication	391,995	569,360
Maintenance & Operations	871,284	902,938
Purchase of goods & services	729,762	620,262
Operating grants & transfers	307,089	464,195
Special expenditures	14,440,892	2,260,058
<b>Total Operating Expenditure</b>	<b>21,884,399</b>	<b>11,514,952</b>
<b>Capital Expenditures</b>		
Capital Construction	795,898	2,603,261
Capital Purchases	192,740	199,715
Capital Grants & Transfers	6,672,186	14,638,901



Description	2016 (\$)	2015 (\$)
<b>Total Capital Expenditure</b>	<b>7,660,824</b>	<b>17,441,877</b>
Value Added Tax	1,858,671	969,320
<b>TOTAL EXPENDITURES</b>	<b>31,403,894</b>	<b>29,926,149</b>

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

The increase in expenditure by \$1,477,745 or 5% in 2016 compared to 2015 was mainly due to increase in Special Expenditure which increased by \$12.2m or 539% as a result of expenditure relating to Tropical Cyclone Winston.

### 18.3 Appropriation Statement

The Ministry incurred expenditure totalling \$31,403,894 against the revised budget of \$36,905,498 resulting in a savings of \$5,501,604 or 15%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to July 2016.

Details of expenditures against the budget estimates are provided in Table 18.2.

**Table 18.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Carry Over (\$)	Lapsed Appropriation (\$)
1	Established Staff	5,418,201	(79,842)	5,338,359	3,845,814	---	1,492,545
2	Government Wage Earners	1,522,827	---	1,522,827	1,297,563	---	225,264
3	Travel & Communication	422,160	39,527	461,687	391,995	---	69,692
4	Maintenance & Operations	944,800	74,696	1,019,496	871,284	---	148,212
5	Purchase of Goods & Services	896,910	(46,233)	850,677	729,762	---	120,915
6	Operating Grants & Transfers	683,504	---	683,504	307,089	---	376,415
7	Special Expenditure	1,170,460	15,417,069	16,587,529	14,440,892	---	2,146,637
	<b>Total Operating Costs</b>	<b>11,058,862</b>	<b>15,405,217</b>	<b>26,464,079</b>	<b>21,884,399</b>	<b>---</b>	<b>4,579,680</b>
	<b>Capital Expenditure</b>						
8	Capital Construction	4,690,000	(3,871,351)	818,649	795,898	---	22,751
9	Capital Purchases	200,000	---	200,000	192,740	---	7,260
10	Capital Grants & Transfers	20,207,436	(12,920,340)	7,287,096	6,672,186	---	614,910
	<b>Total Capital Expenditure</b>	<b>25,097,436</b>	<b>(16,791,691)</b>	<b>8,305,745</b>	<b>7,660,824</b>	<b>---</b>	<b>644,921</b>
13	Value Added Tax	749,200	1,386,474	2,135,674	1,858,671	---	277,003
	<b>TOTAL EXPENDITURE</b>	<b>36,905,498</b>	<b>---</b>	<b>36,905,498</b>	<b>31,403,894</b>	<b>---</b>	<b>5,501,604</b>

## 18.4 Trust Fund Account Statement of Receipts and Payments

The Ministry received a sum of \$11,215,631 from public as contribution for various projects and donations for the Disaster Relief Rehabilitation. The Ministry utilized a total of \$12,833,163 for various projects and for Disaster Relief operation. Refer to *Appendix 18.1* for details.

## PART B: AUDIT FINDINGS

### 18.5 Double Posting of Revenue

Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Accounts Officers shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>1</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>2</sup>

The audit noted that the Ministry posted the revenue tolling \$32,254 twice in the general ledger by erroneously creating a journal voucher twice. Refer to Table 18.3 for details.

**Table 18.3: Journal Voucher for Double Posting of Revenue**

JV No.	Account Description	Amount (\$)
BLC 248/7/16	CND BLC 2016	1,266
BLC 298/7/16	CND BLC 2016	1,266
BLC 294/7/16	HQ BLC 2016	30,988
BLC 295/7/16	HQ BLC 2016	30,988

As a result, revenue is overstated by \$32,254 in the general ledger.

The audit finding indicates that the Accounts Officer did not reconcile the ledger balances to the general ledger report. As such, the double posting was not identified and corrected in a timely manner.

### **Recommendation**

**The Ministry should ensure that the ledger balances are reconciled to the general ledger reports in a timely manner and errors or misallocations are adjusted accordingly.**

### **Management Comments**

*The Audit comments are duly noted.*

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<sup>1</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 14.1.1

<sup>2</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 14.1.2

## **18.6 Incomplete Board of Survey**

All Permanent Secretaries shall appoint a Board of Survey annually to determine whether government plant, equipment and inventories under his or her control are in working condition or serviceable; unserviceable or obsolete; or surplus to the requirements of that agency.<sup>3</sup>

The Chairperson of the Board of Survey shall not be an officer of that Ministry or Department.<sup>4</sup>

Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.<sup>5</sup>

The audit noted that the Ministry did not conduct the Board of Survey for Commissioner Eastern Division while the Board of Survey was completed for other Divisions as at 31/07/16. No board of survey was carried out by the Ministry in 2015.

In addition, the audit noted that the Board of Survey team appointed to carry out the survey for other Divisions (Western, Northern and Western) included the Procurement Officer and the Assets Management Officer from headquarters both of whom were directly responsible for asset management. Similarly, contrary to section 24(3) of the Procurement Regulations 2010, the Chairperson of the Board of Survey team was a staff from Corporate Department.

Similar audit concerns have been raised in previous years which demonstrate the inability of the Ministry's staff to follow procedures and the ineffective supervisory checks over the control and safeguard of fixed assets.

Ineffective controls on the management of fixed assets increases the risk of theft and misuse of fixed assets belonging to the Ministry.

### **Recommendation**

**The Ministry should ensure that the Board of Survey for all Divisions are carried out annually in accordance with Section 49 of the Finance Instruction and Section 24 of the Procurement Regulations 2010.**

### **Management Comments**

- *The Ministry has noted the Audit comments and conducted BOS for CED Office in 2017 and submit to MoE on 3/5/17;and*
- *The Ministry has taken into account Audit comments on the appointment of BOS members.*

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<sup>3</sup> Procurement Regulations 2010 - Clause 24 (1)

<sup>4</sup> Procurement Regulations 2010 - Clause 24 (3)

<sup>5</sup> Finance Instruction 2010 – Section 49(2)

## 18.7 Unauthorised Journal Vouchers

Only the Manager Finance or Accounts Officer shall approve journal adjustments.<sup>6</sup> Once the journal voucher has been approved, it shall be posted into the appropriate ledger and the general ledger system.<sup>7</sup> The audit noted that several journal vouchers were posted in the general ledger (FMIS) without the approval of Manager Finance or Accounts Officer. Examples are provided in **Appendix 18.2**.

The audit findings indicate lack of monitoring by the Manager Finance or Accounts Officer on the processing of journal vouchers. Hence there is a high risk of fraudulent or incorrect journal entries passed and processed into the general ledger.

### **Recommendation**

**The Manager Finance must ensure that only approved journal vouchers are posted into the general ledger.**

### **Management Comments**

- *The Ministry has noted the Audit comments and will ensure that all JV's are approved by MF.*
- *Job rotation has also been carried out within the Accounts Dept. and identified JV's have been updated onto the JV register.*

## 18.8 Revolving Fund Account not properly maintained

A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents.<sup>8</sup> If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel.<sup>9</sup>

Where an advance has not been acquitted within seven days of travel, the Manager Finance shall effect recovery through a salary deduction from the concerned officer's salary within six fortnights.<sup>10</sup> Interest on all advance will accrue at the rate set by the Ministry of Economy from time to time. The current rate is 12% per annum.<sup>11</sup>

Upon clearance of the advance, the Accounts Clerk shall update the debtors register, offset the advance account and debit the appropriate expenditure account.<sup>12</sup>

Audit review of Revolving Fund Account revealed the following anomalies:

- The outstanding accountable advance balances are not subsequently cleared on a timely basis. The outstanding balance as at 31/7/16 was \$62,516, which was yet to be cleared as at the date<sup>13</sup> of audit. However, the Manager Finance did not initiate recovery through salary deduction from the concerned

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<sup>6</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 14.1.2

<sup>7</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 14.1.5

<sup>8</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 8.1.11

<sup>9</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 8.1.12

<sup>10</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 8.1.14

<sup>11</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 8.1.15

<sup>12</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 8.1.16

<sup>13</sup> 31/12/16

officer's even though the advances were not retired within seven days. Refer to the Table 18.4 for details.

**Table 18.4: Outstanding Accountable Advance as at 31/07/2016**

Particulars	Amount (\$)
Outstanding balance from 2015	23,837
Outstanding balance from January 2016	1,189
Outstanding balance from February 2016	325
Outstanding balance from March 2016	15,056
Outstanding balance from April 2016	2,439
Outstanding balance from May 2016	506
Outstanding balance from June 2016	15,281
Outstanding balance from July 2016	3,883
<b>Total outstanding balance</b>	<b>62,516</b>

- The Accountable Advance Register was not updated during the year.
- The retirement of accountable advance through JV 51/6/16 and JV 52/6/16 could not be substantiated due to lack of supporting documents. Refer to Table 18.5 for details.

**Table 18.5: Journal Vouchers Raised Without Adequate Supporting Documents**

JV No.	Account Description	Account Allocation	Debit (\$)	Credit (\$)
51/06/16	Boards & Committees	1-18101-68999-050801	19,553	
	Travel	1-18101-68999-030101	11,369	
	Advance Account	1-18101-68999-570301		30,922
52/06/16	Administrative Expense	1-18101-68999-070201	8,734	
	Advance Account	1-18101-68999-570301		8,734

- Accountable advance reconciliations were not prepared in a timely manner. Refer to Table 18.6 for details.

**Table 18.6: Monthly Reconciliation Dates**

Month	Date Reconciliation Prepared
January	8/6/16
February	9/6/16
March	9/6/16
April	10/6/16
May	28/6/16
June	18/7/16
July	12/10/16

- The payment of \$13,913 to Company A. for the purchase of dry rations was facilitated through Revolving Fund Account. Discussion with the officer concerned revealed that it was a misallocation,

which was to be journalised to SEG 7. However, as at the date<sup>14</sup> of audit, the amount was yet to be journalised.

Failure to subsequently clear the Revolving Fund Account balances could result in understatement of expenditure and the risk of losses is high when recoveries are not made. In addition, there is a high risk of errors and omissions not being detected if monthly reconciliations are not prepared on time.

The clearance of accountable advance without supporting documentation is a serious issue which the Ministry should not entertain as it can result in misappropriation of funds.

### **Recommendations**

**The Ministry should ensure that:**

- **officers retire their accountable advances within seven days from return from trip and recoveries are made from salaries for those that do not retire on time;**
- **the Accountable Advance register is kept up to date;**
- **investigation is carried out on all accountable advances that were retired without supporting documents; and**
- **monthly reconciliations are prepared in a timely manner.**

### **Management Comments**

- *The Ministry has noted the Audit comments.*
- *The Ministry has put in place stringent measures to recover outstanding arrears and retirement from officers concerned with 12% interest.*
- *A statement reminding the officers taking accountable advance is now issued once payment is received by the officer.*
- *Statement highlights to the officer the relevant standing policies relating to retirement of accountable advances and consequences of non-compliance to standing policies.*

## **18.9 Procurement Procedures not followed**

The Manager Finance is responsible for the safekeeping and proper maintenance of all accounting records or documents.<sup>15</sup>

Manager Finance must make sure the following checks are done before authorising any payment; review vendor invoices for accuracy by comparing charges to purchase order, verify that the goods and services purchased have been received, perform monthly reconciliation of operating ledgers to ensure accuracy and timeliness of expenses, make sure that the expenses accounts used have enough funds and are correct and make sure that invoices are paid in a timely manner.<sup>16</sup>

<sup>14</sup> 31/12/16

<sup>15</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 17.2.1

<sup>16</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 15.2.3

All assets acquired with a cost in excess of \$2000, shall be recorded in the assets module of the Financial Management Information System (FMIS) or a fixed assets register for those without FMIS.<sup>17</sup>

The procurement officer must ensure that the fixed assets register is kept updated.<sup>18</sup> The procurement officer shall record items valued at less than \$2,000 but more than \$200, in an expendable items register.<sup>19</sup>

A minimum of three competitive quotes must be obtained for the procurement of goods, services or works valued at \$1,000 and more but \$50,000 and less.<sup>20</sup>

Immediately after payment has been effected, the *Manager Finance* or *Accounts Officer* must stamp “paid” on all vouchers and supporting documentation to avoid any double payments.<sup>21</sup>

In circumstances where it is necessary to make an advance payment for goods received through shipment from overseas, and for contractual agreements if stated as such, approval must be sought from the Chief Accountant (Treasury).<sup>22</sup>

Audit review of procurement of goods and services noted instances where relevant supporting documents were not attached to payment vouchers as outlined below.

- Competitive quotes not obtained;
- Local purchase orders not sighted;
- Chief Accountant’s (Treasury) approval not obtained for advance payment;
- Assets procured were not recorded in the fixed assets register;
- Procurement done from incorrect allocation;
- Payment vouchers and the supporting documents not stamped paid; and
- Payment vouchers were not certified / authorised by the Manager Finance. Refer to *Appendix 18.3* for details.

The above findings show non-compliance with procurement and accounting regulations that govern the operations of the Ministry hence increasing the risk of loss of public funds through uneconomical purchases and mismanagement of funds.

### **Recommendations**

**The Ministry must ensure that:**

- **the competitive quotes are obtained for procurements above \$1,000 and below \$50,000;**
- **local purchase orders are issued when procuring any goods, services or works;**
- **approval of the Chief Accountant is obtained for advance payments;**

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<sup>17</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 9.1.3

<sup>18</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 9.2.2

<sup>19</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 9.2.5

<sup>20</sup> Procurement Amendments Regulations 2012 – Section 4 (a)

<sup>21</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 2.8.9

<sup>22</sup> Finance Instruction 2010, Section 14 (8)

- **payment vouchers are authorised or certified by the Manager Finance;**
- **all fixed assets and expandable items purchased are recorded in the Fixed Asset Register;**
- **immediately after the payment has been effected, all vouchers and supporting documentation are stamped ‘paid’ to avoid any double payments; and**
- **payments are recorded in the correct expenditure accounts.**

### **Management Comments**

- *Procurement internal controls will now be more vigilantly observed and HOD’s have been advised and cautioned accordingly to ensure these issues are addressed at Divisional levels.*
- *As for HQ, the Director Corporate will be requiring monthly updates which the PS will be regularly briefed on to ensure all officers concerned are continually reminded and ensure strict adherence to standing policies.*
- *Management is adamant on penalizing non-compliant officers by reflecting this on their performance assessments as they fall due. HOD’s and Divisional Commissioners have been briefed on this decision.*

### **18.10 Non Compliance with Standard Operating Procedures for Non – Cane Access Roads**

The project proposal forms are to be received by the Provincial Administrator or District Officers by no later than 30<sup>th</sup> July every year for the next financial year.<sup>23</sup>

Provincial Administrators and District Officers who are to be assisted by Public Works Department or other recognised government agencies to monitor road works and provide a monthly progress report to the Divisional Commissioners.<sup>24</sup>

Monitoring and evaluation are to be conducted by respective road works management teams at the following four levels:

- (i) Community;
- (ii) Provincial and District Level;
- (iii) Divisional level (Planning and Coordination Cell); and
- (iv) Headquarters (Research and Development Unit).<sup>25</sup>

Audit review of Central Division projects for non-cane access roads revealed the following anomalies:

- Memorandum of Understanding (MOU) between the Ministry and the contractors did not include important clauses such as defect liability period, variations, payment structure, project commencement and completion dates;
- Although standard project proposal forms were filled but it was not endorsed by the Provincial Administrators prior to 30 July; and
- the monitoring reports were not provided.

Refer to Table 18.7 for examples.

<sup>23</sup> Ministry of Rural and Maritime Development Standard Operating Procedure – Part VI, Section 4.2

<sup>24</sup> Ministry of Rural and Maritime Development Standard Operating Procedure – Part VI, Section 8.2

<sup>25</sup> Ministry of Rural and Maritime Development Standard Operating Procedure – Part VI, Section 8.1



**Table 18.7: Examples of Projects for Non-Cane Access Roads**

Project	Cheque No.	Date	Amount (\$)	Remarks
Waisere Farm Road	15285	18/07/16	48,299	<p>The MOU did not include important clause such as defect liability period, variations, payment structure, project commencement and completion dates.</p> <p>The standard project proposal form was filled; however, it was endorsed by the Provincial Administrator on 18/4/16 and not 30/07/15.</p> <p>No monitoring reports were provided.</p>
	15300	20/07/16		
Vunalagi Farm Road	2515	01/07/16	45,950	<p>MOU was signed but not dated. Also, it did not include important clause such as defect liability period, variations, payment structure, project commencement and completion dates.</p> <p>The standard project proposal form was filled; but was endorsed by the Provincial Administrator on 30/11/15 and not 30/07/15.</p> <p>No monitoring reports were provided-</p>
	2582	15/07/16		
Namuamua Farm Road	2445	27/06/16	44,250	<p>MOU was signed but not dated. Also, it did not include important clause such as defect liability period, variations, payment structure, project commencement and completion dates.</p> <p>The standard project proposal form was filled; but, it was endorsed by the Provincial Administrator on 30/11/15 and not 30/07/15.</p> <p>No monitoring reports were provided.</p>
Vuci Farm Road	15271	15/07/16	44,000	<p>The MOU did not include important clause such as defect liability period, variations, payment structure, project commencement and completion dates.</p> <p>The standard project proposal form was filled; however, it was endorsed by the Provincial Administrator on 13/4/16 and not 30/07/15.</p> <p>No monitoring reports were provided.</p>
	15301	20/07/16		
<b>Total (Sample Only)</b>			<b>182,499</b>	

The audit findings indicate that government's interests were not adequately protected in the contracts.

In the absence of important clauses, there is a high risk that the contractors may fail to complete the projects on time and in accordance with the approved scope leading to cost variations.

### **Recommendations**

**The Ministry should ensure that:**

- the MOU's include important clauses such as defect liability period, variations, payment structure, project commencement and completion dates which are vetted by the Solicitor General's Office prior to execution;
- the project proposal forms are received by the Provincial Administrator or District Officers by no later than 30th July every year for the next financial year; and
- the Provincial Administrators and District Officers provide monthly progress report to the Divisional Commissioners.

### **Management Comments**

- *The Audit comments have been noted.*
- *The Ministry will ensure to follow these recommendations and abide by the relevant rules and regulations.*

### **18.11 Non Compliance with Standard Operating Procedures for Self Help Projects**

Provincial Administrators/District Officers are to be assisted by the recipient Community Project Management teams to monitor projects on a regular basis and provide progress reports to Divisional Commissioners on a monthly basis.<sup>26</sup> Upon completion of a project, Provincial Administrators and District Officers are to forward a physical acquittal report to the Divisional Commissioners in the form of a completion certificate.<sup>27</sup>

A standard Memorandum of Understanding (MOU) where necessary is to be signed between the Divisional Commissioners and the recipient community on the use of a 'project' especially on machine related equipment.<sup>28</sup>

Monitoring and Evaluation are to be conducted by respective project management teams at the following four levels: community; provincial and district level; divisional level (Planning and Coordination Cell); and HQ (Development Unit).<sup>29</sup>

Contribution can be in kind in cases where communities, groups and individual do not have the capacity to pay cash contribution. The monetary value of in kind contribution should be equivalent or more to the one third cash contribution and this be determined by the Divisional Commissioners in consultation with their respective Provincial Administrators.<sup>30</sup>

The application/project proposal forms are to be received by the Provincial Administrator or District Officers no later than 30<sup>th</sup> of July every year for the next financial year.<sup>31</sup>

Audit review of Self Help Projects in the Central Division revealed the following anomalies:

- The standard project proposal forms were filled but it was not endorsed by the Provincial Administrators prior to 30 July as stated in the Standard Operating Procedures (SOP);

<sup>26</sup> Ministry of Rural, Maritime Development Standard Operating Procedure – Part IV, Section 8.2

<sup>27</sup> Ministry of Rural, Maritime Development Standard Operating Procedure – Part IV, Section 7.5

<sup>28</sup> Ministry of Rural and Maritime Development Standard Operating Procedure – Part IV, Section 7.4

<sup>29</sup> Ministry of Rural and Maritime Development Standard Operating Procedure – Part IV, Section 8.1

<sup>30</sup> Ministry of Rural and Maritime Development Standard Operating Procedure – Part IV, Section 2.4

<sup>31</sup> Ministry of Rural and Maritime Development Standard Operating Procedure – Part IV, Section 4.2

- Monitoring reports were not provided as stated in the SOP;
- Completion certificates were not sighted/provided;
- One third contribution in kind by the grant recipient could not be substantiated;
- Memorandum of Understanding (MOU) was not signed by the Divisional Commissioners and recipient; and
- Financial acquittal or assessment reports were not attached to the payment vouchers.

Refer to **Appendix 18.4** for examples.

A review of the project monitoring reports for Rewa and Serua Province revealed that out of the sixteen projects visited by the Ministry between 2010 and 2014, seven projects were unsuccessful.

Refer to Table 18.8 for details.

**Table 18.8: Example of Failed Projects for Self Help Programme**

Project Name	Year	Project Cost (\$)	Assistance Provided	Reasons for failure
<b>Serua Province</b>				
A-Farmers Group	2011	2,556	10,000 Dalo suckers	No consultations were undertaken with the group pre and post implementation; poor project design; suckers were distributed to villagers some of whom were not members of the group.
<b>Rewa Province</b>				
Ploughing Project	2010	3,000	Procurement of 1x14 disc harrow to aid and boost tractor ploughing services	The new disc harrow was purchased for a second hand tractor; no feasibility study was conducted to ascertain the viability of the project. Poor project design and monitoring.
B-Farming Project	2010	5,000	Land Preparation	This was initially an individual project which was later group oriented after land issues arose. It was evident that no consultations were held with the community. Even though consent for the use of the land was obtained, the clan disagreed on the project execution on the land.
Fish Pond	2013	7,274	Construction of fish pond/supply of water pump/ provision of fish feed	Poor project coordination between responsible agencies; lack of monitoring feedback during the implementation stage.
C - Youth Farm	2013	11,962	Land Preparation	This is a case of poor project design with lack of consultations. The project site is only covered with cassava and about 10 mounds of yams and overgrown with bushes. Evidently, the youth group did not live up to the objectives laid out in the project proposal which can also be attributed to lack of monitoring. No project folder available.
D- Land Preparation	2014	10,000	Land Preparation	Lack of project monitoring to identify weaknesses and find solutions to address them. Poor record keeping as there was no folder for this project available at the district office.

Project Name	Year	Project Cost (\$)	Assistance Provided	Reasons for failure
E Breeder Project	2012	9,018	Maintenance of Piggery Shed and installation of bio-digester	Even though project materials were delivered to the project site, as of today there still has been no works undertaken for the full implementation of the project.
<b>Total</b>		<b>48,810</b>		

In addition to the above, the audit noted that Central Division failed to maintain a consolidated list of all applications received for projects stating the basis on which selection was made for projects to be assisted. As such, the audit could not determine if the selection of the recipients was made in an open and transparent manner.

Failure of projects may have resulted from inadequate technical support during the implementation stage and the lack of monitoring and progress assessments.

As a result, the objectives of the self-help programme, which is to promote and assist rural dwellers in the construction of small infrastructure projects and to provide income generating projects may not have been fully achieved and could result in wastage of public funds.

### **Recommendations**

- **The Commissioners and the Provincial Administrators should ensure that all completed projects are certified by the respective technical officers after completion;**
- **The Ministry must ensure that where necessary, a Memorandum of Understanding is signed by the Divisional Commissioner and the recipients;**
- **The Ministry must ensure that the project proposal forms are received by the Provincial Administrator or District Officers no later than 30<sup>th</sup> July every year;**
- **The Ministry must ensure that the Provincial Administrators and District Officers provide monthly progress reports or assessment reports to the Divisional Commissioners;**
- **The Ministry must ensure that the community's one third contributions is clearly quantified (in-kind/cash) for all self-help projects for which assistance is provided;**
- **The Ministry should ensure that proper feasibility studies on sustainability of projects are carried out before funds are released; and**
- **The Ministry should ensure that records are kept for all self-help project applications received with selection criteria used clearly stated.**

### **Management Comments**

- *The comments are duly noted and the issues highlighted herein will be thoroughly addressed with the Divisional Commissioners and Divisional Planning Officers to ensure proper execution of projects from initiation to completion stage as dictated by the SOP.*
- *A review of the SOP's with a view of updating any out-dated clauses and minimizing any possible gaps or loopholes between SOP requirements and generally accepted practices.*

### **18.12 Significant Arrears of Revenue**

Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.<sup>32</sup>

The arrears of revenue comprise of outstanding licence fees.

The audit noted that the Ministry had substantial arrears of revenue amounting to \$917,430 as at 31/7/16 which has been increasing steadily over the years. Arrears of revenue over the last five years is shown in Table 18.9.

**Table 18.9: Arrears of revenue 2012 – 2016**

<b>Year</b>	<b>Amount (\$)</b>	<b>Increase (%)</b>
2012	495,059	-
2013	656,688	33
2014	756,568	15
2015	753,843	(0.4)
2016	917,430	22

Furthermore, the aging of debtors report shows that 77% or \$704,980 of the total arrears are more than one years old of which a sum of \$85,313 has been outstanding for more than five years. Refer to Table 18.10 for details.

**Table 18.10: Age of Debtors**

<b>Age of Debts</b>	<b>Amount (\$)</b>	<b>Percentage (%)</b>
3 months	12,947	1.4
6 months	163,295	17.9
9 months	36,207	4.0
1 year & above	244,838	26.7
2 – 5 years	374,830	41.0
Over 5 years	85,313	9.0
<b>Total</b>	<b>917,430</b>	<b>100</b>

There is a very high risk that long outstanding arrears of revenue may not be recoverable.

<sup>32</sup> Finance Instruction 2010, Section 41

It was also noted that the Ministry is yet to implement proper debt recovery procedures which has resulted in the late collection of license fees as detailed in Table 18.11.

**Table 18.11: License Fees Received in 2016**

Date	Receipt No.	Description	Amount (\$)
13/01/16	584315	Annual fees for year 2013	1,500
13/01/16	584313	Annual Fees for year 2014	750
13/01/16	584314	Annual fee for year 2014	1,500
15/01/16	584324	Annual fee for 2014	2,000
13/01/16	584311	Annual Fees for year 2015	750
13/01/16	584312	Annual Fees for year 2015	2,500
21/01/16	584330	Annual fee for 2014	2,500
21/01/16	584331	Annual fee for 2014	2,000
13/01/16	584311	Annual Fees for year 2015	750
13/01/16	584312	Annual Fees for year 2015	2,500
21/01/16	584328	Annual fees for 2015	2,000
21/01/16	584329	Annual fees for 2015	2,000
21/01/16	584332	Annual fee for 2015	750
29/01/16	981352	Annual fees for 2015	2,000
29/01/16	981353	Annual fees for 2015	2,000
29/01/16	981354	Annual fees for 2015	2,500
29/01/16	981355	Annual fee for 2015	2,000
29/01/16	981356	Annual fee for 2015	2,000
29/01/16	981359	Annual fee for 2015	750
16/03/16	981606	Annual fee for 2015	2,000
16/03/16	981607	Annual fee for 2015	2,000
16/03/16	981608	Annual fee for 2015	2,000
16/03/16	981609	Annual fee for 2015	2,000
16/03/16	981610	Annual fee for 2015	2,000
16/03/16	981611	Annual fee for 2015	2,000
16/03/16	981612	Annual fee for 2015	2,000
16/03/16	981613	Annual fee for 2015	2,000
16/03/16	981614	Annual fee for 2015	2,000
16/03/16	981615	Annual fee for 2015	2,000
16/03/16	981616	Annual fee for 2015	2,000
<b>Total (Sample Only)</b>			<b>54,750</b>

The high arrears of revenue is a result of the poor monitoring of the annual licence fee collection. Outstanding licence fees also indicates that some businesses are operating without a valid licence.

### **Recommendations**

- **The Manager Finance in consultation with Divisional Commissioners should maintain list of businesses required to pay liquor licenses and ensure that fees are paid in a timely manner. Notices should be issued to businesses which have not paid the annual licence fee;**
- **The Ministry should ensure that a debt recovery procedure is developed and implemented immediately; and**

- The Ministry should assess the recoverability of the arrears of revenue to ensure that it is correctly reflected in books.

### **Management Comments**

- Audit comment is noted.
- The Arrears relate mostly to overdue business licenses and work plans have now been put in place by Divisional Commissioners through the Divisional Accounts Officers and PA's & DO's to ensure collection of arrears as well as proper documentation of inactive or dormant businesses for writing off their bad debts. Specific attention has been given to those arrears that fall into the over 2 years & above category.

### **18.13 Drawings Account Not Properly Maintained**

The **Accounts Officer** must reconcile all accounts to be submitted to Ministry of Finance within two weeks after the closing of each monthly account.<sup>33</sup>

The **PS** shall appoint three officers to be part of a Board of Survey to conduct a physical stock take of all money on hand and other stock held in safes.<sup>34</sup>

Audit review of Drawing Account revealed the following anomalies:

- The board of survey was only carried out by two officers;
- The drawings reconciliation was not performed in a timely manner. Refer to Table 18.12 for dates the monthly reconciliation were prepared.

