
REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Volume 4

Audit Report on Economic & Infrastructure Sector 2016



REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Volume 4

Audit Report on Economic & Infrastructure Sector 2016



OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing



6-8TH Floor, Ratu Sukuna House
2-10 McArthur St
P. O. Box 2214, Government Buildings
Suva, Fiji

Telephone: (679) 330 9032

Fax: (679) 330 3812

E-mail: info@auditorgeneral.gov.fj

Website: <http://www.oag.gov.fj>



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

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

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.

A handwritten signature in blue ink, appearing to read 'Ajay Nand'.

Ajay Nand
AUDITOR-GENERAL



Foreword

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.

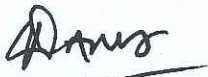
Public debt

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



CONTENTS

Volume 1: Audit Report on the Whole of Government Financial Statements and Annual Appropriation Statement 2016

Part 1: Whole of Government Financial Statements and Annual Appropriation Statement for the Republic of Fiji for the Year Ended 31 July 2016

Part 2: Report of the Whole of Government Financial Statements and Annual Appropriation Statement

Volume 2:

1. Office of the President
2. Office of the Prime Minister
3. Office of the Attorney General
4. Ministry of Economy
5. Ministry of i-Taukei Affairs
6. Ministry of Defence, National Security and Immigration
7. Ministry of Employment, Productivity and Industrial Relations
8. Ministry of Foreign Affairs
9. Office of the Auditor General
10. Fijian Elections Office
11. Judiciary
12. Parliament
13. Independent Commissions
14. Office of the Director of Public Prosecutions
15. Ministry of Justice
- 15A Fiji Correction Services
16. Ministry of Communication – Department of Information
- 16A Department of Information Technology and Computing Services
17. Ministry of Civil Service
18. Ministry of Rural and Maritime Development and National Disaster Management
19. Republic of Fiji Military Forces
20. Fiji Police Force

Volume 3:

21. Ministry of Education, Heritage and Arts
22. Ministry of Health and Medical Services
23. Department of Housing
24. Ministry of Women, Children and Poverty Alleviation
25. Ministry of Youth and Sports
26. Higher Education Institutions

Volume 4:

30. Ministry of Agriculture
32. Ministry of Fisheries and Forests
33. Ministry of Lands and Mineral Resources
34. Ministry of Industry, Trade and Tourism
35. Ministry of Sugar
36. Ministry of Public Enterprise
37. Ministry of Local Government, Housing and Environment
40. Ministry of Infrastructure and Transport
49. Peacekeeping Missions

Volume 4

- 30. Ministry of Agriculture
- 32. Ministry of Fisheries and Forests
- 33. Ministry of Lands and Mineral Resources
- 34. Ministry of Industry, Trade and Tourism
- 35. Ministry of Sugar
- 36. Ministry of Public Enterprise
- 37. Ministry of Local Government, Housing and Environment
- 40. Ministry of Infrastructure and Transport
- 49. Peacekeeping Missions

Section 30**Ministry of Agriculture****Role and Responsibilities**

The Ministry is responsible for guiding Government's agricultural policy, which is focused on helping Fijians provide for themselves and their families by strengthening the Fijian agricultural sector, with special attention paid to competitive exports. The agricultural policy is also directed at responsibly managing competing demands for land and boosting Fiji's food security. The Ministry has gradually moved from a Government led approach to a demand driven approach, listening and responding to the needs of farmers and the opportunities in the market. The "Green Growth Framework for Fiji" furthermore highlights the need to address food security through improved farm efficiency and the establishment of a coordinated mechanism to manage competing demands for land.

Table of Contents

PART A: FINANCIAL STATEMENT	2
30.1 Audit Opinion	2
30.2 Statement of Receipts and Expenditure	2
30.3 Appropriation Statement	3
30.4 Trading and Manufacturing Account	4
30.5 Trust Fund Accounts	5
PART B: AUDIT FINDINGS	6
30.6 Non- submission of Annual Accounts for audit – Agriculture Marketing Authority	6
30.7 Overseas Purchase of Livestock	7
30.8 Anomalies in purchase of Rice Harvester machine	8
30.9 Additional costs incurred due to revised travel list	9
30.10 Anomalies in Local Purchase Orders	10
30.11 No contract agreement signed with supplier	11
30.12 Diversion of funds	12
30.13 Unbudgeted Expenses	12
30.14 Fixed Assets Register not updated	13
30.15 Payments not made yet recorded in General Ledger	14
30.16 Discrepancies in Recording of Rental Income on Government Quarters	15
30.17 Unauthorised Arrears of Revenue Write-off	15
30.18 Excess cash transferred to CFA not recorded in the FMIS General Ledger	17
30.19 Delay in preparation of monthly Underline Account Reconciliations	17
30.20 Accountable Advance not cleared on time	18
30.21 Bank Lodgement Clearance (BLC) Account	20
30.22 Anomalies in Main Trust Fund Account	20
30.23 Statement of Losses - Unauthorised Losses and Omissions	22
30.24 Prior Year Issues	23
Appendix 30.1: Anomalies in Local Purchase Orders	25
Appendix 30.2: Diversion of Funds	26
Appendix 30.3: Unbudgeted Expenses	27

Appendix 30.4: Payments not made yet recorded in General Ledger	28
Appendix 30.5: Delay in preparation of monthly Underline Accounts Reconciliations	29
Appendix 30.6: Statement of Losses – Omissions	30

PART A: FINANCIAL STATEMENT

30.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Agriculture resulted in the issue of a qualified audit report. The qualifications were as follows:

Trading and Manufacturing Account

- The Ministry transferred \$457,469 of excess cash from TMA operations to the Consolidated Fund Account with the Ministry of Economy. The journal entry passed to effect the transfer had a nil effect on the general ledger. As a result, this amount was still reflected in the Consolidated TMA Balance Sheet. Consequently, the cash amount of \$559,372 and TMA Surplus Capital Retained of \$1,125,622 in the Consolidated TMA Balance Sheet as at 31 July 2016 are both overstated by \$457,469.

Trust Fund Account

- Appropriate supporting documents for adjustments amounting to \$318,494 to the Cash account for the Trust Account were not provided to audit. In addition, there was a variance of \$354,402 between the detailed listing of beneficiaries of the Trust Account and the amount recorded in the general ledger. As a result, I was unable to ascertain the accuracy and completeness of the closing balance of \$684,162 reflected in the Trust Statement of Receipts and Payments.

30.2 Statement of Receipts and Expenditure

The Ministry of Agriculture collected revenue totalling \$273,783 and incurred total expenditure of \$30.4 million for the seven months period ended 31 July 2016. Details are shown in Table 30.1 below.

Table 30.1: Statement of Receipts and Expenditure

Description	2016 (\$)	2015 (\$)
Agricultural produce & Inspection Fees	203	92
License	30,662	75,359
Meat Inspection	14,336	23,635
Veterinary and Animal Quarantine	8,518	13,865
Sale of Sheep and Wool	4,660	33,872
Rest house	2,651	12,520
Rental for quarters	35,344	59,269
Registration	2,154	3,954
Commission	14,221	24,738

Description	2016 (\$)	2015 (\$)
Sale of farm produce	21,935	44,763
Miscellaneous revenue	117,693	258,764
Overpayment recoveries	20,767	37,335
Water charges	199	1,169
Rural electrification	344	1,629
Miscellaneous Fees and Receipts	96	-
TOTAL REVENUE	273,783	590,964
Established staff	7,469,249	13,336,531
Government wage earners	3,438,174	5,704,307
Travel & communication	449,730	747,722
Maintenance & operations	1,387,954	2,001,578
Purchase of goods & services	388,589	608,131
Operating grants & transfers	2,716,499	1,810,254
Special expenditures	1,036,921	2,037,870
Total Operating Expenditures	16,887,116	26,246,393
Capital construction	7,860,937	15,925,337
Capital purchases	5,219	389,914
Capital grants & transfers	4,654,588	6,992,224
Total Capital Expenditures	12,520,744	23,307,475
Value added tax	1,000,364	3,021,994
TOTAL EXPENDITURES	30,408,224	52,575,862

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.

Operating Grants and Transfers expenditure increased by \$906,245 in 2016 as a result of increase in grant given to the Agriculture Marketing Authority to assist the agriculture sector in recovering from the effects of Cyclone Winston.

30.3 Appropriation Statement

The Ministry incurred expenditures totalling \$30.4 million against the revised budget of \$76.18 million resulting in savings of \$45.78 million. The significant savings was due to the budget being for twelve months in 2016 while expenditures were only for seven months up to 31 July 2016.

Details of expenditures against the revised budget are provided in Table 30.2 below.

Table 30.2: Appropriation Statement

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	14,162,452	-	14,162,452	7,469,249	6,693,203

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
2	Government wage earner	6,112,962	-	6,112,962	3,438,174	2,674,788
3	Travel and communications	797,300	379	797,679	449,730	347,949
4	Maintenance & operations	2,427,081	(28,866)	2,398,215	1,387,954	1,010,261
5	Purchase of goods & services	704,800	538	705,338	388,589	316,749
6	Operating grants & transfers	3,564,931	-	3,564,931	2,716,499	848,432
7	Special expenditures	4,711,500	(313,695)	4,397,805	1,036,921	3,360,884
	Total Operating Expenditure	32,481,026	(341,644)	32,139,382	16,887,116	15,252,266
8	Capital construction	28,295,400	341,644	28,637,044	7,860,937	20,776,107
9	Capital purchases	1,426,450	-	1,426,450	5,219	1,421,231
10	Capital grants & transfers	10,740,300	-	10,740,300	4,654,588	6,085,712
	Total Capital Expenditure	40,462,150	341,644	40,803,794	12,520,744	28,283,050
13	Value added tax	3,245,700	-	3,245,700	1,000,364	2,245,336
	TOTAL EXPENDITURE	76,188,876	-	76,188,876	30,408,224	45,780,652

30.4 Trading and Manufacturing Account

Table 30.3: Manufacturing Account

Details	2016 (\$)	2015 (\$)
Opening raw material	-	---
Add: Purchases	988,972	1,035,006
	988,972	1,035,006
Less: Closing raw material	-	---
Raw material used	988,972	1,035,006
Add: Direct labor	10,293	7,858
Cost of manufacturing goods transferred to trading account	999,265	1,042,864

Table 30.4: Trading Account

Details	2016 (\$)	2015 (\$)
Sales	1,263,688	1,239,504
Opening stock of finished goods	709,078	1,014,577
Add: Cost of manufactured goods	999,265	1,042,864
	1,708,343	2,057,441
Less: Closing stock of finished goods	1,465,662	709,078
Cost of finished goods sold	242,681	1,348,363
Add: Other Income	-	773
Gross (Loss)/profit	1,021,007	(108,086)

Sales increased by \$24,184 or 2% for the seven months in 2016 compared to the twelve months in 2015 due to the significant decrease in expenditure by \$199,658 or 60% for the Trading & Manufacturing Account.

Table 30.5: Profit & Loss Statement

Details	2016 (\$)	2015 (\$)
Income		
Gross Profit transferred from Trading Account	1,021,007	(108,086)
Total Income	1,021,007	(108,086)
Expenses		
Travelling & communication expenses	17,437	8,672
Maintenance & operation	107,277	281,478
Other expenses	7,957	42,089
Total Expense	132,671	332,239
Net Profit / (Loss)	888,336	(440,325)

Table 30.6: Balance Sheet

Details	2016 (\$)	2015 (\$)
Equity		
TMA Surplus Capital Retained	1,125,622	1,845,486
Net Profit/Loss for the year	888,336	(440,325)
TMA Surplus transferred to Consolidated Fund	33,454	(23,727)
Write Off	-	(255,813)
Total Equity	2,047,412	1,125,621
Assets		
Cash	559,372	394,430
Accounts receivable	265	---
Finished goods	1,465,662	709,078
Total Assets	2,025,299	1,103,508
Liability		
Deposits & Retention	(22,113)	(22,113)
Total Liabilities	(22,113)	(22,113)
Net Assets	2,003,186	1,081,395

Cash increased by \$164,942 or 42% for the seven months in 2016 compared to the twelve months in 2015 due to increase in sales for the Trading and Manufacturing Account.

30.5 Trust Fund Accounts

Table 30.7: Land Water Resource Management and Land Resource Planning & Development

Details	2016 (\$)	2015 (\$) (Restated)
Retention money	154,676	963,831
Total Receipts	154,676	963,831
Retention money	439,095	872,901

Details	2016 (\$)	2015 (\$) (Restated)
Total Payments	439,095	872,901
Surplus/(Deficit)	(284,419)	90,930
Opening balance at 1 January	968,581	877,651
Closing balance	684,162	968,581

PART B: AUDIT FINDINGS

30.6 Non- submission of Annual Accounts for Audit – Agriculture Marketing Authority

The Auditor General must audit the annual accounts and other books of accounts of the Authority and prepare a report on such accounts. The Board must prepare and submit to the Minister within 6 months after the start of each financial year its annual report (including the Auditor-General's report) for the preceding financial year.¹ Annual Financial statements are the main source of accountability of management performance, and it is management's responsibility to prepare them.

The Agriculture Marketing Authority facilitates the purchase, sale and export of agro produce. The Ministry has been administering the operating and capital grants for the Agriculture Marketing Authority (AMA) and has given a total of \$9,628,647 for the years 2010, 2011, 2014, 2015 and 2016. The Authority did not submit its annual financial statements to the Auditor General for the years 2010 to 2015 for audit. Enquiries made with the Senior Economic Planning Officer in the Ministry who oversees the administration of this grant revealed that, the accounting records from 2010 were held by the Fiji Independent Commission Against Corruption (FICAC) pending investigation.

In the absence of the annual financial statements the audit could not ascertain whether the grants issued to the Authority have been properly accounted for.

Recommendation

The Ministry together with the Authority should make a concerted effort to obtain the accounting records from FICAC, in order for the annual financial statements to be prepared and submitted to the Auditor General for audit.

Ministry's Comments

The audit comment is noted and the annual financial statements are still outstanding. The Ministry had followed up with the Agricultural Marketing Authority (AMA) last year to submit their unaudited Annual Financial Statement however; they informed that they could not submit any report due to the pending FICAC case.

The Permanent Secretary in his recent meeting with the Acting Chairman for AMA had discussed the urgent need to provide the outstanding financial statements including all the pending Authority's Annual Reports mandated under the Administering Act. The Ministry has also written to the Authority on the matter.

¹ Agriculture Marketing Authority Act 2004, Sections 11(4) and 12(1)

30.7 Overseas Purchase of Livestock

Public Tenders must be called for any procurement of goods, services or works valued at \$50,001 or more. An indent shall be issued to the Director of Procurement Office for the procurement of goods from overseas suppliers, unless a contract or agreement has been entered into.²

The Board may approve that tender procedures be waived where there is only one supplier capable of supplying the goods, services or works. If it is impractical to comply with regulation 30 sub regulation (1) in relation to the provision of urgent infrastructure development and services, the Minister for Economy may on this basis exempt such particular infrastructural services from complying with regulation 30 sub regulation 1.³

The audit noted that the Ministry imported sheep and goats at a total cost of \$407,224 from Australia on 13/04/16, through a company owned by an Expatriate Technical Advisor to the Ministry.

The invoice for the purchase was issued to the Ministry on 01/02/16, and 09/02/16 following which the Ministry sought approval from the Minister of Economy for waiver of tender process. The approval for the waiver of tender was given on 12/02/16 based on the information that 50% needed to be paid for the animals to go into quarantine, and that the payments would be made directly to the suppliers through the Ministry of Foreign Affairs Office in Canberra.

The following anomalies were noted:

- Anomaly in the waiver of tender as according to regulations, the Government Tender Board may approve the purchase or engagement if there is only one supplier for the goods;
- The Minister of Economy can only approve waiver of tender in relation to the provision of urgent infrastructure development and services;
- The Ministry had to re-route the consignment from Sydney to Melbourne due to quarantine issues, which resulted in additional freight costs which were not budgeted for. Payment vouchers from the Trade Commission in Sydney relating to the new route amounted to AUD \$8,649. However, invoices were not attached to support the payment. On 31/8/16, the Ministry wrote to the Minister of Economy for approval to utilise funds of FJD\$32,590⁴ for the balance of the additional freight costs of AUD \$34,825 or FJD \$53,866.98.⁵
- Supporting documents provided by the Ministry for payments made on its behalf by the Trade Commission in Sydney did not include invoices for payments amounting to AUD\$73,573.05.
- Funds used for the purchase were originally budgeted and approved for the rehabilitation of the beef and dairy industries;
- There was no Memorandum of Agreement between the Ministry and the supplier.

Furthermore, audit noted that although the Ministry had carried out the Annual Board of Survey as at 31 July 2016, stock-take reports were not prepared for the sheep and goats which were purchased.

² Ministry of Agriculture Finance Manual 2013 – Part 2.3.1& 2.6.1

³ Fiji Procurement Regulation 2010 – Regulation 48 (1) & (4)

⁴ Based on the exchange rate stated in the letter to Ministry of Economy on 31/08/16

⁵ Based on the exchange rate stated in the letter to Ministry of Economy on 31/08/16

The above findings indicate that proper planning was not carried out by the Ministry prior to undertaking purchase of livestock.

Recommendations

The Principal Accountant should ensure that:

- **proper planning and budgeting is carried out prior to undertaking major purchases;**
- **tenders are called for procurements exceeding \$50,000; and**
- **budgeted funds should be used for the purpose it was appropriated.**

Ministry's Comments

The audit comment is noted. The process of obtaining competitive (three) quotations could not be done, as the right breed of sheep/goats were hand-picked from a number of farms visited by the Ministry's team according to the requirements both in terms of physical appearance, performance and the genetic potential of the animal. This resulted in the payment being made directly to all the individual farmers (suppliers of the breed stock) through the Fiji Trade Commission Office in Sydney for transparency purposes.

In view of the Agriculture Sector's growing concern regarding the disease outbreak on the live cattle coming from New Zealand, the budget for the livestock rehabilitation was used to develop the sheep and goat industries for the Meat Sector. The Ministry of Economy approved the RIE that Sheep and Goat be part of the activity of the Livestock Rehabilitation in the 2016 financial year because of the problem encountered in the meat sector.