**Table 18.12: Monthly Reconciliation Dates**

Month	Date Reconciliation Prepared for each Division				
	Headquarters	Central	Eastern	Western	Northern
January	7/4/16	22/7/16	4/5/16	Consolidated Reconciliation Date not Stated	15/4/16
February	7/4/16				
March	17/5/16		20/6/16		2/6/16
April	19/5/16		22/6/16		21/6/16
May	20/6/16	29/7/16			18/7/16
June	11/7/16		Not Stated		
July	28/10/16	7/12/16	Not Stated	7/12/16	7/12/16

- The unrepresented cheque listing for Headquarters, Central Division and Eastern Division consisted of Electronic Fund Transfer payments (EFT) as unrepresented. Refer to Table 18.13 for details.

**Table 18.13: Examples of EFT Payments Included in Unrepresented Cheque Listing**

Date	Cheque No.	Amount (\$)
Head Quarters		

<sup>33</sup> Ministry's Finance Manual 2013, Section 15.2.4

<sup>34</sup> Ministry's Finance Manual 2013, Section 6.2.1

Date	Cheque No.	Amount (\$)
11/05/2016	4187	712
11/05/2016	4188	2,250
11/05/2016	4189	810
29/02/2016	3959	161
29/02/2016	3960	544
29/02/2016	3961	290
29/02/2016	3962	251
29/02/2016	3963	141
30/06/2016	4184	14,151
30/06/2016	4243	8661
<b>Central Division</b>		
22/03/2016	2230	37,040
22/03/2016	2231	1,733
22/03/2016	2232	290
22/03/2016	2233	157
22/03/2016	2234	35
22/03/2016	2235	30
22/03/2016	2236	30
<b>Eastern Division</b>		
05/02/2016	1837	2,948
<b>Total</b>		<b>70,232</b>

- A variance of \$55,559 was noted between the unpresented cheque listing/general ledger balance and board of survey report. The Acting Manager Finance explained that the board of survey had errors and needed to be conducted again. However, as at the date<sup>35</sup> of audit, the board of survey was not corrected and resubmitted for audit verification. Refer to Table 18.14 for details.

**Table 18.14: Comparison of Unpresented Cheque Listing, General Ledger and Board of Survey**

Unpresented Cheque Listing Balance (\$)	General Ledger Balance (\$)	Board of Survey Report Balance (\$)	Variance (\$)
308,410.15	308,410.15	363,969.41	55,559

The absence of proper checks in Accounts Section is a contributing factor to such anomalies.

Absence of regular reconciliations will result in the Ministry failing to detect irregularities, errors and omissions in a timely manner.

### **Recommendations**

- **Supervisory controls and checks should be strengthened in the Accounts Section to avoid such discrepancies.**

<sup>35</sup> 31/12/16



- **The Ministry should ensure that the Drawings Account is reconciled monthly and any errors or omissions noted are investigated and adjusted accordingly.**

**Management Comments**

- *Responsible officers in the Divisional and HQ accounts units have been tasked to conduct the BOS and monthly reports will be submitted accordingly to the PS for scrutiny and endorsement.*
- *As a supervisory control, the Director Corporate is now also roped into the process to ensure accountability assisting the PS & A/MF.*

**18.14 Governance Issues**

Each month, the *Accounting Head* must provide a signed and dated report to the *Permanent Secretary* to advise whether all reconciliations and checks required in the agencies finance manual have been carried out; and the current status of any unresolved issue external or internal audit issue.<sup>36</sup>

An effective and cost effective system of internal control will ensure that wastage of funds, over expenditure and abuse of system, processes and resources do not occur.<sup>37</sup>

The preparation of management reports allows senior management to analyse the standing of the agency for a particular period and assists in meeting the management responsibilities imposed by the Act. Timely and accurate management are necessary for effective management decisions. As well, annual reports and financial statements act as an accountability tool for external stakeholders to assess the operations and performance of the agency.<sup>38</sup>

The Manager Finance is responsible for the safekeeping and proper maintenance of all accounting records or documents.<sup>39</sup>

The audit noted that the monthly signed report was not provided to the Permanent Secretary. As such, the following internal controls were not in place for the financial period ended 31 July 2016:

- The following accounting reconciliations were not prepared on a timely basis:
  - Consolidated Main Trust Fund bank reconciliation was prepared for Westpac account for the month January to July on 28 October 2016;
  - Main Trust Fund bank reconciliations for BSP account was also not prepared on time. Refer to Table 18.15 for details.

**Table 18.15: Date BSP Bank Reconciliation Prepared**

Month	Date Reconciliation Prepared
January - March	12/4/16
April - July	9/11/16

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<sup>36</sup> Finance Instructions 2010 - Section 60

<sup>37</sup> Ministry's Finance Manual 2013 – Part 15: Internal Control – Introductory Paragraph

<sup>38</sup> Ministry's Finance Manual 2013 – Part 16: Reporting – Introductory Paragraph

<sup>39</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 17.2.1

- Bank Lodgement Clearance (BLC) reconciliations were also prepared late. Refer to Table 18.16 for details; and

**Table 18.16: Date BLC Reconciliation Prepared**

Month	Date Reconciliation Prepared
January - March	30/6/16
April - May	Date not stated
June – July	8/9/16

- The date prepared was not stated in SLG 89 and operating trust reconciliations.
- The following administrative internal controls were absent:
  - The Monthly Management Reports outlining the performance of the Agency was not prepared for the financial period 1 January 2016 to 31 July 2016;
  - The Monthly Revenue Reports and Revenue Chart for revenue collectors were not prepared contrary to section 5.6 of the Ministry's Finance Manual 2013;
  - No gift register was maintained by the Ministry contrary to section 5.3.13 of the Ministry's Finance Manual 2013;
  - The Ministry does not have a Risk Management Policy;
  - The Ministry does not have an IT Strategic/Steering Committee;
  - The Ministry does not have an approved IT Strategic Plan; and
  - The Ministry does not have a Disaster Recovery Plan.

The non-preparation of regular financial and performance reports may hinder the effective decision making by management. Absence of regular reconciliations will result in the Ministry failing to detect irregularities in respective accounts on a timely manner.

### **Recommendation**

**The Permanent Secretary must ensure that all the monthly reports and reconciliations are prepared in a timely manner as required by the Finance Manual 2013 and Finance Instructions 2010.**

### **Management Comments**

*Monthly update on reconciliations and any unresolved issues will be provided to the DS and the PS on a weekly basis and with any other report he may require.*

## SPECIAL AUDIT FOR TROPICAL CYCLONE WINSTON

### 18.15 Northern Division

#### 18.15.1 Losses Incurred Due to Condemned Goods

The storekeeper must ensure that stock are handled with care and well stored so as to reduce the risk of damage.<sup>40</sup>

The audit noted a huge quantity of condemned goods at the bulk storage in Nabouwalu, Savusavu and Taveuni equivalent to a total cost of wastage amounting to \$19,410. Refer to Table 18.17 for details.

**Table 18.17: Details of Condemned Goods Value in Nabouwalu, Savusavu and Taveuni Bulks**

Item	Quantity	Unit cost (\$)	Total Cost (\$)	Remarks
<b>Savusavu Bulk</b>				
50kg Normal flour	3 bags	\$58.48/bag	175	Damaged packaging
45kg Rice	1 bag	\$48.99/bag	49	
25kg split peas	1 bag	\$43.50/bag	44	
Tin fish (mackerel)	33 cans * 425 grms	\$2.68 /can	88	Dented cans
50kg Normal flour	2 bags	\$58.48/bag	117	Damaged packaging and infested.
45kg Rice	2 bags	\$48.99/bag	98	
25kg split peas	1 bag	\$43.50/bag	97	
Tin fish (mackerel)	62 cans * 425 grms	\$2.68/can	166	Dented cans during transportation
10kg Normal flour	20 bags	\$11.70/bag	234	Partly wet
50 kg Rice	8 bags	\$50.91/bag	407	Torn packages
50kg Sugar	2 bags	\$101.42/bag	202	Partly wet
Farmers C/beef	336 cans * 200 grms	\$2.19/can	736	Dented and damaged labelling
10kg Normal flour	1 bag	\$11.70/bag	12	Partly wet
50kg Normal flour	4 bags	\$58.48/bag	234	Torn package and partly wet
50 kg Rice	26bags	\$50.91/bag	1,324	Torn package
50kg Sugar	6 bags	101.42/bag	609	Torn package
25kg split peas	8 bags	\$43.50/bag	348	Torn package
Tin fish (mackerel)	59 cans * 425grms	\$2.68/can	158	Dented cans
<b>Subtotal wastage costs – Savusavu bulk</b>			<b>5,098</b>	
<b>Taveuni Bulk</b>				
Tin fish (mackerel)	410 cans * 425grms	\$2.68/can	1,099	Damaged/dented cans during transportation
Corned beef	6 cans * 200 grms	\$2.19/can	13	
50kg Normal flour	80 bags	\$58.48/bag	4,678	Wet during transportation
45 kg Rice	41 bags	\$48.99/bag	2,009	Damaged/open bags
50kg Sugar	19 bags	101.42/bag	1,927	Damaged/ wet
25kg split peas	6 bags	\$43.50/bag	261	Damaged/ wet
Tin fish (mackerel)	144 cans * 425grms	\$2.68/can	386	Damaged/ dented
Powdered milk	11 pkts * 450grms	\$5.63/pkt	62	Damaged during transportation
<b>Subtotal wastage costs – Taveuni bulk</b>			<b>10,435</b>	
<b>Nabouwalu Bulk</b>				

<sup>40</sup> Pro-forma Finance Manual 2011 – s8.1.3

Item	Quantity	Unit cost (\$)	Total Cost (\$)	Remarks
50kg Normal flour	5 bags	\$58.48/bag	292	Wet
Corned beef	34 cartons (48 * 200grms)	\$105.44/ctn	3,585	Open and blown up cans (fallen during unloading process at Nabouwalu wharf)
<b>Subtotal wastage costs - Nabouwalu bulk</b>			<b>3,877</b>	
<b>Total Equivalent Wastage Costs – Northern Division</b>			<b>19,410</b>	

It was noted that the items have been damaged mainly during the loading/unloading process due to improper handling of goods and during the shipment of these items from Suva by sea. However, intentional denting/damaging of the items cannot be also ruled out.

### **Recommendations**

**The Divisional EOC Coordinator should ensure that:**

- measures are put in place to ensure that rations are properly handled to avoid damage and eventual wastage of taxpayers' monies; and
- all future procurements of food rations are facilitated from the approved suppliers in the Northern division instead of Suva in order to avoid wastage due to damage during shipment of goods from Suva by sea.

### **Management Comments**

*Yes we fully agree with the recommendation made by the auditors. The Divisional EOC had made a request that the rations for the North be loaded on trucks via Roll on Roll off through Nabouwalu and Savusavu to minimise unnecessary handlings and at the same time minimise damage and wastage.*

*We agree with the comments that procurement of stores should be done in the North and POs to be placed with the approved suppliers.*

#### ***18.15.2 Diversion of Rations Procured for Northern Division***

Procurements of one month food rations for the Northern division was facilitated by the National Disaster Management Office in Suva through the future operations team with the LPOs being issued on 28 February 2016.

The rations were temporarily stored at the Mechanical, FPO and Nausori Airport hangar bulk before they were to be shipped to the Northern Division.

However, the audit noted that the large quantity of food ration supplies procured for the Northern Division that were stored at these bulk storgae were diverted to the Central and Eastern division. Refer to Table 18.18 for details.

**Table 18.18: Details of Northern Division Rations Diverted to Other Divisions**

Item	Quantity	Way bill / Delivery docket reference	Delivery Date	Remarks
50kg Normal flour	485 bags	Way bill no. 0752 / D/docket 506604	09/03/16	Items diverted to Commissioner Central from Mechanical Stores.
45kg Rice	595 bags	Way bill no. 0777 / D/docket 5066034 (Mechanical stores)	18/03/16	Items diverted to Commissioner Eastern (Iloilovatu) for ration distribution in Southern Lau.
Milk (24/carton)	130 ctns			
50kg Sugar	229 bags			
Corned beef	469 ctns	D/docket 004671 (FPO bulk)	18/03/16	These items were approved by the Permanent Secretary for Rural Maritime Development & National Disaster Management through a minute request written by Person A of the Commissioner Eastern office.  However, the minute request did not specify the goods being requested for Southern Lau distribution were stocks procured for the Northern division.
Tin fish	277 ctns			

The diversion of the above rations would have resulted in areas earmarked for distribution in the Northern Division not being covered for ration distribution as intended. Refer to issue 18.15.4 for areas not covered with ration distribution in the Northern Division.

The above finding denotes poor logistics planning to ensure that all rations procured for a particular division are delivered in full on a timely basis.

### **Recommendations**

- **Disciplinary actions should be instigated against the officers responsible for diverting rations.**
- **Ration distribution should be improved in future.**

### **Management Comments**

*Yes we fully agree with the comments, if food rations were delivered by trucks to the North this can avoid diversion after long hours of storage at the bulk.*

### **18.15.3 Considerable Delay in Shipment of Rations to the Northern Division**

Procurements of one month food rations for the Northern division was facilitated by the National Disaster Management Office in Suva through the future operations team with the LPOs issued on 28 February 2016.

Physical stock count at the Mechanical and FPO bulk on 24/03/16 noted the following items in stock being balance of one month's food rations procured for the Northern Division. Refer to Table 18.19 for details.

**Table 18.19: Stock Count Balance of Northern Division Rations as at 24/03/16**

Item	Unit	Mechanical yard (Qty.)	FPO bulk (Qty.)	Total quantity
Sugar	50kg bags	1,075	0	1,075
Powdered milk	Cartons	944	0	944
Long grain rice	50kg bags	1,045	170	1,215
Split peas	25kg bags	303	1,000	1,303
Mackerel oil	Cartons	210	621	831
Canola oil	Cartons	0	141	141
Corned beef	Cartons	123	2,183	2,306
Flour	50kg bags	466	0	466

The audit noted that the above items were kept in the stores for almost a month and were yet to be shipped to the Northern Division as intended for the one month food ration distribution.

Moreover, due to the extended storage period and constant moving and restacking of these items to make way for other incoming items, some of these items have been damaged or dented, hence escalating costs of wastage due to damaged goods.

### **Recommendation**

**Management should ensure that the rations are shipped to the Northern Division at the earliest date to avoid further loss of taxpayers' funds to damaged goods.**

### **Management Comments**

*Yes we fully agree to the comments we are accessible by Roll On Roll Off boats that berths in Nabouwalu and Savusavu.*

### **18.15.4 Insufficient Food Rations for Distribution**

Procurements of one month food rations for the Northern Division was facilitated by the National Disaster Management Office in Suva through the future operations team with the LPOs issued on 28 February 2016.

The audit noted that food rations were procured for distribution to the areas detailed in Table 18.20 in the Northern Division. However, as at audit date (31/03/16), one month after procurements were made, the items were yet to be distributed to affected areas.

**Table 18.20: Food Ration Yet to be Distributed to these Areas**

Areas (EAs)	Bua Province
20100000	Nasarowaqa Vill, Drainivuga , SPAD Ltd Comp., Nakutubuco , Suvani ,Bavotu, Vunisea, Koro, Nadepe, Y-Corner, Matasarosaro , Matadogo, Delainaivi, Qarabi, Nasimede
20100020	Namuavoivoi Vill, Totogo, Sevusomo, Sasake, Naselesele, Soti, Droca, Nababiu

Areas (EAs)	Bua Province
20100030	Korokadi, Korokadi Ind. Sch, Vakale
20100040	Kavula Vill, Banikea Vill, Waibunabuna, Nakadrudru Govt St, Veiseiseivula
20100080	Cobue (part), Bua Dist. Sch, Bua Indian sch, Bua Nursing Station
20100090	Cobue, Vatubogi, Vatubogi Primary School, Logani

Discussions with the Provincial Administrator Bua revealed that the food ration items in stock were not sufficient to cater for the population in these areas.

The non-distribution of food rations to the above areas is a direct result of the diversion of Northern Division rations to the Eastern and Central Division.

### **Recommendations**

- **Management should ensure that diversion of food rations procured for a division is ceased with immediate effect.**
- **Disciplinary actions should be instigated against the officers responsible for the diversion of the above food rations.**

### **Management Comments**

*Yes we fully agree to the comments. We had sent our recommended ration schedules with population listings with villages/settlements. This did not eventuate because purchases done by FPO were based on 2007 population Census figure causing lot of discrepancies on our deliveries.*

### ***18.15.5 Unaccounted Rations***

Upon receipt of the goods, services or works, the receiving officer shall verify that their receipt in good order and that the invoice is in accordance with the LPO. If the quantity of the goods received is less than shown in the suppliers invoice or delivery note, the receiving officer shall furnish a report to the Administration Manager who shall arrange a claim against the supplier or carrier.<sup>41</sup>

The audit noted that a total of 9 cartons of corned beef transported from Suva to Nabouwalu/Savusavu via the Vatulawa were unaccounted for upon unloading of the goods at the Nabouwalu and Savusavu jetty.

The total quantity shipped as per the Government Shipping Service shipping receipt noted that 1,000 cartons of corned beef were in the consignment as released from the stores and loaded on board. However, the actual total quantity received by the Provincial Administrator Bua (491ctns) and Provincial Administrator Cakaudrove (500ctns) was only 991 cartons.

A way bill document was also prepared for the consignment but this was not signed by the relevant officers releasing the items from the stores, transporting officer and receiving officer.

<sup>41</sup> Pro-forma Finance Manual 2011 – s2.5.16

The above finding indicates that the goods may have been offloaded during the shipment of the goods.

### **Recommendations**

- **The unaccounted rations should be immediately investigated and referred to relevant authorities if required; and**
- **DISMAC officers should accompany all goods being shipped to outer islands and sign off all way bills.**

### **Management Comments**

*Yes we agree to the comments, to our understanding there should always be a SUPER CARGO CLERK in every deliveries, who shall be responsible to see that the consignment are delivered in good care to its destination.*

#### **18.15.6 Weaknesses in Procurement Process**

Upon receipt of the goods, services or works, the receiving officer shall verify that their receipt in good order and that the invoice is in accordance with the LPO. If the quantity of the goods received is less than shown in the suppliers invoice or delivery note, the receiving officer shall furnish a report to the Administration Manager who shall arrange a claim against the supplier or carrier.<sup>42</sup>

Audit review of the item description, quantity and unit price of goods supplied as per the supplier's invoices and delivery dockets for rations procured by the Commissioner Northern Division noted the following anomalies.

**Table 18.21: Anomalies in Procurements**

Date	PO number	Item	Qty. ordered	Amount (\$)	Remarks
01/03/16	PO93991-003173	Powdered Milk (Ctns)	12 ctns	1,152	Invoice/ Delivery docket no. 796368 received for the supply of these items was not signed by the officer receiving the goods. Hence it was not possible to determine whether goods have been actually delivered.
26/02/16	PO93991-003146	Long Grain Rice(45kg)	63 bags	3,339	No delivery docket provided for all the items.
		Flour (50kg)	28 bags	1,753	
		Split peas (25kg)	28 bags	1,268	
		Powdered Milk (ctn)	17 ctns	2,444	
		Cooking Oil(ctn)	14 ctns	824	
03/03/16	PO93991-003188	Flour (50kg)	154 bags	10,507	Supplier invoiced for 154bags as per invoice no. SAL/12156678 of 03/03/16 but actual quantity received as per delivery docket no. 275054 of 03/03/16 was only 73 bags.

<sup>42</sup> Pro-forma Finance Manual 2011 – s2.5.16



Date	PO number	Item	Qty. ordered	Amount (\$)	Remarks
25.02.16	PO93991-003141	Long Grain Rice (45kg)	2 bags	162	No delivery docket provided for these items.

The above denotes weaknesses in the procurement process and the failure to address the above may result in goods ordered not being received, hence resulting in overpayment.

### **Recommendations**

- **The Divisional EOC Coordinator should ensure that a detailed reconciliation of all quantity of rations ordered and actual quantity delivered and unit price invoiced by the suppliers before payments are made; and**
- **Only authorized officers should be assigned to receive the goods and signing the invoices/delivery dockets after verification of the purchase orders.**

### **Management Comments**

*Yes we fully agree to the comments, NDMO and FPO to conduct training on issues regarding procurement and other aspects of stock control and stock movements in any EOC bulk. Most officers engaged in the exercise had never had experience in this process before. FPO to reintroduce Stores Regulation.*

### ***18.15.7 Improper Storage of Goods***

Storage of inventories shall be the responsibility of the storekeepers. The storekeeper must ensure that storage facilities are properly secured, stocks are kept in an orderly manner and stock are handled with care and well stored so as to reduce the risk of damage. Access to the inventory stores shall be limited to the storekeeper. All other officers shall be restricted from entering storage facilities unless approval is granted by the storekeeper<sup>43</sup>

Audit site visit to the Naqere Ration Distribution Centre in Savusavu on 14/03/16 showed that sacks of rations supplies including flour, rice, sugar and split peas) were stored on the roadside and covered by tarpaulins exposing these goods to adverse weather conditions. Refer to pictures below.



*Rations temporarily stored on the roadside in Naqere, Savusavu (14/03/16)*

<sup>43</sup> Pro-forma Finance Manual 2011 – s8.1.3

It was explained that the food rations were being temporarily stored on the roadside due to the insufficient storage space at the Naqere bulk.

There is a high risk of rations being infested due to the perishable nature of these items, hence increasing health risks to members of the public who consumed them.

Failure to address the above may result in further wastages hence loss of taxpayers' funds.

### **Recommendations**

**The Divisional EOC Coordinator should ensure that:**

- **all goods are properly stored in a safe storage area at all times; and**
- **proper storage areas are identified for any future disaster operations.**

### **Management Comments**

*Yes we fully agree with the comments that the North really needs storage facilities, which is why most rations were stacked outside along the road side in Savusavu as our bulk was full.*

#### ***18.15.8 Records of Stock In/Out at the Bulk not Standardized – DO Taveuni***

As a best practice, each agency must have in place a cost-effective system of internal controls which safeguards money and property against loss.

The Store man shall maintain register of all items to record incoming and outgoing of items. The register shall provide the following information:

- i) Date of acquisition and order number reference;
- ii) Number of items received and cost price;
- iii) Suppliers details;
- iv) Date of issue of inventory and nature of issues (for example, transfer of processing);
- v) Issue reference (authority such as requisition order);
- vi) Quantity issued; and
- vii) Balance.<sup>44</sup>

The audit noted that the stock/tally records of quantity of stock in/out maintained by the District Officer Taveuni were not standardized. For instance, the quantities of tin fish received were recorded in the number of tins received while the quantities issued were recorded in both cartons and tins issued. A similar observation was noted for records of milk and cooking oil which were recorded in both cartons and packets/bottles.

In addition, there were two sets of tally cards maintained with one set not being updated since the first day of operations. Hence, the quantity of items distributed could not be properly reconciled.

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<sup>44</sup> Pro-forma Finance Manual 2011 – s2.5.16

The audit findings indicate a high risk of loss of rations through pilferage.

### **Recommendations**

**The EOC coordinator should ensure that:**

- **quantity of goods distributed matched against the delivery dockets and the total distributed is reconciled against the total quantity of goods received and balance in stock; and**
- **any discrepancies noted should be investigated and disciplinary action taken against responsible officers where necessary.**

### **Management Comments**

*Yes we agree with the comments. We need to train officers how to run stores. NDMO and FPO to conduct training.*

#### ***18.15.9 Reconciliation of Ration Distribution in Taveuni***

Reconciliation is the control measure to ensure that at least two sets of records are in agreement. Reconciliation provides assurance that all items purchased, received at the stores and distributed to the end users, have been accounted for.

Audit review of the food ration distribution operations and records in Taveuni revealed that food ration distribution details as per the delivery notes/distribution lists were recorded in MS Excel spreadsheets but could not be reconciled to the total quantity of items received and delivered from the bulk.

The audit finding indicates that in the absence of proper reconciliations being carried out, there is a high risk of loss of goods through the pilferage of supplies.

### **Recommendations**

**The EOC coordinator should ensure that:**

- **Quantity of goods distributed are matched against the delivery dockets and the total distributed reconciled against the total quantity of good received and balance in stock; and**
- **Any discrepancies noted should be further investigated and disciplinary action considered where necessary.**

### **Management Comments**

*Yes we fully agree to the comments. We recommend that in future qualified store man should run EOC stores to look after taking stock on charge and stock movement. At the same time they are able to do stock take at the end of every movement to determine surplus and deficits or pilferage within the physical stock count to tally up with the tally cards.*

**18.16 Eastern Division*****18.16.1 Excessive/Unauthorised Supply of Food Rations***

Upon receipt of the goods, services or works, the receiving officer shall verify that their receipt in good order and that the invoice is in accordance with the LPO. If the quantity of the goods received is less than shown in the suppliers invoice or delivery note, the receiving officer shall furnish a report to the Administration Manager who shall arrange a claim against the supplier or carrier.<sup>45</sup>

Manual Local Purchase Orders no.735651 – 735670 totalling \$1,411,568 were issued on 21/02/16 for supply of food ration for Lomaiviti, Northern Lau, Southern Lau and Yasayasa Moala based on the estimated number of adults/children per village.

Reconciliations of suppliers' invoices/delivery dockets against the Eastern Division's approved purchase orders for food rations on 21/02/16 revealed that there was excessive and unauthorised purchase of tin fish, powdered milk and canola oil amounting to \$240,095. Refer to Table 18.22 for details.

**Table 18.22: Summary of Items Ordered and Supplied**

Item	Total Qty. ordered (cartons)	Total Qty. supplied (cartons)	Excess Qty. supplied (cartons)	Excess Amount (\$)
Tin fish	4,001	6,711	2,710	197,905
Powdered milk	420	701	281	37,019
Canola oil	1,007	1,383	376	5,171
<b>Total</b>				<b>240,095</b>

Refer to **Appendix 18.5** for the detailed reconciliation of LPOs and suppliers invoices/delivery dockets.

The above finding denotes weaknesses in controls over the procurements exacerbated by the absence of a proper reconciliation mechanism to keep track of the quantity of goods ordered and supplied.

Possibility of collusion between the suppliers and the officers involved in the procurement of the goods cannot be ruled out.

**Recommendations**

**The Ministry should ensure that:**

- **a proper reconciliation mechanism is put in place to ensure that all future orders are properly monitored and reconciled in terms of item description, brands, unit prices and quantity ordered and supplied; and**
- **a thorough investigation is to be carried out and disciplinary actions should be instigated against those officers responsible.**

<sup>45</sup> Pro-forma Finance Manual 2011 – s2.5.16

### **Management Comments**

*The item was over supplied due to the following reasons:*

- a. *We admit that a mistake had occurred which was caused by oversight because we had been loading the items in the middle of the night till morning to allow for the boat to set sail the next day as per the directives given. TC Winston hit Fiji on the 20<sup>th</sup> of February and we were directed to supply food on the 22<sup>nd</sup> day of February. There was not enough time given to fully make a thorough check on the supplies hence error occurred.*
- b. *Secondly the strategy for the Eastern Division was to use the Iloilovatu to start distributing from Koro and all the affected islands in the Eastern Division*
- c. *Fortunately for the Eastern Division, Company Shipping A offered their vessels and were used for transporting rations to Ovalau, Vanuabalavu, Gau, Nairai and Batiki.*
- d. *MV Iloilovatu after supplying food rations to Koro returned and food items were properly stacked at the Warehouse at the FPO awaiting shipment for the next round of ration distribution.*
- e. *Population data provided for the preparation of 1<sup>st</sup> Round Food Distribution was for 2007 and population on the ground differs after Provincial Administration reported that minority were left out. After consultation with the MOH, who also have records of population data, it was found that there were differences and MOH record was more by close to double. This resulted in rations reordering and verbal approval was given to divert food items to those that were left out.*
- f. *We regret the mistake made by the team and the team assures that this will not happen again.*

#### **18.16.2 Items as per the Suppliers Invoices not Matching with LPO's Issued**

Upon receipt of the goods, services or works, the receiving officer shall verify that their receipt in good order and that the invoice is in accordance with the LPO. If the quantity of the goods received is less than shown in the suppliers invoice or delivery note, the receiving officer shall furnish a report to the Administration Manager who shall arrange a claim against the supplier or carrier. <sup>46</sup>

Manual Local Purchase Orders no.735651 – 735670 totalling \$1,411,567.88 were issued on 21/02/16 for supply of food ration for Lomaiviti, Northern Lau, Southern Lau and Yasayasa Moala based on the estimated number of adults/children per village.

The audit noted that items supplied as per the invoices received/signed did not reconcile with item description and quantity as per the approved LPOs issued. Refer to Table 18.23 for details.

**Table 18.23: Details of LPO's and items supplied**

LPO No.	LPO Amount (\$)	Items and qty. ordered	Actual items and qty. supplied
735651	8,176.50	Purchase order for 59ctns of powdered milk	377 cartons of corned mutton 658 cartons of tin fish
735652	22,217.48	Purchase order for 2,595.5 * 4kg	

<sup>46</sup> Pro-forma Finance Manual 2011 – s2.5.16

LPO No.	LPO Amount (\$)	Items and qty. ordered	Actual items and qty. supplied
		bag sugar	
735653	9,109.33	Purchase order for 187 cartons of cooking oil	
735670	72,284.68	Purchase order for 433 cartons of corned beef.	283 cartons of tin fish, 26 cartons of powdered milk and 58 cartons of canola oil were supplied on this order by the supplier.
735657	104,771.70	Purchase order for 627 cartons of corned beef.	494 cartons of tin fish, 53 cartons of powdered milk and 97 cartons of canola oil were supplied on this order by the supplier.

The above finding denotes that due diligence checks were lacking to ensure that invoices are properly verified before being signed by the officers responsible.

Weaknesses in controls over the procurements have exacerbated due to the absence of a proper reconciliation mechanism to keep track of the quantity of goods ordered and supplied.

### **Recommendation**

**The Ministry should ensure that a proper reconciliation mechanism is put in place to ensure that all future orders are properly monitored and reconciled in terms of item description, brands, unit prices and quantity ordered and supplied.**

### **Management Comments**

- The recommendation given by the audits was taken into consideration and the office of the CED accepts the fact that it did not carry out the necessary checks and reconciliation to ensure stores are safeguarded.*
- In this instance because of the urgency to send rations to the affected population, verbal notes were given to the suppliers via phone to supply the necessary stores required by the Eastern Emergency Operation Centre (EECC).*
- This prompted suppliers, who already has PO's, to supply the needed items, so supplier makes sure that goods supplied do not exceed the value of the invoice even though suppliers have orders which contains which were initially ordered.*
- Corned Mutton was also ordered due to the unavailability of corned beef from the supplier and also there was an instruction from National Controller for the cessation of the procuring of corned Beef and Mutton. All these instruction came when the Purchase orders were with the suppliers.*

### ***18.16.3 Absence of Reconciliation of Food Ration Distribution***

Reconciliation is the control measure to ensure that at least 2 sets of records are in agreement. Reconciliation provides assurance that all items purchased, received at the stores and distributed to the end users, have been accounted for.

Review of the food ration distribution operations and records for the Eastern Division noted that food ration distribution details were recorded in an MS Excel spreadsheets which were not been reconciled to the total quantity of items received from the supplier and delivered from the bulk.

Therefore, the objective of maintaining these records was not fully achieved indicating a high risk of goods being unaccounted due to pilferage.

### **Recommendations**

**The EOC coordinator should ensure that:**

- **quantity of goods distributed are reconciled against the delivery dockets and the total distributed to be matched against the total quantity of good received and balance in stock; and**
- **any discrepancies noted should be further investigated and disciplinary action taken against the officers responsible.**

### **Management Comments**

*The office of the CED will not deny the fact that due diligence was not done in relation to the procurement and delivery of stores, as was indicated earlier that the situation inhibits the addressing of issues being highlighted.*

*Due to lack of personnel coupled with the lack of qualification in the areas of inventory procurement/Control in the office, certain internal control procedures have to be bypassed.*

*As was mentioned earlier that the situation the nation is facing at that time does not allow for proper/careful scrutiny of personnel appointed to this section.*

*The office of the CED has put in place measures to minimise errors and inconsistencies that may arise.*

## **18.17 Central Division**

### ***18.17.1 Reconciliation***

Reconciliation is the control measure to ensure that at least 2 sets of records are in agreement. Reconciliation provides assurance that all items purchased, received at the stores and distributed to the end users, have been accounted for.

Rations and donated items are delivered to the victims of the Cyclone who reside in villagers, settlements or evacuation centres. Representatives of the victims who could be Turaga Ni Koro or Division Advisory Counsellors receive the items on behalf of the victims. They sign the delivery note or a delivery sheet which is then submitted to the Division EOC to be recorded.

The audit noted that although details of the delivery note or delivery sheet were recorded in an MS Excel spreadsheet in the Division EOC, no officer in the Centre was designated to actually reconcile the items that was released from the Warehouse to the items that were received by the victims or their representatives.

The audit further noted that when delivery notes were obtained, the Officer in Charge at the Warehouse did not raise concern if differences were noted between what was released from the Warehouse and what was received by the victims or their representatives.

Lack of proper reconciliation of stores received and distributed indicates the risk of pilferage of stores.

### **Recommendation**

**The Division EOC should delegate an officer to reconcile the items that have been distributed from the Warehouse and the items that have been received by the victims.**

### **Management Comments**

*The DEOC was informed on the need for reconciliation and a verification group was tasked accordingly but due to the outbreak in the Division, they were tasked to attend to this issue from the Controller. Due to the demand of time and effort needed in order to maintain the outbreak, the task was inconsistent.*

*DEOC was aware of the inconsistencies but could not update the record submitted by the Warehouse Team.*

*Team Central duly noted the recommendation and will make improvement in the next operation*

## **18.18 Western Division**

### ***18.18.1 Variances in Stock Records against FPO***

As a best practice, each agency must have in place a cost effective system of internal controls which safeguards money and property against loss.

The Store man shall maintain register of all items to record incoming and outgoing of items. The register shall provide the following information:

- i) Date of acquisition and order number reference;
- ii) Number of items received and cost price;
- iii) Suppliers details;
- iv) Date of issue of inventory and nature of issues (for example, transfer of processing);
- v) Issue reference (authority such as requisition order);
- vi) Quantity issued; and
- vii) Balance.<sup>47</sup>

All donated items received in Lautoka were recorded first at the Fiji Procurement Office before it was stored at the Nadovu Warehouse. Upon receipt at the Nadovu Warehouse, a delivery docket was also signed to acknowledge the receipt of the items.

The Senior Officer at the Warehouse, Nadovu updated the tally cards from the documentation relating to the issue and the receipt of items.

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<sup>47</sup> Pro-forma Finance Manual 2011 – s8.1.3



Reconciliation of tally cards with the records maintained at the Fiji Procurement Office on 23/03/2016 revealed that some items recorded at the FPO were not recorded in the tally cards maintained at the Warehouse. Refer to Table 18.24 for details.

**Table 18.24: Unaccounted Items at the Warehouse**

Date of delivery	Reference	AID	Item Description	Unit	Quantity
27/02/16	FPO D/D No.3854	India	Biscuits	Carton	234
27/02/16	FPO D/D No.3854	India	Dry Milk	Carton	150
27/02/16	FPO D/D No.3854	India	Maggie Noodles	Carton	700
27/02/16	FPO D/D No.3854	India	Yippee Noodles	Carton	114
27/02/16	FPO D/D No.3854	India	ATTA	Bag	40
27/02/16	FPO D/D No.3854	India	Salt	Bag	10
27/02/16	FPO D/D No.3854	India	RML Medicine	Carton	67
27/02/16	FPO D/D No.3854	India	MSD Karnal Medicine	Carton	40
27/02/16	FPO D/D No.3854	India	SAF JANG Medicine	Carton	105
27/02/16	FPO D/D No.3854	India	MSG N Delhi Medicine	Carton	201
9/3/2016	FPO D/D No.3865	JICA	Mattress	Carton	25
1/3/2016	FPO D/D No.3859	Care Australia	Soap	Carton	443
1/3/2016	FPO D/D No.3909	Direct Relief	Pharmaceuticals	Pallets	20
4/3/2016	FPO D/D No.3908	Direct Relief	Pharmaceuticals	Pallets	4
8/3/2016	FPO D/D No.3864	UNICEF	Cotton Wool	Rolls	5,000
8/3/2016	FPO D/D No.3864	UNICEF	ORS Medication	Carton	300
8/3/2016	FPO D/D No.3864	UNICEF	Retinol Medication	Carton	2
8/3/2016	FPO D/D No.3864	UNICEF	Folic Acid	PAC	50
8/3/2016	FPO D/D No.3864	UNICEF	Multiple Micronutrient	Carton	69
8/3/2016	FPO D/D No.3864	UNICEF	Amoxilin	Carton	60
16/03/16	FPO D/D	UNICEF	Amoxilin	Carton	121
16/03/16	FPO D/D	UNICEF	Amoxilin	Pallets	5
10/03/16	FPO D/D No.3866	UNICEF	School in a Box Kit	Pallets	6x8
11/03/16	FPO D/D No.3867	Koica	Water	Carton	500
11/03/16	FPO D/D No.3867	Koica	Biscuits	Carton	200
12/03/16	FPO D/D No.4751	IOM (Isle of Man) Aid	Relief Goods	Packages	3,385
16/03/16	FPO D/D No.3869	UNFPA	Reagent Kit	Carton	12
21/03/16	FPO D/D No.3873	China	Tent	Pieces	3,076
21/03/16	FPO D/D No.3873	China	Tent	Pieces	530
21/03/16	FPO D/D No.3872	World Food Programme (WFP)	Mobile Storage Units	Pallets	20

The audit further noted that the records showed in the tally cards differed with the records maintained at the Fiji Procurement Office as shown in Table 18.25.

**Table 18.25: Variances Noted on Warehouse Records against the FPO Records**

Item	Origin	Records at Warehouse	Records with FPO	Variance
Tent	China Aid	3,446	3,286	160
Family Tent	India	300		300
Tarpaulin 50x4	JICA	67	120	(53)
Tent Dome Camping	JICA	226	218	8

Item	Origin	Records at Warehouse	Records with FPO	Variance
Thermal Mattress	JICA	210	47	163
School in a Box	UNICEF	500	452	48

Due to proper reconciliations not being carried out, there is a high risk of loss of stores through theft or misappropriation.

### **Recommendations**

**The Divisional EOC Coordinator should:**

- **carry out a stock take of rations under his authority;**
- **ensure that stock cards are opened and maintained for all ration supplies received and delivered out of the warehouse;**
- **ensure that the stock/tally cards are updated on a daily basis; and**
- **ensure that reconciliation is carried out with the DHL records.**

### **Management Comments**

*Concur with the audit comments. Note that the procedure outlined above is good in normal peace times. Records kept at FPO are goods or items received by them and not necessarily the number of items held at the warehouse. It is only a matter of reconciliation of figures and items because items of similar class are received directly at the warehouse without FPO knowledge. FPO is not the controlling point or entry point of relief items at Divisional level.*

#### ***18.18.2 Variances in Stock Records against “Logistics Company B” Records***

As a best practice, each agency must have in place a cost effective system of internal controls which safeguards money and property against loss.

The Store man shall maintain register of all items to record incoming and outgoing of items. The register shall provide the following information:

- i) Date of acquisition and order number reference;
- ii) Number of items received and cost price;
- iii) Suppliers details;
- iv) Date of issue of inventory and nature of issues (for example, transfer of processing);
- v) Issue reference (authority such as requisition order);
- vi) Quantity issued; and
- vii) Balance.

The audit noted that as at 23/03/16, a physical stock take was not carried out by the officers at the Warehouse. The Storeman had updated the tally cards based on the documents it maintained relating to

items received at and issued from the Warehouse as at 23/03/2016. On 23/03/2016, Logistics Company B carried out a physical stock take at the Warehouse. The audit noted that some of the items highlighted in the records obtained from Logistics Company B were not recorded in the tally cards maintained at the Warehouse. Examples are shown in Table 18.26.

**Table 18.26: Items on Physical Stock Take but not Recorded in Warehouse Tally Cards**

Item description	Category	Quantity
Apple Silky Rice	Food Item (UBD)	22
Bucket Oxfam type	Non Food Item	77
Cambridge onions bags 50 kgs	Food Item (UBD)	136
Cement bags 50 kg bags	Non Food Item	25
Chinese Food Supplies (Unknown Product)	Food Item (UBD)	78
Elemaz Generators	Non Food Item	8
Emergency relief goods Japan	Non Food Item	59
Emergency relief goods JICA	Non Food Item	2
Fiji water	Food Item (UBD)	19
Iodised salt 50 kgs	Food Item (UBD)	16
Kiwi blue water	Food Item (UBD)	76
Living Water 10 litres	Food Item (UBD)	36
Maggi 2 minute noodles	Food Item (UBD)	0
MSU Frames	Shelter	7
MSU Halls	Shelter	13
NZ flow water 1.5 spring water	Food Item (UBD)	42
Portable Toilet Seat	Non Food Item	2
Pump 400 ml water	Food Item (UBD)	9
Rehydration Salts	Medical	40
Wash clean Scrub Soap	Non Food Item	245
Water 6 litres signature range	Food Item (UBD)	9
WHITE RICE	Food Item (Gov)	15
Whole Wheat	Food Item (UBD)	28

The audit also noted that there were variances in the physical stock recorded by Logistics Company B compared to the stock recorded in the tally cards maintained at the Warehouse. Refer to Table 18.27 for examples.

**Table 18.27: Items accounted for by Logistics Company B on Physical Stock Take but not Recorded in Warehouse Tally Cards**

Item	Origin	Warehouse Tally Card	Logistics Company B Stock Count	Variance
Bottle Water 1.5litres	Not known	500	18	482
Family Tent	India	51	16	35
Generator (Honda)	NDMO Suva	15	3	12
Generator ELEME	JICA	17	9	8
Hygiene Kit	NDMO Suva	310	300	10
Reel Cord	JICA	18	9	9
Shelter Tool Kit	NDMO Suva	320	201	119
Tarpaulin 50x4	JICA	46	41	5
Tent (A, B, C, D)	UNICEF	68	16	52

The audit finding indicates that proper stores records were not maintained and reconciled indicating high risk of loss of stores through theft and misappropriation.

### **Recommendations**

**The Divisional EOC Coordinator should:**

- carry out a stock take of rations under his authority;
- ensure that stock cards are opened and maintained for all ration supplies received and delivered out of the warehouse;
- ensure that the stock/tally cards are updated on a daily basis; and
- ensure that reconciliation is carried out with the Logistics Company B records.

### **Management Comments**

*Comments noted and concurred with. We are now working on the refurbishments and renovations of the Lautoka yard. But then even so all relief rations received are receipted using CRV (certificates receipt vouchers) and items issued are recorded on CIV (certificates issue vouchers).*

*Logistics Company B spent only two days in the West and pulled out because they could not work in the harsh conditions that our men are exposed to. We do not carry out logistics audit at the height of an operation especially relief operations of this magnitude and which is highly fluid.*

### **18.18.3 Population Figures**

The quantity of rations to be purchased is dependent on the size of the population where victims of the Cyclone are located. This population is sourced from the data provided by the Bureau of Statistics, iTaukei Affairs Board, and survey carried out by the EOC immediately after the Cyclone.

The audit noted that the data provided from these sources did not reconcile with the number of victims existing after the Cyclone. As a result, rations that were purchased were more than what was required. Examples are shown in Table 18.28.

**Table 18.28: Excess Purchases Made**

Districts	Size of Population	Fortnightly Family Packs (Quantity)	Distributed (Quantity)	Surplus noted as at audit visit on 15/03/2016	
				Quantity	Amount (\$)
Ba	46,649	23,326	14,150	9,176	376,216
Tavua	21,905	10,952	7,842	3,110	127,510

The audit visit to the two districts on 15/03/2016 showed that the surplus family packs purchased were covered by a tarpaulin and stored outside the yard exposed to the risk of theft and damage due to adverse weather conditions.

The audit finding indicates that the data provided by the different sources were not reliable and resulted in excess purchases of rations.

### **Recommendation**

**The Ministry should maintain a population database which should be updated after every emergency relief supply.**

### **Management Comments**

*There was never any over-purchase or excessive purchase but it was actually the opposite for we had to make extra purchase when confirmed numbers are received.*

*The audit comments are noted.*

#### **18.18.4**

#### **Nadarivatu District Officer**

District Officers are appointed to be stationed at the Districts to administer and manage the District Operations.

The audit noted that the District Officer, Nadarivatu was not stationed at Nadarivatu but at the Nadovu Warehouse in Lautoka, even though Nadarivatu was also one of the severely affected areas following Cyclone Winston. No explanation was provided for absence of the officer from Nadarivatu.

The audit noted that on 29/02/2016, the Division issued a PO 003727 to Supplier A for \$39,062 for supply of one month's ration for the Nadarivatu District. On 02/03/2016, the Division again issued PO 003762 to Supplier A for \$38,853 supply of one month's ration for the District. In addition to this, the Division issued PO 003763 to the same supplier for \$56,829.21 to supply another month's ration.

The issue three purchase orders totalling \$134,744 within three days with similar narration indicates possible duplicate ordering and/or lack of proper information on the ration needs at Nadarivatu. The problem was further aggravated due to the absence of the District Officer from the station.

### **Recommendation**

**The District Officer should be stationed at the District in times of emergency to ensure that correct information is provided when required.**

### **Management Comments**

*The comments are noted.*

### **18.18.5 Verification of Charges**

Upon receipt of the goods, services or works, the receiving officer shall verify that their receipt is in good order and that the invoice is in accordance with the LPO.<sup>48</sup>

Most of the purchases for food rations were made from Supplier A. After comparing purchase orders issued to the supplier to the invoices received from the supplier, the audit noted the following anomalies:

- There were instances where items ordered were not supplied; and
- There were instances where the prices used in the purchase order were different from the prices shown in the invoice.

Examples are shown in *Appendix 18.6*.

Due to over-reliance on one supplier for supply of goods, there is a high risk of price manipulation and short-supply which might go unnoticed if responsible officers are not vigilant.

### **Recommendation**

**The Divisional EOC accounts should ensure that proper reconciliation is conducted before any payment is made to the supplier and alternate suppliers are considered for future purchases.**

### **Management Comments**

*The audit comments are duly noted.*

### **18.18.6 No Documentation of Authority to Purchase Family Packs**

If a state of emergency is declared under a written law, the Minister of Economy may authorise such government expenditure to meet the emergency as is approved by the Cabinet, where (a) the money involved has not already been appropriated; or (b) the money has already been appropriated for another purpose.<sup>49</sup>

The audit noted that on 07/03/2016, the Division had started purchasing family packs rather than bulk purchases of rations at a rate of \$41 per pack for the victims situated in the Districts of Lautoka, Ba, and Tavua. No documentation was provided on the authority given to purchase the family packs and not bulk purchases. Compared to purchases made in bulk, purchases made in family packs were found to be more expensive.

Details of purchases of family packs purchased as at 21/03/2016 are shown in Table 18.29.

<sup>48</sup> Finance Manual, 2013 Section 2.5.9

<sup>49</sup> Financial Management Act 2004 Para 24 (1)

**Table 18.29: Family Packs 2 Weeks Ration Purchased for 3 divisions**

Date	Vendor	Purchase Order No.	Total Cost (\$)
07/03/16	Supplier A	92991-003816	351,452
07/03/16	Supplier A	92991-003820	351,452
07/03/16	Supplier A	92991-003821	253,462
07/03/16	Supplier A	92991-003822	449,032
07/03/16	Supplier A	92991-003823	170,314
07/03/16	Supplier A	92991-003824	407,950
07/03/16	Supplier A	92991-003825	407,950
15/03/16	Supplier A	92991-003872	42,550
15/03/16	Supplier A	92991-003872	97,680
15/03/16	Supplier A	92991-003872	8,806
14/03/16	Supplier A	92991-003862	52,726
<b>Total</b>			<b>\$2,593,374</b>

It is prudent to create balance between need and financial implications of decisions made in state of emergency.

### **Recommendation**

**The rationale and authority for decisions made in emergency situations which have financial implications should be properly documented for information and records.**

### **Management Comments**

*The decision to purchase family packs was from the Hon. PM and the AG who is also the Minister of Economy together with the Commissioner West.*

## **18.18.7 Poor Maintenance of Accounting Records**

The Divisional Emergency Operation Centre (DEOC) is formed to administer and manage the operations of assistance provided to the division. All requests for assistance, approval, and other details relating to the request for assistance should be facilitated by the DEOC.<sup>50</sup>

During the five weeks of operations, the audit noted several instances where appropriate supporting documents were not attached when the Purchase Orders were raised for rations. As a result, the audit could not ascertain whether all requests for the purchase of rations were genuine. Refer to **Appendix 18.7** for examples.

The Finance Team did not comply with its Finance Manual on maintaining proper process of purchases. Without sufficient supporting documentation, there is a risk of items not delivered, misappropriation of funds and items purchased without immediate need.

<sup>50</sup> Standard Operational Procedure for DISMAC Operation Team 2016

### **Recommendations**

**The Divisional EOC should ensure that:**

- **accounting records and supporting documents are properly filed and made available for audit purpose; and**
- **Going forward, a template should be prepared to document the request or the purpose of the purchase of ration needed, approval and the amount requested for the purchase. The template should also be attached with a table showing the calculation of how the amount stated in the template or the amount requested to be utilised for the purchase, is calculated.**

### **Management Comments**

*All payments have been done. However, Audit recommendations are noted.*

#### **18.18.8                      No Delivery Notes at the District Offices**

As a control measure that items released from the Warehouse are distributed and received by the end user, a delivery note is filled and signed accordingly with the details of the end user shown in the delivery note.

The audit visit on 23/03/2016 revealed that rations were received at the districts of Ba and Tavua without proper delivery dockets being signed. Refer to the following for examples:

- A total of 23,326 fortnightly family packs costing \$956,366 were purchased for the District of Ba. However, delivery notes were sighted at the Warehouse in Ba for only 9,754 packs. A total of 13,562 packs worth \$556,042 which were said to have been delivered could not be substantiated as delivery notes were not sighted;
- A total of 10,952 fortnightly family packs costing \$449,032 were purchased for the District of Tavua. However, delivery notes were sighted at the District for only 8,452 packs. A total of 3,300 packs worth \$135,300 which were said to have been delivered were not supported by delivery notes.

Due to the lack of delivery notes, the audit could not substantiate whether all rations were delivered to the districts. There is a high risk that pilferage of items occurred during the carting of items from Lautoka to the outer districts.

### **Recommendations**

**The Divisional EOC Coordinator should ensure that:**

- **Delivery dockets are used for all future distribution of rations and aid items.**
- **Persons receiving the items should provide the following on the delivery dockets;**
  - 1. Name of person receiving the items**
  - 2. Contact details (mobile)**
  - 3. Actual Time the goods delivered**



- 4. Signature**
- 5. Vehicle registration number**

**Management Comments**

*Noted*

### Appendix 18.1: Trust Fund Account – Provincial Development and Prime Ministers Disaster Relief Rehabilitation

Account	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
Environment Trust	---	163
Tender Deposits	64,556	649
Rural Housing Deposits Scheme II	166,245	238,854
Unclaimed Wages	14,403	397
Community Contributions	---	152
Rural Housing Scheme I	40,289	159,134
Prime Minister's Officer Disaster & Rehabilitation Trust Fund	10,898,368	1,013,086
One – Third Self Help Projects	31,770	27,578
Cities Trust	---	336
<b>Total Receipts</b>	<b>11,215,631</b>	<b>1,440,349</b>
<b>PAYMENTS</b>		
Environment Trust	---	2
Tender Deposits	89,039	34
Rural Housing Deposits Scheme II	161,438	280,893
Unclaimed Wages	---	505
Community Contributions	---	35
Rural Housing Scheme I	59,817	111,343
Prime Minister's Officer Disaster & Rehabilitation Trust Fund	12,461,704	1,077,198
One – Third Self Help Projects	61,165	7,040
Cities Trust	---	3,538
<b>Total Payments</b>	<b>12,833,163</b>	<b>1,480,588</b>
<b>Net (Deficit)/Surplus</b>	<b>(1,617,532)</b>	<b>(40,239)</b>
Add Balance as at 1 January	4,612,367	4,101,313
Add: Net Adjustment	---	551,293
<b>Closing Balance as at 31 December 2015</b>	<b>2,994,835</b>	<b>4,612,367</b>

**Appendix 18.2: Examples of Journal Vouchers Not Approved**

Date	Journal Voucher No.	Amount (\$)
26/07/2016	BLC1428/07/16	189,601
12/08/2016	JV26/07/16	82,807
22/07/2016	BLC1232/07/16	31,951
No Date	BLC1132/03/16	22,154
No Date	BLC418/01/16	11,594
No Date	BLC1273/06/16	11,000
4/01/2016	JV04/01/16	10,053
No Date	BLC245/01/16	9,338
No Date	BLC240/01/16	8,264
No Date	BLC242/01/16	6,374
No Date	BLC959/04/16	6,104
No Date	BLC1117/04/16	6,102
No Date	BLC304/01/16	6,102
No Date	BLC337/02/16	6,102
No Date	BLC344/02/16	6,102
No Date	BLC346/02/16	6,102
No Date	BLC1134/06/16	5,716
27/06/2016	JV 23/6/16	1,261,417
No dates	BLC38/3/16	1,060,000
No dates	BLC47/3/16	1,602,801
No dates	BLC46/3/16	647,617
21/03/2016	BLC66/3/16	305,300
7/04/2016	BLC106/4/16	312,901
No dates	BLC53/3/16	291,431
No dates	BLC394/4/16	277,605
No dates	BLC40/3/16	245,986
No dates	BLC44/3/16	221,000
17/06/2016	8/06/2016	2,799,421
23/05/2016	10/05/2016	8,026,110
17/06/2016	9/06/2016	3,748,215
8/06/2016	4/06/2016	692,042
23/05/2016	9/05/2016	393,664
17/03/2016	1/03/2016	288,981
10/03/2016	BLC50/3/16	3,000,000
1/06/2016	BLC562/6/16	5,000,048
23/05/2016	BLC 373/5/16	215,112
No date	BLC 41/3/16	98,500
No date	BLC 42/3/16	185,000
15/03/2016	BLC 55/3/16	71,650
18/03/2016	BLC 65/3/16	119,384
21/03/2016	BLC 68/3/16	168,314
1/04/2016	BLC 82/3/16	165,000
1/04/2016	BLC 83/3/16	143,513
No dates	BLC 272/5/16	145,910
No dates	BLC 273/4/16	50,793
1/06/2016	BLC 560/5/16	117,965
17/06/2016	BLC 770/6/16	52,907

Date	Journal Voucher No.	Amount (\$)
Total (Sample Only)		32,134,053

**Appendix 18.3: Anomalies in the Procurement of Goods & Services**

Date	Cheque/ EFT No.	Details	Amount \$	Remarks
<b>Commissioner Eastern Division</b>				
17/06/16	12209	Payment for Earthmoving	11,750	<ul style="list-style-type: none"> <li>No LPO sighted.</li> <li>Competitive quotes were not obtained.</li> </ul>
18/3/16	12028	Clutch for GP222	2,905	Expenditure charged to SEG 5 instead of SEG 4.
29/6/16	12252	District Fuel Order	2,366	Expenditure charged to SEG 5 instead of SEG 4.
<b>Commissioner Central Division</b>				
13/07/16	15267	Payment for purchase of 5 x 4 bay mobile compactor	12,000	<ul style="list-style-type: none"> <li>Chief Accountant's (Treasury) approval not obtained for advance payment.</li> <li>Goods not received as at the date<sup>51</sup> of audit.</li> <li>Compactors not recorded in fixed asset register.</li> </ul>
22/07/16	15311	Payment for purchase of laptop for Serua Office	3,522	<ul style="list-style-type: none"> <li>Laptops not recorded in fixed asset register.</li> <li>No LPO sighted.</li> </ul>
14/07/16	15268	Purchase of outboard engine boat	6,824	<ul style="list-style-type: none"> <li>No LPO raised since the procurement was done after the cutoff date for LPO.</li> <li>Capital procurement done from SEG 10 instead of SEG 9.</li> </ul>
13/7/16	2479	Payment for purchase of laptop and desktop computers for CCD & district office	12,420	Laptop and desktop computers not recorded in fixed asset register.
8/4/16	2282	Payment for purchase of sofa set and 2 microwave for CCD Office	3,037	Sofa set and microwaves not recorded in fixed asset register.
01/04/16	15132	Payment of meal claim	19,215	The meal claim was paid from SEG 1 instead of SEG 3.
14/06/16	2378	Purchase of furniture for PA Tailevu/Rewa office	11,324	<ul style="list-style-type: none"> <li>Chief Accountant's (Treasury) approval not obtained for advance payment.</li> <li>Three (3) quotations were not obtained.</li> <li>No LPO sighted.</li> <li>Commissioner's approval not sighted.</li> <li>Furniture's not recorded in fixed asset register.</li> </ul>
<b>Head Quarters</b>				
30/6/16	JV35/6/16	Payment of telephone bill for the month of May 2016	4,939	Payment made from SEG 5 instead of SEG 3.
7/7/16	4484	Bill for April 2016	1,165	The bill was paid from SEG 5 instead of SEG 3.
20/7/16	34969	Payment of WHT & VRC	5,726	The payment was made from SEG 5

<sup>51</sup> 31/12/16

Date	Cheque/ EFT No.	Details	Amount \$	Remarks
				instead of SLG 84 and SEG 13.
22/7/16	34983	Refurbishment of library	10,300	The payment was made from SEG 5 instead of SEG 9.
22/7/16	34992	Refurbishment of library	2,575	The payment was made from SEG 5 instead of SEG 9.
22/4/16	4147	Hire of chopper	6,787	The payment was done from SEG 4 (Fuel & Oil – HQ) instead of SEG 7 (TCW allocation).
22/4/16	4146	Purchase of carpets for PS room	4,311	Carpets not recorded in fixed asset register.
11/5/16	4192	Purchase of 2 APEX 4 bay mobile compactor – Corporate Section	5,000	4 bay mobile compactor not recorded in Fixed Asset Register.
20/6/16	4390	Purchase of 10 office computers	17,300	Computers not recorded in Fixed Asset Register.
15/7/16	4541	Purchase of 4 bay compactor – Accounts Section	4,800	<ul style="list-style-type: none"> <li>4 bay compactor not recorded in Fixed Asset Register.</li> <li>The payment voucher and supporting documents not stamped paid.</li> </ul>
15/6/16	4356	Purchase of 6 gas burners	1,372	Gas burners not recorded in fixed asset register.
30/6/16	34923	Payment of VAT for the month of May	1,048,750	<ul style="list-style-type: none"> <li>The Vat was paid from SEG 7 instead of SEG 13.</li> <li>Only the sum of \$623,735 was journalised to SEG 13 while \$425,015 is still remains in SEG 7 due to unavailability of fund in SEG 13.</li> </ul>
01/07/2016	34954	Being payment of Claim No. 6 for the Construction of Kumi Coastal Protection Contract WSC -122/2015	46,470	Payment voucher and supporting documents not stamped paid.
22/07/2016	34984	Being payment of Claim No. 7 for the Construction of Kumi Coastal Protection Contract WSC -122/2015.	30,043	<ul style="list-style-type: none"> <li>Payment voucher and supporting documents not stamped paid.</li> <li>Payment voucher not signed by the authorising officer.</li> </ul>
18/07/2016	4550	Being payment of Claim No. 04 for the Wainibokasi river bank protection WSC 154/2015	79,833	<ul style="list-style-type: none"> <li>Payment voucher and supporting documents not stamped paid.</li> <li>Payment voucher not signed by the authorising officer.</li> </ul>
22/07/2016	4617	Being payment of balance of claim no. 4 for the Wainibokasi river bank protection WSC 154/2015 (balance paid out from Naivakacau Project \$31,673.26)	31,673	Supporting documents not stamped paid.
22/07/2016	4617	Being payment of 5% retention balance of claim No. 4 \$31,673.26 WSC 154/2015	1,584	Payment voucher and supporting documents not stamped paid.
22/07/2016	4598	Being payment of 5% retention balance of claim No. 1-3 WSC	17,596	Payment voucher not sighted/provided.