30.8 Anomalies in Purchase Of Rice Harvester Machine

The procurement of any goods, services or works required by Ministries or Departments must be initiated either by the issue of a purchase order for any purchases of goods, services or works made locally or by the issue of an indent for any purchase of goods from overseas.⁶

On 8/4/16, the Ministry paid a sum of \$37,000 through cheque number 28359 for the purchase of a self-propelled rice combine harvester machine for rice farmers in Dreketi. The rice harvester was purchased to address the issue of delay in rice harvesting, poor grain quality and high cost of harvesting resulting in loss over the years. It is hired out to farmers at a rate of \$17.45 per hour by the Ministry's agriculture station in Dreketi. The following anomalies were noted in procurement of the rice harvester:

- A local purchase order was not attached to the payment voucher which was authorised for payment by the Acting Principal Accountant;
- Competitive quotations were not attached to the payment voucher. The purchase was made upon receipt of an offer letter from the supplier on 22/09/15. The letter offered the Ministry an opportunity to purchase a rice harvester at \$37,000 which would include an additional rice harvester at no extra cost, training, set of spare parts for the harvesters, and general back-up services at minimal cost; and

⁶ Fiji Procurement Regulations 2010, Part 4:21(3)

- Although, invoice for the rice harvester was dated 31/12/15, payment was made on 8/4/16; after a delay of over three months.

The purchase of rice harvesters indicates poor planning by the Ministry. Furthermore, payment for invoices due in the previous year will inevitably lead to constraints in budget for the current year.

Recommendations

The Ministry should:

- **ensure that supporting documents including purchase orders and quotations are attached to the payment vouchers while effecting payments; and**
- **ensure that payments are made in the year in which expenses are incurred.**

Ministry's Comments

The audit comment is noted and the Ministry would like to highlight the following in relation to this payment:

- *A Purchase Order (PO: 90810- 003287) was issued on the 15th of December 2015 for the purchase of the new Rice Harvester. The Purchase Order was later cancelled due to closing date given by Ministry of Economy through Finance Circular 60/36 of 02/10/2015.*
- *The invoice dated 31/12/15 was received after the closing date for all payments to be made for the 2015 fiscal year hence the making of the payment in 2016.*

The Ministry has conducted Procurement training at Divisional level to provide awareness again on Procurement guidelines and the requirements to all Officers involved.

30.9 Additional Costs Incurred Due To Revised Travel List

The responsible authority for a state entity is responsible for managing the financial affairs of the entity in accordance with the requirements of this Act and with due regard to the principles of responsible financial management.⁷

On 05/01/16, Ministry paid a travel agency the amount of \$31,234 for the return airfares for five management staff led by the Honourable Minister, to travel to Manila in the Philippines from 10/01/17 to 17/01/17. However, this list was later revised by the Ministry to include only three members of management namely the Honourable Minister, the Deputy Secretary Agriculture Development and the Acting Director Research. Consequently, the Ministry incurred a reissue fee amounting to \$6,850 for the revised list which was paid on 20/1/16 to the travel agency.

Furthermore, the airfares of the two members of management who did not travel with the group could not be fully refunded by the travel agency. The Ministry was informed by the travel agency in a letter dated 11/01/16 that only 50% or \$4,195 of the \$8,390 paid for the business class ticket for the Acting Permanent Secretary would be refunded, while only \$2,250 out of \$4,818 would be refunded for the economy class ticket of the Acting Director Extension. Due to the revised travel list, the Ministry incurred losses totalling \$13,613.

⁷ Financial Management Act 2004 – Part 2, Paragraph 7

The above finding indicates lack of proper planning by the Ministry resulting in loss of taxpayers' funds.

Recommendation

The Ministry should ensure that proper planning of travel is carried out before payment is made.

Ministry's Comments

The audit recommendation is noted. The change in the travel list was due to unforeseen circumstances placed on the Ministry without any prior knowledge but had to be facilitated. After finalising the travel arrangements for the Ministry's delegation, instructions were then received to change the delegation due to the need for our Executive Team to accompany the Honourable Prime Minister on his tour to the Northern Division during the time of the planned travel.

30.10 Anomalies in Local Purchase Orders

The system generated purchase orders shall be executed once all relevant documents pertaining to a request for procurement locally has been completed and authorised by the relevant authorising officers.⁸

The cut-off date for the issuing of POs is 13th June 2016. All new transactions from 13th June are to be procured through profoma invoice (to be approved by Chief Accountant - Treasury) and facilitated through direct payments till the 22nd July.⁹

Audit review of a sample of procurement and payment records revealed the following anomalies in purchase orders:

- Local Purchase Orders were not issued for the purchase of ginger seeds, photocopy machines, water pumps and motorbikes totalling \$407,510;
- Local Purchase Orders were not signed by an authorised officer for the procurement of water pumps totalling \$48,888; and
- Local Purchase Orders totalling \$60,165 were issued after the date of invoices.

Refer to *Appendix 30.1* for details.

The above findings indicate that accounting officers lack basic procurement knowledge resulting in internal controls not being complied by the Ministry. In addition, local purchase orders not signed indicate that the procurements were not properly authorised.

Recommendation

The Ministry should ensure that requisite internal controls are implemented for all procurements and strict compliance is maintained with the Procurement Regulations.

⁸ Ministry of Agriculture Finance Manual 2013, Part 2.5.5

⁹ Finance Circular 60/36 dated 02 May 2016

Ministry's Comments

The audit comment is noted and it must be understood that the activities for Ginger planting season begins in July and therefore with the change in Government's fiscal year, the procurement of seeds as we have experienced now falls outside the cut off dates for issuing of Purchase Order i.e. 13 June 2016. Any procurement after this date must be done through direct payments with a Proforma Invoice as stated in the Finance Circular 60/36 dated 02 May 2016.

Similarly the request for the procurement of photocopy machine, water pumps and motorbikes were made after the cut-off date of issuing of Purchase Order and was processed due to the urgent need at that point in time. The Local Purchase Order for the procurement of water pumps with the amount of \$48,888 was released and signed. We agree that the Local Purchase Order should be issued before the Invoice is submitted for payment however, in this instances the Purchase Order was subsequently issued for payment purposes as per the requirement under the Procurement Regulation.

30.11 No Contract Agreement Signed with Supplier

The Government Tender Board: - Approved the engagement on sole-supplier basis for the purchase of 40 tonnes of "Red Pontiac" variety potato seeds at the cost of AUD\$67,200. This approval is subject to a binding contract vetted by the Solicitor General's Office, is entered into by both parties and the availability of funds. A copy of the signed contract is to be submitted to the Fiji Procurement Office.¹⁰

The Ministry operates the Potato Research and Development programme from the Capital Projects allocation of its budget. On 09/06/16, payment was made to an overseas supplier through the Fiji Procurement Office for the purchase of 40 tonnes of Red Pontiac potato seeds for \$96,388. The Government Tender Board in its meeting held on 25/11/15, had approved the waiver of tender process for this purchase. Although the approval was based on the condition that a legally binding contract was to be entered into by both parties, this was not done by the Ministry.

The absence of a contract will result in government's interests in terms of delivery, title, risk and warranty of goods, not being safeguarded.

Recommendations

The Ministry should ensure that:

- **a valid contract agreement is entered into with suppliers to safeguard government's interests; and**
- **procurement regulations are strictly adhered to by officers responsible for purchases and payments.**

Ministry's Comments

In relation to the Contract Agreement on the purchase of red pontiac potato seeds the Ministry will ensure that procurement regulations are strictly adhered to by Officers responsible for purchases and payments. The Ministry has as a guide designed a contract template which was sent to the Heads of Implementing Divisions for their necessary action.

¹⁰ GTB Meeting No. 21/2015 - Waiver of Tender Process for the Purchase of Potato Seeds – Ministry of Agriculture

30.12 Diversion of Funds

The authorised officers must not certify a payment as correct unless they are satisfied that sufficient uncommitted funds are available for payment of the account and the expenditure account it is charged to is correct.¹¹

The audit noted that funds amounting to \$551,925 were diverted from capital project expenditure allocations and used for other purposes. In addition, evidence of approval from the Ministry of Economy for the diversion of funds was not produced for audit verification. Refer to *Appendix 30.2* for examples.

The above indicate that internal control procedures were not followed indicating a high risk of mismanagement of funds.

Diversion of indicates funds that monies were not utilised for the purpose it was appropriated by Parliament.

Recommendations

The Ministry should ensure that:

- **funds are utilised for the purpose it was appropriated for in the Budget; and**
- **prior approval is obtained from the Ministry of Economy for any diversion of funds.**

Ministry's Comments

The audit comment is noted. The Ministry will seek prior approval from the Ministry of Economy for future diversion of funds. Please refer to Annexure 1 for comments on the identified vouchers. Officers responsible will be identified and a list submitted to PS to be issued with Warning letters due to the lapse in their performance.

30.13 Unbudgeted Expenses

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well as, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over expenditure and corruption do not occur.¹²

Audit review of capital projects general ledger revealed that some of the expenses recorded in the general ledger were not included in the approved capital project work program thus were not budgeted for. These include expenditures for Potato Research & Development Program and Coconut Development Program totalling to \$66,540 and \$1,216, respectively. Refer to *Appendix 30.3* for details.

The audit finding indicates that proper financial management was not carried out by the Ministry resulting in use of capital budget for expenditures which were not appropriated in the 2016 Budget Estimates.

¹¹ Ministry of Agriculture Finance Manual 2013 – Part 2.8.4

¹² Ministry of Agriculture Finance Manual 2013, Part 2

Recommendations

The Ministry should ensure that:

- expenses incurred are budgeted for in the respective project's work program; and
- proper approval is obtained for any diversion of funds.

Ministry's Comments

The audit comment is noted and the Ministry will ensure that future expenses recorded in the general ledger are included in the approved capital project work programs and that changes in activity in the approved RIE's are appropriately approved and authorised.

30.14 Fixed Assets Register not Updated

The Asset Recorder shall be responsible for maintaining the fixed assets register. The fixed assets register shall provide the following details:

- date of acquisition and cost;
- description;
- serial number and model;
- location
- other relevant information (e.g. if asset is sold or written off)¹³

Review of a sample of payments for fixed assets revealed that fixed assets worth \$248,877 were not recorded in the Fixed Assets Register. Refer Table 30.8 for details.

Table 30.8: Assets Not Recorded in Fixed Assets Register

Date	Cheque/ EFT No.	Assets Description	Quantity	Total Cost (VEP) (\$)
01/07/16	220806	3.6 x 3.6 x 2.2m high chiller room	1	22,936
01/07/16	220806	2.4 x 2.4 x 2.2m high chiller/freezer trailer	1	16,514
23/06/16	30900	1 x 20' Container	1	6,873
20/07/16	32217	Portable Race - C Grade 40mm galvanised pipe 2m x 900 x 1.3m	50pcs	27,523
21/07/16	220999	Off road Suzuki Farm Motorbikes	10	80,275
19/07/16	32107	Suzuki 4wd Quad Runner	1	18,349
18/07/16	32087	26m x 5m Tropical Greenhouse with Roof cover	2	6,972
04/07/16	31408	Konica Minolta Bizhub 554	5	69,435
Total				248,877

The above finding is an indication of ineffective controls and lack of proper supervisory checks at the Accounts and Assets Management Unit of the Ministry.

Failure to keep record and control of fixed assets increases the risk of misuse, theft, abuse and damage to Ministry's assets.

¹³ Ministry of Agriculture Finance Manual 2013 – Part 11.2.1

Recommendations

The Ministry should ensure that:

- **all fixed assets owned by the Ministry are properly recorded in the Fixed Assets Register; and**
- **supervisory checks and controls is strengthened in the Accounts Section and Assets Management Unit in recording of fixed assets.**

Ministry's Comments

The audit comment is noted. The Fixed Asset template is distributed to Divisional Officers to coordinate the recording of all purchases done within the Division. Monthly returns of Assets are to be submitted to Headquarters and Asset reconciliation will be done on a monthly basis upon receipt of Monthly Returns. The Executive Officer Asset and the Assistant Accounts Officer-Payments will be responsible for the monitoring and updating of Fixed Asset Register.

30.15 Payments not Made Yet Recorded In General Ledger

Expense is recognised when cash is paid.¹⁴

The audit noted that expenses totalling \$146,300 were recorded as expenses in the general ledger although payments were not made as cheques were held back by Accounts Section. Refer *Appendix 30.4* for details.

The audit finding indicates poor controls on expenditure planning and will affect cash flows for the beginning of the next financial year. In addition, there is high possibility that the Ministry did this to utilise its budget as goods and services were yet to be received.

Recommendations

The Ministry should ensure that:

- **expenses recorded in the general ledger are paid within the financial period; and**
- **controls relating to expenditure planning are strengthened.**

Ministry's Comments

The audit comment is noted. The Ministry withheld payments to these Companies until the services were fully provided. For instance on the payment for the ginger planting materials, due to the nature of the ginger season the Ministry needs to process the payment in July for ginger seeds but the supply was actually made in August. If the Ministry does not deploy this arrangement then the Agriculture Sector would eventually lose out on the planned activity and required output of the Ginger Capital program.

¹⁴ Cash Basis Accounting

30.16 Discrepancies in Recording of Rental Income on Government Quarters

At the end of each month, the AAO payments shall prepare a Statement of Revenue comparing the types of revenue collected during the month against the forecasted revenue. Explanations for variances between the actual and forecasted revenue must be obtained from the officers responsible for revenue collection.¹⁵

Audit review of the Ministry's Quarterly Return revealed a significant variance of \$120,924 or 77% between the budgeted rental revenue from government quarters and the actual amount recorded in the FMIS general ledger. Details are listed below in Table 30.9.

Table 30.9: Rental Income on Government Quarters

Details	Amount (\$)
Forecasted Rental Income for 7 months as per the 2 nd Quarter Quarters Return 2016	156,268
Rental Income recorded in FMIS General Ledger (1-30101-30999-270202)	35,344
Variance	120,924

The audit finding indicates that proper co-ordination was not made between the Ministry's Assets Management Team and the Accounts Section resulting in quarters rental income not being properly accounted in the general ledger.

Recommendations

The Ministry should ensure that:

- **all officers occupying government quarters are paying rent and bond through direct deductions from their salaries or wages; and**
- **rental income is properly recorded in the general ledger;**

Ministry's Comments

The audit comment is noted. The Ministry will review the Clerical Officer-Quarters and Assistant Accounts Officer Salaries Job Descriptions to include the reconciliation of the Quarters Return against the rental income recorded in the General Ledger.

30.17 Unauthorised Arrears of Revenue Write-off

Subject to this or any other Act, the Minister of Economy may – (a) write off losses in respect of public money, state assets and agency assets; the power to write off losses includes the power to abandon or discontinue the recovery of amounts of revenue.¹⁶

The Minister may delegate under this Act the Minister's power to write off losses to the responsible authority for a budget sector agency only if satisfied that – (a) the agency has issued a finance manual

¹⁵ Ministry of Agriculture Finance Manual 2013, Part 5.5.10

¹⁶ Finance Management Act 2004 – Division 4, Section 34 (1) and (2);

that satisfies the requirements of the Finance Instructions; (b) the agency is maintaining a register of losses in a manner that satisfies the requirements of the Finance Instructions; and (c) other conditions specified in the Finance Instructions or determined by the Minister have been satisfied.¹⁷

The audit noted that the Ministry's arrears of revenue for the second quarter of 2016 reported to the Ministry of Economy were \$27,296. However, a total of \$777,106 in revenue arrears was not included as it was written-off by the Ministry without prior approval from the Ministry of Economy. There was also no evidence of whether the Minister of Economy had delegated powers to the Ministry to write off losses. Refer to Table 30.10 for details.

Table 30.10: Arrears of Revenue written-off without Ministry of Economy Approval

Revenue Type	31 Dec 2015 (\$)	31 July 2016 (\$)	Variance (\$)
Revolving Fund Account	427,763	-	(427,763)
Cocoa Development	237,460	-	(237,460)
Irrigation & Commercial	106,939	-	(106,939)
Land Development	4,237	-	(4,237)
Batiri Pineapples	707	-	(707)
Total Arrears	777,106	-	(776,106)

Review of the aging of arrears of revenue indicated that \$694,611 or 89% of the Ministry's revenue arrears that was written off had been outstanding for more than 5 years. The arrears were mainly for the outstanding repayments from farmers for assistance provided to them under different agricultural programs in previous years. Refer to Table 30.11 for details.

Table 30.11: Aging of Arrears of Revenue

Age of Debts	31 Dec 2015 (\$)	31 July 2016 (\$)	Variance (\$)
Less than 1 year	2,083	1,933	(150)
1 - 2 years	941	951	10
2 - 5 years	91,678	9,499	(82,179)
More than 5 years	709,524	14,913	(694,611)
Total	804,226	27,296	(776,930)

The finding indicates weaknesses in outstanding revenue collection procedures and documentation within the Ministry. Furthermore, the exclusion of a significant amount of arrears of revenue due to unauthorised write-off has resulted in the Ministry's arrears of revenue balance being understated as at 31 July 2016.

Recommendations

The Ministry should ensure that:

- **effective controls are in place to avoid accumulation of arrears of revenue;**
- **proper documentation and follow up are done to collect arrears;**
- **stringent measures are taken when arrears are not paid when due; and**

¹⁷ Finance Management Act 2004 – Division 4, Section 36 (1)

- **requisite approval is obtained for write-off of arrears of revenue.**

Ministry's Comments

The audit comment is noted. The Ministry did not include the Arrears of Revenue amounting to \$777,106 since it is not captured as Arrears of Revenue in the Financial Management Information System (FMIS). It should be noted that this Arrears of Revenue could not be written off due to lack of supporting evidence.

30.18 Excess Cash Transferred to CFA not Recorded in the FMIS General Ledger

The cash basis of accounting recognises transactions and events only when cash (including cash equivalents) is received or paid by the entity.

The audit noted that the Ministry had transferred excess cash from TMA operations amounting to \$457,468.80 to the Consolidated Fund Account. The Ministry posted this to the Cash account in the FMIS but later cancelled the posting. Consequently, this amount has not been in the FMIS general ledger.