Date	Cheque/ EFT No.	Details	Amount \$	Remarks
		154/2015		
22/07/2016	34991	Being payment of retention for the 2016 DRR project	35,677	Payment voucher and supporting documents not stamped paid.
22/07/2016	34981	Being payment of provisional tax for Claim No. 4 balance WSC 154/2015	1,453	Payment voucher and supporting documents not stamped paid.
		Being payment of provisional tax for Multi Works & Viti Vanua for contracts WSC 154/2015 & WSC 122/2015	9,330	Payment voucher and supporting documents not stamped paid.
<b>Commissioner Western Division</b>				
6/5/16	3490	Supply of tyres GP218	1,119	Expenditure charged to SEG 5 instead of SEG 4.
9/5/16	3503	Recharge cards	110	Expenditure charged to SEG 5 instead of SEG 3.
11/5/16	3515	Service of vehicle GP839	560	Expenditure charged to SEG 5 instead of SEG 4.
24/5/16	3608	4 x new tyres GN485	1,395	Expenditure charged to SEG 5 instead of SEG 4.
24/5/16	3608	Tyres 1000-20-16PR for GN124	1,145	Expenditure charged to SEG 5 instead of SEG 4.
<b>Commissioner Northern Division</b>				
23/2/16	20462	Fuel for PA Bua - DISMAC	2,592	Expenditure charged to SEG 5 instead of SEG 4.
23/2/16	20462	5 x 200 litre Diesel - TCW	1,487	Expenditure charged to SEG 5 instead of SEG 4.
			<b>1,460,455</b>	

**Appendix 18.4: Projects with Anomalies under the Self Help Programme in the Central Division**

Name of Project	Date	Cheque No.	Amount (\$)	Remarks
Poultry Farm	07/06/16	2366	23,600	<p>Completion certificate not provided as required under section 7.5 of the SOP for self-help;</p> <p>No monitoring report were provided as required under section 8.1 and 8.2 of the SOP for self-help;</p> <p>The standard project proposal form was filled; however, it was endorsed by the Provincial Administrator on 1/12/15 and not 30/07/15 as stated in the SOP; and</p> <p>The in kind contribution made by the recipient that is labour and a carpenter as stated in the project proposal could not be quantified equivalent to 1/3 contribution while \$24,041.95 was funded by the government.</p>
	03/06/16	2355		
	22/06/16	2442		
	22/06/16	2438		
Fish Pond Project	07/06/16	15291	12,166	<p>No monitoring report were provided as required under section 8.1 and 8.2 of the SOP for self-help;</p> <p>The standard project proposal form was not provided as required under section 4.2 of the standard operating procedure for self-help; and</p> <p>The in kind contribution made by the recipient could not be determined as nothing was stated in the project paper as their 1/3 contribution while \$13,082.81 was funded by the government. However during site visit on 13/10/16 the recipient's confirmed that they did not contribute anything.</p>
	08/07/16	15286		
	22/06/16	2443		
	30/06/16	2485		
Village Engine Project	30/05/16	2344	5,024	<p>Completion certificate not provided as required under section 7.5 of the standard operating procedure for self-help;</p> <p>No monitoring and assessment report were provided as per the standard operating procedure for self-help;</p> <p>The standard project proposal form was filled; however, it was endorsed by the Provincial Administrator on 30/11/15 and not 30/07/15 as required under section 4.2 of the standard operating procedure for self-help; and</p> <p>The unsigned copy of the MOU was provided between the Divisional Commissioner and the recipient.</p>
Sandalwood Nursery	04/07/16	2524	5,208	<p>Completion certificate not provided as required under section 7.5 of the standard operating procedure for self-help;</p> <p>The unsigned copy of the MOU was provided between the Divisional Commissioner and the recipient;</p> <p>No monitoring report were provided as required under section 8.1 and 8.2 of the standard operating procedure for self-help; and</p> <p>The standard project proposal form was filled; however, it was</p>



Name of Project	Date	Cheque No.	Amount (\$)	Remarks
				endorsed by the Provincial Administrator on 3/12/15 and not 30/07/15 as required under section 4.2 of the standard operating procedure for self-help.
Disable Association	21/07/16	2619	18,343	Completion certificate and financial acquittal not provided as per the standard operating procedure for self-help; No monitoring and assessment report were provided as per the standard operating procedure for self-help; and  The standard project proposal form was filled; however, it was endorsed by the Provincial Administrator on 13/4/16 and not 30/07/15 as required under section 4.2 of the standard operating procedure for self-help.
Boat and Engine	05/07/16	2544	16,190	Completion certificate not provided as required under section 7.5 of the standard operating procedure for self-help;  No monitoring report were provided as required under section 8.1 and 8.2 of the standard operating procedure for self-help;  The standard project proposal form was not provided as required under section 4.2 of the standard operating procedure for self-help;  The in-kind contribution from the community was not quantified by the Ministry; and  The Ministry failed to enter into a MOU between the Divisional Commissioner and the recipient as required under section 7.4 of the standard operating procedure for self-help.
<b>Total</b>			<b>80,531</b>	

**Appendix 18.5: Reconciliation of Orders and Invoices for Food Ration Procurements - Commissioner Eastern Division**

Items	LPO No. / Date	Purchase Order Details			Invoice/Delivery details					Qty. Excess / (Shortage) cartons supplied for each POs	Amount Excess / (Shortage) Invoiced (\$)
		Quantity ordered (cartons)	Unit cost	Amount (\$)	Qty. of cartons supplied (converted)	Unit cost	Invoice Amount (\$)	Invoice No./Date	D/Docket No./Date		
Corned beef / mutton	735664 of 21/02/16	1,618	167.1	270,423.49	850 (521)	105.28	89,484	I748732 of 22/02/16	9218 of 22/02/16		
					433	161.60	69,973	I748724 of 22/02/16	9213 of 22/02/16		
					42 (26)	105.44	4,429	I748797 of 22/02/16	9228 of 22/02/16		
					420 (258)	105.28	44,216	I748756 of 22/02/16	9221 of 22/02/16		
					110	176.57	19,423	I748939 of 23/02/16	9233 of 23/02/16		
					169	176.68	29,859	I749081 of 24/02/16	9240 of 24/02/16		
	<b>Sub-total for PO 735664</b>	<b>1,618</b>		<b>270,423.49</b>	<b>1,517<sup>52</sup></b>		<b>257,383</b>			<b>(101)</b>	<b>(13,040)</b>
	735670 of 21/02/16	433	166.94	72,284.68	18	180.24	3,244	1750009 of 6/02/16	9250 of 26/02/16		
					123	180.24	22,170	1749659 of 5/02/16	9249 of 25/02/16		
	<b>Sub-total for PO 735670</b>	<b>433</b>		<b>72,284.68</b>	<b>141</b>		<b>25,414</b>			<b>(292)</b>	<b>(46,870.48)</b>
	735657 of 21/02/16	627	167.1	104,771.70	247	180.24	44,520	1749080 of 24/02/16	9239 of 24/02/16		
	<b>Sub-total for PO 735657</b>	<b>627</b>		<b>104,771.70</b>	<b>247</b>		<b>44,520</b>			<b>(380)</b>	<b>(60,251.84)</b>
	735667 of 21/02/16	382	166.55	63,622.10	511	180.24	92,104	1749559 of 5/02/16	9246 of 25/02/16		
	<b>Sub-total for PO 735667</b>	<b>382</b>		<b>63,622.10</b>	<b>511</b>		<b>92,104</b>			<b>129.00</b>	<b>28,481.77</b>
	735651/52/53 of 21/02/16	0	0	0	336	180.24	59,364	1749011 of 3/02/16	9235 of 23/02/16		
	735651/52/53 of 21/02/16	0	0	0	41	180.24	7,244	1749056 of 3/02/16	9237 of 23/02/16		
	<b>Sub-total for PO 735651/52/53</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>377</b>		<b>66,608</b>			<b>377.00</b>	<b>66,607.98</b>
<b>Total for Corned beef/ mutton</b>		<b>3,060</b>		<b>511,101.97</b>	<b>2,793</b>		<b>486,029</b>			<b>(267)</b>	<b>(25,072.74)</b>
<b>Tin Fish</b>	735664 of	3,237	50.5	163451.69	600	57.78	34,668	I748730 of 22/02/16	9217 of 22/02/16		

<sup>52</sup> Converted quantity of cartons received (326grms)

Items	LPO No. / Date	Purchase Order Details			Invoice/Delivery details					Qty. Excess /(Shortage) cartons supplied for each POs	Amount Excess / (Shortage) Invoiced (\$)
		Quantity ordered (cartons)	Unit cost	Amount (\$)	Qty. of cartons supplied (converted)	Unit cost	Invoice Amount (\$)	Invoice No./Date	D/Docket No./Date		
	21/02/16				600	57.78	34,665	I748740 of 22/02/16	9219 of 22/02/16		
					300	57.78	17,334	I748756 of 22/02/16	9221 of 22/02/16		
					825	57.78	47,669	I748726 of 22/02/16	9215 of 22/02/16		
					600	57.78	34,668	I748729 of 22/02/16	9216 of 22/02/16		
					766	57.78	44,260	I of 22/02/16	9227 of 22/02/16		
					562	64.30	36,136	I749437 of 25/02/16	9245 of 25/02/16		
	Sub-total for PO 735664	3,237		163,452	4,253		249,401			1,016	85,949
	735670 of 21/02/16	0	0	0	36	64	2,315	1750009 of 6/02/16	9250 of 26/02/16		
		0	0	0	247	64	15,882	1749659of 25/02/16	9249 of 25/02/16		
	Sub-total for PO 735670	0	0	0	283		18,1927			283	18,197
	735667 of 21/02/16	764	51	38,582	150	64	9,645	1749559 of25/02/16	9246 of 25/02/16		
					873	64	56,133	1749560 of25/02/16	9247 of 25/02/16		
	Sub-total for PO 735667	764		38,582	1,023		65,778			259	27,196
	735651/52/53 of 21/02/16	0	0	0	658	58	38,020	1749056 of 23/02/16	9237 of 23/02/16		
	Sub-total for PO 735651/52/53	0		0	658		38,020			658	38,020
	735657 of 21/02/16	0	0	0	494	64.29	28,544	1749091 of24/02/16	9241 of 24/02/16		
	Sub-total for PO 735657	0	0	0	494	64.29	28,544			494	28,544
Total for Tin Fish		4,001		202,034	6,711		399,934			2,710	197,905
Powdered milk	735664 of 21/02/16	281	138	38,824	88	135.51	11,925	I748730 of 22/02/16	9217 of 22/02/16		
					132	135.51	17,887	I748724 of 22/02/16	9213 of 22/02/16		
					16	135.83	2,173	I748740 of 22/02/16	9219 of 22/02/16		
					88	135.79	11,949	I748729 of 22/02/16	9216 of 22/02/16		
					53	135.56	7,185	I748939 of 23/02/16	9233 of 23/02/16		
	Sub-total for PO 735664	281		38,824	377		51,120			96	12,296
	735670 of	0	0	0	4	135.61	542	I750009 of 26/02/16	9250 of 26/02/16		

Items	LPO No. / Date	Purchase Order Details			Invoice/Delivery details					Qty. Excess /(Shortage) cartons supplied for each POs	Amount Excess / (Shortage) Invoiced (\$)
		Quantity ordered (cartons)	Unit cost	Amount (\$)	Qty. of cartons supplied (converted)	Unit cost	Invoice Amount (\$)	Invoice No./Date	D/Docket No./Date		
	21/02/16	0	0	0	22	135.61	2,984	I749659 of 25/02/16	9249 of 25/02/16		
	Sub-total for PO 735670	0	0	0	26		3,526			26	3,526.06
	735657 of 21/02/16	0	0	0	53	135.61	7,188	I749080 of 24/02/16	9239 of 24/02/16		
	Sub-total for PO 735657	0		0	53		7,188			53	7,187.75
	735667 of 21/02/16	80	138	11,040	107	135.61	14,511	I749559 of 25/02/16	9246 of 25/02/16		
	Sub-total for PO 735667	80		11,040	107		14,511			27	3,471.10
	735651/52/53 of 21/02/16	59	138.58	8,177	138	135.61	18,715	I749057 of 23/02/16	9238 of 23/02/16		
	Sub-total for PO 735651/52/53	59		8,177	138		18,715			79	10,538.76
Total for Powdered Milk		420		58,041	701		95,060			281	37,019.49
Sugar	735664 of 21/02/16	9,710	8.56	83,118	100	101.42	10,142	I748743 of 22/02/16	9220 of 22/02/16		
	735667 of 21/02/16	2,290	8.56	19,602	0						
	735652 of 21/02/16	2,596	8.56	19,321	0						
Total for Sugar		14,596		122,041	100		10,142			(14,496)	(111,899.1 1)
Canola Oil	735664 of 21/02/16	669	48.8	32,623	461	39.28	18,108	I748797 of 22/02/16	9228 of 22/02/16		
					300	39.29	11,788	I748725 of 22/02/16	9214 of 22/02/16		
					114	39.43	4,495	I748939 of 23/02/16	9233 of 23/02/16		
	Sub-total for PO 735664	669		32,623	875		34,391			206	1,768.14
	735670 of 21/02/16	0	0	0	7	38.16	267	I750009 of 27/03/16	9250 of 26/02/16		
		0	0	0	51	38.16	1,946	I749659 of 25/02/16	9248 of 25/02/16		
Sub-total for		0		0	58		2,213			58	2,213.32

Items	LPO No. / Date	Purchase Order Details			Invoice/Delivery details					Qty. Excess /(Shortage) cartons supplied for each POs	Amount Excess / (Shortage) Invoiced (\$)
		Quantity ordered (cartons)	Unit cost	Amount (\$)	Qty. of cartons supplied (converted)	Unit cost	Invoice Amount (\$)	Invoice No./Date	D/Docket No./Date		
	<b>PO 735670</b>										
	735657 of 21/02/16	0	0	0	97	38.16	3,812	I749091 of 24/02/16	9241 of 24/02/16		
	<b>Sub-total for PO 735657</b>	<b>0</b>		<b>0</b>	<b>97</b>		<b>3,812</b>			<b>97</b>	<b>3,811.57</b>
	735667 of 21/02/16	152	48.6	7,387	204	39.29	8,016	I749670 of 25/02/16	9251/9252 of 25/02/16		
	<b>Sub-total for PO 735667</b>	<b>152</b>		<b>7,387</b>	<b>204</b>		<b>8016</b>			<b>52</b>	<b>628.88</b>
	735651/52/53 of 21/02/16	187	48.8	9,109	149	39.32	5,858	I749057 of 23/02/16	9238 of 23/02/16		
	<b>Sub-total for PO 735651/52/53</b>	<b>187</b>	<b>48.8</b>	<b>9,109</b>	<b>149</b>		<b>5,858</b>			<b>(38)</b>	<b>(3,250.98)</b>
<b>Total for Canola Oil</b>		<b>1,007</b>		<b>49,119</b>	<b>1,383</b>		<b>54,290</b>			<b>376</b>	<b>5,170.93</b>

**Appendix 18.6: Invoice Different from Purchase Order**

PO No.	PURCHASE ORDER					INVOICE					Variance (\$)	Comments
	Items	Unit	Qty	VIP	Amount (\$)	Items	Unit	Qty	VIP	Amount (\$)		
92991-3731	Normal Flour	50kg	965	58.47	56,423.55	Normal Flour	50kg	673	58.47	39,348.69	(17,074.86)	The invoice increased by \$15,934.47 compared to the PO; The increase was due to items supplied differed from items ordered; No documentation of approval was provided for the difference in items ordered against items supplied; Tuna price increased by \$8; The Summary of Invoice worked out by the Supplier was \$513.15 more than the audit.
	Tuna Cartons		2009	59.23	118,993.07	Ocean Mack in N/Oil	24x410gm	745	67.44	50,241.53	(68,751.54)	
					-	Ocean Mack in T/Sauce	24x410gm	1264	66.48	84,029.58	84,029.58	
	Sugar				-	Sugar	6x4kg	1127	46.8	52,748.78	52,748.78	
	Sugar	50kg	481	79	37,999.00	Sugar	50kg	38	78.99	3,001.71	(34,997.29)	
92991-3763	Sugar	48kg	59	46.8	2,761.20	Sugar	50kg	35	79	2,765.11	3.91	At the same cost \$2,765.11, Supplier A supplied only 1750kg at 35 bags of 50kg; The Order was for 59 bags of 48kg sugar totalling 2832kg;
92991-3742	Tin Fish Carton		862	67.44	58,133.28	Ocean Mack in T/Sauce	24x410gm	862	66.48	57,304.98	(828.3)	The prices differed in the supply of Tinned fish because the order was Tuna whilst Ocean Mack was supplied.
92991-3708	Sugar	50kg	6	79	474	Sugar	50kg	6	87.67	526.01	52.01	Supplier A charged \$87.67 for 6 bags instead of \$79. Hence Sugar total cost increased by \$52.44.
92991-3730	Flour	50kg	120	58.47	7,016.40	Flour	50kg	116	58.47	6,782.24	(234.16)	Some items were short supplied whilst others were supplied more \$7519.60. However there was no documented approval of the variance in items.
	Milk		63	115.2	7,257.60	Milk	24x450gm	61	115.2	7,027.33	(230.27)	
	Tin Fish		250	67.44	16,860.00	Ocean Mack in T/Sauce	24x410gm	242	66.48	16,087.94	(772.06)	
	Oil Cartons		200	52.5	10,500.00	Oil (Soya Bean)		97	52.3	5,073.42	(5,426.58)	
	Rice	45kg	266	49	13,034.00	Rice	45kg	257	49	12,591.84	(442.16)	
	Split Peas	25kg	120	43.5	5,220.00	Split Peas	25kg	116	42.79	4,963.45	(256.55)	
	Sugar	50kg	60	79	4,740.00	Sugar	50kg	58	79	4,582.19	(157.81)	

PO No.	PURCHASE ORDER					INVOICE					Variance (\$)	Comments
	Items	Unit	Qty	VIP	Amount (\$)	Items	Unit	Qty	VIP	Amount (\$)		
92991-3670 (Manual PO 735358)	Sugar	50kg	89	79	7,031.00	Sugar	50kg	41	79	3,239.13	(3,791.87)	The audit noted the following differences' - Sugar Sort supplied by 48 bags; - Tuna short supplied by 39 cartons; - Milk no supply of 92 cartons worth \$10,598; - Tuna unit price increased by \$5.
	Tin Tuna		739	54.34	40,157.26	Sunbell Tuna	48x170gm	700	59.23	41,461.42	1,304.16	
	Milk		92	115.2	10,598.40	Milk		0		-	(10,598.40)	

**Appendix 18.7: Examples of Purchases Made Without Appropriate Supporting Documents**

Date	Total Cost (\$)	Purchase Order No.	Anomalies
24/02/16	109,872.94	PO92991-003670	<ul style="list-style-type: none"> <li>• Invoice not completely provided;</li> <li>• Delivery did not specify what items were delivered. It stated pallets of goods;</li> </ul>
29/02/16	39,062.18	PO92991-003727	<ul style="list-style-type: none"> <li>• Delivery did not specify what items were delivered. It stated pallets of goods;</li> </ul>
29/02/16	284,530.53	PO92991-003730	<ul style="list-style-type: none"> <li>• No details of ration given and how the amount was calculated, i.e. Population in villages, settlements, content of ration and its quantity;</li> <li>• Delivery notes were not signed to acknowledge receipt</li> </ul>
29/02/16	460,513.42	PO92991-003731	<ul style="list-style-type: none"> <li>• Table to show calculation did not tie with the amount in the Request form and PO.</li> </ul>
29/02/16	284,632.50	PO92991-003740	<ul style="list-style-type: none"> <li>• Calculation showing in the table does not tie with the request form and the PO.</li> </ul>
01.03.16	222,673.36	92991-003742	<ul style="list-style-type: none"> <li>• No table to show calculation;</li> <li>• Invoice attached and had a variance due to different supply in Tinned fish type. There was no approval from authority for the supply of different type of Tuna.</li> <li>• No delivery notes attached</li> </ul>
2/3/2016	38,853.13	PO92991-003762	<ul style="list-style-type: none"> <li>• No invoice attached;</li> <li>• No delivery note attached.</li> </ul>
2/3/2016	56,829.21	PO92991-003763	<ul style="list-style-type: none"> <li>• Delivery note did not state what items were delivered.</li> </ul>
2/3/2016	64,628.00	PO92991-003770	<ul style="list-style-type: none"> <li>• Calculation showing in the table did not tie with the request form and the PO.</li> </ul>
07/03/2016	351,452	PO92991-003816	<ul style="list-style-type: none"> <li>• No invoice attached;</li> <li>• No delivery note attached.</li> </ul>
07/03/2016	351,452	PO92991-003820	<ul style="list-style-type: none"> <li>• No invoice attached;</li> <li>• No delivery note attached.</li> </ul>
07/03/2016	253,462	PO92991-003821	<ul style="list-style-type: none"> <li>• No invoice attached;</li> <li>• No delivery note attached.</li> </ul>
07/03/2016	449,032	PO92991-003822	<ul style="list-style-type: none"> <li>• No invoice attached;</li> <li>• No delivery note attached.</li> </ul>
07/03/2016	170,314	PO92991-003823	<ul style="list-style-type: none"> <li>• Table showing calculation did not tie with PO;</li> <li>• No invoice attached;</li> <li>• No delivery note attached.</li> </ul>
07/03/2016	407,950	PO92991-003824	<ul style="list-style-type: none"> <li>• Table showing calculation did not tie with PO;</li> <li>• No invoice attached;</li> <li>• No delivery note attached.</li> </ul>
07/03/2016	407,950	PO92991-003825	<ul style="list-style-type: none"> <li>• No invoice attached;</li> <li>• No delivery note attached.</li> </ul>
15/03/2016	149,036	PO92991-003872	<ul style="list-style-type: none"> <li>• No invoice attached;</li> <li>• No delivery note attached.</li> </ul>
14/03/2016	52,726	PO92991-003862	<ul style="list-style-type: none"> <li>• No invoice attached;</li> <li>• No delivery note attached.</li> </ul>



## Section 19 **Fiji Military Forces**

### Role and Responsibilities

The RFMF is charged with, and responsible for the defence and state security of Fiji, in the maintenance of Law and Order in land and sea and provision of maritime surveillance of Fiji's maritime zone. It improves the living standards of rural community through infrastructure development and youth training of life skills provided by the Engineering Corp through its Trade Training. It also provides services to mariners through the coastal radio station (Suva Radio 3DP) for all vessels within Fiji waters as required under the International Law of the Sea and the surveying and charting of Fiji's Exclusive Economic Zone.

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## PART A: FINANCIAL STATEMENTS

### 19.1 Audit Opinion

The audit of the 2016 accounts of the Republic of Fiji Military Forces resulted in the issue of a qualified audit opinion. The qualification issues are as follows:

1. Included in Total Revenue in the Statement of Receipts and Expenditure is VAT on revenue due from FRCA amounting to \$29,852. VAT receivables are only recognised under accrual basis and not under the cash basis of accounting. Consequently, Total Revenue in the Statement of Receipts and Expenditure of \$239,845 is overstated by \$29,852.
2. Included in Sales (Plant Hire) in the Consolidated TMA Trading Account is revenue amounting to \$36,570 collected in 2015. The amount was directly deposited in the bank account in 2015 but was recorded in the FMIS general ledger in 2016. Consequently, the Sales amount of \$68,478 in the Consolidated TMA Trading Account is overstated by \$36,570.
3. There was no independent audit verification carried out for the Inventory account balance of \$25,362 in the Consolidated TMA Balance Sheet as at 31 July 2016. The balance increased although there was no activity in the Manufacturing account. Consequently, I could not confirm the accuracy and completeness of inventory amount.
4. The RFMF did not include as part of the Financial Statements the Trust Fund Account Statement of Receipts and Payments for Engineers Project Fund Account with payments totalling \$387,487 for the period ended 31 July 2016. The Project Fund Account transactions were not recorded in the FMIS general ledger.

Without further qualifying the accounts, attention were drawn to the following matters:

- The RFMF did not carry out a board of survey to verify the existence and condition of assets under its authority contrary to Section 49 of the Finance Instructions 2010.
- Internal controls in the critical areas of the RFMF's operations were generally found to be weak and if not addressed promptly may result in financial losses in the near future.

### 19.2 Statement of Receipts and Expenditure

The Republic of Fiji Military Forces recorded revenue totalling \$239,845 and incurred expenditure totalling \$54,271,941 for the seven months period ended 31 July 2016. Refer to Table 19.1 for details of revenue collected and expenditure incurred during the year.

**Table 19.1: Statement of Receipts and Expenditure for 2016**

Description	31 July 2016 (\$)	31 December 2015 (\$)
<b>RECEIPTS</b>		
State Revenue	158,215	224,420
Agency Revenue	81,630	210,481
<b>TOTAL REVENUE</b>	<b>239,845</b>	<b>434,901</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	40,997,731	66,433,336
Government Wage Earners	198,841	358,572
Travel and Communications	1,228,969	1,632,985
Maintenance and Operations	2,521,670	2,744,631
Purchase of Goods and Services	3,990,946	4,932,234
Operating Grants and Transfers	--	--
Special Expenditures	1,594,725	1,729,613
<b>Total Operating Expenditure</b>	<b>50,532,882</b>	<b>77,831,371</b>
<b>Capital Expenditure</b>		
Construction	1,228,066	2,902,607
Purchases	1,508,146	2,046,969
<b>Total Capital Expenditure</b>	<b>2,736,212</b>	<b>4,949,576</b>
Value Added Tax	1,002,847	2,310,812
<b>TOTAL EXPENDITURE</b>	<b>54,271,941</b>	<b>85,091,759</b>

The financial year end for Government was changed from 31 December to 31 July as stipulated in the Financial Management (Amendment) Act 2016. The financial statement for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a twelve month period, thus the significant variances with comparative balances.

The increase in expenditure for Travelling and Communication was due to deployment of personnel for Tropical Cyclone Winston Rehabilitation works in affected areas.

### 19.3 Appropriation Statement

The Republic of Fiji Military Force incurred expenditure totalling \$54,271,941 against a revised budget of \$93,557,733 resulting in savings of \$39,285,792 or 42%. The significant savings was primarily due to the budget being for twelve months while expenditures incurred were only for the seven months up to 31 July 2016.

Details of expenditure against the budget estimates are provided in Table 19.2.

**Table 19.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>Operating Expenditure</b>					
1	Established Staff	74,550,391	(1,768,000)	72,782,391	40,997,731	31,784,660
2	Government Wage Earners	256,531	---	256,531	198,841	57,690
3	Travel & Communications	1,231,890	267,000	1,498,890	1,228,969	269,921
4	Maintenance & Operations	4,176,710	(362,000)	3,814,710	2,521,670	1,293,040
5	Purchase of Goods & Services	5,342,511	(214,500)	5,128,011	3,990,946	1,137,065
6	Operating Grants & Transfers	---	---	---	---	---
7	Special Expenditures	1,383,000	627,500	2,010,500	1,594,725	415,775
	<b>Total Operating Expenditure</b>	<b>86,941,033</b>	<b>(1,450,000)</b>	<b>85,491,033</b>	<b>50,532,882</b>	<b>34,958,151</b>
	<b>Capital Expenditure</b>					
8	Construction	4,250,000	---	4,250,000	1,228,066	3,021,934
9	Purchases	818,400	1,450,000	2,268,400	1,508,146	760,254
	<b>Total Capital Expenditure</b>	<b>5,068,400</b>	<b>1,450,000</b>	<b>6,518,400</b>	<b>2,736,212</b>	<b>3,782,188</b>
13	Value Added Tax	1,548,300	---	1,548,300	1,002,847	545,453
	<b>TOTAL EXPENDITURE</b>	<b>93,557,733</b>	<b>---</b>	<b>93,557,733</b>	<b>54,271,941</b>	<b>39,285,792</b>

## 19.4 Consolidated Trading and Manufacturing Account

**Table 19.3: Manufacturing Account**

Manufacturing Account	2016 (\$)	2015 (\$)
Opening Raw Material	--	5,387
Add: Purchases	--	--
	--	5,387
Less: Closing Raw Materials	--	--
<b>Raw Material Used</b>	--	<b>5,387</b>
Add: Direct Labour	--	--
<b>Cost of Goods Manufactured transferred to Trading Account</b>	--	<b>5,387</b>

**Table 19.4: Trading Account**

Trading Account	2016 (\$)	2015 (\$)
Sales	68,478	960,822
Opening Finished Goods	23,342	13,016
Add: Cost of Manufactured Goods	--	5,387
	<b>23,342</b>	<b>18,403</b>
Less: Closing Finished Goods	25,362	23,342
<b>Cost of Goods Sold</b>	<b>(2,020)</b>	<b>(4,939)</b>
<b>Gross Profit/(Loss) transferred to Profit &amp; Loss Statement</b>	<b>70,498</b>	<b>965,761</b>

Total sales decreased by \$892,344 or 93% in 2016 as resources were deployed for Tropical Cyclone Winston Rehabilitation works.

**Table 19.5: Profit & Loss Statement**

<b>Profit and Loss Statement</b>	<b>2016 (\$)</b>	<b>2015 (\$)</b>
<b>Income</b>		
Gross Profit transferred from Trading A/C	70,498	965,761
Other Income	--	--
<b>Total Income</b>	<b>70,498</b>	<b>965,761</b>
<b>Expenses</b>		
Maintenance & Operation	141,721	483,664
Other Expenses	127,096	496,491
Special Expenses	--	53
<b>Total Expense</b>	<b>268,817</b>	<b>980,208</b>
<b>Net Profit/(Loss)</b>	<b>(198,319)</b>	<b>(14,447)</b>

**Table 19.6: Balance Sheet**

<b>Balance Sheet</b>	<b>2016 (\$)</b>	<b>2015 (\$)</b>
<b>Assets</b>		
Cash at Bank	669,224	928,691
Accounts Receivable	290	290
Inventory	25,362	23,342
VAT Receivable	143,250	124,872
<b>Total Assets</b>	<b>838,126</b>	<b>1,077,195</b>
<b>Equity</b>		
TMA Accumulated Surplus	1,077,195	1,154,274
Transfers to Consolidated Fund	(40,750)	(62,632)
Net Loss for the Period	(198,319)	(14,447)
<b>Total Equity</b>	<b>838,126</b>	<b>1,077,195</b>

Cash at bank decreased by \$259,467 or 28% in 2016 as funds were utilised for ongoing projects from previous years.

## PART B: AUDIT FINDINGS

### 19.5 Governance Issues

Permanent Secretaries and Heads of Departments are required to submit Annual Reports by the 31st of January of the following year and for tabling in Cabinet. Annual Reports must be prepared by all Ministries and Departments and submitted to their respective Ministers.<sup>1</sup>

The Director Finance Logistics and Acquisition (DFLA) must ensure that the agency internal control system is reviewed on a regular basis to ensure that they are meeting the intended purpose.<sup>2</sup>

The following governance issues were noted:

- RFMF is yet to prepare and submit its Annual Report for 2014 and 2015 to the Minister;
- Internal controls were generally found to be weak or deficient. Refer to *Paragraph 19.6.1, 19.6.4, 19.7.1, 19.7.2, 19.8.1, and 19.9.1* for details. Furthermore, some of the matters highlighted in 2015 audit reports are yet to be resolved. Refer to *Paragraph 19.10* for details; and
- Compliance Unit of RFMF is understaffed hence is unable to effectively cover the scope of RFMF's activities.

Without the annual report, the Minister will not be able to assess the performance of the RFMF. Moreover, the inadequate resources in the Compliance Unit will hamper the effective and efficient operation of the Unit which assists Management in proper maintenance of controls.

#### **Recommendations**

**The Force must ensure that:**

- **Annual Reports are prepared and submitted to the Minister on a timely basis;**
- **the Compliance Unit is properly resourced; and**
- **Management takes appropriate action to strengthen internal controls and improve compliance.**

#### **Management Comments**

*OAG findings and recommendations are noted.*

##### ***Annual Report***

*Due to rapid staff officer turnover, the report was overlooked. The Force will compile its annual report for 2014 and 2015 and submit this to the Minister, furthermore RFMF will ensure annual reports are prepared and submitted on time;*

##### ***Weak Internal Control***

*The RFMF is now strengthening its internal control by reviewing its Standing Orders Volume 2 which was last reviewed 19 years ago, RFMF Finance Manual and relevant instructions. The review will be in line with current changes on government policies and regulations.*

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<sup>1</sup> General Order No 118

<sup>2</sup> RFMF Finance Manual 2014 – Part 17.3.1

**Compliance Unit**

*The Force is now shortlisting applicants of its two vacant posts for the Compliance Unit to perform audit functions effectively as recommended.*

## 19.6 Operating Fund Account (OFA)

The RFMF incurred expenditure totalling \$54,271,941 in 2016 against the budget of \$93,557,733 resulting in savings of \$39,285,792 or 42%. The following highlights the audit findings relating to OFA.

### 19.6.1 Weaknesses in Internal Control for OFA

The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency<sup>3</sup>.

All property, plant or equipment with a value in excess of \$2,000 or more must be recorded in the assets module of the FMIS and the asset register.<sup>4</sup> An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register.<sup>5</sup>

All Permanent Secretaries and Head of Department are required to submit monthly reconciliations to the Ministry of Finance by the 15<sup>th</sup> of each month.<sup>6</sup>

The Staff Officer Mobility shall prepare a quarterly vehicle report on all agency vehicles.<sup>7</sup> A copy of the report shall be forwarded to the Ministry of Finance no later than two weeks after the end of the quarter.<sup>8</sup>

Chief Staff Officer Finance must ensure that payments documents are processed correctly by having different officers assigned to approving invoices for payments; reviewing and reconciling financial records before payments are done and signing cheques.<sup>9</sup>

The Staff Officer Accounts shall maintain a revenue collector's chart to monitor the regularity of revenue lodged by the Navy/Strategic Headquarters/ Engineer revenue collectors.<sup>10</sup>

Audit review of the system of internal controls revealed the following weaknesses:

- RFMF purchased tents, photocopiers, generators, weapons and communications equipment at a total cost of \$1,436,471.04 which were not recorded in the Fixed Asset Register (FAR). Refer to Table 19.7 for examples.

**Table 19.7: Examples of Equipment's not updated in FAR**

Date	Cheque No.	Particulars	Amount (\$)
23/03/16	13387	40 men tent x 4	60,000.00

<sup>3</sup> Finance Instruction 2010 – Section 59

<sup>4</sup> Finance Instruction 2010 – Section 46(1)

<sup>5</sup> Finance Instruction 2010 – Section 49(1)

<sup>6</sup> Finance Circular No.2/13

<sup>7</sup> RFMF Finance Manual – Part 12.7.1

<sup>8</sup> RFMF Finance Manual – Part 12.7.4

<sup>9</sup> RFMF Finance Manual – Part 17.2.1

<sup>10</sup> RFMF Finance Manual 2014 – Part 5.6.1

Date	Cheque No.	Particulars	Amount (\$)
29/03/16	13466	20 men tent x 4	30,000.00
06/06/16	14608	Photocopier	7,760.00
20/06/16	15100	Generator	43,990.83
30/06/16	15326	40 men tent x1, 20 men tent x 1	45,000.00
20/07/16	74728	Weapons	888,913.88
6/6/2016	74505	Communications equipment	178,465.16
20/07/16	74729		182,341.17
TOTAL			1,436,471.04

Moreover, the annual board of survey of fixed assets was not conducted for the financial year ending 31 July, 2016. Therefore, these indicate the inadequate system of controls in the management of fixed assets to ascertain its existence in “good” condition or that is impaired. Furthermore, audit could not substantiate the completeness of the Statement of Losses.

- Monthly underline reconciliations were not submitted to the Ministry of Economy on a timely basis. Refer to *Appendix 19.1* for details. Similarly, quarterly vehicle reports were also not prepared and submitted to Ministry of Economy.
- There was no segregation of duties. The authorised cheque signatories (EDP No. 53431, SB320, 60067 and RT471) for the RFMF Drawings Account<sup>11</sup> are the same officers assigned to approve invoices for payments, reviewing and reconciling of financial records before payments are done.
- The revenue collector’s chart for monitoring of revenue collection was not maintained.
- The person to post listings/line and column was last updated by the Human Resource Section in 2014. In addition, there is no consolidated approved listings of officers (master record of authorised officers) entitled for the various allowances. As such, audit could not ascertain the completeness and accuracy of payroll.

The above findings indicate non-compliance by the Force with established policies and procedures pertaining to proper financial management and control.

### **Recommendations**

**The Force should ensure that:**

- **assets with a value in excess of \$2,000 is recorded in the fixed asset register and annual board of survey is conducted for fixed assets;**
- **monthly reconciliation is submitted to Ministry of Economy before the 15<sup>th</sup> of each month;**
- **quarterly vehicle reports are prepared and submitted to Ministry of Economy for monitoring purposes;**
- **work of officers in critical functions are properly segregated;**
- **revenue collector’s chart is maintained; and**
- **Person to Post Listing/Line and Column is updated and consolidated approved listings of officers entitled for the variance allowances are maintained and checked against payroll;**

<sup>11</sup> Bank of South Pacific



## **Management Comments**

*OAG findings and recommendations are acknowledged.*

- *The fixed asset register is maintained and monitored by the Force Inventory Management Cell at Headquarter. The IMC will be conducting stock take checks to all RFMF Units to update and confirm assets holdings from 15th May to 27th June 2017; (A copy of HQ stock takes had been forwarded to the OAG )*
- *During the closure of an accounting period, it took FMIS 3-5 months to completely close the accounts and this affects the due date of the submission of monthly reconciliations to MoE. However monthly reconciliations for financial ending period 31 July 2016 has been submitted to MoE and officers concerned are advised to prepare and submit monthly reconciliations to MoE before the 15th of each month;*
- *Quarterly vehicle report will be prepared by the Logistic Support Unit of the RFMF and submitted to HQ RFMF through Chief Staff Officer Logistics for submission to MoE;*
- *Change of signatories as recommended will be formalized and OAG will be advised accordingly.*
- *Revenue collector's chart was maintained when Navy was also authorized to collect revenue. Currently there is only one revenue collector at RFMF and that is at Strategic HQ's.*
- *The implementation policy on RFMF Working Reorganization Structure have been approved by the Commander RFMF on 08 Dec 2016 whereby Line in Column will be updated accordingly with associated entitlements; (Copy of the approved restructure had being given to OAG office) and*
- *The Force is working according to its approved establishment and OAG recommendation is noted.*

### **19.6.2 Naval Division**

Physical assets provide a vital resource base that supports the delivery of outputs by the agency. Therefore it is important to ensure that assets are safeguarded and properly maintained, assets are used for official purposes only and used efficiently.<sup>12</sup>

The following discrepancies were noted from audit review of records relating to naval vessels:

#### **19.6.2.1 State of Naval Vessels**

The audit noted that only two from the five vessels owned by Fiji Navy are fully operational. Refer to Table 19.8 for details.

**Table 19.8: State of Fiji Naval Vessels as at 25<sup>th</sup> October 2016.**

Navy Vessel Name	Donation/Bought	State of Vessels
RFNS Kula	Donated by the Australian Government in 1995.	Operating.
RFNS Kikau		RFNS Kikau has been the Life Expectancy Program (LEP) since early 2013 and as of the date of audit visit, <sup>13</sup> the vessel is still under renovation and not operational.
RFNS Kiro		RFNS Kiro ran aground on Cakauyawa Reef, off Makuluva Island on July 15, 2016 and several attempts made to salvage had been unsuccessful.
RFNS Lautoka	Bought by the Government of Fiji – 1985.	Operating.
RFNS Levuka		RFNF Levuka is facing mechanical difficulties and is not fully

<sup>12</sup> RFMF Finance Manual – Part 11: Property, Plant & Equipment

<sup>13</sup> Tuesday 25th October, 2016.

Navy Vessel Name	Donation/Bought	State of Vessels
		operational.

Moreover, since 2013, a budget of \$2 million has been allocated annually for Kiro Patrol Boat Life Extension Programme. However, the funds were not utilised and was returned to the Ministry of Economy at the end of each financial year. The vessel ran aground on July 15, 2016 and attempts made to salvage the vessel have been unsuccessful.

Furthermore, although, the RFMF has spent a total of \$1,882,394 from 2013 to July 2016 for the Life Expectancy Program of vessel RFNS Kikau, the vessel remains inoperative.<sup>14</sup> Refer to *Appendix 19.2* for details of payments.

The above findings indicate the lack of priority placed in the Life Expectancy Programmes of vessels placing strain on the vessels which are operating.

### **19.6.2.2 Incomplete Work on Life Expectancy Program**

A sum of \$2million was allocated in the 2013 budget for the Life Expectancy Programme for the maintenance and upgrading of the naval ship RFNS Kikau.

Contrary to the payment schedule in the contract<sup>15</sup>, the Commander of Fiji Navy approved the final payment<sup>16</sup> of \$119,110 to the contractor following the recommendation from Officer No 3089.

The audit noted that the RFMF paid the contractor the contract amount of \$549,146. However, 78 percent of the contractual scope of works valued at \$427,428 was not performed by the contractor. Refer to *Appendix 19.3* for details of incomplete work and *Appendix 19.4* for the pictures portraying the state of the vessel as at 25<sup>th</sup> October, 2016.

Furthermore, the clause for delay/liquidated damages is not incorporated in the contract; as a result the RFMF was unable to claim the delay damages from the contractors that failed to complete the work within the agreed timeline.<sup>17</sup>

The above findings indicate that there is a lack of proper planning and monitoring for the upgrading of the vessels. This has led to the considerable delay in the upgrading works and payment to the contractor for the incomplete works resulting in value of service not being obtained for public funds totalling \$1.9 million. (*Appendix 19.2*)

### **19.6.2.3 Waiver of Tender**

The Government Tender Board approved the waiver of tender for slipping of RFNS Kiro on 15<sup>th</sup> February 2016.

The audit noted that the RFMF engaged the contractor on 20<sup>th</sup> November, 2015<sup>18</sup> to 8<sup>th</sup> December, 2015<sup>19</sup> prior to the approval of the Government Tender Board. A total of \$283,351.95<sup>20</sup> was paid to the contractor following the approval of the Government Tender Board.

<sup>14</sup> As at date of audit – 25<sup>th</sup> October, 2016

<sup>15</sup> Contract of Work between RFMF & Contractor signed on 09/10/2013 for RFNS Vessel Kikau LEP

<sup>16</sup> Dated – 13<sup>th</sup> July, 2016

<sup>17</sup> The contract is effective from 1 November 2013 to 31 January 2014

<sup>18</sup> Purchase Order No: 19105-011772 Approved By:

<sup>19</sup> Invoice No: 22017 and 22018

<sup>20</sup> EFT No: 13094 – Dated 2<sup>nd</sup> March, 2016

It is evident that the request for the waving of tender was made to regularise the procurement process and facilitate the payments to the contractor.

### **Recommendations**

**The RFMF should ensure that:**

- **all capital projects are properly planned and implemented within the year in which funds are provided;**
- **investigation is carried out to determine the reasons the projects were not properly monitored;**
- **important clauses such as delay damages claim are included in the contract; and**
- **instructions stipulated in the Procurement Regulations are complied with.**

### **Management Comments**

#### ***State of Naval Vessels***

*OAG Findings and Recommendations are acknowledged.*

*In 2010, the Pacific Patrol Boats (PPB) Class RFNS Kiro was due for its Life Extension Program (LEP) refit works.*

*The progress of the LEP project was however greatly hampered by:*

- i. the departure from the project in late 2012 of the Australian Project Consultant who had vast experience in PPBLEP; and*
- ii. the sanctions by the Australian Government on all assistance rendered to the LEP Project by all Australian commercial companies that the Fiji Navy was engaging given that the vessel was built in Australia and had all the spare and maintenance parts for the projects.*

*The Fiji Navy was left with no choice but to seek other alternative service providers locally to carry out the project. Given the magnitude of the project and the cost involved proper due diligence had to be done, apart from the extensive search, for reputable naval architectural, engineering and associated technical experience to be engaged for the project. This process took the Navy approximately 8 months to establish in which some local companies were identified. It took another 8 months to carry out the administrative work such as preparing of Scope of Works, drawing up of MOU and vetting by the Solicitor General's Office.*

*The time span it took to complete all these activities exceeded the government financial year and it was unfortunate that funds cannot be rolled over to the next financial year. These are main circumstances and reasons the Fiji Navy did not fully utilise the \$2 million funds which it was budgeted for in 2013 for the LEP Project.*

#### ***Incomplete Work on Life Extension Program***

*OAG findings and recommendations are noted.*

*The Fiji Navy encountered some unforeseen problems with LEP Kikau's contract whereby different companies were supplying different parts and work services for the overall implementation of project. It is to be noted that the different parts and works/services complemented each other for instance the company that will install the bridge equipment will depend on the completion and installation of air condition units by another company. At times the pre-requisite works required for the progress of subsequent works which at times have no available parts from the contracted supplier hinders the continuity and progress of the overall project.*

*During the final stages of procurement of engine parts from overseas, and with other related works/services being put on hold pending the instalment of the engine, the Australian government offered to complete the refit. All works were thus ceased so that a technical inspection is carried out to determine the work required to be done by the Australians. Hence the status of the project when the audit inspection was carried out by the OAG. The vessel has been sea-lifted to Australia in April and is currently undergoing refit.*

### **Waiver of Tender**

*The GTB Award was made to regularise the procurement process since the works have already been carried out on RFNS Kiro.*

*In 2014, the Navy had only 1 operational vessel from its fleet of 5 vessels. This was an operationally critical time for the Navy given the vast maritime demand in the conduct of EEZ Patrols, conduct of maritime emergency Search and Rescue operations, and standing by for Humanitarian Assistance and Disaster Relief (HADR) in the event it is activated. It was a situation where they need to hasten all processes in order to have the vessel operational again in the shortest possible time before any unforeseen circumstances or events occurs urgently demanding the Navy's service. Awaiting GTB approval hence was not an operational option. Besides there are stringent timeliness in undergoing slipping since this is based on placement.*

### **The way forward for the Navy is as follows:**

- i. preliminary assessment works will be thoroughly conducted so that the Scope of Works can be fully ascertained so that costs can be more accurately estimated;*
- ii. only one company to be contracted so that the company will be held responsible and accountable if there is any breach in contract. Furthermore a liquidity clause will be included in the contract;*
- iii. payments to be divided into Payment Schedules, subject to completion of phases;*
- iv. timely provision of progress reports will be submitted to CMDR RFMF; and*
- v. contingency costing is to be included in the contract to cater for any variation which may arise.*

## **19.6.3 Capital Construction**

A budget of \$4.3 million was allocated to RFMF for capital construction. The following discrepancies were noted from audit review of capital construction projects.

### **19.6.3.1. Splitting of Contracts**

Splitting of contracts - means dividing contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or subcontracts, for the purpose of making it fall below the threshold requiring legislated procurement approval or circumvent the requirement of public bidding for procurements over \$50,000 VIP.<sup>21</sup> In order to differentiate and identify a split, the procurement would be classed under one of the following criteria; dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of the regulations.<sup>22</sup>

The audit noted that RFMF breached the purchasing procedures by splitting contracts into subcontracts to avoid the tender process. Refer to Table 19.9 for details.

**Table 19.9: Details of Split Projects.**

Project	Contractor	Sub Contract	Project Cost (\$)	Date of signing contract	Total Cost (\$)	Competitive Quotations were also obtained from
Renovations	Contractor	Re-roofing of Other	37,790	04.02.16	117,540	Contractor No.1 \$39,600

<sup>21</sup> Ministry of Finance Splitting of Contracts Policy 2014 – Paragraph No. 5.1

<sup>22</sup> Ministry of Finance Splitting of Contracts Policy 2014 – Paragraph No. 6.1(v)

Project	Contractor	Sub Contract	Project Cost (\$)	Date of signing contract	Total Cost (\$)	Competitive Quotations were also obtained from
to Other Ranks Mess (Queen Elizabeth Barracks, Nabua)	No. 3	Ranks Mess Bar				Contractor No.2 \$49,000
	Contractor No. 3	Re-roofing of Other Ranks Mess Dining Hall	42,750	04.02.16		Contractor No.1 \$46,600 Contractor No.2 \$60,000
	Contractor No. 2	Tiling of Other Ranks Mess Dining Hall	37,000	06.02.16		Contractor No.1 \$50,600 Contractor No.3 \$37,350
Extension of Quartermaster's Store (Engineers)	Contractor No. 2	Extension of Quartermasters Store Phase 1	36,000	25.05.16	72,000	No competitive quotes obtained
	Contractor No. 2	Extension of Quartermaster's Store Phase 2	36,000	25.05.16		
Upgrade of Married Quarters (Force Training Group)	Contractor No. 2	Upgrade of Married Quarters 42	44,500	19.01.16	74,250	Contractor No.1 \$52,100 Contractor No.3 \$44,857
	Contractor No. 3	Upgrade of Married Quarters 43	29,750	19.01.16		Contractor No. 1 \$42,600 Contractor No. 2 \$43,000
Renovations to Married Quarters (Queen Elizabeth Barracks, Nabua)	Contractor No. 2	Upgrade of Married Quarters 4	34,000	21.03.16	69,220	Contractor No. 3 \$37,780
	Contractor No. 3	Upgrade of Married Quarters 9	35,220	08.02.16		Contractor No. 1 \$38,400 Contractor No. 2 \$43,000
<b>Total</b>					<b>333,010</b>	

The audit further noted that the contractors were engaged prior to signing of the Memorandum of Agreements (MOA) by both parties. As such, some of the MOA were signed on or after the date the invoice was issued by the contractor. Refer to Table 19.10 for details.

**Table 19.10: Details of MOA signed after or on the same date invoice was issued by contractor**

Project	Contractor	Contract Cost (\$)	Date MOA signed by both parties	Invoice Date	Invoice Number	Particulars
Renovation to RFMF Infrastructure						
Signals Store Room	Contractor No. 2	43,500.00	06.02.16	04.02.16	040216	Phase 1
				04.02.16	040216/1	Phase 2
				04.02.16	040216/2	Phase 3
				04.02.16	040216/3	Retention
Backgate Guard Room	Contractor No. 2	26,000.00	25.05.16	24.05.16	240516/10	Phase 1
					240516/11	Phase 2
					240516/12	Retention payout
Renovation to Welfare Centre	Contractor No. 2	38,000.00	25.05.16	24.05.16	240516/14	Phase 1
				24.05.16	240516/15	Phase 2
				24.05.16	240516/16	Retention payout
Upgrade of Infrastructure and Amenities						
Extension of Quartermasters Store	Contractor No. 2	36,000.00	25.05.16	24.05.16	240516/1	Phase 1
				24.05.16	240516/2	Phase 2

Project	Contractor	Contract Cost (\$)	Date MOA signed by both parties	Invoice Date	Invoice Number	Particulars
Phase 1				24.05.16	240516/3	Phase 3
				24.05.16	240516/4	Retention
Extension of Quartermasters Store Phase 2	Contractor No. 2	36,000.00	25.05.16	24.05.16	240516/5	Phase 1
				24.05.16	240516/6	Phase 2
				24.05.16	240516/7	Phase 3
				24.05.16	240516/8	Retention
Strategic Headquarters Finance Conference	Contractor No. 3	15,875.00	27.06.16	27.06.16	336	Phase 1
				27.06.16	337	Phase 2
<b>Upgrade of Force Training Group</b>						
Upgrade of Married Quarters 42	Contractor No. 2	44,500.00	19.01.16	13.01.16	130116	Phase 1
				13.01.16	130116/1	Phase 2
				13.01.16	130116/2	Phase 3
				13.01.16	130116/3	Retention

Splitting of contracts results in circumvention of established procurement policies and procedures of Government which are designed to promote accountability and transparency.

#### 19.6.3.2 Breach of terms and conditions of Memorandum of Agreements

The remaining 10% of the agreed sum can be claimed at the end of the Defects Liability Period (30 days or 90 days) if there are no defects to the completed works.<sup>23</sup> A liquidated damage of \$100.00 per day shall apply.<sup>24</sup>

Contrary to the clauses in the Memorandum of Agreement, the RFMF paid the retention monies to the contractor at the completion of the project and not at the end of the defect liability period. Refer to *Appendix 19.5* for details.

Moreover, the RFMF did not exercise its right to claim for liquidated damages totalling \$18,600 from contractors that did not complete the projects within the agreed timeline. Refer to Table 19.11 for details.

**Table 19.11: Details of contract completed after the agreed timeframe.**

Project	Contractor	Contract Cost (\$)	Date Agreement signed	Period Of works	Target Completion date	Date of completion	No. of Days over
<b>Renovation to RFMF Infrastructure</b>							
Land Force Operations Block	Contractor No.1	36,880	24.05.16	21	27.06.16	01.07.16	4
Bandroom Female Ablution	Contractor No.1	22,680	22.03.16	21	22.04.16	07.06.16	32
LFC Lecture Room	Contractor No.1	19,350	24.05.16	21	27.06.16	01.07.16	4
Renovation to Married Quarters 4	Contractor No.2	34,000	21.03.16	15	13.04.16	18.04.16	3
ORS Living In Barracks Laundry	Contractor No.2	25,000	06.02.16	15	26.02.16	04.04.16	23
Renovation to Married	Contractor No.3	35,220	08.02.16	15	01.03.16	08.03.16	5

<sup>23</sup> Standard Clause for all Construction Projects with RFMF

<sup>24</sup> Standard Clause for all Construction Projects with RFMF

Project	Contractor	Contract Cost (\$)	Date Agreement signed	Period Of works	Target Completion date	Date of completion	No. of Days over
Quarters 9							
<b>Upgrade of Logistic Support Unit</b>							
Re-roofing of ORs Mess Bar	Contractor No.3	37,790	04.02.16	15	25.02.16	08.03.16	7
Re-roofing of ORs Mess Dining Hall	Contractor No.3	42,750	04.02.16	15	25.02.16	08.03.16	7
Upgrade of LSU Bay-Internal Partition Phase 1	Contractor No.3	32,000	02.05.16	21	06.06.16	31.05.16	4
<b>Upgrade of Infrastructure and Amenities</b>							
Replacement of SHQ Windows	Contractor No.3	4,750	28.04.16	7	09.05.16	20.05.16	9
Re-roofing of Materials Stores	Contractor No.2	37,000	20.01.16	15	10.02.16	02.03.16	14
<b>Upgrade of Sukanaivalu Barracks</b>							
Upgrade of accommodation Block 1	Contractor No.5	16,000	12.05.16	15	06.06.16	04.07.16	19
Upgrade of Accommodation Block 2	Contractor No.5	16,000	12.05.16	15	06.06.16	04.07.16	19
Renovations to welfare facility	Contractor No.6	34,500	12.05.16	15	06.06.16	01.07.16	18
Renovations to transit quarters	Contractor No.6	29,000	12.05.16	15	06.06.16	01.07.16	18
<b>Total number of days contract was delayed</b>							<b>186</b>
<b>Total delay damages not claimed</b>							<b>\$18,600</b>

### 19.6.3.3 Inaccurate Capital Progress Report

The preparation of management reports allows senior management to analyse the standing of the agency for a particular period and assists in meeting the management responsibilities imposed by the Act. Timely and accurate management are necessary for effective management decisions.<sup>25</sup>

The audit noted a variance of \$263,092.94 between the actual cost of the projects reported in the progress report<sup>26</sup> and the FMIS general ledger. Refer to Table 19.12 for details.

**Table 19.12: Details of Variance between Progress report and FMIS**

Projects	Progress Report (\$)	FMIS Balance		Variance (\$)
		SEG 8 (\$)	SEG 13 (\$)	
Blackrock Integrated Peacekeeping Centre	279,707.00	84,611.00	7,614.99	187,481.01
Renovation of RFMF Infrastructure	381,280.00	346,906.08	31,221.55	3,152.37
Upgrade of Sukanaivalu Barracks	280,800.00	245,925.50	22,133.30	12,741.21
Upgrade of Logistic Support Unit	202,430.00	202,318.55	18,208.67	(18,097.22)
Upgrade of Infrastructure and Amenities	300,640.00	198,623.79	17,876.14	84,140.07
Upgrade of Force Training Group	156,828.00	149,681.19	13,471.31	(6,324.50)
<b>Total</b>	<b>1,601,685.00</b>	<b>1,228,066.11</b>	<b>110,525.96</b>	<b>263,092.94</b>

<sup>25</sup> RFMF Finance Manual Part 18

<sup>26</sup> Prepared by: Chief Staff Officer Force Development

Therefore, inaccurate capital progress reports were submitted to Management for information and decision-making.

#### **19.6.3.4 Provisional tax not withheld**

A business making commission payment or payment under a contract for services where there is a written agreement is required to withhold 5% withholding tax (also known as provisional tax).<sup>27</sup>

The audit noted that the RFMF did not withhold 5 percent withholding tax from payments made to contractors. Refer to Table 19.13 for examples

**Table 19.13: Provisional Tax Not Withheld**

Contractor	Particulars	Total Amount Paid (\$)	Provisional Tax (\$)
Contractor No.1	Payment for capital construction works	112,457	5,6223
Contractor No.2	Payment for capital construction works	371,557	18,578
Contractor No.3	Payment for capital construction works	308,872	15,444
Contractor No.4	Payment for capital construction works	188,687	9,434
Contractor No.5	Payment for capital construction works	29,358	1,468
Contractor No.6	Payment for capital construction works	58,261	2,913
Contractor No. 7	Engineer consultation design for Blackrock project	84,611	4,231

The RFMF has breached the statutory requirement relating to Fiji Income Tax Act, hence is exposed to penalties.