Enquiries with the Ministry of Economy TMA Clerk on the posting revealed that it was an error on the part of the Ministry as they can only post to Cash and not Equity.

The above findings indicate that Equity and Cash in the Ministry's TMA Balance Sheet are overstated by \$457,468.80.

Recommendation

The Ministry should ensure that postings are done to the correct allocation after these have been reviewed by senior officers.

Ministry's Comments

The audit comment is noted. The Ministry is currently working with the Ministry of Economy on transactional posting in the General Ledger account of FMIS. The excess funds from the 2016 financial year was paid to the Ministry of Economy in the 2016/2017 financial year and the same error (2016) occurred since the Ministry cannot post to Equity account thus the Ministry raised a Journal Voucher to capture this changes.

30.19 Delay in Preparation of Monthly Underline Account Reconciliations

Divisional Accountants, Assistant Accountants, Clerks and Recorders shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement. Any errors or misallocation must be immediately adjusted by way of journal vouchers. The ledger reconciliation statement shall be signed and dated by the AAO (Ledgers). The ledger reconciliation statement shall be forwarded to the Principal Accountant. The Principal Accountant must ensure that all balances are accurate and adequately supported; and any misallocations or outstanding balances from the previous month have been dealt with.¹⁸

¹⁸ Ministry of Agriculture Finance Manual 2013, Sections 16.3.3 - 16.3.6

The audit noted that all monthly underline accounts reconciliations were not prepared and endorsed by the Permanent Secretary in a timely manner. Refer *Appendix 30.5* for details.

The findings indicate poor supervisory and monitoring controls on the underline account reconciliations. Lack of oversight could lead to discrepancies not being detected and resolved in a timely manner.

Recommendation

The Accounting Head should ensure that monthly underline reconciliations are prepared and submitted to the Permanent Secretary for endorsement in a timely manner.

Ministry's Comments

The audit comment is noted. The Ministry relies on the Financial Management Information System (FMIS), to upload final monthly reports for each period which is sometimes late as tabulated below.

Month-End Reports from FMIS Unit of MOE:

<i>Reconciled Month</i>	<i>Date uploaded via FMIS</i>
<i>Jan – Feb</i>	<i>01/04/2016</i>
<i>March</i>	<i>09/05/2016</i>
<i>April</i>	<i>18/05/2016</i>
<i>May</i>	<i>10/06/2016</i>
<i>June</i>	<i>06/07/2016</i>
<i>July</i>	<i>22/09/2016</i>

30.20 Accountable Advance not Cleared on time

A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents. If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel. Where an advance has not been acquitted within seven days of travel, the PA shall effect recovery through a salary deduction from the concerned officer's salary within six fortnights. Interest on all advances will accrue at the rate set by the Minister of Economy from time to time. The current rate is 12% per annum. Upon clearance of the advance, the accounts officer shall update the debtors register, offset the advance account and debit the appropriate expenditure account.¹⁹

The audit noted that advance account had a balance of \$9,498 as at 31 July 2016. The audit could not substantiate this amount as the listing for outstanding advances in the reconciliation for July did not reconcile with closing balance in the general ledger. In addition, the Advance Register was not updated and did not include relevant details.

Furthermore, opening advance balance as at 01/01/16 was \$10,029. From this, advances totalling \$6,967 or 69.5% were outstanding from 2013. Refer to Table 30.12 for details.

¹⁹ Ministry of Agriculture Finance Manual 2013, Sections 10.1.11 – 10.1.16

Table 30.12: Details of Outstanding Accountable Advances

Date	EDP No.	Position	Amount (\$)
28/06/13	47432	Director Research	350.00
24/07/13	62195	Senior Agricultural Officer	1,670.00
5/8/2013	63516	Agricultural Assistant	417.00
7/8/2013	92316	Agricultural Officer	1,701.00
23/08/13	64774	Agriculture Assistant Lau/Rotuma	579.00
29/08/13	40788	Rice Development Labasa	1,800.00
10/01/13	53215	Principal Agricultural Officer	450.00
5/06/15	62954	Principal Statistician	2,140.00
5/06/15	92975	Economic Planning Officer	812.00
2/08/16	46174	Agriculture Officer	110.00
	Total		10,029.00

Due to poor monitoring and supervision, accountable advances were not cleared on time. Non-retirement of advances on time could lead to understatement of expenditure or the write off of advances.

Recommendations

The Ministry should ensure that:

- **monitoring and supervision is improved in the Accounts Section so that relevant details are maintained for outstanding advances;**
- **all advances are retired by officers within 7 days from the date of return to station; and**
- **Necessary action is taken to clear the outstanding advances by way of salary deductions from respective officers in timely manner.**

Ministry's Comments

The Ministry has noted the audit recommendations and is taking necessary measures to control Accountable Advance issued to be in-line with financial guidelines requirements. However it is noted that some retirement of Accountable Advances were delayed due to the following reasons:

- *Delayed in official trips;*
- *Acquittals/documents were not fully completed and properly justified; therefore resubmission was required for retirement purposes;*
- *Reconciliation for Accountable Advances taken in previous years is currently under review and attempts are being made to locate source documents for proper verification and justification before necessary steps are taken for its clearance.*

Accountable Advance registers have been opened and is currently updated to capture all Accountable Advance taken, retired and those that are subject to salary recoveries. The Ministry is recovering with a 12½ percent interest from the salaries and wages of Officers who fail to clear their outstanding advances immediately after the lapse of the seven days requirement for clearance.

30.21 Bank Lodgement Clearance (BLC) Account

All bank lodgement clearance (BLC) Accounts must be reduced to zero balance by 3rd August 2016. Under no circumstance, must a BLC transaction be cleared by placing it in a trust or revolving fund account.²⁰

The audit noted that the Bank Lodgement Clearance Account has a balance of \$11,975 which does not comply with the requirements of the Ministry of Economy.

The Acting Principal Accountant explained that this was due to misposting which was to be reversed in the month of August 2016.

Recommendation

The Ministry should ensure that all bank lodgement clearance (BLC) accounts are cleared at the end of the accounting period, in order correctly reflect cash ledger balance.

Ministry's Comments

The audit comment is noted. Bank Lodgement Clearance (BLC) Reconciliation for July could not be zeroed as the amount of \$11,975.33 for the Trading and Manufacturing Account (TMA) was wrongly deposited into the Consolidated Fund Account (CFA) on 27/07/16. These amounts constitute two lodgements of \$9,942.33 and \$2,033.00. The Ministry of Economy advised the Ministry to raise a payment voucher to take out this amount from CFA and deposit it into the TMA. This was done in August and was cleared in the August BLC Report.

30.22 Anomalies in Main Trust Fund Account

When trust money is received, the Cashier shall issue an official trust receipt to the payer. Details of receipts shall be entered into the trust cashbook. The Assistant Accountant Ledger and Underline Accounts Clerk shall keep a trust ledger to record movement of trust money. The ledger shall record the following information:

- i. Name of trust account;
- ii. Date and amount of receipts and payee;
- iii. Date, amount paid and payer including reference number; and
- iv. Balance to date.

Within 5 days after the end of each month, the Underline Accounts Clerk and Clerical Officer LWRM shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.²¹

Land Water Resource Management (LWRM) Trust Fund Account records retention monies from Contractors and funds are returned once projects are completed satisfactorily according to contracts.

The audit noted the following anomalies in the records of the LWRM Trust Fund Account:

- A cash book was not maintained;

²⁰ Finance Circular 04/2016 - Section 4.2.4

²¹ Ministry of Agriculture Finance Manual 2013 - Part 15.2.1, 15.3.2 and 15.4.1

- Retention monies deposited in the Trust bank account from 30/10/14 to 27/10/15, amounting to \$781,228 were not receipted by the Ministry. The last receipt (No. 663025) was issued on 15 July, 2014;
- Monthly Trust Account Bank Reconciliations were not prepared within 5 days after the end of each month, and were also not prepared according to the standard format in the Ministry's Finance Manual;
- Trust Account general ledger records were not updated as a variance of \$354,402 existed between LWRM Trust General Ledger Liability Account and Retention Funds List of Companies (subsidiary records). No reconciliation was performed. Refer to Table 30.13 for details.

Table 30.13: Variance between General Ledger and List of Companies with Retained Funds:

Trust Fund	Amount as per General Ledger (\$)	Amount as per List of Companies	Variance	Remarks
		(\$)	(\$)	
LWRM Trust Funds	684,162	329,760	354,402	Unaccounted Trust Monies of \$354,402

- Journal adjustments amounting to \$318,494 were made to reconcile the Trust Account Bank Reconciliation and the General Ledger. There were no supporting documents provided for these adjustments.

The audit findings indicate poor management of trust funds by the Ministry which can result in and fraud and mismanagement of funds.

Recommendations

The Ministry should ensure that:

- a cash book is maintained for trust fund accounts;
- all retention funds are deposited directly into the trust bank account and receipted on the same day;
- the monthly trust fund reconciliations are prepared in a timely manner in accordance with Schedule 9 of the Ministry's Finance Manual 2013;
- any discrepancies identified in the reconciliation is resolved immediately;
- variances in the trust ledger records is identified and rectified accordingly;
- any adjustments are supported with proper documentary evidence; and
- internal controls on management of trust funds are strengthened.

Ministry's Comments

The audit comment is noted.

- *The Ministry now maintains the Cash Book for the 2016/2017 financial year.*
- *The Ministry directly deposits all retention funds into the trust bank account through Electronic Fund Transfer (EFT).*
- *The Ministry will improve on the submission of monthly reconciliation and ensure that any discrepancies will be resolved and variances in the Trust Ledger records is identified and adjusted accordingly with supporting documents.*
- *For internal control purposes the Ministry is in the process of reviewing its Management control of the Trust Fund.*

30.23 Statement of Losses - Unauthorised Losses and Omissions

Writing off losses shall be considered after all practical and cost-effective recovery measures have been undertaken.

Any write offs above these limits but less than \$50,000 must be submitted through the PS, to the PS Ministry of Economy for approval. Write off losses in excess of \$50,000 must be referred to the Minister for Economy.²²

The audit noted the following anomalies in Statement of Losses:

- Losses disclosed amounting to \$18,518 were not approved by the Permanent Secretary Economy for write-offs. The losses include Loss of Assets (Office Equipment) of \$2,159 and Loss of Assets (Livestock) of \$16,359.
- Missing items worth \$20,477 were not substantiated. The Board of Survey conducted at financial year-end recorded these items that were missing and were approved to be written off by the Ministry of Economy.
- There were no Loss Reports to determine if any recovery action had been taken for the missing items. Refer to *Appendix 30.6* for details.

Ineffective controls on the management of fixed assets (property, plant & equipment) increases the risks of loss through theft and misappropriation of fixed assets belonging to the Ministry.

Recommendations

The Ministry should ensure that:

- **its Finance Manual is strictly adhered to and only approved write-offs are disclosed in the Statement of Losses;**
- **Recovery action is taken for the missing items; and**
- **Internal controls are strengthened over the management and recording of fixed assets.**

²² Ministry of Agriculture Finance Manual 2013 - Part 14.2.10 – 14.2.12

Ministry's Comments

The audit comment is noted. The Ministry will ensure that Officers handling losses adhere to the financial guideline in respect of loss report submissions. The Ministry has done a Template to capture all loss reports on misappropriation of government revenue, theft, death of livestock, expired drugs, etc. which are to be submitted on prescribed Losses Report Forms to Asset Management Unit and Principal Accountant.

30.24 Prior Year Issues

During the 2015 audit, the following issues were raised and remain outstanding as no action has been taken by the Ministry to resolve them. The status of outstanding issues is set out below:

Issues	Recommendations	Current Status	Management's Proposed Action
The Ministry still has to provide audit with its succession plan, despite numerous request and follow up. It has also failed to obtain approval from the Prime Minister's Office for the re-engagements of the retired officers and expatriate staffs who have technical skills.	The Ministry should: <ul style="list-style-type: none"> develop and implement a succession plan as provided for by PSC to ensure continuity of the organisation. obtain approval from the Prime Minister's office prior to the re-engagement of any retired officers. 	Open	<i>Prime Minister's office approval for 2 out of the staff highlighted were given to Audit for verification</i>
The Ministry avoided calling a tender for procurement of Rice Agro Inputs when total cost was split in two purchase orders.	The Ministry should ensure that tender are called for procurement above \$50,001 and prevent splitting LPO.	Open	<i>The audit comment is noted.</i>
The Ministry failed to obtain Government Tender Board approval when making payment in excess of \$50,000 to a contractor and a solar power provider for various building and maintenance of quarters and solar power installation. Furthermore, all payments made to the solar power provider were without any contractual agreements.	The Ministry should ensure that: <ul style="list-style-type: none"> open tenders must be called for procurements above \$50,001 so that transparency and accountability of the Ministry is maintained at all times. It will ensure the selection of the best available contractors at the most economical cost to carry out a particular task. advance payments must only be made for goods procured through overseas shipments or if required under a contract as per 	Open	<i>The audit comment is noted. All supporting documents in regards to approvals and payments were given to the audit team for verification.</i>

Issues	Recommendations	Current Status	Management's Proposed Action
	section 14(8) of the Finance Instructions.		
<u>ADDITIONAL AFS DAM ISSUED</u>			
Included in the Trading and Manufacturing Account (TMA) Balance Sheet is Deposits & Retention of \$22,113. The audit noted that the Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the balances reflected in the TMA Balance Sheet.	The Ministry should maintain proper records and be able to provide evidence to substantiate accounts and balances reported in its Trading and Manufacturing Accounts.	Open	<i>The Ministry is currently in the process of obtaining supporting documents to substantiate the outstanding TMA balance.</i>
Review of the Ministry's monthly TMA bank reconciliation revealed that a TMA Bank Balance of \$7,877 is included in the FMIS under the overall TMA Bank Balance of \$390,430. The details of this bank account were not made available to audit.	The internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies.	Open	<i>The Ministry as part of its TMA review is in the process of strengthening its Internal Control.</i>

Appendix 30.1: Anomalies in Local Purchase Orders

Date	EFT / Cheque Number	Details	Amount (\$)	Audit Observations
22/07/16	32557	Purchase of agro input under Ginger Development Program	49,942	No LPO issued
21/07/16	220974	Purchase of 20,000 kg (20 tonnes) matured ginger seeds at 1.50kg	30,000	No LPO issued
21/07/16	220993	Purchase of 30,000 kg ginger seeds at 1.50kg	45,000	No LPO issued
21/07/16	221002	Purchase of 30,000 kg ginger seeds at 1.50kg	45,000	No LPO issued
21/07/16	221014	Purchase of 15,000 kg ginger seeds at 1.50kg	22,500	No LPO issued
21/07/16	221018	Purchase of 30,000 kg ginger matured seeds at 1.50kg	45,000	No LPO issued
20/07/16	32221	Hire of vehicle for Vet Lab	14,365	LPO issued after invoice.
20/07/16	32225	Facilitation of BTEC forum by SPC	25,000	LPO issued after invoice.
08/3/16	220121	Payment for contract work at Nawaicoba Quarantine Station for the weed control and repair of fence.	20,800	LPO issued late when work was completed.
04/07/16	31408	Payment of 5 photocopying machine for Extension HQ, Bua, Rewa, Naitasiri and Kadavu.	75,684	No LPO issued
13/06/16	30391	Purchase of water pump with suction hose	48,888	LPO not approved by authorized officer and LPO details (quantity & unit cost) not correct.
01/07/16	220806	Payment for set-up cooler room	43,000	LPO not attached to Payment Voucher to justify proper approval
18/05/16	29495	Materials and labour for repair of shed at Dobuilevu Research Station	7,695	Purchase Order description not stating material and labour cost.
10/06/16	30350	Purchase of building materials for shed at Rakiraki Office	6,792	Purchase Order description not stating material and labour cost.
21/07/16	32348	Supply of Robin water pump & accessories	6,884	No LPO Issued
21/07/16	220999	Purchase of 10 offroad Suzuki farm motorbikes for extension division under agriculture extension service program.	87,500	No LPO issued
Total			574,050	

Appendix 30.2: Diversion of Funds

Date	EFT / Cheque No.	Details	Amount (\$)	Remarks	Ministry's Comments
24/02/16	27696	Reimbursement to Agriculture TMA Account (4-30351-30999-260101) for the payment of importation of sheep from Australia.	407,224	Payment made from Livestock Rehabilitation programme which was only for dairy and beef industries.	<i>The budget for the livestock rehabilitation was used to develop the sheep and goat industries for the meat sector because of the disease outbreak on the live cattle coming from New Zealand.</i>
18/03/16	220161	Payment for Flat Land Clearing Services provided in Bua Pvince in December 2015.	12,842	<ul style="list-style-type: none"> Payment made from Agriculture Extension Service – Crops programme allocation 2015 expense paid in 2016 	<i>The request for payment was received at Headquarter after the closing of the 2015 accounts.</i>
13/07/16	220914	Payment of air ticket for PS Agriculture and delegation to Bangkok, Thailand for the 1st Joint Agriculture Working Group (JAWG) Meeting.	22,700	Payment made from Sigavou Project allocation and not from travel allocation in SEG 03.	<i>Due to unavailability of funds the payments were made from the capital allocation and later were to be journalised.</i> <i>Due to the pressing work commitment during the closing of accounts in July, the Ministry overlooked journalising these particular transactions.</i>
08/07/16	220868	Payment of perdiem allowances for JAWG Meeting at Bangkok, Thailand on the 09 - 21st July.	7,027	Payment made from Coconut Project allocation and not from travel allocation in SEG 03.	
08/07/16	220869	Payment of perdiem allowances for JAWG Meeting at Bangkok, Thailand on the 09 - 21st July.	3,658	Payment made from Coconut Project allocation and not from travel allocation in SEG 03.	
08/07/16	220872	Payment of perdiem allowances for JAWG Meeting at Bangkok, Thailand on the 09 - 21st July.	3,658	Payment made from Coconut Project allocation and not from travel allocation in SEG 03.	
08/07/16	220873	Payment of perdiem allowances for JAWG Meeting at Bangkok, Thailand on the 09 - 21st July.	3,658	Payment made from Coconut Project allocation and not from travel allocation in SEG 03.	
11/07/16	220894	Payment of perdiem allowances for JAWG Meeting at Bangkok, Thailand on the 09 - 21st July.	3,658	Payment made from Coconut Project allocation and not from travel allocation in SEG 03.	
21/07/16	220999	Purchase of 10 off road Suzuki farm motorbikes for extension division under agriculture extension service program.	87,500	Payment made from Coconut Project allocation.	
Total (Sample only)			551,925		