#### **Recommendations**

**The RFMF must:**

- ensure compliance with the Splitting of Contracts Policy 2014 and ensure that the approval of the Tender Board is obtained for any purchases above \$50,000;
- ensure that a Memorandum of Agreement is signed prior to the engagement of a contractor;
- comply and exercise their rights as stated in the Memorandum of Agreement;
- ensure that progress reports submitted to management for information decision-making are accurate; and
- comply with the requirements of FRCA for Provisional Tax deductions for all contracted service providers.

#### **Management Comments**

*OAG findings and recommendations are noted.*

*The Force will strengthen its internal control by:*

<sup>27</sup> FRCA Fiji Tax & Customs Summary 2016 – Clause 19



- *approval of the Major Tenders Board will be sought for any purchases above \$50,000.00;*
- *MOA are signed by both parties before the engagement of a contractor;*
- *splitting of projects will not be entertained in the next financial year and in compliance to the MoF Splitting of Contracts Policy 2014;*
- *Clauses in the MOA such as liquidated and ascertained damages will be closely monitored;*
- *all progress payment will be verified by the Ministry of Infrastructure and Transport (MoIT) prior to payments this is to ensure that progress report submitted to managements for decision making are accurate in all aspects; and*
- *Comply with requirements of FRCA for Provisional Tax deductions for all contracted service providers.*

#### 19.6.4 Weak Internal Controls in the Management of Food Rations

All units will forward to Supply Company a daily rations state form. The daily ration state form will compile the daily state ('living in' strength the previous day and the strength increase/decrease during subsequent 24 hrs) and the ration strength forecasts seven days in advance.<sup>28</sup>

Supply Company will compute from the information contained in the Daily Ration State the Unit's entitlement to complete rations. The Unit's entitlement will be posted each day to a **Ration Reconciliation Book** and totalled at the end of each month.<sup>29</sup> When supplies are uplifted or delivered at the store the supplies will be brought on charge from the Requisition Form or the Invoice to the **Ledger Stock Card**.<sup>30</sup>

Unit Daily Ration States will be completed by Supply Company and breakdown of ration issues to Messes will be made on Daily Ration Demand (DRD) forms.<sup>31</sup> Receipted DRD will be checked and then posted daily to the **Ledger and Stock Card**.<sup>32</sup> Supply Company will maintain a record of the Ration Reconciliation Books showing the number of rations demanded daily by each unit and the number of rations to which the unit is entitled. This record will show as a unit credit or debit the extent of under-drawing or overdrawing of rations and will be available to units on request at any time<sup>33</sup>.

The following weaknesses were noted from the review of the internal controls over the management of food rations.

- Units<sup>34</sup> did not submit the Daily Ration State Form. Instead, the Units used the Daily Ration Demand Forms to order rations from the RFMF Supply Company.
- RFMF's Supply Company did not maintain a Ration Reconciliation Book that records the number of rations demanded and entitlements for each units.
- RFMF's Supply Company did not prepare the Daily Ration Demand Form.

Refer to *Appendix 19.6* for examples.

The above finding indicates non-compliance to regulations governing the supply and accounting of food rations hence increasing the risk of mismanagement of rations.

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<sup>28</sup> RFMF Standing Orders Volume 2 – Part 2: Supply/Inventory Accounting, Chapter 17, Par 2.17.6

<sup>29</sup> RFMF Standing Orders Volume 2 – Part 2: Supply/Inventory Accounting, Chapter 17, Par 2.17.8

<sup>30</sup> RFMF Standing Orders Volume 2 – Part 2: Supply/Inventory Accounting, Chapter 17, Par 2.17.15 (b)

<sup>31</sup> RFMF Standing Orders Volume 2 – Part 2: Supply/Inventory Accounting, Chapter 17, Par 2.17.19

<sup>32</sup> RFMF Standing Orders Volume 2 – Part 2: Supply/Inventory Accounting, Chapter 17, Par 2.17.24

<sup>33</sup> RFMF Standing Orders Volume 2 – Part 2: Supply/Inventory Accounting, Chapter 17, Par 2.17.34

<sup>34</sup> Officers Mess, Sergeants and Warrants Officers Mess and Other Ranks Mess

**Recommendation**

**The RFMF should ensure that all units including the supply company complies with instructions stipulated in the RFMF Standing Order Volume 2.**

**Management Comments**

*OAG findings and recommendations are noted.*

*The Force Supply Company has jurisdiction and command over all the QEB Messes; so the stock and ledger cards are kept at Supply Company HQ.*

*It is now compulsory for all Messes to raise the Daily Ration Demand form and submit to the Supply Company for the purchasing of rations as recommended.*

**19.6.5 Breach of Government Tender Board Approval**

For the supply of fresh and frozen root crops, vegetables, fish, meat, eggs, margarine and ice cream the government has contracts mainly with Freshet International, Joes Farm and Ashabhai & Company.<sup>35</sup> For the supply of general food items the government has contracts mainly with Morris Hedstrom, Pacific Hai An Corporation, Punja & Sons, Hardip Narayan & Sons Ltd and Ashabhai & Company.<sup>36</sup>

From a samples totalling \$132,636.77 which were tested, the audit noted that RFMF purchased items valued at \$13,854.80 or 10% from non-approved suppliers. Refer to Table 19.14 for examples.

**Table 19.14: Purchase of foods items from supplier other than approved suppliers.**

Item	Tender			Actual		Variance (\$)
	Quantity	Unit Cost (\$)	Total Cost (\$)	Unit Cost (\$)	Total Cost (\$)	
Other Supplier						
Biscuit	44	25	1,100.00	39.27	1,727.88	(627.88)
Corned Beef	18	178.56	3,214.08	213.76	3,847.68	(633.60)
Tuna Flakes	18	58.56	1,054.08	103.12	1,856.16	(802.08)
Noodles	15	33	495.00	51.56	773.40	(278.40)
Baked Beans	36	36	1,296.00	83.78	3,016.08	(1,720.08)
RFMF Farm						
Cassava	880kg	1.20	1,056.00	1.2	1,056.00	-
Pumpkin	160kg	1.30	208.00	1.2	192.00	16.00
English Cabbage	106kg	3.00	318.00	1.35	143.10	174.90
Chinese Cabbage	67kg	2.00	134.00	1.35	90.45	43.55
Tomato	97kg	1.00	97.00	0.95	92.15	4.85
Lettuce (Brown)	88kg	6.00	528.00	5.5	484.00	44.00
Lettuce (Green)	42kg	4.00	168.00	3.5	147.00	21.00
Eggplant	115kg	1.20	138.00	1.15	132.25	5.75
French Bean	74kg	2.50	185.00	2.45	191.30	(6.30)

<sup>35</sup> Tender No. 162/2014 , GTB Meeting No. 1/2015 dated 28<sup>th</sup> January 2015

<sup>36</sup> Tender No. 157/2014 , GTB Meeting No. 23/2014 dated 15<sup>th</sup> December 2014

Item	Tender			Actual		Variance (\$)
	Quantity	Unit Cost (\$)	Total Cost (\$)	Unit Cost (\$)	Total Cost (\$)	
Long Bean	43kg	2.50	107.50	2.45	105.35	2.15
<b>TOTAL</b>			<b>10,098.66</b>		<b>13,854.80</b>	<b>(3,756.14)</b>

The above finding indicates non-compliance with Government Tender Board approval which may result in uneconomical purchases or purchase of goods and services of substandard quality.

### **Recommendations**

**RFMF must ensure that:**

- purchases are made from approved suppliers; and
- justifications are obtained and documented for making purchases from non-approved suppliers.

### **Management Comments**

*OAG findings and recommendations are acknowledged.*

*The Force purchased items from non-contracted suppliers due to the following reasons:*

- Items were urgently needed for TC Winston HADR deployment;*
- Unavailability of items with contracted suppliers;*
- Poor quality of the items supplied by the contracted suppliers; and*
- Proximity of supplier to the area of work.*

*The RFMF Farm also operates as a reserve Unit for the RFMF and provides for the institution in times of need at lower prices than the tendered prices. The Force purchased vegetables from the time as a mitigation measure when the country faced shortages of this commodity after the aftermath of cyclone Winston.*

*The RFMF Logistic Support Unit (LSU) has been advised to provide evidence when contracted Suppliers cannot supply goods and services due to items out of stock. This is to be reported in writing on the Payment Voucher.*

## **19.6.6 Adopt a School Program**

Proper management of expenditure is fundamental in ensuring that value for money is obtained in delivering services to the community. Cost effective internal controls within the purchasing and payments systems also plays an important part in ensuring that waste of funds, over – expenditures and corruption do not occur.

The RFMF transferred<sup>37</sup> \$20,000 from the Drawings Account to the TMA account as assistance in rebuilding a school that was damaged during the Cyclone Winston. The audit noted that:

- assistance was already provided to the school by the Republic of Indonesia Defence Force through the government initiative of adopt a school program;
- the expenditure was not budgeted for in 2016. However, the Director Finance and Logistics and

<sup>37</sup> Electronic Transfer Number 14373 dated 24<sup>th</sup> May 2016

Acquisition (DFLA) confirmed via email<sup>38</sup> that the Deputy Commander approved the funding to be sourced from the Operating Fund Account;

- the payment voucher was not authorised, the commitment ledger was not maintained and acquittals were not submitted by the RFMF Engineers to the Principal Accountant for the utilisation of funds.

Moreover, the audit could not substantiate the criteria used by RFMF for selecting the school as relevant documentation was not provided for audit verification.

As a result, other schools requiring the assistance may have been deprived from the much-needed assistance. The risk of unauthorised expenditure is high when there is no proper authorisation of expenditure.

### **Recommendation**

**The RFMF must ensure that proper approvals are obtained for expenditure of public funds.**

### **Management Comments**

*Under the adopt a school program the Indonesian Military Engineers Corp had adopted Queen Victoria School to repair and rebuild after damages made to the school buildings by Cyclone Winston. RFMF engineers worked together with their counterparts in the rehabilitation works.*

*Parts of works required are the hire of machinery from the Plant TMA and as such RFMF contribution to the rehabilitation of works was to pay the Plant TMA which is the business arm of the Force for the hire and fuel charges of plant totalling \$20,000. The uncertified voucher was a clerical error and RFMF will ensure that all vouchers are certified prior to payment.*

#### **19.6.7 Purchase in excess of tendered amount**

The Government Tender Board in its Meeting No. 13/2013 on 10/07/2013 awarded the contract for the supply of winter clothing to various companies in Tender No. CTN 46/2013. Supplier A was contracted for the supply of 1,070 round neck Tees (short sleeve) at \$25 per unit cost and for a total cost of \$26,750.

Contrary to the Tender Board approval, the RFMF purchased 1,725<sup>39</sup> round neck tees valued at \$43,125, resulting in excessive purchase of t-shirts valued at \$16,375.

The above has resulted in unauthorised purchases or over-expenditures.

### **Recommendation**

**The RFMF should investigate the reasons for excessive purchases made and ensure compliance with the Tender Board approval at all times.**

### **Management Comments**

*OAG findings and recommendation is acknowledged.*

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<sup>38</sup> Email from DFLA to Chief of Staff Finance dated 19<sup>th</sup> May 2016

<sup>39</sup> Cheque Number 14414 dated 24<sup>th</sup> May 2016

*The Force will investigate the reasons for excessive purchases made and will ensure compliance with GTB approval at all times.*

## **19.6.8 Sea freight payments**

The air baggage allowance for students and family members will be the standard 20kg. However, on return to Fiji, students may additionally send books and papers etc. by sea freight up to a maximum volume of one (1) cubic meter at RFMF expense.<sup>40</sup>

The SO Acts, CSO Fin or SO Trade must not certify a payment as correct unless they are satisfied that: it is in accordance with an LPO, indent, contract, invoice, statement or other authorisation and there is documentation that the goods, services or works have been received.<sup>41</sup>

An Officer receiving training at Government expense, including any on aid made available by donor countries and organisations, must be bonded before they proceed on training either on pay or without pay to serve in the Public Service or elsewhere for a specified period.<sup>42</sup>

Arrangement for bond will for any period of study up to and including three months, for over three months up to and including one year and above one year will be bonded correspondingly.<sup>43</sup>

Audit review of sea freight payments to officers revealed the following anomalies:

- sea freight payments, in some cases, were made on the strength of quotations received from the logistic companies;
- sea freight charges totalling \$9,569.97<sup>44</sup> were paid to the officers instead of the logistic companies. However, the officers were yet to provide<sup>45</sup> a copy of the invoice or bill of lading.

Moreover, the RFMF did not bond officers who had undertaken fully-funded overseas trainings. Without the training bond, RFMF may easily lose its investment in training and development of personnel.

In the absence of relevant supporting documents, there was no evidence to indicate that the officers to whom payments were made had transported their personal equipment.

Non-compliance with regulations established to govern procurements and payments of goods and services increases the risk of mismanagement of funds.

### **Recommendations**

**The Force should ensure that:**

- **claims for reimbursement of excess baggage claims are properly scrutinised and payments are made to officers who provide the required supporting documents; and**
- **officers are bonded prior to undertaking fully-funded overseas training.**

<sup>40</sup> Administrative Instructions No. 42 (First Revised) Paragraph 17.

<sup>41</sup> RFMF Finance Manual – Part 2.8.4

<sup>42</sup> General Orders 2011 – Section 901 Part A

<sup>43</sup> Administrative Instruction No. 55 Overseas and Local Civilian Courses – Clause 5

<sup>44</sup> Cheque Numbers: 14424, 14425, 14517 and 15480

<sup>45</sup> As at 24<sup>th</sup> October, 2016

## **Management Comments**

*OAG findings and recommendations are noted.*

*Payment of freight on quotations will now be charged to the officer's accountable advance. Officers will be required to retire this through production of receipts and other documentation from freight companies.*

*Officers on overseas training will be required to sign a bond.*

### **19.6.9 Variances in Payroll**

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced.<sup>46</sup> The Warrant Officer Pay shall record the manual payment of the appropriate input form. The form shall be used to update the payroll records in the automated payroll system ....<sup>47</sup> No manual payment of salary is permitted except upon written approval from the Permanent Secretary for Finance.<sup>48</sup>

The audit noted the following anomalies from the review of payroll records:

- Variances were noted between the FMIS general ledger and Government Payroll System for payment of allowances. Refer to Table 19.15 for details.

**Table 19.15: Details for variance between FMIS and Government Payroll System**

	Description	FMIS <sup>49</sup> (\$)	Government Payroll System (\$)	Variance (\$)
Lodging Allowance	Allowances paid to married soldiers to assist in paying cost of rent and lighting charges, incurred while they are not in occupation of official quarters	4,935,410	4,913,280	22,130
Remote Allowance	payable to a member who is required to undertake duty and live in a remote area of Fiji	682,874	679,534	3,340
Service Allowance	payable to a service person after taking the Oath/Affirmation of allegiance to serve in the regular Force.	2,818,271	2,832,237	(13,966)
Location Allowance	Paid to officers and soldiers when posted for service/training in an overseas country.	26,674,918	26,672,660	2,258
Established Staff	Salary paid to a service person	<sup>50</sup> 75,119,335	75,108,047	11,288

- Gratuity allowance of \$18,799.40<sup>51</sup> was manually paid to an officer on 12 May 2016. The manual payment was not updated in the government payroll system. Similarly, review of the FMIS general ledger posting revealed that a total of \$105,584.29 manual payments were made during the period. Refer to *Appendix 19.7* for details.

<sup>46</sup> RFMF Finance Manual 2014 – Part 17.2.4

<sup>47</sup> RFMF Finance Manual 2014 – Part 4.5.10

<sup>48</sup> RFMF Finance Manual 2014 – Part 4.5.8

<sup>49</sup> Total FMIS balance for Head 19 – Fiji Military Force and Head 49 – Peacekeeping Missions

<sup>50</sup> Excluding Fiji National Provident Fund and Fringe Benefit Tax

<sup>51</sup> Cheque # 14075 – EDP # 25441

Non-reconciliation of the general ledger with payroll system can result in errors and omissions and fraud not being detected and rectified on a timely basis. Moreover, failure to update manual payments in the government payroll system increases the risk of payroll expenditures being misstated at the end of the financial year.

### **Recommendations**

**The RFMF must:**

- **investigate the variances highlighted and ensure that general ledger and government payroll system reconciles; and**
- **ensure that manual payments are promptly updated in the Government Payroll System.**

### **Management Comments**

*OAG findings and recommendations are noted.*

- *The RFMF will ensure that manual payments are updated into the Government Payroll System once payments being effected;*
- *The Force under the Director of Peacekeeping Operations (DPKO) are working very hard to maintain proper documentation of RFMF personnel deployed for missions;*
- *The issue was brought up to the management for information and clarification and also to HR division for information and necessary action since they are looking after the welfare soldiers; and*
- *The Force will be recruiting civilian staffs for record keeping as recommended.*
- *Variances reported have been reconciled.*

## **19.6.10 Revenue not fairly stated in the Financial Statements**

The cash basis of accounting recognises transactions and events only when cash (including cash equivalents) is received or paid by the entity.

Audit review of revenue records revealed the following anomalies:

- VAT receivable amounting to \$29,852 has been recognised as revenue during the year; and
- income received from marching band performance has not been recognised as operating revenue but is kept in the Band Trust Account. The RFMF purchased new band equipment worth \$408,761 during the year and charges a fee for the band to perform.

The above anomalies increase the risk of revenue being materially misstated in the financial statements.

### **Recommendations**

**The RFMF must ensure that:**

- **revenue is recorded and recognised when cash is received; and**
- **VAT receivable recorded as revenue is reversed and adjusted to the correct allocation.**

## **Management Comments**

*OAG findings and recommendations are noted.*

*Meetings with those in Hydrographic Units have been finalized and way forward has been identified and implemented herewith; and Recommendation is noted and the way forward is for RFMF to abide by the regulation stipulated in the Financial Instruction and Finance Manual.*

*The RFMF Band does not charge fees on official function. The Band however is sometimes invited to perform at charity events or functions where organisers are required to assist in travel and accommodation costs. In these instances funds are sometimes deposited in to the Band fund for ease of payments and convenience purpose. The RFMF Band is sometimes also tasked to perform outside their (military) regimental core duties for which they are budgeted for, such as visits to affected areas post natural disasters to provide moral support to the affected citizens of Fiji. In these instances the Band fund is used to assist their deployment. It is to be noted that the RFMF Band is not a money generating entity.*

### **19.6.11 Anomalies in Underline Accounts**

The Chief Staff Officer Finance is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>52</sup>

Travelling advances must be recouped within 7 days of the completion of travel by submission of a voucher with documents to support the claim. Where a travelling advance has not been fully expended, it must be repaid to the agency within 7 days of the completion of travel. Where a travelling advance is not cleared within 7 working days of the completion of travel, recovery must be made from the concerned officer's salary within 6 fortnights.<sup>53</sup>

The following anomalies were noted from audit review of the Underline accounts:

- Variances were noted between the total debit and credit of the Operating Trust account, Drawings account and SLG84 reconciliation statement and FMIS general ledger. Refer to Table 19.16 for details.

**Table 19.16: Details of total debits and credits variance between Reconciliation Statement and the FMIS General Ledger**

Account	Total	Reconciliation Statement (\$)	FMIS (\$)	Variance (\$)
Operating Trust Reconciliation	Debits	36,781,078	37,436,162	655,084
	Credits	36,588,324	37,243,344	655,021
Drawings	Debits	99,169,233	99,344,925	175,692
	Credits	101,308,289	101,487,158	178,869
Receipts of Cheques from Other Ministries (SLG 84)	Debits	157,344	113,209	44,135
	Credits	209,735	113,209	96,526

- Variance of \$52,391 was noted between the reconciliation statement and FMIS general ledger for SLG 84 (Receipts of Cheques from Other Ministries).

<sup>52</sup> RFMF Finance Manual 2014 = Part 16

<sup>53</sup> Finance Instruction 2010 – Section 44



- As at 31st July 2016, the Operating Trust Account had a balance of \$3,337,122 of which \$3,077,393 or 92% was carried forward from prior years.
- Advances totalling \$39,242 were not cleared within seven days resulting in expenditures being understated. Refer to Table 19.17 for details.

**Table 19.17: Details of advances not retired**

Officer No	Date	Balance (\$)
28862	15/1/15	788
29420	Feb 2015	1,019
29708	Feb 2015	807
29181	16/3/15	72
23542	5/5/15	162
27425	14/7/15	420
29535	Aug 15	180
30965	Aug 15	180
31619	Aug 15	180
23854	29/1/16	45
27425	15/4/16	27
29193	15/4/16	27
31365	11/5/16	72
25215	20/5/16	1,209
28606	20/5/16	2,744
25542	24/5/16	45
28877	30/6/16	72
26237	30/6/16	299
25839	15/6/16	13,442
24416	16/6/16	63
28877	16/6/16	10,327
28726	21/6/16	2,880
30869	19/7/16	4,182
<b>Total</b>		<b>39,242</b>

The above findings indicate lack of supervisory checks of the personnel responsible for preparing of reconciliations.

Failure to settle liabilities and rectify variances on time may result in write offs in future.

### **Recommendations**

**The RFMF must ensure that:**

- **Operating Trust, Drawings and SLG 84 (Receipt of Cheques from Other Ministries) accounts prepared by RFMF are reconciled to the FMIS general ledger. Any variances noted should be investigated and necessary adjustments made; and**
- **Travelling advances are cleared within 7 days of the completion of the travel; failing which recovery should be made from the responsible officer's salary.**

### **Management Comments**

*OAG findings and recommendations are acknowledged.*

*The way forward implemented by the Accounts Section is to create and activate a new SLG 84 Accounts to identify different projects with different allocations. e.g. 1-19101-1999-840101-001 is for Wainibuku Project.*

*The Force will ensure that the travelling advances are cleared within 7 days of the completion of the travel as recommended.*

## **19.7 Trading and Manufacturing Account**

The RFMF has two Trading and Manufacturing Activity (TMA) account namely the Plant Pool and the Hydrographic Service. The Plant Pool was formed in 1978 to construct and develop roads to the inaccessible parts of rural areas in Fiji while the Fiji Hydrographic Service was transferred to the RFMF's naval division in 2010 to provide accurate Oceanographic and Hydrographic Information and Services

The following discrepancies were noted from audit review of the trading and manufacturing activities.

### **19.7.1 Weaknesses in Internal Control for TMA**

The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.<sup>54</sup>

The TMA Manager shall prepare a draft business plan documenting the planned performance and profit target of each TMA activity for the planned year and for the following three years.<sup>55</sup>

Chief Staff Officer Finance must ensure that payments documents are processed correctly by having different officers assigned to approving invoices for payments; reviewing and reconciling financial records before payments are done and signing cheques.<sup>56</sup> The TMA Manager shall be responsible for preparing and submitting to Ministry of Finance a monthly reconciliation statement within 15 days after the end of the month.<sup>57</sup>

Goods or services shall only be sold at the prices set out in the Schedule of Prices. Any proposed changes in prices must be submitted through the Ministry of Finance to Cabinet for approval.<sup>58</sup>

Audit review of internal controls for the Trading and Manufacturing Account revealed the following weaknesses:

- the planned performance and profit target for three subsequent years (2017, 2018 and 2019) was not documented in the 2016 business plan.
- there was no segregation of duties. The authorised cheque signatories (EDP No. 53431, SB320, 60067 and RT471) for the RFMF TMA Account<sup>59</sup> are the same officers assigned to approve invoices for payments, reviewing and reconciling of financial records before payments are done.
- monthly bank reconciliations were not submitted to the Ministry of Economy on a timely basis. Refer to Table 19.18 for details.

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<sup>54</sup> Finance Instruction 2010 – Section 59

<sup>55</sup> RFMF Finance Manual 2014 – Part 6.1.1

<sup>56</sup> RFMF Finance Manual 2014- Part 17.2.1

<sup>57</sup> RFMF Finance Manual 2014 – Part 6.5.5

<sup>58</sup> RFMF Finance Manual 2014 – Part 6.4.1 and 6.4.2

<sup>59</sup> Bank of South Pacific

**Table 19.18: Status of Bank Reconciliations submitted to Ministry of Economy**

Month	Hydrographic Account	Plant Pool Account
January	27/04/2016	Date prepared could not be determined as cover page was missing
February	27/04/2016	
March	05/05/2016	05/05/2016
April	15/06/2016	15/07/2016
May	Prepared on time	15/07/2016
June	19/07/2016	19/07/2016
July	27/09/2016	Signed copy not made available

- Cabinet is yet to approve the rates<sup>60</sup> at which the vehicles/plants are to be hired.

The above findings indicate the existence of weak controls which if not addressed would result in financial losses in the future.

### **Recommendations**

**The RFMF must ensure that:**

- **the business plan is prepared in accordance with Section 6.1.1 of the Finance Manual;**
- **cheque signatories are independent of the procurement process;**
- **bank reconciliations are prepared and submitted to Ministry of Economy in a timely manner; and**
- **approval for prices for plant/vehicle hire is followed up with the Ministry of Economy.**

### **Management Comments**

*OAG findings and recommendations are noted.*

*The Force has improved its internal control for financial year ending 31 July 17 by:*

- *Officers concerned had been advised to prepare business plan in accordance with Finance Manual; and*
- *Monthly bank reconciliations for TMA are now prepared and submitted to the Ministry of Economy in a timely manner.*
- *The charges by the Engineers TMA are still being reviewed before approval is sought from the MOE.*

## **19.7.2 Weaknesses in Fuel Management**

Access to inventory stores shall be limited to the storekeeper. All other officers shall be restricted from entering storage facilities unless approval is granted by the store keeper.<sup>61</sup>

<sup>60</sup> With effective from: July 2011

<sup>61</sup> RFMF Finance Manual – Part 8 – Inventory Management Clause 8.2.2

The inventory bookkeeper shall maintain the inventory register to record incoming and outgoing inventory.<sup>62</sup> The inventory book keeper shall ensure that the register is kept up to date at all times.<sup>63</sup>

Ledger cards and Petroleum Oil and Lubricants (POL) receipt issue sheets will be balances with closing balance carried forward. POL receipt and issue sheets will be filed for audit<sup>64</sup>. All tanks will be dipped and recorded on the POL Receipts and Issue Sheets before the first issue each day and at the end of each day<sup>65</sup>. Reconciliation is to be carried out against the Receipt and Issue Sheet.<sup>66</sup>

Audit review<sup>67</sup> of the fuel records at the Engineering Division revealed the following weaknesses:

- The garage where the kerosene, premix, azolla and rubia were kept is not locked. Similarly, the fuel tank is not locked when not in use. Hence, there is a very high risk of loss of fuel through theft and misuse;
- the fuel management officer did not carry out daily measurement of fuel in tanks. Consequently, the fuel inventory reconciliation was not performed;
- fuel purchased was not promptly recorded in the fuel inventory book;
- the closing stock balance was not carried forward to the subsequent month; and
- discrepancies in fuel records were not promptly investigated and rectified.

The above findings indicate the existence of weak controls in fuel management and responsible officers are not discharging their responsibilities to ensure the accuracy and completeness of fuel records. Without physical verification, it would be difficult to identify missing fuel and reconcile fuel inventory.

### **Recommendations**

**The RFMF must ensure that:**

- **controls and records over fuel management are improved; and**
- **discrepancies in fuel are promptly investigated and disciplinary action taken against responsible officers.**

### **Management Comments**

*OAG findings and recommendations are acknowledged.*

*It is to be noted that the TMA stores its fuel for its vehicles on drums and not in tanks as reported.*

*However the staffs concerned had been advised accordingly to regularly update fuel records as and when there's a movement on fuel as recommended.*

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<sup>62</sup> RFMF Finance Manual – Part 8 – Inventory Management Clause 8.1.3

<sup>63</sup> RFMF Finance Manual – Part 8 – Inventory Management Clause 8.1.4

<sup>64</sup> RFMF Standing Orders Volume 2 – Part 3 Chapter 8 Section 2.8.10

<sup>65</sup> RFMF Standing Orders Volume 2 – Part 3 Chapter 8 Section 2.8.11

<sup>66</sup> RFMF Standing Orders Volume 2 – Part 3 Chapter 8 Section 2.8.14

<sup>67</sup> Audit inspection dated 29 September 2016

### 19.7.3 Anomalies in Trading and Manufacturing Activity – Plant Pool and Hydrographic

The profit and loss statement and the balance sheet must be prepared on an accrual basis.<sup>68</sup> The Chief Staff Officer Finance is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>69</sup>

Audit review of the Trading and Manufacturing Activity account revealed the following anomalies:

- Revenue totalling \$36,695 collected in 2015 has been recorded in the 2016 general ledger. As a result, TMA sales are overstated by \$36,695. The TMA Manager confirmed that this was due to the delays in posting of direct deposits to the FMIS general ledger. Refer to Table 19.19 for details.

**Table 19.19: 2015 Direct Deposits as 2016 Receipts**

Date	Amount (\$)
17/11/2015	16,956
18/11/2015	4,140
29/12/2015	15,600
	<b>36,696</b>

- There was a variance of \$72,007 between the FMIS general ledger and the Statement of VAT account received from Fiji Revenue and Customs Authority (FRCA). Refer to Table 19.20 for details.