Appendix 30.3: Unbudgeted Expenses

(1) Potato Research and Development Program

Date	EFT No.	Description	Amount (\$)
09/05/16	29221	Pine Post 4.0X150mm for SRS US	1,054
17/05/16	29412	Crates	1,266
07/06/16	30196	Fuel for BA Dredge	3,627
08/06/16	30225	Jacket with Pants	1,284
13/06/16	30391	Water Pump - SAO Potato	44,851
13/06/16	30493	Tent & Marquee - SRS	2,743
15/06/16	30606	Supply of two seed tractors DRI	4,000
17/06/16	30702	Catering – SRS	550
20/06/16	30744	Hard Drive For ATO Tavua, ATO B	757
26/04/16	220311	Wages	81
23/05/16	220502	Wages	27
07/06/16	220624	Wages	18
07/06/16	220624	Wages	529
14/06/16	220664	Wages	607
21/06/16	220734	Wages	934
28/06/16	220762	Wages	1,663
05/07/16	220836	Wages	646
12/07/16	220900	Wages	808
18/07/16	220936	Wages	810
22/07/16	221036	Wages	285
		Total	66,540

(2) Coconut Development Program

Date	Cheque No.	Particulars	Amount (\$)
14/06/16	220664	Wages	604
22/07/16	221036	Wages	243
14/06/16	220664	Wages	183
17/05/16	220439	Wages	54
07/06/16	220624	Wages	54
28/06/16	220762	Wages	27
07/06/16	220624	Wages	21
12/07/16	220900	Wages	21
12/07/16	220900	Wages	9
Total			1,216

Appendix 30.4: Payments not made yet Recorded in General Ledger

Date	Cheque No.	Details	Amount (\$)	Audit Observations
21/07/16	220974	Purchase of 20,000 kg (20 tonnes) matured ginger seeds @ 1.50kg	30,000.00	Cheques were held back as at date of audit 08/09/16, yet it was already recorded as expenditure in the general ledger for the seven months ending 31 July 2016.
21/07/16	221002	Purchase of 30,000 kg ginger seeds @ 1.50kg	45,000	
21/07/16	221014	Purchase of 15,000 kg ginger seeds @ 1.50kg	22,500	
21/07/16	221018	Purchase of 30,000 kg ginger matured seeds @ 1.50kg	45,000	
22/07/16	221052	Purchase of Toners	916	
21/07/16	220990	Repair of vehicle GM 503	400	
22/07/16	221024	Purchase of 2 x 1 timber	300	
22/07/16	221029	Purchase of 15,000 dalo suckers	1,800	
22/07/16	221072	Meal Claim	384	
Total			146,300	

Appendix 30.5: Delay in Preparation of Monthly Underline Accounts Reconciliations

Underline Accounts	Monthly Reconciliations													
	January		February		March		April		May		June		July	
	Date Prepared	Date endorsed by PSA[1]	Date Prepared	Date endorsed by PSA	Date Prepared	Date endorsed by PSA	Date Prepared	Date endorsed by PSA	Date Prepared	Date endorsed by PSA	Date Prepared	Date endorsed by PSA	Date Prepared	Date endorsed by PSA
Revolving Fund Account (RFA)	31/05/16	1/06/16	31/05/16	1/06/16	31/05/16	1/06/16	31/05/16	1/06/16	8/06/16	15/06/16	11/07/16	15/07/16	Not finalized and filed	
Inter-Department Clearance Account (IDC)	18/05/16	1/06/16	18/05/16	1/06/16	18/05/16	1/06/16	18/05/16	1/06/16	10/06/16	15/06/16	11/07/16	15/07/16	Not finalized and filed	
SLG 84	31/05/16	1/06/16	31/05/16	1/06/16	31/05/16	1/06/16	31/05/16	1/06/16	5/06/16	15/06/16	11/07/16	15/07/16	Not finalized and filed	
Imprest	12/05/16	1/06/16	12/05/16	1/06/16	12/05/16	1/06/16	12/05/16	1/06/16	8/06/16	15/06/16	11/07/16	15/07/16	Not finalized and filed	
Drawings	3/05/16	1/06/16	3/05/16	1/06/16	31/05/16	1/06/16	31/05/16	1/06/16	10/06/16	15/06/16	13/07/16	15/07/16	Not finalized and filed	
Bank Lodgment Clearance Account (BLC)	Not dated	12/04/16	Not dated	12/04/16	Not dated	Not dated	Not dated	Not dated	Not dated	Not dated	Not dated	Not dated	Not finalized and filed	
Operating Trust Fund Account	31/05/16	1/06/16	31/05/16	1/06/16	31/05/16	1/06/16	31/05/16	1/06/16	8/06/16	15/06/16	11/07/16	15/07/16	Not finalized and filed	

Appendix 30.6: Statement of Losses – Omissions

Agriculture Station	Item	Quantity	Value of Losses (\$)	Date of Board of Survey	Date Approved by Ministry of Finance to Write-Off	Audit Remarks
Qarani Station	Anchor & Cable	2	300	27/06/16	17/11/16	Not disclosed on Statement of Losses and no Loss Reports to determine recovery actions taken.
	Mirror	1	90			
	Torch	1	190			
	Fire Extinguisher	1	150			
Levuka Station	Extension Cord 20m	1	75	04/07/16	17/11/16	Not disclosed on Statement of Losses and no Loss Reports to determine recovery actions taken.
	HP Laptop	1	1,600			
	Power Board 6 Pin	1	25			
Taveuni	Calculator - Sharp 334T	2	72	18/05/16	17/11/16	Not disclosed on Statement of Losses and no Loss Reports to determine recovery actions taken.
	Calculator - Casio MX125	3	54			
	Digital Camera - Olympus	1	329			
	Digital Measuring Wheel	1	178			
	USB Flashdrive Tosiba 32G	1	42			
	Flashnet Huawei Connect	2	90			
	Invertor - 500wts	1	180			
	Power Board	2	20			
	Lead Wire	1	65			
	Letter Trays - 3 sets	6	60			
Koronivia - Farm Management	Clamp 'G'	3	150	26/08/16	17/11/16	Not disclosed on Statement of Losses and no Loss Reports to determine recovery actions taken.
	Clamp Sliding	1	150			
	Hammer Claw	3	30			
	Pinch Bar	1	35			
	Pliez Fencing	1	40			
	Saw Cross	1	15			
	Scal Hanging 100kg	2	450			
	Scal Hanging 10kg	1	150			
	Tubelight frame 4"	3	75			
	Measuring Tape 100m	1	50			
	Wrench Pipe 18"	1	40			
	Spanner Ring 22-24	1	25			
	Spanner Set 12-10	2	20			
	Spanner Set 10-8	2	18			
	Shifting Spanner 10"	1	10			
	Angle Grinding Mach	1	84			
Lomaivuna	Brushcutter Yanmar	1	400	05/08/16	17/11/16	Not disclosed on Statement of Losses and no Loss Reports to determine recovery actions
	Robin Generator	1	500			
	Yanmar Generator	1	550			
	Lister Pump	1	800			
	Executive Chair	3	550			

Agriculture Station	Item	Quantity	Value of Losses (\$)	Date of Board of Survey	Date Approved by Ministry of Finance to Write-Off	Audit Remarks
	Chainsaw "Johnsered"	2	2,500			taken.
	Hacksaw "Timbersaw"	2	400			
	Cyclone Cutter	1	70			
	Bow Saw	2	150			
	Brushcutter "Johnsered"	1	350			
	Swetting Box	4	200			
	Blankets	10	200			
	Husqvarna Chainsaw	1	2,000			
	Sharp Photocopier	1	2,000			
	Steelframe chair	4	320			
	Bevel Chisel	6	60			
	Solo Knapsack Sprayer	2	500			
	Cut Saw	2	25			
	Hand Brace	1	10			
	Handle Gauge	1	20			
	Hammer	1	25			
	Hoe	2	40			
	Iron Jack Planner 250mm	1	150			
	Iron Jack Planner 450mm	1	150			
	Mallet	2	20			
	Motise Chisel 16"	1	20			
	Motise Chisel 10"	1	20			
	Pipe Range 12'	3	90			
	Spring Cliper 6'	2	80			
	Canvas Bag	2	40			
	Cupboard Large	1	250			
Vunidawa	Brush Cutter TH34 Kawasaki	1	750	08/08/16	17/11/16	Not disclosed on Statement of Losses and no Loss Reports to determine recovery actions taken.
	Dog Trap	1	100			
	Outboard Engine 25hp Yamaha	1	2,275			
Total Losses			20,477			

Section 32**Ministry of Fisheries and Forests****Role and Responsibilities**

The Ministry of Fisheries and Forests is responsible for the formulation of policies that promote best practices (equating conservation and utilisations) that will ensure a sustainable fisheries and forestry sectors.

The Ministry drives this through coordination, consultation and in partnership with resource owners, communities, private sector, government agencies, and non-government organisations, regional and international agencies.

Table of Contents

PART A:	FINANCIAL STATEMENTS.....	2
32.1	Audit Opinion.....	2
32.2	Statement of Receipts and Expenditure.....	2
32.3	Appropriation Statement.....	3
32.4	Trading and Manufacturing Account	4
32.5	Trust Fund Account	5
32.6	Statement of Losses.....	5
PART B:	AUDIT FINDINGS	6
32.7	Governance Issues	6
32.8	Operating Fund Account (OFA).....	6
32.9	Trading and Manufacturing Account	15
32.10	Trust Fund Account.....	19
32.11	Follow Up On Previous Year Issues.....	21

PART A: FINANCIAL STATEMENTS

32.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Fisheries and Forests resulted in the issue of a qualified audit opinion. The qualification issues are as follows:

1. There is an unreconciled variance of \$224,312 between the fishing license fees of \$405,640 and FMIS general ledger balance of \$629,952. Consequently, I could not confirm the accuracy of revenue amount.
2. There was no independent audit verification carried out for the Raw Material account balance of \$16,792 and Finished Good account balance of \$1,229 in TMA Balance Sheet as at 31 July 2016. Consequently, I could not confirm the accuracy and completeness of inventory amount.
3. There is an unreconciled variance amounting to \$113,993 between the opening FMIS general ledger balance of \$79,641 and the opening balance of the Trust Account Statement of Receipts and payments of \$193,634. The Ministry of Economy adjusted the FMIS general ledger but did not provide the relevant audit evidence to support the adjustments. As a result, I was not able to ascertain the accuracy and completeness of the Main Trust Fund balance.

32.2 Statement of Receipts and Expenditure

The Ministry of Fisheries and Forests recorded revenue totalling \$1,388,702 and incurred expenditure totalling \$16,914,837 for the seven months period ended 31 July 2016.

Table 32.1: Statement of Receipts and Expenditure for 2016

Description	31 July 2016 (\$)	31 December 2015 (\$)
RECEIPTS		
Native timber measurement	228,092	962,541
Vessel registration	7,034	5,486
Management fees	---	10
License fishing	13,799	26,317
Sale of fish and ice	232,490	412,026
Offshore Fisheries Management Fees	750,878	1,743,925
Drying & Storage Facilities	263	---
Miscellaneous revenue	156,146	393,292
TOTAL REVENUE	1,388,702	3,543,597
EXPENDITURE		
Operating Expenditure		
Established staff	4,801,264	7,847,972
Government wage earners	1,278,765	1,951,168
Travel & communication	412,304	513,786
Maintenance & operations	1,791,308	2,389,749
Purchase of goods & services	779,516	885,388
Operating grants & transfers	690,517	772,035
Special expenditures	955,788	407,653
Total Operating Expenditure	10,709,462	14,767,751

Description	31 July 2016 (\$)	31 December 2015 (\$)
Capital Expenditure		
Capital Construction	4,824,823	5,770,180
Capital Purchases	539,040	649,013
Total Capital Expenditure	5,363,863	6,419,193
Value added tax	841,512	1,705,942
TOTAL EXPENDITURE	16,914,837	22,892,886

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 Special Expenditure was due to increase in spending for the REDD Plus Project.

32.3 Appropriation Statement

The Ministry of Fisheries and Forests incurred a total expenditure totalling \$16,914,837 against the revised budget of \$26,256,262 resulting in savings of \$9,341,425 or 36%. 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 32.2.

Table 32.2: Appropriation Statement for 2016

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Operating Expenditure					
1	Established Staff	7,903,478	(1,948,244)	5,955,234	4,801,264	1,153,970
2	Government Wage Earners	1,881,684	103,131	1,984,815	1,278,765	706,050
3	Travel & Communication	639,578	(9,371)	630,207	412,304	217,903
4	Maintenance & Operations	2,717,040	(24,772)	2,692,268	1,791,308	900,960
5	Purchase of Goods & Services	1,073,830	(2,770)	1,071,060	779,516	291,544
6	Operating Grants & Transfers	804,524	---	804,524	690,517	114,007
7	Special Expenditure	3,246,729	(104,370)	3,142,359	955,788	2,186,571
	Total Operating Expenditure	18,266,863	(1,986,396)	16,280,467	10,709,462	5,571,005
	Capital Expenditure					
8	Construction	6,280,000	1,986,396	8,266,396	4,824,823	3,441,573
9	Purchases	600,000	---	600,000	539,040	60,960
	Total Capital Expenditure	6,880,000	1,986,396	8,866,396	5,363,863	3,502,533
13	Value Added Tax	1,109,399	---	1,109,399	841,512	267,887
	TOTAL EXPENDITURE	26,256,262	---	26,256,262	16,914,837	9,341,425

32.4 Trading and Manufacturing Account

The Department of Forestry operates a trading and manufacturing activity account under the Fiji Pine Scheme. The Department provides assistance in the processing and selling of the pine products at the Department's timber yards based in Nasinu.

Table 32.3: Manufacturing Account

Description	31 July 2016 (\$)	31 December 2015 (\$)
Opening raw material	7,322	10,728
Add: Purchases	---	---
Less: Closing raw material	16,791	7,322
Raw material used	(9,469)	3,406
Direct Cost	---	---
Add: Direct labour	52,087	112,316
Cost of manufacturing goods transferred to trading account	42,618	115,722

Table 32.4: Trading Account

Description	31 July 2016 (\$)	31 December 2015 (\$)
Sales	54,141	135,703
Opening stock of finished goods	2,599	7,002
Add: Cost of manufactured goods	42,618	115,722
	45,217	122,724
Less: Closing stock of finished goods	1,229	2,599
Cost of finished goods sold	43,988	120,125
Gross Profit	10,153	15,578

Total sales decreased by \$81,562 or 60% in 2016 as resources were deployed for the Tropical Winston Rehabilitation works.

Table 32.5: Profit and Loss Statement

Description	31 July 2016 (\$)	31 December 2015 Restated (\$)
Income		
Gross Profit/(Loss) transferred from Trading Account	10,153	15,578
Total Income	10,153	15,578
Expenses		
Fuel & Oil	---	900
Office upkeep and supplies	3,990	58,126
Fixed asset replacement and improvement	39,273	---
Total Expenses	43,263	59,026
Net Loss	(33,110)	(43,448)

Table 32.6: Balance Sheet

Description	31 July 2016 (\$)	31 December 2015 Restated (\$)
EQUITY		
TMA surplus capital retained to CFA	229,846	213,037
TMA accumulated loss	(161,289)	(117,841)
Net Loss	(33,110)	(43,448)
Total Equity	35,447	51,748
ASSETS		
Cash	2,548,201	62,115
Raw materials	16,792	7,322
Accounts receivable	5,745	5,745
Finished goods	1,229	2,599
Total Assets	2,571,967	77,781
LIABILITIES		
Deferred Income	2,500,000	--
Deposits and deduction	36,520	26,033
Total Liabilities	2,536,520	26,033
Net Assets	35,447	51,748

The TMA Cash at bank increased by \$2,486,086 as at 31 July 2016 due to injection of \$2.5 million from the Operating Fund Account to the TMA account for the Tropical Cyclone Winston rehabilitation projects.

32.5 Trust Fund Account

The Department of Fisheries maintains a trust account for the one-third subsidy scheme to help rural based fishermen with funding assistance for boat and engine. The scheme was discontinued by government in 2009.

Table 32.7: Department of Fisheries – One-third Subsidy Scheme

Description	31 July 2016 (\$)	31 December 2015 (\$)
One third Subsidy contribution	112	63,527
Total Receipts	112	63,527
Retention money	1,824	5,618
Total Payments	1,824	5,618
Surplus/(Deficits)	(1,712)	57,909
Opening balance at 1 January	193,634	135,725
Closing balance as at 31 December	191,922	193,634

32.6 Statement of Losses

In accordance with the Procurement Regulations 2010 (Clause 52), the Permanent Secretary for Economy approved the disposal and write-off of items worth \$203,319 following the recommendation in the Board of Survey Report. Details of assets approved for write-off is shown in *Appendix 32.1*.

PART B: AUDIT FINDINGS

32.7 Governance Issues

Each agency must have in place a cost effective system of internal controls which safeguards money and property against loss; avoids or detects accounting errors and avoids unfavourable audit reports. The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.¹

The following governance issues were noted:

- the Ministry's Strategic Plan for the period 2016-2021 were yet to be finalised as at the date of audit;² and
- internal control deficiencies existed in the Operating Fund Account, Trading and Manufacturing Account, and Trust Account. Refer to *Paragraph 32.8.1, 32.9.1, 32.10.1*, for details. Furthermore, some of the audit recommendations for the 2015 financial year are yet to be addressed. Refer to *Paragraph 32.11* for details.

Without the strategic plan, the Ministry does not have identifiable objectives and lacks the focus needed to achieve corporate goals and develop plans that will move the Ministry towards achieving its strategic objectives. Moreover, the presence of weak or ineffective controls could lead to poor accountability and loss of funds in future.