**Table 19.20: Statement of VAT reconciliation to FMIS**

Description	Amount (\$)
Closing Balance as per Statement of VAT (05/07/2016)	73,145
Less: June & July Assessment	1,902
	71,243
VAT Refund as per FMIS	143,250
Variance	<b>72,007</b>

The audit further noted that the VAT from the sale of hydrographic charts and the refund of \$5,125.79 was not disclosed in the June 2016 VAT returns lodged to FRCA.

- There was no independent verification carried out for inventory balance of \$25,363. Consequently, audit could not substantiate the accuracy and the completeness of the inventory amount.

The above anomalies imply that the Trading and Manufacturing Accounts may not fairly reflect the financial performance and position of the TMA operations.

### **Recommendations**

**The RFMF should ensure that:**

<sup>68</sup> Finance Instructions 2010, Section 30 (2)

<sup>69</sup> RFMF Finance Manual 2014 - Part 16

- **direct deposits are promptly posted to the FMIS general;**
- **proper reconciliations are carried out and any errors are investigated and adjusted accordingly; and**
- **year-end stocktake is independently verified.**

### **Management Comments**

*OAG findings and recommendations are noted.*

*The Force had strengthened its Internal Control by discouraging direct deposit to the bank by the clients. All revenues are to be receipted at HQ and credited to various allocations including TMA.*

*It is to be noted that the Navy Hydrographic Unit is no more operating under the TMA from 01st August 2016 and being approved by the Ministry of Economy. All funds associated to be transferred by the MoE from the TMA to the CFA.*

*In addition Vat Returns for the TMA will be checked by the Accounts Section to ensure that vat payments are correct in all aspects.*

## **19.8 Project Account**

The Engineers Regiment operates a trust account for construction/extension of teachers' quarters, classrooms, hospital and footbridge.

The following discrepancies were noted from an audit review of the Project Account.

### **19.8.1 Weaknesses in Internal Control for Project Account**

The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.<sup>70</sup>

Where officers are authorised to collect revenue (revenue collectors), the CSO Finance must provide them with a letter of appointment.<sup>71</sup> The Staff Officer Ledgers shall maintain a distribution register recording all receipt books and other revenue earnings forms issued to Navy/Engineers/Strategic HQ revenue collectors.<sup>72</sup> When cash or bank cheques are received, the revenue collector shall immediately issue an 'official receipt'.<sup>73</sup>

The Commanding Officers of Units must maintain a Commitment Ledger in which he/she shall record all known commitments as required under Finance Instruction 13.<sup>74</sup> The CO's of units must ensure that the Commitment Ledger is up to date.<sup>75</sup>

Audit review of the internal controls system for the Project Account revealed the following weaknesses:

<sup>70</sup> Finance Instruction 2010 – Section 59

<sup>71</sup> RFMF Finance Manual 2014 – Part 5.1.1

<sup>72</sup> RFMF Finance Manual 2014 – Part 5.2.10

<sup>73</sup> RFMF Finance Manual 2014 – Part 5.3.1

<sup>74</sup> RFMF Finance Manual 2014 – Part 2.7.1

<sup>75</sup> RFMF Finance Manual 2014 – Part 2.7.3

- the revenue collector was not formally appointed by the Chief Staff Officer Finance;
- Distribution Register was not maintained to record all receipt books issued to the revenue collectors; and
- Unofficial receipts were used for receipting of revenue from 2009 to July 2016. Refer to Table 19.21 for details.

**Table 19.21: Details of receipts issued**

Receipt Sequence		Date	
From	To	From	To
01	100	11/03/2009	26/05/2014
01	100	08/04/2010	22/10/2012
24401	24600	16/05/2009	currently being used

- Six<sup>76</sup> blank cheques were signed by the cheques signatories while 103<sup>77</sup> blank cheques were pre-sign by one cheque signatory increasing the risk of misuse of funds and fraud.
- Commitment Ledger and Local Purchase Order Register was not updated.
- Reconciliations were not prepared for cash balances of \$194,642.22<sup>78</sup> and funds received from donors Ministries.
- The RFMF did not comply with the instructions from the Office of the Prime Minister in constructing a 1 x 4 classroom. Instead, the RFMF constructed a 1x 5 classroom that resulted in the utilisation of savings from other projects totalling \$28,867.86<sup>79</sup>. Similarly, the cost overruns for some projects were financed from savings of other projects. Refer to Table 19.22 for details.

**Table 19.22: Projects overruns funded from other projects**

Project Name	Amount (\$)
Naleba Ablution	(930)
Batirilagi 1x2 T/Qrts	(4,252)
Rotuma Hospital	(248,444)

The above findings indicate the existence of weak controls in the operations of the account which may lead to financial losses in future if immediate action is not taken to address the anomalies highlighted.

### **Recommendations**

**The RFMF must ensure that:**

- **Immediate action is taken to address the control weaknesses highlighted; and**
- **instructions and requirements stipulated in the Finance Instruction and Finance Manual are strictly complied with in future.**

### **Management Comments**

*OAG findings and recommendations are acknowledged.*

<sup>76</sup> Cheque Number: 3283-3288

<sup>77</sup> Cheque Number: 3289-3392

<sup>78</sup> As at 31 July, 2016

<sup>79</sup> Cheque No 003207 dated 30<sup>th</sup> June, 2016.

*It is to be noted that the Force is in the process of closing the Engineer's Project Fund Account and has been liaising with MOE on the way forward. The MOE have advised the following:*

- *that before closing the account, the RFMF is to reconcile bank records with projects. This exercise was completed in February 2017 by RFMF and reconciliations had been submitted to the OAG office;*
- *that Funds for new projects to be receipted into GL revenue (SLG 84) . This has now been done for all new projects undertaken; and*
- *acquittals be submitted progressively to the client and MOE and also when projects are completed. Acquittals are now part of the new RFMF process.*

*The Rotuma Hospital upgrade and extension is a \$2m project funded by the Ministry of Health. The MoH had been advised of the overspending and the Ministry is in the process of acquiring the remaining funds to complete the project.*

*The over expenditure will be regularised once the Force receives the fund from MoH. Acquittals have been provided to MoH and RFMF is expecting the reimbursement soon. This account has been reconciled with a copy forwarded to OAG.*

## **19.9 Farm Account**

### **19.9.1 Weakness in the Internal Control for Farm Account**

The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.<sup>80</sup>

The FMF Farm will be audited every quarter and report forwarded to HQ FMF for perusal.<sup>81</sup>

All Farm expenditure must be approved by HQ FMF and the account must be kept at the FMF Canteen.<sup>82</sup>

Officers who wish to use their own motor vehicles or motor cycles in the performance of their official duties should obtain prior approval from their respective Permanent Secretary or Head of Department. Upon approval the officer may claim for mileage allowance.<sup>83</sup> Allowances in respect of motor vehicles and motor cycles shall be payable at the following rates or at such rates as may from time to time be authorised by the Permanent Secretary for the Public Service:- (a) Vehicles of 2001 cc or over 45 cents per km (b) Vehicles of 1451 cc to 2000 cc 42 cents per km (c) Vehicles of 1001 cc to 1540 cc 38 cents per km (d) Vehicles of 501 cc to 1000 cc 34 cents per km (e) Vehicles of 500 cc and under 28 cents per km.<sup>84</sup>

Audit review of the internal controls systems for the Farm Account revealed the following weaknesses:

- A total of 24<sup>85</sup> blank cheques were pre-signed by the Commanding Officer Territorial Force while the cheque book was kept by the Farm Manager who is also one of the cheque signatories for the Farm Account;

<sup>80</sup> Finance Instruction 2010 – Section 59

<sup>81</sup> Administrative Instruction No. 46 Section 11d)

<sup>82</sup> Administrative Instruction No. 46 Section 11d)

<sup>83</sup> General Order 518

<sup>84</sup> General Order 520

<sup>85</sup> Cheque Number: 004819 - 004842



- A total of \$21,056 expenditures were not supported with relevant supporting documents such as invoices/receipts/statements. Refer to Table 19.23 for examples.

**Table 19.23: Examples of expenditures without supporting documents.**

<b>Expenditure</b>	<b>Total Amount (\$)</b>
Transport Claim	6,044
Vehicle Parts	334
Visitors	100
Food Items	10,305
Farm Maintenance	3,379
Utility	125
Vodafone Recharge	44
Printer	350
Office Equipment	156
No voucher	219
<b>Total</b>	<b>21,056</b>

- The Farm Manager used his personal vehicle for official duties without approval of the Commander. Accordingly, the Farm Manager purchased spare parts, claimed for transportation cost, cleaning and fuel for the vehicle. Refer to *Appendix 19.8* for details of claims and purchases made.

The above findings indicate a high risk of fraud and mismanagement of funds in the operations of the farm.

### **Recommendations**

**The RFMF must ensure that:**

- **The Farm Manager complies with the instructions stipulated in the General Order and the Administrative Instructions; and**
- **the anomalies highlighted are investigated and disciplinary action is taken against responsible officers.**

### **Management Comments**

*OAG Findings and recommendations are acknowledged.*

*In the newly revised approved Force structure, the Farm is now under the RFMF's Directorate of Finance, Logistics and Acquisition for better financial management control.*

*Furthermore the Force is currently reviewing its Standing Orders Vol 2 which caters for Stores Accounting and Support Matters after 19 years. Once the revised document is endorsed, all supportive administrative Instructions will also be reviewed and new processes will soon be effected including the administrative of the RFMF Farm.*

*The current rules and regulations are outdated and do not reflect the current changes in the RFMF.*

**19.9.2 Gift of \$100,000 not deposited in the Consolidated Fund Account**

A gift received by an officer in his/her official capacity or donated to the agency must be recorded in a gift register to be maintained by the Chief of Staff HQ.<sup>86</sup> Where the gift in the form of money, it shall be paid into the Consolidated Fund as revenue unless gift conditions specify that the money should be held in a trust account and used for a specific purpose.<sup>87</sup>

Audit review of the bank statements noted that a cheque of \$100,000 was deposited into the Farm Account instead of the Consolidated Fund Account. However, the purpose of the fund could not be determined as supporting documentation was not produced for audit verification. It was noted that the funds were used to finance the operations of the farm.

As result, the authenticity of the funds received could not be determined.

**Recommendations**

**The RFMF must ensure that funds received from donors are processed through Ministry of Economy and deposited into the Consolidated Fund Account. In addition, any conditions to a donation should be first be discussed and agreed with Ministry of Foreign Affairs prior to acceptance of donation and receipt of funds or goods.**

**Management Comments**

*OAG findings and recommendations are noted.*

*It is to be noted that the donation was conditional and that it was specifically for the administration and operation of the Farm after TC Winston. Hence the fund was receipted and deposited into the RFMF Farm Account. It is to be noted also that the farm is in partnership with the Ministry of Agriculture and the Taiwanese Government. The donation therefore was given in view of this holistic partnership and not specifically to the RFMF.*

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<sup>86</sup> RFMF Finance Manual 2014 – Part 5.3.13

<sup>87</sup> RFMF Finance Manual 2014 – Part 5.3.16

## 19.10 Follow Up On Previous Year Accounting and Control Anomalies Raised

During the 2016 audit, the status of the matters reported in the previous year was followed up. These matters have remained outstanding as actions are yet to be taken by RFMF to resolve them. The status of the outstanding issues is set out in Table 19.24.

**Table 19.24: Details of Outstanding Issues**

Issues	Recommendations	Current Status	Management's Proposed Action/Comments
<b>Non Updating of 2016 Person to Post Listing</b>			
Person to post listing was not maintained by the Human Resource section.	RFMF should finalise person to post listing at its earliest.	<b>Open</b>  Person to Post Listing was last updated in 2014. However, the Human Resource Department provided the Troops on the Ground Report; the report excludes the salary of personnel and the listings of officers that are deployed on overseas mission. Hence audit could not confirm the number of personnel currently employed by the RFMF.	<i>The implementation policies on RFMF Working Reorganization Structure have been approved by the Commander RFMF on 08 Dec 2016 whereby Line in Column will be updated accordingly. The RFMF P2P is still under review and should be completed by the end of the year. The numbers of personnel currently employed by the RFMF including salaries are captured on the Salary Reconciliation Statements. Those are deployed on overseas mission are paid from Head 49. A copy of the CMDR RFMF approved line in column was submitted to the OAG office.</i>
<b>Items Not Taken on Charge</b>			
Items procured by respective stores such as Supplies, Logistics Support Unit (LSU), Engineers, Medical and Plant Pool were not taken on charge in the tally card by the respective Quarter masters.	RFMF must ensure that: Adequate supervisory checks are in place to ensure stocks are taken on charge when received; and stock card contains basic information such as date of acquisition, quantity received, quantity issued and date of issue are updated, etc.	<b>Open</b>  Refer to Appendix 19.9 for Items not taken on Charge in 2016.	<i>Items will be taken on charge after the BOS exercise on 15th May. (Refer to 19.6.1)</i>

Issues	Recommendations	Current Status	Management's Proposed Action/Comments
<b>Planned Capital Projects not Undertaken</b>			
<p>Funds provided in 2014, 2015 and 2016 budget for Kiro Patrol Boat project were not used at all and unused funds went back to the Ministry of Finance.</p> <p>Similarly, a sum of \$7.5m was allocated in 2015 for the Black Rock Integrated Peacekeeping Centre (BRIPC) As at 31/12/15 only \$7,538 was utilised for the BRIPC project. According to the RFMF, the planned work for 2015 was not carried out because of the delay in finalising the awarding of tender.</p>	<p>The RFMF should:</p> <ul style="list-style-type: none"> <li>- ensure that all capital projects are properly planned and adequate arrangements made to implement the projects as quickly as possible when funds are provided; and</li> <li>- investigate and take appropriate action against officers responsible for implementing these projects for their poor performance.</li> </ul>	<p><b>Open,</b> Issue on Kiro Boat has been highlighted in paragraph 19.6.2.1</p>	<p><i>Refer management comments on paragraph 19.6.2.1</i></p>
<b>Engineer Unit &amp; Plant Pool (TMA)</b>			
<p>Overspending in Projects Undertaken by the RFMF Engineer Capital construction projects undertaken by the RFMF for other ministries and departments revealed cost overruns on a number of projects</p>	<p>The RFMF should ensure that:</p> <ul style="list-style-type: none"> <li>- proper planning and realistic costing of project is done. Any variation in the cost must be justified and consulted with the respective ministries/department in a timely manner before incurring it;</li> <li>- all agreed cost variations are recovered from the respective ministers and departments so it does not affect the other capital project pending with the RFMF; and</li> <li>- works Officers must ensure that the project is managed and completed within the budgeted cost and timeframe.</li> </ul>	<p><b>Open,</b> as highlighted in paragraph 19.8.1</p>	<p><i>Refer management comments on paragraph 19.8.1</i></p>
<p><b>Credit Cost of Goods Sold</b> The RFMF's cost of goods sold had a credit balance of \$4,939 contrary to the nature of the account being an expense account</p>	<p>The RFMF should verify its TMA balances and rectify errors detected to ensure balances are correctly</p>	<p><b>Open</b>  The cost of goods sold for the year ended 31 July 2016 is \$2,020.</p>	<p><i>The operation of the Hydrographic TMA had ceased operation with effect from 01 August 2016.</i></p>

Issues	Recommendations	Current Status	Management's Proposed Action/Comments
<b><u>Anomalies in the Operation of Engineers Project Trust Fund Account</u></b> <ul style="list-style-type: none"> <li>Total receipts of \$1,985,410 and total payments of \$2,921,204 for the year 2015 were not recorded in the FMIS general ledger.</li> <li>Statement of Receipts and Payments for the Engineers Project Trust Fund Account was not included in the Agency Financial Statements</li> <li>The RFMF opened the Engineers Trust Account with the Bank of South Pacific without an approval from the Chief Accountant.</li> </ul>	<p>The Force should ensure:</p> <p>All transactions are recorded in the FMIS general ledger when incurred;</p> <p>The annual financial statements include the Trust Fund Statement of Receipts and Payments for the Project Trust Fund Account</p> <p>Proper approval is obtained from Ministry of Finance for the operation of the RFMF Engineers Trust account and also liaises with Ministry of Finance to open the general ledger account.</p>	<p><b>Open.</b> No revenue was collected in 2016. However, total payments made during the year was \$387,487.</p> <p><b>Open</b></p> <p><b>Open</b></p>	<p><i>Refer management comments on paragraph 19.8.1</i></p>
<b>RFMF FARM ACCOUNT</b>			
The audit noted that the Farm's piggery pan was used by former military officers to rear their personal stock. Even though the feeding and labour engaged are paid by the former military officers it does not benefit the Farm in anyway.	The RFMF should make arrangement for the pigs that are privately owned to be removed from the RFMF farm piggery.	<b>Open</b>	<i>The privately owned pigs will be removed when the Farm acquired pigs for its stocks.</i>

**Appendix 19.1 Timelines for Reconciliations submitted to Ministry of Finance**

Months	Operating	Drawings	IDC	BLC	Imprest	Malaya Pension	Malaya Widow	Prepaid Expense	Acc Advance	840101	Withholding Tax
January	20/6/16	23/5/16	22/3/16	22/3/16	16/5/16	22/3/16	Not submitted for audit verification	20/5/16	22/3/16	6/5/2016	14/3/16
February	23/6/16	23/5/16	22/3/16	Not Stated	16/5/16			20/5/16	Jun-16	22/3/16	11/5/2016
March	23/6/16	23/5/16	6/5/2016	6/5/2016	20/5/16	12/5/2016		20/5/16	6/6/2016	6/5/2016	11/5/2016
April	30/6/16	23/5/16	1/6/2016	19/5/16	9/6/2016	Jun-16		20/6/16	20/6/16	19/5/16	9/6/2016
May	5/7/2016	8/8/2016		Not Stated		20/6/16	20/6/16	20/6/16	22/7/16	Not Submitted for audit verification	20/6/16
June	25/8/16	8/8/2016	30/6/16	Not given	1/7/2016	25/8/16	25/8/16	26/8/16	9/9/2016	30/6/16	No date
July	19/9/16	1/9/2016		17/8/16		25/8/16	25/8/16	9/9/2016	No date	Not prepared	25/8/16

**Appendix 19.2 Details of Payment to various contractors for LEP of Vessel Kikau**

Date	Cheque No.	Contractor	Particulars	Amount Paid (\$)	Contracted Amount (\$)	Outstanding Amount (\$)
26/11/2013	1163	Contractor A	Major Contractor for the Life Expectancy Program for vessel Kikau; contracted for vessel slipping, main engine removal and installation, generator removal and installation, repairs to exhaust system, gear box, circulating and cooling water system, anchor handling and external and internal painting	274,573	549,146	-
10/12/2014	5959			155,473		
13/07/2016	15583			119,100		
26/11/2013	1172	Contractor B	Payment on supply and installation of communication and navigation system on Kikau Patrol Boat	267,756	669,391	133,878
28/02/2014	1787			267,756		
3/12/2013	Indent 10/2013	Contractor C	Purchase of Spare Parts for Kikau Patrol Boat	229,906	139,120 NZD	-
26/11/2013	1174	Contractor D	Carry out Electrical works for vessel Kikau LEP	44,643	202,524	31,508
31/07/2014	3794			116,541		
28/10/2014	5145			9,833		
27/11/2013	1185	Contractor E	Supply of paint for vessel Kikau LEP	42,960	85,921	-
01/04/2014	2027			42,960		
31/10/2012	58508	Contractor F	Removal and re-installation or repair of all woodwork, domestic electrical connections, partitions, door frames, door windows and carpeting	55,953	186,510	18,651
12/11/2012	58784			55,953		
24/09/2014	4572			55,953		
11/08/2014	3966	Contractor G	Air-condition and Refrigeration works for vessel Kikau LEP	143,034	190,712	47,678
<b>Total</b>				<b>1,882,395</b>		<b>231,715</b>

### Appendix 19.3 Status Work by Contractor A for LEP of RFNS Kikau and Pictures of Vessel

No	Job Description	Cost (\$)	Incomplete Work (\$)	Status Of Work
1	Slipping	129,554	103,643	20% Complete
2	Cathodic Protection	2,198	2,198	Not Started
3	Exhaust System	25,935	25,935	Not Started
4	Main Engine Removal	31,735	---	Completed
5	Main Engine Installation	96,770	96,770	Not Started
6	Generators Removal & Re-installation	16,697	---	Completed
7	Propulsion Shafting, Bearings and Propeller	29,898	29,898	Not Started
8	Rudders	7,620	7,620	Not Started
9	Coupling - Vulcan and SKF	6,154	6,154	Not Started
10	Gearboxes – Propulsion	25,310	25,310	Not Started
11	Circulating & Cooling Water System	39,895	39,895	Not Started
12	Air Conditioning Seawater System	3,238	3,238	Not Started
13	Fire Main System (Pipes & Valves)	6,644	6,644	Not Started
14	Bilge Stripping System	7,180	7,180	Not Started
15	Heat Exchanges	7,346	7,346	Not Started
16	Sanitary Spaces and Fixtures	5,747	5,747	Not Started
17	Grey Water System - Pipes and Valves	482	482	Not Started
18	Anchor Handling and Stowage	8,266	8,266	Not Started
19	Abrasive Blast and Paint Freshwater Tanks	7,422	---	Completed
20	Abrasive Blast and Paint Grey water Tanks	2,868	---	Completed
21	Shell Appendages	1,500	1,500	Not Started
22	Painting External - Underwater Area	14,872	14,872	Not Started
23	Painting External - Waterline to Deck (Steel)	10,194	10,194	Not Started
24	Painting External - Main Deck	11,614	11,614	Not Started
25	Painting External - Superstructure and Mast	16,849	3,370	80% Complete
26	Abrasive Blast Machinery Spaces Bilges	9,553	9,553	Not Started
27	Abrasive Blast and Paint A/C Pump Void Frames 17 - 18	1,084	---	Completed
28	Abrasive Blast - Forepeak - Frames 27 - 31.5	2,256	---	Completed
29	Abrasive Blast and Port & Starboard Wing Voids Frames 13 – 20	3,858	---	Completed
30	Paint - Engine Room	7,170	---	Completed
31	Paint - Steering Gear Compartment	4,252	---	Completed
32	Paint – Forepeak	518	---	Completed
33	Painting – Magazine	1,576	---	Completed
34	Painting JS and Magazine Wing Voids	1,700	---	Completed
35	Painting AHU Void	791	---	Completed
36	Paint Port & Starboard Wing Voids Frames 13 - 20	401	---	Completed
		<b>549,146</b>	<b>427,428</b>	



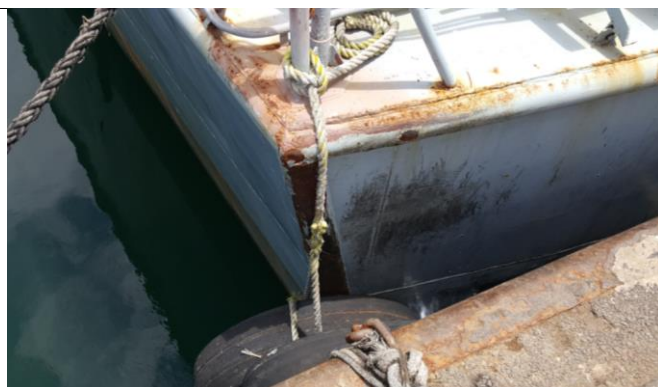
## Appendix 19.4 Pictures of RFNS Kikau as at the date of audit visit – 25/10/16



Starboard (right side) of RFNS Vessel Kikau docked at \_\_\_\_\_ wharf on 25/10/2016 showing painting works not done by contractor A



Stern (aft-most / rear side) of RFNS Vessel Kikau rusting and not painted by contractor A



Port-Stern (left – rear side) of RFNS Vessel Kikau being grinding against the tyres since early 2013 to avoid hitting the wall.



Bow (front deck) of RFNS Vessel Kikau showing painting works not done by the contractor A



RFNF Vessel Kikau Engine Room; the vessel's engine has been removed but not re-installed by contractor A



Generator of RFNF Vessel Kikau; has not been fully installed to the vessel by Contractor A

**Appendix 19.5 Details retention paid before the defect liability period**

Project	Contractor	Contract Cost	Date Project Completed	Defect Liability Period (DLP) days	Ending Date for DLP	EFT Date	EFT No.	Amount (\$)
<b>Renovation to RFMF Infrastructure</b>								
Nasonini Guard Room	3	16,920	27.06.16	90	25.11.16	13.07.16	15597	1,692
Renovation to 3 Storey Ablutions	1	29,700	18.04.16	30	18.05.16	16.05.16	14115	2,970
Renovation to 2 Storey Living-in Barracks	1	24,500	19.04.16	30	19.05.16	16.05.16	14115	2,450
Land Force Operations Block	1	36,880	01.07.16	30	31.07.16	11.07.16	15547	3,688
LFC Lecture Room	1	19,350	01.07.16	30	31.07.16	11.07.16	15547	1,935
Renovations to MQ 3	1	19,160	23.06.16	30	23.07.16	11.07.16	15547	1,916
Other Ranks(ORs) Living-in Barracks Laundry	2	25,000	04.04.16	30	04.05.16	15.04.16	13726	2,500
Renovations to Welfare Center	2	38,000	24.05.16	90	22.08.16	11.07.16	15552	3,800
<b>Upgrade of Logistic Support Unit</b>								
Upgrade of LSU Bay-Internal Partition Phase 1	3	32,000	06.06.16	90	04.09.16	13.07.16	15597	3,200
Upgrade of LSU Bay-Internal Partition Phase 2	3	15,000	27.05.16	90	25.08.16	13.07.17	15597	1,500
Tiling of ORs Mess Dining Hall	2	37,000	08.02.16	90	08.05.16	24.03.16	13467	3,700
<b>Upgrade of Infrastructure and Amenities</b>								
Nabuni Road Upgrade	3	38,570	03.06.16	90	01.09.16	13.07.16	15597	3,857
SHQ Conference Room	3	5,875	11.05.16	90	09.08.16	16.06.16	14951	588
SHQ Roofing Repairs	3	27,570	11.05.16	90	09.08.16	16.06.16	14951	2,757
SHQ Finance Conference Room	3	15,875	27.06.16	30	27.07.16	13.07.17	15597	1,587
Re-roofing of Materials Stores	2	37,000	02.03.16	30	01.04.16	24.03.16	13467	3,700
Upgrade of Kitchen Extension	3	34,578	06.05.16	90	04.08.16	26.05.16	14426	3,457
<b>Upgrade of Sukanaivalu Barracks</b>								
Upgrade of accommodation Block 1	5	16,000	04.07.16	30	03.08.16	11.07.16	15446	1,600
Upgrade of Accommodation Block 2	5	16,000	04.07.16	30	03.08.16	11.07.16	15446	1,600
Renovations to welfare facility	6	34,500	01.07.16	30	31.07.16	11.07.16	15548	3,450

Project	Contractor	Contract Cost	Date Project Completed	Defect Liability Period (DLP) days	Ending Date for DLP	EFT Date	EFT No.	Amount (\$)
Renovations to transit quarters	6	29,000	01.07.16	90	29.09.16	11.07.16	15548	2,900

## Appendix 19.6 Examples of rations purchased during the year

Date	Cheque No.	Particulars	Amount (\$)	Daily ration state prepared	Ration strength forecast prepared	Ration reconciliation book updated	Daily ration demand prepared by Supply Company
06.06.16	14599	Purchase of meats ORS	5,298	Not prepared	Not prepared	No	No
28.06.16	15243	Purchase of meats ORS	3,967	Not prepared	Not prepared	No	No
28.06.16		Meats and rootcrops for Blackrock	6,325	Not prepared	Not prepared	No	No
11.07.16	15557	Purchase of meats SGTs mess	651	Not prepared	Not prepared	No	No
28.06.16	15264	Purchase of meats for Stanley - Fiji Navy	1,719	Not prepared	Not prepared	No	No
28.06.16	15245	Purchases for ORS	653	Not prepared	Not prepared	No	No
28.06.16		Purchases for Officers Mess	322	Not prepared	Not prepared	No	No
28.06.16		Purchases for ORS	2,593	Not prepared	Not prepared	No	No
04.07..16	15440	Purchase for FTG	670	Not prepared	Not prepared	No	No
31.03.16	13484	Fresh fish for ORS Mess	1,350	Not prepared	Not prepared	No	No
06.07.16	15477	Supplementary meats for ORS Mess	8,749	Not prepared	Not prepared	No	No
12.05.16	14078	Vegetables Blackrock Nadi	4,202	Not prepared	Not prepared	No	No
27.06.16	15225	Vegetables Blackrock Nadi	6,762	Not prepared	Not prepared	No	No
<b>TOTAL</b>			<b>43,259</b>				