Recommendations

- **The Ministry must ensure that the strategic plan for the period 2016 -2021 is finalised as soon as possible; and**
- **The Ministry must also ensure that there is regular evaluation of internal controls and corrective action is taken to resolve the weaknesses identified.**

Management Comments

- *The Ministry concurs with the audit findings and has been working on the 2016 – 2021 strategic plans and this will be finalised by end of June 2017.*
- *Internal Audit Inspection and surprise checks on revenue on all divisions been conducted and will be done on a regular basis.*

32.8 Operating Fund Account (OFA)

The Ministry incurred expenditure totalling \$16,914,671 in 2016 against the budget of \$26,256,262 resulting in savings of \$9,341,425.

The following audit findings were noted in relation to the Operating Fund Account.

¹ General Orders No. 118

² 11 November, 2016.

32.8.1 Weaknesses in Internal Control for Operating Fund Account

Each agency must have in place a cost effective system of internal controls which safeguards money and property against loss, avoids or detects accounting errors and avoids unfavourable audit reports. The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency³.

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.⁴

All Permanent Secretaries and Head of Department are required to submit monthly reconciliations to the Ministry of Economy by the 15th of each month.⁵

Audit review of the Operating Fund Account internal controls systems revealed the following weaknesses:

- Furniture and equipment purchased during the year were not recorded in Fixed Asset Register (FAR). Refer to Table 32.8 for details.

Table 32.8: Examples of Furniture & Equipment not updated in FAR

Date	Cheque/ EFT No.	Particulars	Amount (\$)
29/01/2016	9107	Office Furniture	29,385
06/04/2016	10274	5 Door Access Devices (Multi Bio 700)	7,890
12/04/2016	10655	Fiberglass Boat for Makogai Research Station	33,680
03/05/2016	75429	7 Portable Sawmills	265,745
03/05/2016	75424	Modulised CCA Timber Treatment Plant	133,591
20/05/2016	75541		88,231
21/06/2016	75677		158,845
25/08/2016	76107		69,328
06/05/2016	75465	20 Forest Cover Maps	19,572
19/05/2016	11051	10 STIHL Chainsaw	25,711
01/06/2016	11469	1 Yamaha Ultra Long Outboard Engine	24,124
21/06/2016	11989	1 Ford Ranger 2.2L Twin Cab	66,100
17/06/2016	11892	1 Kio Rio 1.4L Unleaded Fully Loaded Sedan	43,055
Total			965,257.91

- Monthly underline reconciliations were not submitted to the Ministry of Economy on a timely basis. Refer to Table 32.9 for details.

Table 32.9: Details of late submission of reconciliation of Underline Accounts

Month	Date Submitted to Ministry of Economy							SLG 84
	Operating Trust	Drawings	IDC	Imprest	BLC	Accounts Receivable	Prepayments / Advances	
January	Reconciliation submitted on	08/04/16	Reconciliation not prepared	01/03/16	09/03/16	Submitted to MOE on	Submitted to MOE	Only one reconciliation

³ Finance Instruction 2010 – Section 59

⁴ Finance Instruction 2010 – Section 46(1)

⁵ Finance Circular No.2/13

	Date Submitted to Ministry of Economy							
Month	Operating Trust	Drawings	IDC	Imprest	BLC	Accounts Receivable	Prepayments / Advances	SLG 84
February	29/06/16	08/04/16	06/04/16			24/10/16	on 24/10/16	on for the 7 months-Submitted to MOE on 4/10/16
March		26/05/16	27/05/16	20/04/16	19/04/16			
April		26/05/16			20/05/16			
May		23/06/16	27/06/16	30/05/16	14/06/16			
June	Reconciliations submitted on 05/10/16	04/08/16	13/07/16	13/07/16	20/07/16			
July		20/09/16	Reconciliation not prepared	25/07/16	14/09/16			

- Wages reconciliations for Pay 18 to 32 were yet to be prepared by the Ministry as at the date⁶ of the audit.

The above findings are an indication of the ineffective controls and lack of supervisory checks by the accounting officers in the Ministry.

Failure to keep proper record and control of fixed assets increases the risk of loss of assets through misuse, theft and damage. Lack of timely reconciliations increases the risk of errors and omissions not being detected and rectified on a timely basis.

Recommendations

The Ministry should ensure that:

- assets with a value in excess of \$2,000 are recorded in the FAR;
- monthly reconciliation of Underline Accounts is prepared and submitted to Ministry of Economy before the 15th of each month; and
- wages reconciliation for Pay 18 to 32 are prepared and submitted to Ministry of Economy.

Management Comments

The Ministry of Economy conducted two days training 20th to 21st April 2017 and has amended the Fixed Asset Template into 2 phases – 1st template is the Fixed Assets Template and 2nd template is Strategy and Policy. Once the template has been approved by the Ministry of Economy, we start working on the input of all fixed assets for both Ministries.

Due date for the final submission of stock take of all fixed assets is on 31 August 2017

32.8.2 Trading and Manufacturing Activity Support Initiative

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.⁷

It is approved for the Ministry to inject \$2.5m into its TMA and ensure that the fund is utilised for the intended purpose and provide returns as remittance to the Ministry of Economy in future. The Ministry

⁶ 02/12/2016

⁷ Finance Instructions 2010 – Part 3: Expenditure No. 7

is advisable to source the funds from within its 2016 Budget and we are looking forward in realising the positive impacts of this support.⁸

The audit noted that the Ministry paid a total of \$2.5million to the Trading and Manufacturing Activity (TMA) account without Cabinet approval. The expenditure was not provided for in 2016 budget estimates. Although, the Ministry of Economy approved the injection of funds to the TMA account, the proposal for the utilisation of the funds was not included in the TMA Support Initiative submissions made to the Ministry.

There is a high risk of funds not being utilised for the intended purpose due to weak controls noted in the operation of Trading and Manufacturing Activity account. Refer to *Paragraph 32.9.1* for details.

Recommendations

The Ministry should ensure:

- **that Cabinet approval is obtained for unbudgeted expenditure;**
- **work plans are developed to ensure proper utilisation of funds and a detailed acquittal is prepared for the utilisation of the funds; and**
- **internal control weaknesses within the TMA account are strengthened prior to the implementation of the project.**

Management Comments

- *The concerns raised are acknowledged. Our Ministry was working in collaboration with the DISMAC on the rehabilitation activities and we were one of the first agencies out in the affected areas to clear debris in critical public amenities such as roads, to make way for the DISMAC and other critical services under the State of Emergency Decree.*
- *The Concept Paper for the \$2.5 million was prepared based on the damage assessments done by our Technical personnel on salvaging fallen trees within our Reserves and the Resource Owners Pine Schemes under the Fiji Pine Trust, in the interior and maritime areas. The main idea of the Concept Paper was to salvage and process fallen trees at our Timber Utilisation Division facility, in order to meet the demand for housing needs post STC Winston in February 2016.*
- *The Ministry notes the issues of concern raised and is taking measures in tightening its internal controls and processes on this issue.*
- *Precautionary measures have been undertaken whereby the PSFF has directed our SAO to oversee all the TMA operations including drawing up control systems.*
- *Standard Operating Procedures have also been prepared on all TMA processing units including the store man, log unit, timber tallyman, sawmill section, workshop etc.*

32.8.3 Payment of Subsistence Allowance

No Officer, who is absent from his headquarters for a period of more than three months (90 consecutive days), may draw subsistence allowance in respect of the excess period unless prior approval has been obtained from the Permanent Secretary for the Public Service.⁹

⁸ Ministry of Economy Memorandum No. 78/3/16 dated 16th May 2016.

⁹ General Orders 2011 – Section 502

Contrary to the requirements of General Order 502, the audit noted that the Ministry paid subsistence allowance of \$13,384 to the Temporary Relieving Assistant Officer (EDP No. 93439) for the period 5 October 2011 to 24 March 2013. The audit further noted that:

- The officer was appointed on 9 September 2011 and was posted to Vanuabalavu;
- There was only one staff quarters available which was occupied by the officer in charge hence the officer was accommodated in the conference room;
- The subsistence allowance paid was not budgeted for in the 2016 budget. However, payment was made from the Coastal Fisheries Development allocation.

The payment of subsistence allowance to the officer is a serious breach of the instructions stipulated in the General Order.

Recommendation

The Ministry must ensure that written directions in the General Order are complied with at all times.

Management Comments

- *The Ministry respects the recommendation made to comply with General Order 502, but looking from the side of a worker (Temporary Relieving Fisheries Assistant), it is the responsibility of the Ministry to accommodate an Officer whilst posted to an outside station.*
- *The Officer was promised by the Department of Fisheries that he will be provided accommodation whilst staying as Temporary staff in the first 3 months; this did not materialise as the officer was there for almost 3 years staying in the conference room.*
- *The Officer missed the benefits and democratic rights of being able stay in Government quarters for almost 3 years.*
- *Under the Employment Relation Act 2010 an Officer which is a worker has the full right to claim the subsistence allowance.*

32.8.4 Provisional Tax Not Deducted

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).¹⁰

The audit noted that the Ministry did not withhold 5% provisional tax on the contractual payments. Refer to Table 32.10 for details.

Table 32.10: Contractors Whose Provisional Tax was not deducted

Date	Cheque/ EFT No.	Contractors	Particulars	Total Amount Paid (\$)	Amount Subject to Provisional Tax (\$)
07/04/2016	10407	Contractor A	Construction of Fisheries Office and Standard Grade 6 staff	92,999	4,266
18/05/2016	11134			92,214	4,230

¹⁰ Fiji Revenue and Customs Authority – Fiji Tax and Customs Summary – 2016 – No. 19

Date	Cheque/ EFT No.	Contractors	Particulars	Total Amount Paid (\$)	Amount Subject to Provisional Tax (\$)
22/07/2016	75861		quarters at Navukailagi, Gau	61,927	2,841
15/03/2016	9949	Contractor B	Refurbishment works at Level 3, Takayawa Building, Toorak	7,400	339
14/04/2016	75308			9,250	424
14/03/2016	9924	Contractor C	Second phase of labour cost for the construction of Bund walls for the Nasinu Treatment Plant	5,500	252
08/04/2016	10341		Last phase for the completion of the construction Bundwalls for the Nasinu Treatment Plant	5,500	252
03/02/2016	9142		Construction of Research Bure at TUD Office, Nasinu	4,000	183

The Ministry has breached the statutory requirement relating to Fiji Income Tax Act and hence is exposed to penalties.

Non-deduction of the tax has also resulted in loss of revenue for government.

Recommendation

The Ministry should comply with the requirements of FRCA for Provisional Tax deductions from payments to all contracted service providers.

Management Comments

The Ministry acknowledges the recommendation made and will comply with the requirements of FRCA on 5% provisional tax deduction on all contracted service providers.

32.8.5 Revenue

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at ministry/department level but most importantly at whole of government level.¹¹

Each agency must maintain a Debtors Register within the FMIS or an accounts receivable ledger for licenses, debts, court fees and other State or agency revenues receivable.¹²

The audit noted the following anomalies from the review of revenue records:

- A variance of \$224,312 was noted between the audit calculation and FMIS general ledger balance for fishing license fees. Refer to Table 32.11 for details.

¹¹ Ministry of Fisheries & Forests Finance Manual 2013 – Section 14.4

¹² Finance Instructions 2010 – Section 40

Table 32.11: Details of variance of fishing license fees

	Total license issued for fishing beyond Fiji (A)	Rate (VEP) (B) (\$)	Total for the period C= (A x B) (\$)	F/license issued within Fiji (D) (\$)	Total F/License (C+D) (\$)	FMIS balance (\$)	Variance (\$)
Fishing License Fees	24	7,831	187,947	217,693	405,640	629,952	224,312

- The Timber Revenue System (TRS) has not been integrated with the FMIS general ledger. Consequently, a variance of \$74,566 was noted between the audit calculation and the FMIS general ledger. Refer to Table 32.12 for details.

Table 32.12: Details of variance of timber measurement fees

	Total volume logged (A)	Rate (VEP) (B) \$	Total for the period (A x B) \$	FMIS balance \$	Variance \$
Timber Measurement Fees	30,705	5	153,525	228,091	74,566

Furthermore, the TRS was not able to generate the arrears of revenue report nor the debtors register was maintained by the Ministry. Consequently, the Ministry was not able to determine the total arrears of revenue for timber measurement fees.

Lack of proper monitoring of fees and receivables for timber measurement could result in loss of state revenue.

Recommendations

The Ministry should ensure that:

- **debtors register is maintained for the timber measurement fees;**
- **regular reports showing arrears of fees are prepared; and**
- **reconciliation is prepared between the TRS system and the FMIS general ledger and the variances noted are investigated and rectified.**

Management Comments

- *The Ministry concurs with the recommendation made and now maintains a Debtors Register to record timber measurement fees.*
- *Reconciliation and monthly monitoring of TRS - timber revenue system done to rectify these ongoing issues and also to be accounted and reconciled in the FMIS.*

32.8.6 Anomalies in Underline Accounts

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at ministry/department level but most importantly at whole of government level.¹³ The Principal Accounts Officer must verify all the reconciliations before signing and submitting it to the Ministry of Economy.¹⁴

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.¹⁵

The following anomalies were noted from an audit review of the Underline Accounts:

- Variances were noted between the total debits and credits of the Drawings Account reconciliation statement and FMIS general ledger. Refer to Table 32.13 for details.

Table 32.13: Details of total debits and credits variance between Reconciliation Statement and the FMIS General Ledger

Account	Total	Reconciliation Statement (\$)	FMIS (\$)	Variance (\$)
Drawings	Debits	14,643,280	14,581,482	(61,798)
	Credits	(14,941,852)	(14,498,943)	442,908

- Variances also existed between the reconciliation statement and FMIS general ledger for Operating Trust Account. Refer to Table 32.14 for details.

Table 32.14: Variances between FMIS Ledger and Ministry's reconciliation

Reconciliation	Reconciliation Statement (\$)	FMIS (\$)	Variance (\$)
Operating Trust	1,480,229	1,379,735.47	100,494
SLG 84			
5th Pacific Tuna Forum	(8,536)	---	(8,536)
Biological Sampling Initiative	1,091	---	1,091
Purchase New Computers	(12,250)	---	(12,250)
Seaweed Farming Project	1,898	---	1,898
Community Based Restoration	38,581	---	38,581

- Included in the Unpresented Cheques listing of \$244,799 are Electronic Fund Transfer (EFT) payments amounting to \$38,219 which were yet to be cleared by the bank. Refer to *Appendix 32.2* for details.
- Travel advances totalling \$ 443,497 were not cleared within the stipulated seven days resulting expenditure for the year ended 31 July 2016 being understated.

¹³ Ministry of Fisheries & Forests Finance Manual 2013 – Section 14.4

¹⁴ Ministry of Fisheries & Forests Finance Manual 2013 – Section 14.4.2

¹⁵ Finance Instruction 2010 – Section 44

The above findings indicate lack of supervisory checks on the reconciliations prepared. Failure to retire advances within the financial year has resulted in material misstatement of expenditure. Similarly, variances not investigated and rectified on time may result in write offs in future.

Recommendations

- **The Drawings, Operating Trust and SLG 84 account prepared by the Ministry should be reconciled to the FMIS general ledger. Any variances noted should be investigated and necessary adjustments made.**
- **The Ministry should also ensure that travelling advances are cleared within 7 days of the completion of the travel or recovery should be made from the salaries of staffs concerned.**

Management Comments

The Ministry acknowledges the recommendation made:

- *Uncleared advances been recovered from officer's salary within 6 fortnights.*
- *Adjustments have been made with assistance of the FMIS to rectify the variances in the Drawings Account, Operating Trust and SLG 84.*

32.8.7 Inappropriate Usage of Project Funds Provided Through SLG 84

Over the years, it has been noted that recipient agencies under the facility have not been transparent in providing required information when requested. In some cases, funds were neither used for the intended purpose, nor properly acquitted to support the allocated Standard Liability Group (SLG) 84 transaction and balances.¹⁶

The funds provided by the ITTO under this Agreement shall be used solely to meet those direct Project costs assigned to ITTO which are itemised in the agreed budget of the Project Document. Funds allocated to one budget heading or subheading item shall not be transferred to another without the express prior approval of ITTO. All materials, equipment, supplies and services purchased or rented using ITTO resources shall be used exclusively for the implementation of the project.¹⁷

The Ministry received a total of \$48,211 for the ITTO project (Community based Restoration and Sustainable Management of Vulnerable Forests for the Rewa Delta). The audit noted that funds amounting to \$18,358 were diverted from the ITTO project and used for other purposes without the prior approval of ITTO. Refer to Table 32.15 for details.

Table 32.15: Details of Diversion of Funds

Payment Date	EFT No.	Amount (\$)	Purchase Details
17/05/2016	11048	8,168	Purchase of following computer items for REDD+ Project 1 x Dell XPS 15.6 touchscreen laptop 2 x HP r100 23-101 System Units 1 x Samsung LED Monitor
17/06/2016	12129	10,190	Purchase of air conditions units for SEPO, L2, Minister's Conference Room, L1 Small Office, Minister's Room, Minister's PA's office.

¹⁶ Finance Circular 11/2013 ODA Revised Checklist – Accessing SGS Facility under Head 50 – Clause 1.4

¹⁷ ITTO Project Agreement PD 696/13 Rev.2 (F) between ITTO & Ministry of Fisheries and Forests dated 06/10/2014 – Section 4.01

Moreover, the following anomalies were noted from the review of the other financial assistance received by the Ministry:

- A total of \$12,060 was received from the Ministry of Economy for the purchase and installation of air conditions units of which \$1,550¹⁸ was used to pay the airfare of an officer to attend a training workshop in Noumea, New Caledonia.
- The agreement between the Ministry and the donor agencies was not provided for audit verifications for the following assistance received during the year:
 - a). Community Based Restoration and Sustainable Management of the Vulnerable Forests of the Rewa Delta - \$48,211 (1-32301-78999-840102-006)
 - b). Carryover - Purchase of Computers - \$7,967 (1-32301-78999-840102-007)
 - c). Regional Observers Program - Data Entry Technicians - \$44,456 (1-32301-78999-840102-008)

As at the date of this report¹⁹, the Ministry is yet to provide the agreements for audit verification.

Diverting funds for other purposes increases the risk of abuse and mismanagement of funds and may result in donor agencies refusing to provide further financial assistance for the projects with the Ministry.

Recommendations

The Ministry should ensure:

- **that project funds are only used for the purpose it was provided for by the donor agencies or other government departments; and**
- **agreements between donor agencies and the Ministry are made available for audit verification.**

Management Comments

- *The Ministry acknowledges the recommendation made and will ensure prior approval is received from the donor agencies before committing their funds.*
- *Proper monitoring and control is done to avoid recurrent of such issues.*

32.9 Trading and Manufacturing Account

32.9.1 Weaknesses in internal controls for TMA operations

Each agency must have in place a cost effective system of internal controls which safeguards money and property against loss, avoids or detects accounting errors and avoids unfavourable audit reports. The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.²⁰

¹⁸ EFT No 11608 dated 7 June 2016

¹⁹ 21 April, 2017

²⁰ Finance Instruction 2010 – Section 59

The TMA Manager shall prepare and submit to the Ministry an Annual Business Plan documenting the planned performances and profit target for each TMA activity before the end of October each year.²¹ The TMA Manager shall ensure that all monthly, quarterly and annual financial reports are submitted before the due dates and consistent with the standard format prescribed by the Ministry.²²

The TMA Manager shall ensure that a stock take report is submitted and endorsed by the stocktaking officers, with a copy to the Accounting Head within three (3) days after the end of the stocktake.²³ The TMA Manager shall maintain and update a Fixed Assets Register for recording purposes.²⁴

The authorised revenue collector shall bank money received on a daily basis at least. The lodgement form shall be prepared in triplicate detailing the deposits to be made.²⁵

Audit review of the internal controls for the Trading and Manufacturing Account revealed the following weaknesses:

- The planned performances and profit target for each TMA activity was not documented in the business plan;
- The quarterly performance report for the TMA account was not prepared by the TMA Manager.
- Contrary to Section 8.8 of the TMA Policy 2015, the TMA Manager did not maintain a Fixed Asset Register;
- The stock listing to substantiate inventory balance of \$18,021 was not provided for audit verification. As such, audit could not confirm the accuracy and completeness of inventory in the stocktake report;
- Official invoices were not issued for sale of timber. Instead, tally sheets for sawn timber were being used as invoice for timber sales. Furthermore, the register for sawn timber was not updated to indicate the number of timber sold. As such, audit could not ascertain the completeness of accounts receivable/debtors in the TMA Balance Sheet;
- The order book for recording the furniture requested by the customers was not maintained by the TMA Manager. Furthermore, the quotations were used as invoices to bill customers; and
- Bank lodgements were not done on a daily basis hence monies receipted for the months of March to July were lodged at the end of July 2016.

The above findings indicate the existence of weak internal controls in the operation of the TMA which if not addressed may result in loss of funds through fraud and misappropriation.

Recommendations

The TMA Manager must ensure:

- **that the business plan is prepared in accordance with the TMA policy;**
- **performance report is prepared and submitted to the Ministry of Economy;**
- **stock listing is provided and submitted together with the stocktake report;**
- **internal controls within the trading and manufacturing activity are strengthened; and**
- **daily bank lodgements are done.**

²¹ Trading and Manufacturing Account Policy 2015 – Section 8.1(1)

²² Trading and Manufacturing Account Policy 2015 – Section 8.3(2)

²³ Trading and Manufacturing Account Policy 2015 – Section 8.2(2)

²⁴ Trading and Manufacturing Account Policy 2015 – Section 8.8

²⁵ Department of Fisheries Finance Manual 2013 – Section 4.4.2

Management Comments

- *The issue on the above is of grave concern for the Ministry. The issue of lack of monitoring is one contributing factor due to the lapse of responsibilities of our Operational Technical personnel, who are also involved in the TMA Operations as a result of under staffing and staff turnover within the Timber Utilisation Division of the Ministry.*
- *The Ministry concurs with the audit findings due to the changes in TMA normal operations, with the additional injection of the unforeseen \$2.5 million due to TC Winston rehab works done in salvaging fallen trees and processing operations. The Ministry had to review its Business Plan given the magnitude of the TMA Initiative Operations and is putting its strategies together in order to manage better its changing business environment and widening of its business scope and direction.*
- *On the issue of raising Invoices on our timber sales, the practice is that we only issue Invoices for Credit Sales with Government Agencies and reputable companies but we issue receipts based on cash sales on verified timber tally supplied.*
- *The late lodgments of revenues was due to the unforeseen early maternity leave of the substantive Clerical Officer prior to the arrival of the Temporary Relieving Clerical Officer hence no proper handing over was done. Also, the Safe maintained at TUD, Nasinu has a knob of combination/dial of numbers before it can be opened with the Key. When the knob was accidentally tampered or turned, the safe could not be opened and without any knowledge of the combination, the bank lodgments were not consistent until the incumbent resumed work from Maternity Leave.*
- *With the above, the Ministry is now vigilant of this aspect and we have conducted regular monitoring of the revenue activities and the bank lodgments have been consistently done on a regular basis and this aspect has improved in line with the current policies in place.*

32.9.2 Anomalies in the Trading and Manufacturing Account

The profit and loss statement and the balance sheet must be prepared on an accrual basis.²⁶ The **Principal Accounts Officer** is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.²⁷

The audit of the Trading and Manufacturing Activity account revealed the following anomalies:

- The raw material used had a credit balance of \$9,469 contrary to the nature of the account being an expense account.
- There were unsupported cash balances in the cash book and unadjusted balance in the FMIS general ledger. Refer to Table 32.16 for details.

Table 32.16: Details of Unjustified Cash Balance and Unadjusted Balances

Months	Unsupported balance Cash book (\$)	Unadjusted balance GL (\$)
January	(36,138)	(21,585)
February	(36,442)	(21,989)
March	(34,650)	(21,989)
April	(34,650)	(21,989)
May	(34,654)	(21,989)
June	(34,554)	(21,989)
July	(32,059)	(20,755)

²⁶ Finance Instructions 2010, Section 30 (2)

²⁷ Department of Fisheries Finance Manual 2013 – Part 13

The above anomalies imply that the Trading and Manufacturing Accounts may not fairly reflect the financial performance and position of the TMA operations. There is also potential risk for mismanagement due to ineffective controls and lack of supervisory checks in the TMA operations. Unless resolved, the issues will continue to affect the TMAs in subsequent years.

Recommendations

The Ministry should ensure that:

- **TMA balances are properly supported and rectify errors detected to ensure balances are correct; and**
- **proper reconciliations are carried out and any variances noted are investigated and adjusted accordingly.**

Management Comments

The issues raised are of grave concern to the Ministry as it is a recurring issue due to the set-up of the TMA FMIS system. The Ministry is now working closely with the Ministry of Economy's Asset Management Unit and the FMIS Unit in trying to rectify technical issues of the TMA FMIS set-up and to streamline the processes in order for the FMIS system to reflect the true performance of our TMA in its Income Statement and Balance Sheet reports as it had reflected distorted figures as a result of this FMIS set technical issues.

32.9.3 Unsupported petty cash expenditure

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.²⁸

Petty cash are relatively small amount of cash kept at hand for making immediate payments for small expenses.

The Principal Accounts Officer approved a substantial amount of \$20,000²⁹ as petty cash for the TMA operations in Nasinu and Dawasamu. The audit noted that supporting documentation pertaining to the utilisation of the funds and petty cash reconciliations were not provided for audit verification.

Non-availability of supporting documentation and reconciliations creates risk of fraud and misappropriation of funds.

Recommendations

The Ministry should ensure that:

- **an imprest is only held for incidental payments;**
- **proper procedure for holding an imprest account as per the Department of Fisheries Finance Manual is followed;**

²⁸ Department of Fisheries Finance Manual 2013 – Part 2 Introduction

²⁹ Cheque No: 6759 dated 20th July, 2016

- **petty cash reconciliation is submitted on a timely basis; and**
- **relevant supporting documents are provided for petty cash expenditures.**

Management Comments

- *The Ministry notes with concern the issues raised on this. The main purpose of issuing \$20,000 was for stand-by funds to support and sustain the TC Winston rehab work and processing at our TUD facility due to the 2016 Closing of Accounts Circular whereby all processing of payments were ceased with effect from 24/07 – 31/07/2016. This was to support the rehabilitation operations such as in Dawasamu Pine Scheme and to facilitate our personnel's' deployments for this exercise speedily. The delay in submitting source documents as acquittals from Technical personnel in carrying out their activities was the contributing factor to this.*
- *The Ministry has since gathered all its source documents of its expenditures for record purposes and will be vigilant in reporting on this should there be any petty cash issued in the future.*

32.10 Trust Fund Account

32.10.1 Anomalies in the Fisheries 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. Un-reconciled items must be investigated and resolved promptly.³⁰

Audit review of the Department of Fisheries One-third Subsidy Scheme Main Trust Fund account and related records revealed the following anomalies:

- A variance of \$113,993 was noted between the audited balance and the opening balance in the general ledger for the cash at bank account. Refer to Table 32.17 for details.

Table 32.17: Details of variance between audited balance and opening balance

Account	Audited balance 2015 (\$)	Opening balance 2016 FMIS (\$)	Variance (\$)
Cash at Bank Account	193,634	79,641.18	113,993

- Although there was no receipt of money nor payments made for the Fisheries Main Trust Fund account during the year, there was a net movement of \$112,281 in cash at bank and trust accounts in FMIS general ledger. Refer to Table 32.18 for details.

Table 32.18: Details of Movement in the General Ledger

Account	Allocation	Debit (\$)	Credit (\$)	Movement (\$)
Cash at Bank Account	9-32301-76068-520301	122,388	10,107	112,281
Trust	9-32301-76068-895005	10,187	123,772	113,585

³⁰ Finance Instructions 2010 – Section 58(3)

However, an amount of \$1,824 was disclosed as a retention payment in the Trust Statement of Receipts and Payments.

Discussion with the Accounts Officer confirmed that the Ministry of Economy had adjusted the FMIS general ledger. However, the supporting documentation for the adjustment in the general ledger was not provided for audit verification.

- The listings of the one-third contributions for the trust balance of \$191,922 were not maintained by the Ministry.

The above anomalies indicate the existence of ineffective controls in the operation and administration of the Main Trust Fund Account. As such, there is a high risk of abuse and mismanagement of funds.

Recommendations

The Ministry should ensure that:

- **The variance highlighted is investigated and rectified;**
- **Supporting documentation is maintained for adjustments made and provided for audit review when required; and**
- **a proper trust listing is maintained.**

Management Comments

- *Ministry of Economy (FMIS Unit) has been assisting the Ministry in reconciling of variances in this Trust Fund Account.*
- *Could not obtain a correct trust listing as this has been carried forward figures from the Fisheries 1/3 Subsidy Scheme.*
- *We are now maintaining a fortnightly reconciliation on this Trust Fund with FMIS and also maintain a Register to record the movement of funds.*

32.10.2 Authorised cheque signatory list not up-to-date

The Principal Accounts Officer shall keep an up-to-date file of the names, designations and signatures of officers authorised to operate bank accounts³¹.

The audit noted that the file for recording the names, designations and signatures of officers authorised to operate the bank account was not updated. Moreover, three of the cheque signatories are no longer employed by the Ministry.

The above anomalies indicate ineffective controls in the operation and administration of the Main Trust Fund Account. As such, there is a high risk of abuse and mismanagement of funds.

Recommendations

The Ministry should ensure that:

³¹ Department of Fisheries Finance Manual 2013 – Section 5 (4) (1)

- file of the names, designations and signatures of officers authorised to operate bank accounts are updated; and
- cheques signatories for the Trust account are changed.

Management Comments

The Ministry concurs with the audit findings and have changed the cheque signatories of the Trust Account and submitted details of signatories to Treasury Unit, Ministry of Economy.

32.11 Follow Up On Previous Year Issues

During the 2016 audit, the status of the matters reported in the previous year was followed up. The matters highlighted in Table 32.19 have remained outstanding as actions are yet to be taken by the Ministry to resolve them.

Table 32.19: Details of Outstanding Issues

Issues	Recommendations	Current Status	Management's Proposed Action/Comments
TRADING AND MANUFACTURING ACTIVITY ACCOUNT			
Following anomalies were noted in the Trade and Manufacturing accounts. - the Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the following balance sheet items accounts receivable \$5,745 and Deposits and Deductions \$26,033.(qualification issue) - there was a variance of \$20,320 between the FMIS GL and Ministry's cash book balance, there was also no bank reconciliation performed for the TMA cash account	- monthly reconciliation process should be strengthened to mitigate various issues highlighted - Errors and discrepancies highlighted during the reconciliation process should be corrected promptly, and in consultation with the Ministry of Economy where necessary. - The draft Agency Financial Statements including the Trade and Manufacturing Accounts are thoroughly checked, balances substantiated and clarified with the Ministry of Economy before they are submitted for audit	Open Open. A variance of \$17,015.88 was noted between FMIS GL and Ministry's Cash book	- Ministry has requested the assistance of Asset Management Unit (TMA Unit) of the Ministry of Economy to resolve these long outstanding issues on reconciliation, keeping proper records and stock take our TMA in Nasinu. - The Ministry agrees with the findings as PSFF has directed our SAO to oversee the TMA operation. AMU (TMA Unit) of the Ministry of Economy been assisting in the training and stock take and proper recording of stock and equipment.
TMA Stock Figures (Qualification issue)			
No independent stocktake conducted on the closing raw materials of \$7,322 and closing stock \$2,599 for the year 2015. Furthermore, the stock certificate was signed off by the Principal Accountant. Contrary to the Procurements regulation there were no independent officers from another Ministry to oversee the stocktake.	The Ministry should ensure that an officer who is independent of the Ministry is present to oversee the stock take process.	Open	- The Ministry agrees with the findings as PSFF has directed our SAO to oversee the TMA operation. AMU (TMA Unit) of the Ministry of Economy has been assisting in the training and stock take and proper recording of stock and equipment's at our TMA Unit in Nasinu.

Issues	Recommendations	Current Status	Management's Proposed Action/Comments
Anomalies in the Fisheries Main Trust Fund (Qualification issue)			
Review of the Fisheries 1/3 Subsidy Scheme Main Trust Fund Account revealed the following anomalies - Ministry only submitted their signed bank reconciliation up to the month of May	-	Open	
Medical and Police Reports for New Recruits not Provided			
Medical and police clearance reports for newly appointed officers were not obtained prior to appointment of officers. No efforts were also made to obtain the documents after the signing of the contracts.	The Ministry should ensure that: - Proper vetting of applicants is conducted prior to the appointment of officers as required under General Orders 203 - Medical reports and police clearance reports are obtained and kept in the respective files to support vetting process carried out	Open	<i>The Ministry concurs with the findings. HR Officers have been following up on update on the medical form and police clearance form for the new officers. Staff turnover and shortage of staff in the HR has caused the inability to follow up on these reports.</i>
No Individual Work Plan			
Staff personal files had no IWPs for prior years. Audit was informed that the Ministry advises each employee to develop their own IWP. However, IWP's developed by staff were not reviewed, approved and signed by the relevant authorised officers.	The Ministry should ensure that: - IWPs are developed by each employee and are agreed to by the Ministry and the employees; - A copy of the IWP is maintained in the employee's personal file.	Open	<i>The Ministry concurs with the Audit findings with this new OMRS Divisional Heads AND Heads of Divisions have been encouraged to draw up IWP for all positions under their jurisdiction. This is one of the criteria in the OMRS that all positions under the Ministry should have a valid IWP.</i>
Anomalies in the Underline Account Reconciliation			
Drawing Reconciliations			
Variance between the drawings reconciliation and the general ledger balances of \$216,033.	- the Ministry should investigate and rectify the variances noted between its reconciliation statements and the general ledger FMIS - the Ministry should ensure that monthly reconciliations are carried out properly and accurately.	Open The variance consists of: - \$158,744 voided cheques but were later presented to the bank and - Journal voucher adjustment of \$ 57,322.25. The voided cheques could not be adjusted in 2015 as the Ministry did not have any savings thus this was adjusted in the 2016 expenditure. Hence these are unbudgeted expenditures	<i>The Ministry concurs with the findings as necessary adjustments could not be done in 2015 due to insufficient funds. Adjustments were made in 2016 with the assistance of FMIS team.</i>
Following anomalies were noted	The Ministry should ensure that:	Open	<i>Training on the new</i>

Issues	Recommendations	Current Status	Management's Proposed Action/Comments
<p>when scrutinising the underline accounts and related records:</p> <ul style="list-style-type: none"> - Variances noted between the FMIS ledger and the Ministry's reconciliation balances. Variances were mainly due to the incomplete reconciliations submitted by the Ministry - No reconciliations provided for the accounts payable, advances and receivables allocations 	<ul style="list-style-type: none"> - Reconciliation of all underline accounts are performed monthly, properly checked and approved on time - Procedures relating to the preparation of reconciliation statements as stated in the Finance Manual are complied with to strengthen the reconciliation process; and - All balances in its books of accounts are accurate and adequately supported 		<p><i>Drawings Reconciliation format was instigated by the FMIS team in 2017, as way forward to curb this issue.</i></p>
Misallocation of Expenditures			
Ministry was charging expenses to unrelated expenditure allocations	<p>The Ministry should ensure that:</p> <ul style="list-style-type: none"> - All purchases made are charged to the correct allocation - All necessary expenditure to be incurred for the year is identified and adequately provided for in the Ministry's budget and - Accounting information gathered are fairly represented so that proper decision making could be made 	<p>Open</p> <p>Refer to Appendix 32.3 for examples of misallocations of expenditures.</p>	<p><i>The Ministry agrees with the findings. Virements have been prepared to address the misallocation. Clerks and Divisional Heads been notified to request HQ Accounts for the correct expenditure allocation to use in order to minimize this misallocation issue.</i></p>
Utilisation of Capital Expenditure Funds for Other Projects			
	<p>The Ministry should ensure that the funds are utilised for their intended purposes as set out in the budget and to avoid unnecessary over expenditures.</p>	<p>Open</p>	<p><i>The Ministry acknowledges the findings and warrants that this will not be a recurring issue in future. The Ministry will abide by the Ministry of Fisheries and Forests Finance Manual.</i></p>
Settlement of Previous Years Outstanding Accounts			
Ministry paid for outstanding accounts from 2014 in 2015 contrary to the requirements of the Ministry of Economy Circular Number 25/14. Ministry of Economy advised all Ministries and Departments in 2014 that they would not be facilitating any requests for carry-over of funds from 2014 to the 2015 financial year.	<p>The Ministry should ensure that the current years expenditures are settled within the current financial period and not carried forward to the next financial year</p>	<p>Open</p>	<p><i>Ministry concurs with the findings with great anxiety and we will put stringent measures in place to avoid such practices in future.</i></p>