**Appendix 19.7 Details of Manual Payments**

Payment ID	Voucher Description	Amount (\$)
14075	Gratuity Payment	23,499
12799	Leave Bal 25357	6,680
12654	P/P: 15/11/15 - 14/01/16	3,468
12997	Rr 341629 Of 25/02/2016	3,455
13714	341680, 341683 Revenue Receipt	2,643
73574	5/01/2016	1,820
73574	5/01/2016	1,820
73575	5/01/2016	1,820
73575	5/01/2016	1,820
73576	5/01/2016	1,820
73576	5/01/2016	1,820
73577	5/01/2016	1,820
73577	5/01/2016	1,820
73578	5/01/2016	1,820
73578	5/01/2016	1,820
12529	Rr 341576 Of 08/01/2016	1,819
12531	Rr 341576 Of 08/01/2016	1,819
14329	Rr#341427	1,792
14034	Reversal Of Salary	1,541
73574	5/01/2016	1,400
73575	5/01/2016	1,400
73576	5/01/2016	1,400
73577	5/01/2016	1,400
73578	5/01/2016	1,400
12799	Leave Bal 25357	1,215
12638	Leave Pay	1,155
13641	Rr#341203 Of 29/05/16	1,136
13639	Rr# 341651 Of 18/03/16	1,042
12805	Sea Going Allce	1,000
13526	Rr# 341651	986
13747	Rr# 341657 Of Mar 16	986
13345	Revsal Pay 6 Rr#341651	968
13721	Rr#341657 Of Mar 16	968
14098	Reversal	958
13566	Rr 341651 Of 18/03/2016	949
13640	Rr# 341651 Of 18/04/16	949
13385	P/E 24/03/16	932
13563	Rr # 341655 Of 01/04/16	932
13564	Rr# 341665 Of 01/04/16	932
13567	Rr # 341665 Of 01/04/16	932
14391	Rr#341704 Of 18 May 2016	857
14030	Rr#341690 Of 04/05/2016	847
12860	Rr 341576 Of 08/1/16	752
13642	Rr#341658of 23 March 16	752
14037	Rr#341690	701
14032	Rr# 341694 Of 04/05/16	700
13394	Reversal Of Salary	618
15317	Reversal Of Salary	616
14239	Rr#341692	589
12654	P/P: 15/11/15 - 14/01/16	588
14033	Rr#341699 F 05/05/2016	534
15217	Reversal Of Salary	483
14098	Reversal Of Salary	465
73574	5/01/2016	464

Payment ID	Voucher Description	Amount (\$)
73575	5/01/2016	464
73576	5/01/2016	464
73577	5/01/2016	464
73578	5/01/2016	464
13643	Rr#341651 Of 18 Mar 16	461
14330	Rr#341692	457
14658	Reversal	455
13344	Rvsl Pay 6 Rr#341651 Of 18/03	453
14332	Rr#341703	453
14036	Wcamp Reversal 8fir	452
14038	Rr#341693 Of 04/05/16	441
14035	Rr#341692 Of 04/05/2016	435
12998	P/E 10/03/16	420
13751	Rr#341651 Of 18/03/16	370
13107	Rr#341628 Of 19/02/16	364
12799	Leave Bal 25357	357
13565	Rr# 341663 Of 01/04/16	321
12654	P/P: 15/11/15 - 14/01/16	294
13343	Rr# 341651 Of 18/03/2016	276
12541	Rr#341576 Of 08 Jan 2016	275
12745	Drws Refund 29822	150
13644	Rr# 341679 Of Apr 2016	86
13647	Rr#341679 Of 08 Apr 16	86
13711	Rr#341679 Of 08 Apr 16	86
14392	Rr#341706 Of 18 May 16	86
12638	Leave Pay	33
<b>Total</b>		105,584

**Appendix 19.8 Summary of Claims Made by Farm Manager**

<b>Cheque No.</b>	<b>Transportation Claim<sup>88</sup> (\$)</b>	<b>Vehicle Parts (\$)</b>
4710	200	
4716	140	
4717	98	
4718	65	
4720	20	240
4721	294	
4723	200	
4724	158	
4725	216	
4727	266	
4729	300	
4730	170	
4731	100	
4732	100	
4736	336	
4741	200	
4746	300	
4750	510	
4754	90	
4756	186	
4757	118	84
4761	150	
4763	259	10
4765	249	
4766	190	
4768	376	
4770	380	
4772	372	
<b>Total</b>	<b>6,044</b>	<b>334</b>

<sup>88</sup> Includes fuel and cleaning costs

**Appendix 19.9 Items Not Taken On Charge**

Date	Cheque	Invoice No.	Particulars	Amount (\$)
<b>Personal Equipment</b>				
12.04.16	13687	19357	Mens trousers and long sleeve shirts (500 pieces each) Peacekeeping.	45,022
23.06.16	15212	19873	Mens trousers and long sleeve shirts (500 pieces each) Peacekeeping	45,022
08.02.16	12802	9352	Calf boot for UNAMI & UNIFIL issue - Peacekeeping	137,375
28.04.16	13896	10026	Army boots MFO 250 (Peacekeeping)	56,238
13.05.16	14088	872	Camal packs - Olive green 200 pieces (Peacekeeping)	40,100
		869	Lanyards Red Infantry (ME) 500, Engineers Lanyard Black 500 (Peacekeeping)	
15.06.16	14813	1374	100 Stretcher bed for LSU stock	19,800
28.06.16	15265	1358	Sam Brown Belt (100@198 each). Purchases for BOD	19,800
24.05.16	14374	2016-AA-008	200 pieces of aluminium mess tin for LSU stock	7,700
13.07.16	15596	2016-AA-023	Purchase of 500 military blankets for BOD stock	24,750
28.06.16	15255	878	Chevron 2 Bar LSU Stock - 1,000	8,500
28.06.16	15250	002016P032	5 Gallons gun cleaning oil - LSU Armoury	9,750
23.05.16	14338	33	Waist webbing green 100 pieces 3FIR	14,999
11.07.16	15509	863	20 pieces of 35L Urn - Olive Green (3FIR)	18,600
<b>Vaccines</b>				
05.04.16	13512	NMP24	Vaccines	31,905
14.06.16	14766	NMP25	Vaccines	23,385
27.05.16	149103-14903	NMP26	Vaccines	49,885
27.05.16	19101-004338	NMP27	Vaccines	48,857
30.05.16	149103-000836	NMP28	Vaccines	49,957
30.05.16	149102-000344	NMP29	Vaccines	49,210
<b>Rations</b>				
28.06.16	15243	178675	Purchase of general groceries for ration packs for 84 persons for 3FIR training Nausori Highlands	21,509
28.06.16	15245	100187	Purchases for ORS	2,593
04.07..16	15440	99373	Purchase for FTG	670
14.06.16	15226	1451	Groceries	6,474
		1511	Groceries	5,025
12.07.16	15575	1342	Groceries	4,520
<b>Capital Purchases</b>				
6/20/2016	15100		Generator	43,991
20/07/16	74728		Weapons	888,914
6/6/2016	74505		Communications equipment	178,465
20/07/16	74729		Communications equipment	182,341
<b>TOTAL</b>				<b>2,035,3549</b>

**Appendix 19.10 Purchases from a Pharmaceutical Company**

Date	Cheque No.	Amount VEP (\$)	LPO date	LPO No.	Invoice Date	Invoice No.
05.04.16	13512	31,905	17.11.15	19102-024193	26.01.16	NMP24
14.06.16	14766	23,385	06.05.16	19102-024731	26.02.16	NMP25
		49,885		149103-14903	09.05.16	NMP26
		48,857	27.05.16	19101-004338	17.06.16	NMP27
		49,957	30.05.16	49103-000836	17.06.16	NMP28
		49,210	30.05.16	49102-000344	17.06.16	NMP29
<b>Total</b>		<b>253,200</b>				



## Section 20

## Fiji Police Force

### Role and Responsibilities

The Fiji Police Force has the important responsibility of keeping the people of Fiji safe by maintaining law and order, protecting property and upholding the law. Every Fijian should feel secure in their homes and free to go about their daily business without any form of criminal violence or intimidation.

Crimes need to be properly investigated, wrongdoers need to be quickly identified and cases need to be brought to trial through Criminal Justice System. To do this, Fiji needs a Police Force that is professional, well equipped and trained, adequately compensated and supported by appropriate technology.

The Government has allocated the Fiji Police Force a total budget of \$126.3 million.

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## PART A: FINANCIAL STATEMENTS

### 20.1 Audit Opinion

The audit of the 2016 accounts of the Fiji Police Force resulted in the issue of an unqualified audit report.

### 20.2 Statement of Receipts and Expenditure

The Force collected revenue totalling \$1,296,823 and incurred expenditure totalling \$66,055,509 for the seven months period ended 31 July 2016.

Refer to Table 20.1 for details.

**Table 20.1: Statement of Receipts and Expenditure for 2016**

Description	2016 (\$)	2015 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Police Clearance Fees	1,076,414	2,107,790
Licenses Fees	199,819	172,688
<b>Total State Revenue</b>	<b>1,276,233</b>	<b>2,280,478</b>
<b>Agency Revenue</b>		
Other Agency Revenue	20,590	271,842
<b>Total Agency Revenue</b>	<b>20,590</b>	<b>271,842</b>
<b>TOTAL REVENUE</b>	<b>1,296,823</b>	<b>2,552,320</b>
<b>EXPENDITURES</b>		
<b>Operating Expenditure</b>		
Established Staff	55,524,329	87,623,800
Government Wage Earners	389,751	577,656
Travel & Communications	2,286,845	3,764,573
Maintenance & Operations	3,464,932	5,902,649
Purchase of Goods & Services	1,380,823	5,080,681
Operating Grants & Transfers	3,023	34,211
Special Expenditures	495,221	830,984
<b>Total Operating Expenditure</b>	<b>63,544,924</b>	<b>103,814,554</b>
<b>Capital Expenditure</b>		
Capital Construction	200,000	459,628
Capital Purchase	1,605,941	1,993,778
<b>Total Capital Expenditure</b>	<b>1,805,941</b>	<b>2,453,406</b>
Value Added Tax	704,644	2,778,164
<b>TOTAL EXPENDITURE</b>	<b>66,055,509</b>	<b>* 109,046,124</b>

\* (Funds provided from Head 50 Miscellaneous Expenditure Budget of \$25,466,191 is not included in this total)

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period, thus the significant variances with the comparative balances.

## 20.3 Appropriation Statement

The Force incurred expenditure totalling \$66,055,509 against the revised budget of \$126,305,357 resulting in savings of \$60,249,848 or 48%. The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

Details of actual expenditure against the budget estimates are provided in Table 20.2.

**Table 20.2: Appropriation Statement for 2016**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>Operating Expenditure</b>					
1	Established staff	99,311,534	(102,158)	99,209,376	55,524,329	43,685,047
2	Government Wage Earner	637,576	102,158	739,734	389,751	349,983
3	Travel and communications	3,684,000	(119,174)	3,564,826	2,286,845	1,277,981
4	Maintenance & operations	6,179,000	19,174	6,198,174	3,464,932	2,733,242

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
5	Purchase of goods and services	4,730,241	(100,000)	4,630,241	1,380,823	3,249,418
6	Operating grants and transfers	90,000	---	90,000	3,023	86,977
7	Special expenditures	1,207,850	---	1,207,850	495,221	712,629
	<b>Total Operating Expenditure</b>	<b>115,840,201</b>	<b>(200,000)</b>	<b>115,640,201</b>	<b>63,544,924</b>	<b>52,095,277</b>
	<b>Capital Expenditure</b>					
8	Construction	3,660,000	200,000	3,860,000	200,000	3,660,000
9	Purchases	4,637,820	---	4,637,820	1,605,941	3,031,879
	<b>Total Capital Expenditure</b>	<b>8,297,820</b>	<b>200,000</b>	<b>8,497,820</b>	<b>1,805,941</b>	<b>6,691,879</b>
13	Value Added Tax	2,167,336	---	2,167,336	704,644	1,462,692
	<b>TOTAL EXPENDITURE</b>	<b>126,305,357</b>	<b>---</b>	<b>126,305,357</b>	<b>66,055,509</b>	<b>60,249,848</b>

## PART B: AUDIT FINDINGS

### 20.4 Irregularities in the Operating Trust Fund Accounts

The Force Accountant is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>1</sup>

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Assistant Accounts Officer Ledgers shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>2</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>3</sup>

Audit review of the operating trust fund account revealed the following anomalies:

- The operating trust fund account had a credit balance of \$2,365,702.07 as at 31/07/16 which included significant outstanding balances from prior years. Refer to Table 20.3 for details.

**Table 20.3: Details of Accounts with Significant Balances carried forward to 2016**

Account No.	Description	Amount (\$)
1-20101-20101-863201	VAT From Provision Of Goods & Services	956,088.32
1-20101-20101-861517	307 PD Police Service Credit Union	748,208.86
1-20101-20101-861902	204 PD Deposit A/C Recoverable	85,245.69
1-20101-20101-861917	437 PD Improved Forestry	31,454.35
<b>Total</b>		<b>1,820,997.22</b>

- As at 31 July 2016, the Force's operating trust fund accounts had overdrawn balances totalling \$25,980.05. The Force could not provide reasons for the overdrawn balances. Refer to Table 20.4 for details.

<sup>1</sup> Fiji Police Force Finance Manual 2014 Part 15

<sup>2</sup> Fiji Police Force Finance Manual 2014 Part 15.3.3

<sup>3</sup> Fiji Police Force Finance Manual 2014 Part 15.3.4

**Table 20.4: Overdrawn Operating Trust Fund Accounts**

Account	Description	Amount As at 31/07/16 (\$)
1-20101-20101-861202	241 PD CMLA	148.09
1-20101-20101-861511	301 PD FPS Credit Union	107.93
1-20101-20101-861533	WESRAM Finance	1,085.20
1-20101-20101-861537	Carpenters Fiji Ltd	17,808.45
1-20101-20101-861538	On Time Finance Ltd	589.12
1-20101-20101-861601	341 PD Maintenance Suva	940.00
1-20101-20101-861602	342 PD Maintenance Nausori	525.00
1-20101-20101-861605	345 PD Maintenance Ba	87.50
1-20101-20101-861606	346 PD Maintenance Lautoka	30.00
1-20101-20101-861607	347 PD Maintenance Nadi	60.00
1-20101-20101-861608	348 PD Maintenance Sigatoka	110.00
1-20101-20101-861610	350 PD Maintenance Levuka	50.00
1-20101-20101-861616	PD Maintenance Nasinu	240.00
1-20101-20101-861701	357 PD Rates Suva	40.00
1-20101-20101-861911	385 D Sports & Social	1,728.00
1-20101-20101-861924	Central Finance 329	880.00
1-20101-20101-861926	Payroll Deduction – Vinod Patel	1,260.76
1-20101-20101-861927	PD Fijian Holding Unit Trust	250.00
1-20101-20101-861930	Payroll Deduction Unit Trust of Fiji	40.00
<b>Total</b>		<b>25,980.05</b>

The above findings indicate lack of proper controls and supervisory checks in the administration of the operating trust fund account.

### **Recommendations**

#### **The Force should:**

- **investigate and rectify carry forward balances from prior years;**
- **ensure that trust funds are not overdrawn at any time and investigate and rectify the overdrawn balances; and**
- **ensure that controls and supervisory checks in the Accounts Section is strengthened to avoid such discrepancies from incurring in future.**

### **Management Comments**

*We have amended the reconciliation for the mentioned months and have sent it to MOE.*

- *The mentioned deductions are for Special Constables Pay 08/16 dated 15/04/17 (Refer table 7.4). These deductions are showing in payroll however it did not affect the General Ledger.*
- *As stated in the Draft Audit Report, these allocations are not overdrawn but rather there are some incomplete processes by MOE.*
- *Moreover, the payments to the under mentioned vendors were properly made as per the payroll deduction report for Pay 08/16.*
- *The mentioned entries will be verified with MOE and journalized. There are also some misallocations and journals were raised to adjust the incomplete reconciliation.*

<i>Account</i>	<i>Description</i>	<i>Amount as at 31/07/16 (\$)</i>	<i>Remarks</i>
1-20101-20101-861202	241 PD CMLA	148.09	Credits not loaded – Pay 8/16
1-20101-20101-861511	301 PD FPS Credit Union	107.93	Credits not loaded – Pay 8/16
1-20101-20101-861533	Wesram Finance	1,085.20	Credits not loaded – Pay 8/16
1-20101-20101-861537	Carpenters Fiji Ltd	17,808.45	Credits not loaded – Pay 8/16
1-20101-20101-861538	Ontime Finance Ltd	589.12	Credits not loaded – Pay 8/16
1-20101-20101-861601	341 PD Maintenance Suva	940.00	Credits not loaded – Pay 8/16
1-20101-20101-861602	342 PD Maintenance Nausori	525.00	Credits not loaded – Pay 8/16
1-20101-20101-861605	345 PD Maintenance Ba	87.50	Credits not loaded – Pay 8/16
1-20101-20101-861606	346 PD Maintenance Lautoka	30.00	Credits not loaded – Pay 8/16
1-20101-20101-861607	347 PD Maintenance Nadi	60.00	Credits not loaded – Pay 8/16
1-20101-20101-861608	348 PD Maintenance Sigatoka	110.00	Credits not loaded – Pay 8/16
1-20101-20101-861610	350 PD Maintenance Levuka	50.00	Credits not loaded – Pay 8/16
1-20101-20101-861616	PD Maintenance Nasinu	240.00	Credits not loaded – Pay 8/16
1-20101-20101-861701	357 PD Rates Suva	40.00	Credits not loaded – Pay 8/16
1-20101-20101-861911	385 D Sports & Social	1,728.00	Credits not loaded – Pay 8/16
1-20101-20101-861924	Central Finance 329	880.00	Credits not loaded – Pay 8/16
1-20101-20101-861926	Payroll Deduction – Vinod Patel	1,260.76	Credits not loaded – Pay 8/16
1-20101-20101-861927	PD Fijian Holding Unit Trust	250.00	Credits not loaded – Pay 8/16
1-20101-20101-861930	Payroll Deduction Unit Trust of Fiji	40.00	Credits not loaded – Pay 8/16
<b>Total</b>		<b>25,980.05</b>	

**Table - Details of Accounts with Significant Balances carried forward to 2016**

<i>Account No</i>	<i>Description</i>	<i>Amount (\$)</i>
1-20101-20101-863201	VAT From Provision of Goods & Services	956,088.32
1-20101-20101-861517	307 PD Police Service credit Union	748,208.86
1-20101-20101-861902	204 PD Deposit A/C Recoverable	85,245.69
1-20101-20101-861917	437 PD Improved Forestry	31,454.35
<b>Total</b>		<b>1,820,997.22</b>

- The carry forward figures have accumulated from previous years since 2006. Most of the entries were due to incomplete transaction and misallocations.
  - The Force has started working on these balances. The working of these allocations will be right from the time FMIS was implemented.
  - Moreover, when FMIS system was implemented the Data entry clerks were new which also contributed towards these figures.
- 1. 1-20101-20101-863201 - VAT From Provision of Goods & Services - \$956,088.32**
    - The payment of VAT to FIRCA was charged under the Operating Expenditures instead of Operating Trust
  - 2. 1-20101-20101-861517 – 307 PD Police Service Credit Union - \$748,208.86**
    - The payment of the Police Officers contributions were paid to Police Credit Union but on different allocations being charged. Example: the cheque for Police Credit Union was paid from Police Welfare Scheme which is part of the write off for 2014. In 2015 FMIS was trying to transfer all the dormant accounts (operating trust fund account) as fund account which the Force was trying to do the payment during the closing of the financial year but operating expenditure allocation was debit instead of the operating trust fund.

**3. 1-20101-20101-861902 – 204 PD Deposit A/C Recoverable - \$85,245.69**

- This code was used to recover any accountable advance that was not acquitted by the officer during his/her tour of duty but not journalized to clear the debits in the RFA.
- It is also used to pay other institution such as Mataivalu Savings, Army Medical Scheme and Small Claim tribunal (Courts order)

**4. 1-20101-20101-861917- 437 PD Improved Forestry - \$31,454.35**

- The money was receipted under this allocation being funds received from other donors but not fully utilized.

*The Force has placed internal control procedures now. The Assistant Accounts Officer Salaries must check funds availability on all payroll deductions with FMIS General Ledger before facilitating a payment.*

## 20.5 Revolving Fund Account

The Force Accountant is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>4</sup>

A ledger shall be maintained for advances, petty cash, accounts payable, revolving fund accounts, inter-departmental clearance accounts, and expenditure and commitment accounts.<sup>5</sup>

Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Assistant Accounts Officer Ledgers shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>6</sup>

The Force Accountant must ensure that:

- all balances are accurate and adequately supported;
- any misallocations or outstanding balances from the previous month have been dealt with.<sup>7</sup>

Audit review of the Revolving Fund Account-Prepayments and Accrued Income revealed the following anomalies:

- Allocations 1-20101-20999-570101 and 1-20102-20101-570301 had debit balances amounting to \$114,920.52 and \$432, respectively which had been carried forward from previous years. Since detailed breakdown of these balances was not provided for audit review, the correctness of the above balances could not be substantiated.
- As at 31/07/16, allocation 1-20101-20101-570301 had a debit balance of \$132,174.09 of which \$120,421.01 relates to carried forward balances from previous years. The audit was also not able to substantiate the closing balance as at 31/07/16 due to errors in the July 2016 reconciliations which were submitted for review.

The above findings indicate breakdown in controls relating to the administration of the account. As a result, public funds are held up as outstanding accountable advance.

<sup>4</sup> Fiji Police Force Finance Manual 2014 Part 15

<sup>5</sup> Fiji Police Force Finance Manual 2014 Part 15:3:1

<sup>6</sup> Fiji Police Force Finance Manual 2014 Part 15:3:3

<sup>7</sup> Fiji Police Force Finance Manual 2014 Part 15:3:6

## **Recommendations**

### **The Force should:**

- ensure that all relevant supporting documents for all RFA accounts are properly maintained and produced for audit scrutiny; and
- investigate and rectify the long outstanding balances in the Revolving Fund Account.

## **Management Comments**

- The two other RFA allocations that is, 12010120999570101 and 12010220101570301 have been zerorized and inactivated by MOE.
- As for allocation 12010120101570301, there was variance of \$11,753.08. This amount was initiated for salary recovery under code 204. The journals for the recoveries were made in this accounting period (2016/2017). Therefore all advances were properly acquitted and recovery was made on late and incomplete acquittals for the financial period 2016.
- The Force has already reinforced the policy on salary recovery if advances are exceeding the seven days with the 12% interest (non refundable) chargers on late acquittals effective from Pay 18/2016.

## **20.6 Misallocation of Capital Purchase Appropriation**

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Assistant Accounts Officer Ledgers shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>8</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>9</sup>

The audit noted that uniform accessories worth \$391,839.05 were procured from the SEG 9 Standard Equipment allocation (1-20101-20101-090160) instead of SEG 5 Uniform and Accessories and Clothing, Equipment and Stores allocations. Refer to Table 20.5 for details:

**Table 20.5: Purchase of Uniform Accessories recorded in Capital Purchases**

Date	Cheque ID	Description	Amount (\$)	Expenditure Allocation
13/07/16	10694	Purchases uniforms accessories (Black Leather Belt, Beret Navy Blue with Red Diamond, Medal, Sam Brown Belt, File Black, Torch Megalite and Vest Accessories for stores) vide tender 150/14 for OC/Storage & Supply Unit.	391,839.05	1-20101-20101-090160

The above finding indicates misallocation of expenditure and improper use of budgetary provisions.

<sup>8</sup> Fiji Police Force Finance Manual 2014 – Section 15.3.3

<sup>9</sup> Fiji Police Force Finance Manual 2014 – Section 15.3.4

**Recommendations**

- The Force should be vigilant and ensure that the capital purchase funds are used for its intended purpose; and
- The Force should also ensure that mispostings are adjusted in a timely manner so that expenditures incurred are properly accounted against the respective budgetary allocations.

**Management Comments**

- We take note of the recommendations made herewith. However, when the initial Tender was called for the Purchase of Police Uniform Accessories, Standard Equipment Items were included within the tender and funds for this purchase were to be facilitated from SEG-5 (Uniform & Accessories) and SEG-9 (Purchase of Standard Equipment). Given the urgent need of Accessories and Standard Equipment on the ground to conduct Police Operations effectively & efficiently the Agency directly debited the SEG-9 Allocations (Purchase of Standard Equipment).
- The Force will strengthen the monitoring capabilities and Virement applications will be made before any such procurement is made in future.

**20.7 Anomalies noted in the revenue**

The Assistant Accounts Officer Revenue shall ensure that the revenue received is banked on a daily basis at least. The lodgement form shall be prepared in triplicate detailing the deposits to be made.<sup>10</sup>

The **Assistant Accounts Officer Revenue** shall prepare a journal voucher or journal entry input form before posting revenue transactions into the general ledger.<sup>11</sup> Each Accounting Head must ensure that VAT is correctly accounted for and remitted as required.<sup>12</sup>

Audit review of revenue records revealed the following anomalies:

- Considerable delays were noted in the lodgement of revenue by the Force. Refer to Table 20.6 for details.

**Table 20.6: Delays in Lodgments**

Station	Receipt No	Date Received	Amount (\$)	Date Deposited	Delayed Period
Kadavu Police Station	040843, 040844	08/02/16	116.20	13/07/16	5 months
Kadavu Police Station	040845, 040846	09/02/16	174.40	13/07/16	5 months
Kadavu Police Station	040847	12/02/16	19.00	13/07/16	5 months
Kadavu Police Station	040848	15/02/16	21.80	13/07/16	5 months
Vunidawa Police Station	950025	29/03/16	21.50	05/04/16	7 days
Vunidawa Police Station	950026	31/03/16	21.50	05/04/16	5 days
Vunidawa Police Station	950023	02/02/16	21.50	14/03/16	1 month
Kadavu Police Station	040858	23/03/16	21.80	21/04/16	29 days
Kadavu Police Station	040859	15/04/16	21.80	21/04/16	6 days
Levuka Police Station	456321	08/01/16	51.10	13/01/16	5 days
Levuka Police Station	456337	19/04/16	36.30	29/04/16	10 days

<sup>10</sup> Fiji Police Force Finance Manual Section 5.4.2

<sup>11</sup> Fiji police Force Finance Manual Section 5.5.4

<sup>12</sup> Finance Instructions 2010 Section 21. (1). e



Station	Receipt No	Date Received	Amount (\$)	Date Deposited	Delayed Period
Levuka Police Station	456338	26/04/16	19.00	29/04/16	3 days
<b>Total</b>			<b>545.90</b>		

- Instances were noted whereby the total revenue including VAT was posted to the revenue allocation. Refer to Table 20.7 for examples.

**Table 20.7: VAT Inclusive Revenue amounts posted into FMIS**

Receipt No	Date Banked	Amount Posted VIP (\$)	VAT Amount Mis-posted (\$)
229772 - 229793	05/01/16 – 22/01/16	28,759.61	2,374.65
485413 - 485491	18/07/16	6,245.05	515.65
485644 - 485724	20/07/16	7,460.05	615.97
485725 - 485797	21/07/16	4,881.35	403.05
485798 - 485850	22/07/16	4,593.90	379.31
486218 - 486302	25/07/16	6,904.00	570.06
486303 - 486362	26/07/16	4,141.00	341.92
486363 - 486467	27/07/16	6,943.05	573.28
486468 - 486555	28/07/16	8,324.55	687.35
486556 - 486684	29/07/16	6,924.45	571.74

- Instances were also noted whereby revenue receipts could not be located although revenue received on the receipts sequence before and after these receipts were found to be banked. Refer to Table 20.8 for examples.

**Table 20.8: Untraceable Revenue Receipts**

Station	Receipt No
Taveuni Police Station	363043 – 363050
	363051 – 363064
	363079 – 363081
	363095
	363099 – 363100
	363108
	363119
	363123 – 363129
	363133 – 363141
	363143
	363147 – 363152
	363153
	363162 – 363163
	363167 – 363200
	626752
	626754 – 626800
	626800 – 626817
	626821 – 626823
	367961
	367964-368000

The above anomalies indicate poor controls over the receipt, accounting and banking of monies. Delays in lodgement increase the risk of misappropriation and theft of public funds.

**Recommendations****The Force should:**

- ensure that all cash received are banked intact daily;
- VAT portion from the total revenue receipted is posted to relevant VAT allocation (SLG86) and remitted to FRCA on a timely basis;
- investigate the anomalies highlighted and take corrective measures; and
- provide refresher training to revenue collectors and FMIS General Ledger Data Clerk.

**Management Comments**

- Please refer to the tabulated response hereunder:

Station	Receipt No.	Date Receipted	Lodgement Date	Remarks
Kadavu	040843 - 040858	08/02-23/03/16	13/07/16, 21/04/16	The delay in lodgements date were due to the following reasons: <ul style="list-style-type: none"> <li>• Adverse weather condition (TC Winston)</li> <li>• Power disruptions</li> <li>• Receipting officer engaged in Police operation duties</li> <li>• Unavailability of replacement revenue collector</li> <li>• Books were kept under lock and key</li> </ul>
Vunidawa	950023 - 950026	March 2016	April 2016	
Levuka	456321 - 456338			

- According to Table 7.9, the VIP amount was posted into the FMIS system. There were two separate batches posted amounting to \$28,759.61 and \$65,103.95 respectively. The batch amounting to \$28,759.61 was the January which was sent to MOE to post it for the January period. However, MOE posted through journals instead of AR module and the VIP amount was posted.
- The same happened with the second batch. The second batch was posted during the closing of accounts and again instead of posting the AR entries through AR module, journals were entered with the VIP amounts.
- Upon enquiring with MOE, it was advised that the journals can be raised to correct the entries through the auditors. (Find attached the excel sheets forwarded to MOE for posting and also the email from MOE).
- The missing receipts for Taveuni PS are already under investigation. We have appointed two new revenue collectors for Taveuni effective from 28/03/2017.
- The previous revenue collector is under investigation.

The Force will take appropriate action in providing refresher training to the Revenue Collectors and the FMIS general ledger data clerk. An inspection and training tour will be arranged to visit all divisions to train and guide the revenue collectors in divisions.