Appendix 32.1. Details of Items Approved for Write-Off

No	Location / Station	Item	Purchase Price (\$)
1	Ba	Desktop and Monitor	2,000
2	Caboni Station	Notebook	2,000
3	Colo I Suva	Desktop, Monitor & Notebook	9,725
4	Galoa	Desktop and Monitor	2,000
5	Garage Colo I Suva	Printer	399
6	HQ, Takayawa Bldgs	Desktop, Monitor & Notebook	23,700
7	Korovou Forestry Office	Desktop	1,825
8	Labasa Fisheries	Camera, Projector	3,098
9	Labasa Forestry	Desktop, Monitor & Notebook	12,450
10	Lakeba Forestry Office	Notebook	2,000
11	Lami Fisheries Office	Desktop, Monitor & Notebook	17,200
12	Fisheries Lautoka	Desktop, Monitor & Notebook	8,599
13	Forestry Lautoka	Desktop, Monitor & Notebook	10,595
14	Fisheries Makogai	Notebook	1,700
15	Forestry MSD Office – Colo I Suva	Desktop, Monitor & Notebook	7,100
16	Fisheries Nabouwalu	Printer	549
17	Fisheries Naduruloulou	Desktop, Copier	4,300
18	Fisheries Nausori	Desktop, Copier	3,958
19	Forestry Nausori	Desktop	3,600
20	Fisheries Navua	Camera Printer	2,599
21	Forestry Navua	Desktop, Copier	2,300
22	Fisheries Rabi	Desktop, Monitor & Notebook	2,249
23	Fisheries Savusavu	Desktop, Monitor & Notebook	4,998
24	Forestry Sigatoka	Desktop	1,500
25	Forestry Siviculture	Desktop, Monitor & Notebook	7,848
26	Fisheries Taveuni	Fax, copier	549
27	Forestry Nasinu	Desktop, Monitor & Notebook	14,874
28	Forestry Nasinu TUD	Desktop, Monitor & Notebook	4,550
29	Fisheries Wainikoro	Camera	1,400
30	Forestry Korotari	Garden Tools & Equipment	1,295
31	Forestry Garage	Garage Tools	1,565
32	Fisheries Savusavu	Office Stationeries	662
33	Fisheries Savusavu	Office Stationeries	2,350
34	Fisheries Savusavu	Office Stationeries	3,930
35	Fisheries Savusavu	Office Stationeries	2,920
36	Fisheries Labasa	Office Stationeries	1,050
37	Fisheries Rabi	Camera	690
38	Fisheries Taveuni	Camera	690
39	Fisheries Nabouwalu	Office Equipment's	1,035
40	Fisheries Lekutu	Office Equipment's	693
41	Fisheries Wainikoro	Office Equipment's	755
42	Fisheries Dreketi	Cabinets	460
43	Forestry Sigatoka	Office Equipment's	861
44	Fisheries Caboni	Blower, Camera, Water Urn	1,470
45	Forestry Nadarivatu	Office Equipment's	131
46	Fisheries Ba	Office Equipment's	9,280
47	Fisheries Lautoka	Office Equipment's	5,109
48	Forestry Lautoka	Office Equipment's	817
49	Forestry Ba	Office Equipment's	167
50	Fisheries Namarai	Wheel Barrow	200
51	Fisheries Tavua	Office Equipment's	6,266
52	Fisheries Rakiraki	Office Equipment's	630

No	Location / Station	Item	Purchase Price (\$)
53	Fisheries Sigatoka	Desktop, Monitor & Notebook	628
	Total		203,319

Appendix 32.2. Detailed EFT cheques not cleared by the Bank from January to July 2016.

EFT No.	Date	Amount (\$)
12217	7/01/2016	2,435
12218	7/01/2016	510
12219	7/01/2016	6,800
12220	7/01/2016	1,123
12221	7/01/2016	57
12222	7/01/2016	216
12223	7/01/2016	54
12224	7/01/2016	228
12225	7/01/2016	108
12226	7/01/2016	1,000
12227	7/01/2016	135
12228	7/01/2016	72
12229	7/01/2016	206
12230	7/01/2016	57
12231	7/01/2016	72
12232	7/01/2016	5,206
12207	30/06/2016	255
12208	30/06/2016	800
12209	30/06/2016	421
12210	30/06/2016	800
12211	30/06/2016	1,617
12212	30/06/2016	54
12213	30/06/2016	800
12214	30/06/2016	117
12215	30/06/2016	85
12216	30/06/2016	135
11240	24/05/2016	5
9674	1/03/2016	2,655
9675	1/03/2016	960
9676	1/03/2016	1,022
9677	1/03/2016	1,048
9678	1/03/2016	270
9679	1/03/2016	418
9680	1/03/2016	78
9681	1/03/2016	50
9682	1/03/2016	114
9683	1/03/2016	5,186
9684	1/03/2016	100
9685	1/03/2016	76
9686	1/03/2016	18
9687	1/03/2016	192

EFT No.	Date	Amount (\$)
9688	1/03/2016	350
9689	1/03/2016	75
9690	1/03/2016	243
9691	1/03/2016	306
9692	1/03/2016	193
9693	1/03/2016	629
9694	1/03/2016	18
9695	1/03/2016	850
		38,219

Appendix 32.3. Examples of Misallocation of Expenditure in 2016

Date	Cheque /EFT No.	Particulars	Amount (\$)	Allocation Charged
29/01/2016	9107	Being payment for Permanent Secretary's office furniture.	29,385	1-32205-91071-080699 – Research and Development of Wood and Non Wood
02/02/2016	74976	Being telegraphic transfer for membership contribution for 2016 and 2015.	20,235	1-32102-32999-071301 – Trade Shows
26/02/2016	9586	Being 1 st progressive payment for the construction of bund walls for treatment plant in Nasinu	3,817	1-32206-91011-080801 – Reforestation of Degraded Forests
15/03/2016	9949	Being 40% progress payment for refurbishment works at Level 3 Takayawa building.	6,789	1-32306-91011-080627 – Brackish Water Development
14/04/2016	75308	Being final payment to the contractor upon 100% satisfactory refurbishment works at Level 3 Takayawa Building.	8,486	1-32206-91011-080801 – Reforestation of Degraded Forests.
03/05/2016	75424	Being payment 2 nd progressive payment for the purchase of Mobilised CCA Timber Treatment Plant.	52,249	1-32207-91021-090132 – Pine Woodlot Logging Package
			19,469	1-32206-91011-080801 – Reforestation of Degraded Forests
			16,514	1-32207-91021-090119 – Purchase – Lakeba Pine Scheme
03/05/2016	75429	Being payment for the purchase of 7 portable sawmills	183,486	1-32207-91021-090119 – Purchase - Lakeba Pine Scheme
			8,225,896	1-32207-91021-090132 – Pine Woodlot Logging Package
01/06/2016	11469	Being payment for the purchase of new Yamaha 115HP Ultra Long Outboard Engine for Makogai Fiberglass Boat.	26,295	1-32305-91011-080211 - Land Office (As per budget book: Preparatory Works - Cicia Ice Plant)
14/06/2016	75650	Being payment for a brand new 19 footer Fiber Glass boat with portable flooring, anchor, rope and all safety equipment Kit.	7,523	1-32304-91011-040105 – Fuel and Oil Vessels
16/06/2016	11851	Being payment for 3 23 ft fiberglass boat with 2 seats.	23,670	1-32304-91011-040105 – Fuel and Oil Vessels
15/06/2016	75648	Being payment for 3 40HP engines for the 3 23 ft fiberglass boat	18,782	1-32304-91011-040105 – Fuel and Oil Vessels
21/06/2016	75677	Being payment 3 rd progressive payment for the purchase of Modiulised CCA Timber Treatment Plant.	3,683	1-32207-91021-090132 – Pine Woodlot Logging Package
			140,187	1-32201-77101-060514 – ITTO: International Tropical Timber Organisation
			15,000	1-32205-91071-080411 – Upgrading of Forestry Institute
22/06/2016	12038	Being 2 nd and 3 rd progressive payment for labour cost for the construction of shed and bund walls in Gau.	11,875	1-32201-77101-060514 – ITTO: International Tropical Timber Organisation
23/06/2016	12049	Being payment for the purchase of 60HP outboard Motor.	8,609	1-32305-91011-040333 – Ice Plants
22/07/2016	75861	Being progress payment # 3 for the project - Construction of the	61,927	1-32305-91011-040333- Ice Plants

Date	Cheque /EFT No.	Particulars	Amount (\$)	Allocation Charged
		Fisheries Office and Standard Grade VI (6) staff quarters at Navukailagi, Gau		

Section 33 Ministry of Lands and Mineral Resources

Role and Responsibilities

The Ministry of Lands and Mineral Resources plays a pivotal role in national development and in supporting its economic growth.

The Ministry is focused on developing, reviewing and adopting flexible and market-driven policies to address the challenges faced by land developers, tenants, investors and indigenous landowning units in terms of accessing and utilizing land.

The state owns 4 per cent of land in Fiji. The State's land is located within major urban centres around the country; its effective management is crucial to the national development.

The Ministry of Lands and Mineral Resources is made up of two Departments: the Department of Lands and the Mineral Resources Department.

The Department of Lands is responsible for the effective and efficient administration, development and management of all state land in Fiji. The new Land Use Division, which was established in 2010, helps indigenous landowners put viable land that is currently idle and un-utilized to productive use, under terms and conditions which are attractive to both the landowners and tenants.

The Mineral Resources Department oversees and facilitates the development of the country's mineral sector and groundwater resources. It undertakes studies in relation to geological hazards and mineral and groundwater development. It also manages the development of the mining and quarrying sector.

Table of Contents

PART A: FINANCIAL STATEMENTS.....	2
33.1 Audit Opinion.....	2
33.2 Statement of Receipts and Expenditure	2
33.3 Appropriation Statement	3
33.4 Statement of Losses	3
33.5 Statement of Trust Receipts and Payments	4
PART B: AUDIT FINDINGS	4
33.6 Administrative Issues	4
33.6.1 Governance Issues	4
33.7 Department of Lands.....	6
33.7.1 Failure to Deposit the Retention Sum in the Trust Fund Account.....	6
33.7.2 Double posting in General Ledger	8
33.7.3 Main Trust Fund Account not properly maintained	8
33.7.4 EFT Payments Unpresented as at 31/7/16.....	9
33.8 Department Of Mineral Resources.....	10
33.8.1 Main Trust Fund Account not properly maintained	10
33.9 Prior Year Issues	12
Appendix 33.1: Trust Fund Account – Department of Lands	16
Appendix 33.2: Trust Fund Account – Mineral Resources Department	17
Appendix 33.3: Incomplete Adjustments in Accounts Receivables (SAG 56).....	18
Appendix 33.4: Postings in General Ledger that could not be Substantiated	19
Appendix 33.5: Unpresented EFT Payments as at 31/7/16	21

PART A: FINANCIAL STATEMENTS

33.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Lands and Mineral Resources (Ministry) resulted in issue of an unqualified audit opinion.

33.2 Statement of Receipts and Expenditure

The Ministry recorded revenue totalling \$9.0 million and incurred a total expenditure of \$15.4 million for the seven months period ended 31 July 2016. Refer to Table 33.1 for details.

Table 33.1: Statement of Receipts and Expenditure for 2016

Description	2016 (\$)	2015 (\$)
RECEIPTS		
State Revenue		
Land and property rent	6,982,873	13,213,598
Rental for quarters	---	---
Fees charges, fine and penalties	501,839	678,583
Revenue from surveys & sales of nav	125,478	42,051
Hire of plants & vehicles	---	7,241
License	32,867	49,366
Sale of publications	---	345
Sale of photographs	9	516
Mining fees	420,426	367,290
Chemical	661	8,460
Stamp duty	---	35,035
Commission	6,810	9,508
Valuation Fees	10,912	---
Total State Revenue	8,081,875	14,411,993
Agency Revenue		
Miscellaneous Fees	910,791	704,885
Total Revenue	8,992,666	15,116,878
EXPENDITURE		
Operating Expenditure		
Established staff	4,938,536	8,426,698
Government wage earners	601,682	797,850
Travel and communications	373,944	669,632
Maintenance & operations	4,199,700	5,048,758
Purchase of goods and services	428,920	981,796
Operating grants and transfers	21,069	20,227
Special expenditures	194,931	950,479
Total Operating Expenditure	10,758,782	16,895,440
Capital Expenditure		
Capital construction	2,683,696	2,487,381
Capital purchases	811,072	2,573,146
Capital grants and transfers	127,111	1,593,861
Total Capital Expenditure	3,621,879	6,654,388
Value Added Tax	1,025,328	1,803,716

Description	2016 (\$)	2015 (\$)
Total Expenditure	15,405,989	25,353,544

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.

33.3 Appropriation Statement

The Ministry incurred expenditure totalling \$15.4 million in 2016 against a revised budget of \$31.0 million resulting in a savings of \$15.6 million or 50%. 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 33.2.

Table 33.2: Appropriation statement for 2016

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	8,883,499	(138,560)	8,744,939	4,938,536	3,806,403
2	Government Wage Earner	859,503	137,784	997,287	601,682	395,605
3	Travel and Communications	687,800	1,553	689,353	373,944	315,409
4	Maintenance & Operations	6,868,550	(2,197)	6,866,353	4,199,700	2,666,653
5	Purchase of Goods & Services	639,000	1,420	640,420	428,920	211,500
6	Operating Grants & Transfers	32,100	---	32,100	21,069	11,031
7	Special Expenditures	660,165	---	660,165	194,931	465,234
	Total Operating Expenditure	18,630,617	---	18,630,617	10,758,782	7,871,835
	Capital Expenditure					
8	Capital Construction	7,207,000	---	7,207,000	2,683,696	4,523,304
9	Capital Purchases	880,000	---	880,000	811,072	68,928
10	Capital Grants and Transfers	2,790,000	---	2,790,000	127,111	2,662,889
	Total Capital Expenditure	10,877,000	---	10,877,000	3,621,879	7,255,121
13	Value Added Tax	1,524,900	---	1,524,900	1,025,328	499,572
	Total Expenditure	31,032,517	---	31,032,517	15,405,989	15,626,528

33.4 Statement of Losses

The Ministry recorded no loss for the seven months period ended 31 July 2016. However, the annual Board of Survey resulted in write-off of various assets totalling \$190,003. Refer to Table 33.3 for details.

Table 33.3: Statement of Losses for 2016

Divisions	Item	Amount (\$)
Lands Department	Various	187,363
Minerals Department	Various	2,640
Total		190,003

33.5 Statement of Trust Receipts and Payments

The Department of Lands had a trust account balance of \$4,230,897 as at 31 July 2016. The Department recorded total receipts of \$2,096,622 and incurred total payments of \$3,431,296 in the trust account during the year. Refer to *Appendix 33.1* for details.

The Mineral Resources Department had a trust account balance of \$4,482,035 as at 31 July 2016. The Department recorded total receipts of \$716,567 and incurred total payments of \$354,220 in the trust account during the year. Refer to *Appendix 33.2* for details.

PART B: AUDIT FINDINGS

33.6 Administrative Issues

33.6.1 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.¹

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.²

The Accounts Officer must reconcile all accounts to be submitted to Ministry of Finance within two weeks after the closing of each monthly account.³

The Senior Accounts Officer is responsible for the safekeeping and proper maintenance of all accounting records or documents.⁴

The audit noted that the monthly report of the Accounting Head was not provided to the Permanent Secretary. As such, the following internal controls were either not complied with or were not in place for the financial year ended 31 July 2016:

- The Ministry does not maintain a Gift Register as stipulated in section 5.3.13 of the Ministry's Finance Manual 2013;
- Reconciliations were not performed on a timely basis. Refer to Tables 33.4 and 33.5 for details.

¹ Finance Instructions 2010 - Section 60

² Ministry's Finance Manual 2013 – Part 17: Internal Controls – Introductory Paragraph

³ Ministry of Lands and Mineral Resources Finance Manual 2013 - Section 17.2.4

⁴ Ministry of Lands and Mineral Resources Finance Manual 2013 – Section 18.1.3

Table 33.4: Monthly Reconciliation Dates for Bank Lodgement Clearance Account

Month	Date Reconciliation Prepared
January - April	08/6/16
May - June	23/8/16
July	24/8/16

Table 33.5: Monthly Reconciliation Dates for Inter-Departmental Clearance Accounts

Month	Date Reconciliation Prepared
Department of Lands	
January - July	18/8/16
Department of Minerals	
January	20/6/16
February	21/6/16
March	22/6/16
April	23/6/16
May	24/6/16
June	25/6/16
July	26/6/16

- Imprest Account reconciliations for Department of Lands were not prepared in a timely manner while no dates were stated in the reconciliations for Mineral Resources Department. Refer to Table 33.6 for details.

Table 33.6: Monthly Reconciliation Dates

Month	Date Reconciliation Prepared
January - April	23/5/16
May - June	1/8/16
July	Date not stated

- The reconciliation for Department of Lands Accounts Receivable Standard Asset Group (SAG) 56 was not performed. The Department had an unreconciled balance of \$24,225 in the general ledger as a result of mispostings and reversals not properly carried out for double postings. Refer to **Appendix 33.3** for details.
- The reconciliation for Standard Liability Group (SLG) 84 ledger account 1-33101-33101-840101 was not prepared in a timely manner. The reconciliations for the month of January to July were prepared on 12/8/16. In addition, the audit noted no reconciliation was prepared for SLG 84 general ledger account 1-33301-91011-840602 (withholding tax payable account) which had a closing balance of \$7,584 as at 31/7/16.

Absence of regular reconciliations will result in the Ministry failing to detect irregularities, errors and omissions in the respective accounts in a timely manner.

Recommendation

The Ministry must ensure that a Gift Register is maintained and reconciliations are prepared in a timely manner as required by the Finance Manual 2013 and Finance Instructions 2010.

Ministry's Comments

The recommendation of the Auditors is acknowledged and noted.

Management duly acknowledge the recommendation made, ministry will in future adhere to Finance manual 2013 and Finance instruction 2010 in regards to reconciliation policy and will update in timely manner.

One of the reasons for delay in submission is due to resubmission of reconciliation again and again due to adjustment done during closing of accounts.

33.7 Department of Lands**33.7.1 Failure to Deposit the Retention Sum in the Trust Fund Account**

Retention sum should be deducted from progress payments at the correct rates and shall be reimbursed to the contractor at the conclusion of the defect liability period of the project. This money should be kept in a trust fund account separate from the entity's operating account to ensure funds are available when defect liability period of the project is completed, particularly when the defect liability period rolls over to next year.

Retention (10%) of the progress payment, as certified in the Interim Certificate shall be retained by the Ministry of Lands as security for the rectification of any defects.⁵

In respect of contract works, a percentage of 10% is to be retained from each progress payment.⁶

The audit noted that the Ministry did not transfer the retention funds deducted from the capital projects to the Retention Trust Fund Account. The retention sum was not paid to the Contractors as at 31/7/16 and remained in the capital project budget allocation. This budget allocation was not carried over to the next financial year. As a result, the Ministry will have to divert funds from other allocations to pay for the retention sum in the future. Refer to Table 33.7 for sample of retention fund deducted but not transferred to the trust fund account.

Table 33.7: Details of Retention Sums Not Transferred to Trust Fund Account

Project Name	Details of the Project	Total Cost Paid in 2016 (VIP)	Percentage of Retention	Retention Amount Deducted in 2016	Amount Paid in 2016	Balance as at 31.7.16
		(\$)		(\$)	(\$)	(\$)
Development of State Land	Field 40 Residential Subdivision	672,078	10%	68,509	-	68,509
Maintenance of Existing Subdivision	Drainage improvement at Cautata, Tailevu	64,919	10%	6,492	3,246	3,246

⁵ Contract No WSC - 138/2015 & 139/2015 – Clause 6.4

⁶ Contract No WSC - 11/2016, Vakamasisuasua Subdivision Tender Documents – Clause 12.3.1

Project Name	Details of the Project	Total Cost Paid in 2016 (VIP) (\$)	Percentage of Retention	Retention Amount Deducted in 2016 (\$)	Amount Paid in 2016 (\$)	Balance as at 31.7.16 (\$)
Maintenance of Existing Subdivision	Drainage improvement at Raiwaqa, Navua	90,403	10%	9,040	4,520	4,520
Total		827,400		84,041	7,766	76,275

In addition to the above, the Ministry does not maintain a Trust Fund Account for keeping the retention funds and also did not utilise the trust fund account maintained by the Fiji Procurement Office for the retention funds. Moreover, the audit noted that the Department did not maintain a Retention Fund Register to record funds retained as retention sum but reliance was being placed on the Project Consultant to maintain all the details in respect to the retention sum.

In the absence of a Retention Funds Register, the Ministry does not know how much is owed to which Contractor and will process payments without verification when received by the Project Consultant.

Furthermore, the audit noted that contrary to the contract agreement between the Ministry and the Contractor in the Vakamasisuasua Industrial Subdivision Project, retention funds were not deducted from the progressive claims. Refer to Table 33.8 for details.

Table 33.8: Details of Retention Funds Not Deducted

Project Name	Details of the Project	Project Cost (VIP) (\$)	Percentage of Retention	Payment as at 31/7/16 (\$)	Retention to be Deducted (\$)
Development of State Land	Vakamasisuasua Industrial Subdivision	1,513,863	10%	261,258	26,126

The above finding indicates that payments were not properly monitored resulting in overpayment of \$26,126 to the contractors for the Vakamasisuasua Industrial Subdivision project.

Recommendations

The Ministry should:

- ensure that the retention sum deducted from the progress payments are deposited into the trust fund account;
- maintain a register to record details of all retention sum deducted; and
- ensure that the clauses in the contractual agreement in relation to deduction of retention sums are strictly adhered to.

Ministry's Comments

The recommendation of the Auditors is acknowledged and noted.

The Ministry will further liaise with Ministry of Economy on the recommendation given as this issue has been already discussed with them and the advice received that carry over is not allowed hence the need for the Ministry

to seek funding in the next Budget year to cater for those payments. Going forward that's the process the Ministry will practice.

33.7.2 Double posting in General Ledger

Within 3 days of receiving the monthly general ledger reports from *the Ministry of Finance*, the *Accounts Officer* shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.⁷ Any errors or misallocations must be immediately adjusted by way of journal vouchers.⁸

The Ministry made a payment of \$189,739 (VIP) to iTaukei Land Trust Board for payment of native land leased to state for Northern Division for the period 1/1/16 – 30/6/16. The payment was facilitated from Standard Expenditure Group 4 (natural account number 040707).

The audit noted that in July, the Ministry of Economy posted \$189,739 to Standard Expenditure Group (SEG) 8 (natural account number 089901) for payment of native land leased to state for Northern Division for the period 1/1/16 – 30/6/16 with journal reference number 'Draw 12'.

Discussion with the officer responsible revealed that the payment was incorrectly listed in the Unpresented Cheques list as at July 2016 and Ministry of Economy adjusted it to SEG 8.

As a result, SEG 8 is overstated by \$189,739. The 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.

Ministry's Comments

Management duly acknowledge the recommendation made.

In future the Ministry ensures that proper reconciliation is being done for General Ledger to avoid any misposting or double posting as the case for due to some misunderstanding between Ministry of Economy and the Ministry which resulted in that double posting.

33.7.3 Main Trust Fund Account Not Properly Maintained

When trust money is received, the *Clerical Officer* shall issue an official trust receipt to the payer. Details of receipts shall be entered into the trust cashbook.⁹ The *Clerical Officer* shall keep a trust ledger to record movement of trust money.¹⁰

⁷ Ministry of Lands and Mineral Resources Finance Manual 2013 – Section 16.3.3

⁸ Ministry of Lands and Mineral Resources Finance Manual 2013 – Section 16.3.4

⁹ Ministry of Lands and Mineral Resources Finance Manual 2013 – Section 15.2.1

¹⁰ Ministry of Lands and Mineral Resources Finance Manual 2013 – Section 15.3.2

Within 5 days after the end of each month, the *Clerical Officer* shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹¹ The Trust reconciliation shall be prepared in accordance with the format provided in Schedule 9 of the Ministry's Finance Manual.¹²

Audit review of trust fund account revealed the following anomalies:

- Monthly Trust Fund Account reconciliations was not prepared within five days after the end of each month. The reconciliations for January to June 2016 were prepared on 23/8/2016. The bank reconciliation for July was prepared on 24/11/2016 while the July reconciliation for SLG 89 was not provided for audit verification;
- Trust Bank Account reconciliation (SAG 52) was not prepared using the standard format as in the Ministry's Finance Manual Schedule 9 (pg. 117);
- Trust cash books were not maintained;
- The Ministry did not maintain an updated trust ledger; and
- The postings in the general ledger could not be substantiated due to inadequate supporting documents. Refer to *Appendix 33.4* for sample postings in the general ledger that could not be substantiated.

The above anomalies could have been avoided if the responsible officers had been more vigilant in the performance of their duties.

Recommendations

The Ministry should ensure that:

- **the monthly trust fund reconciliations are prepared in a timely manner in accordance with Schedule 9 of the Ministry of Lands and Mineral Resources Finance Manual 2013; and**
- **the trust cash book and trust ledger records are properly maintained and updated.**

Ministry's Comments

Management duly agrees with the recommendation made. The trust cash book and ledger has been updated from the FMIS.

33.7.4 EFT Payments Unpresented as at 31/7/16

Direct cheque deposits or Electronic Fund Transfers into the bank account of suppliers are encouraged to avoid unpresented cheques.¹³

During the review of the Department of Land's unpresented cheque listing, the audit noted that the unpresented cheque listing consists of Electronic Fund Transfer (EFT) payments totalling \$439,587 as

¹¹ Ministry of Lands and Mineral Resources Finance Manual 2013 – Section 15.4.1

¹² Ministry of Lands and Mineral Resources Finance Manual 2013 – Section 15.4.4

¹³ Finance Circular 04/2016 - Unpresented Cheques Clause 5.1.3

unpresented. However, the EFT payments should have been cleared at least a day after the EFT list was sent to the bank. Refer to **Appendix 33.5** for details of EFT payments shown as unpresented.

In addition, the audit conducted a subsequent testing for sample of unpresented EFT payments and noted that the EFT payments were not appearing in the consecutive month's bank statement (July to December 2016).

The Ministry could have avoided the above anomalies had they been more vigilant while performing the reconciliations and resolving the errors, omissions and variances identified. Absence of proper supervisory checks in the Accounts Section was a major contributing factor to the anomalies noted.

Recommendations

- **Supervisory controls and checks should be strengthened in the Accounts Section to avoid such discrepancies from occurring in future.**
- **The Department should ensure that the Drawings Account is reconciled monthly and any errors, omissions or misallocations noted are investigated and adjusted accordingly.**

Ministry's Comments

We would like to acknowledge the recommendation by auditors.

The Ministry noted that some of the reason for un-presented cheques while doing the bank reconciliations was that it could not match the batch postings in the bank statements to the EFT numbers generated in the FMIS (Financial Management Information System) ledger. This had resulted in the overstatement in the un-presented cheques.

Also the increase in amount of Un-presented Cheque list is when we process payment at the end of the month it does not show in the Bank Statement for that month but it appears in the upcoming months.

33.8 Department Of Mineral Resources

33.8.1 Main Trust Fund Account Not Properly Maintained

Within 5 days after the end of each month, the *Clerical Officer* shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹⁴ Details of balances must be attached to the reconciliation statement.¹⁵ All stale cheques must be cleared by 5 August 2016.¹⁶ Audit review of Mineral Resources Department's trust fund accounts revealed the following anomalies:

- Monthly trust fund account reconciliations were not prepared within five days after the end of each month. Reconciliations for the months of January to March were prepared on 18/7/16 while the reconciliations for the months of April and May was prepared on 27/7/16. The unsigned soft copies of the reconciliation were provided for the month of June and July; and

¹⁴ Ministry of Lands and Mineral Resources Finance Manual 2013 – Section 15.4.1

¹⁵ Ministry of Lands and Mineral Resources Finance Manual 2013 – Section 15.4.2

¹⁶ Finance Circular No. 4/2016 – Clause 5.1.2

- The stale and voided cheques were appearing in the unpresented cheque listing. Refer to Table 33.9 for details of stale and voided cheques.

Table 33.9: Details of Stale and Voided Cheques

Date	Chq No.	Amount (\$)
24/11/2011	1009	26
01/12/2011	1023	441
01/12/2011	1024	143
02/12/2011	1026	244
07/12/2011	1034	79
07/12/2011	1035	673
09/12/2011	1048	513
09/12/2011	1051	131
19/12/2011	1066	275
29/12/2012	1271	1,080
25/07/2014	1580	99
23/12/2014	1719	40,000
29/12/2014	Adjust rev 23/12	(34,692)
23/06/2016	1843	2,524

The above anomalies could have been avoided if the responsible officers had been more vigilant in the performance of their duties.

Recommendations

The Ministry should ensure that:

- the monthly trust fund reconciliations are prepared in a timely manner; and
- stale and voided cheques are cleared in a timely manner.

Ministry's Comments

Auditor's comments noted and improvement shown in the update of Trust Fund Account for current financial year.

Voided cheques are always captured in GL when transaction occurred. However, the Department needs to write-on all stale cheques and to be removed from reconciliation statement.

33.9 Prior Year Issues

Issues	Recommendations	Management Comments	Action Taken
<u>Rental Being Charged on Expired Leases</u> From data obtained from the Crown Land Lease System, the audit noted that the rental revenue was being charged on expired leases. This amounted to \$1,043,573.58 as at the date (4/11/15) of audit.	The Department should ensure that: <ul style="list-style-type: none"> • Lease rentals are not charged on expired leases; and • Necessary processes are taken after the expiry of leases 	The recommendation is duly noted. With effect from last year the Ministry has taken appropriate approach and stopped charging rental on expired lease	As per discussion with Acting SAO, these expired leases are continually being charged by the system. To which they have to manually inactive the expired lease accounts. The occupants are still there but have applied for a new lease term and a new account is created in the system.
<u>Arrears of Revenue</u> The audit noted that the arrears of revenue for Department of Lands as at 31/12/15 which totalled \$26,980,319 only included crown land lease. The Department was not able to provide arrears figures for the other revenues. The audit also noted that the recovery of arrears of revenue have been slow as the arrears of revenue have been increasing. Although a Taskforce Unit was established in 2008 to enforce collection of land rent, arrears of revenue continue to increase.	Accounting Heads to: <ul style="list-style-type: none"> • Ensure correct figures are supported before finalizing the arrears of revenue report • Take appropriate steps vigorously follow up for recovery of long outstanding debts; • Follow up the outstanding debts in accordance with the debt recovery procedures prescribed in the Ministry's Finance Manual and • Review the effectiveness of the Taskforce Unit that was established to enforce the collection of land rent 	We duly note the recommendation being made, currently the Ministry is considering appropriate measures to address the collection of revenue arrears / how to minimise the arrears of revenue, for better reflection of report we are preparing monthly arrears of revenue report to see the variance between revenue collected and revenue that are due.	The arrears of revenue still exist. The balance for arrears of revenue as at 31/7/16 was \$20,778,013. In addition, the audit noted a variance of \$289,900 between the arrears of revenue quarterly report and the lease arrears listing provided as at 31/7/16. Discussion with the Senior Accounts Officer revealed that the balance stated in arrears of revenue report is correct and they have to relook at their lease arrears listing. Also, the A/SAO agreed that Valuers' Registration, Surveyor Registration, Narere Barracks and Premium Arrears should be accounted in the Arrears of Revenue Report for 2015 & 2016. The Ministry will look into it.
<u>Anomalies in the Underline Accounts Reconciliation</u> Audit noted the following anomalies: <ul style="list-style-type: none"> • The preparation of monthly reconciliation statements for the Department of Lands Operating Trust and Revolving Fund Account were not performed on time. • An amount of \$1,317,407 was recorded as Vat 	<ul style="list-style-type: none"> • Reconciliation statements should be prepared on a monthly basis and the statements should be properly checked and signed off. • The Ministry should comply with the procedures relating to the preparation of reconciliation statements as stated in the Finance Manual to strengthen the reconciliation process • The Ministry should ensure that all balances in its books of accounts are 	We duly note the recommendation of the Auditors. The ministry currently practices this by preparing monthly reconciliation.	The issues are recurring: <ul style="list-style-type: none"> • The operating trust monthly reconciliations for Department of Lands were not performed in a timely manner. The reconciliations for January to May were prepared on 29/6/16, June reconciliation was performed on 30/7/16 while July reconciliation was performed on 31/8/16; and • The revolving fund reconciliations were not prepared

Issues	Recommendations	Management Comments	Action Taken
from Provision for Goods & Services (account No: 1-33301-79101-863201) under the Operating Trust Fund Account. The balance in this account has always been increasing since it was opened in 2009 to record the VAT collected on revenue and the VAT payment made to FRCA. The audit noted that the Department of Lands had been short debiting this account when payment is made to FRCA resulting in the outstanding balance increasing every year. This balance may be regarded as the amount owed to FRCA.	accurate and adequately supported • The Ministry should ensure correct calculation of VAT payments made to FRCA		for Department of Lands while the reconciliations for Mineral Resources Department were prepared but not in a timely manner. • The balance of \$1,210,899.40 still exist as VAT from Provision for Goods & Services (account No: 1-33301-79101-863201) under the Operating Trust Fund Account.
Department of Lands – Regularity Audit Issues			
<u>Salary and Wages Reconciliation not prepared on Time</u> Audit noted that some salary and wages reconciliations were performed and statements prepared very late which would have made it difficult for the Department to detect and act upon any payroll discrepancy in a timely manner.	• The Department should ensure that regular payroll (salaries/wages) reconciliations are performed on a fortnightly/weekly basis and that the reconciliation statements are thoroughly checked by the Principle Accounts Officer to minimize or avoid incorrect payments of salaries and wages.	We acknowledge the recommendation of the Auditors. In future we are going to adhere to Finance Instruction 2010 section 17(7), which states salary reconciliation should be done fortnightly and wages weekly. To add on, this delay was because we had to re-submit our reconciliation to Ministry of Economy again upon their request which resulted in the delay.	• The wages reconciliations for Department of Lands were not prepared, contrary to the Finance Instruction 2010 Section 17 (7).
<u>Payments made after the Discount Period</u> From the review of sample of payment vouchers for payments of rates to Municipal Councils, audit noted that the Department did not take advantage of the full discount offered by the Municipal Councils by paying within the discount period.	• The Department should take advantage of the discounts offered by the Councils by planning the requisitioning of funds with the Ministry of Economy within the discount period given by the Municipal Councils	Recommendation is taken into consideration by the department. While we do appreciate the incentives provided by the Municipal Councils, it is also important to note that there are processes that we need to comply with before payment is facilitated. Statements of payments are usually	The Department is yet to take full advantage of the discounts offered by the Municipal Councils by paying within the discount period.

Issues	Recommendations	Management Comments	Action Taken
		<p>received within the first two weeks of January from the Municipal Councils, and they are forwarded to our Valuation Unit to carry out proper verification which usually takes another 2 weeks before files are forwarded to the Accounts for preparation of payment schedules and processing of RIE which normally takes week then is forwarded to Ministry of Economy. From this year, RIE was requested in early January, in order for the department to ensure that rates are paid within the discount period, using payment schedules of the previous year in order to facilitate payment to those municipalities that offer discount.</p> <p>Recommendations provided are noted with appreciation. The verifications and reconciliations of rates charged and rates payables are normally carried by the valuation divisions before the schedules are submitted to the Finance section to facilitate payment. Variances are normally rectified before payment is made</p>	
<u>Legislation Governing Crown Lands Act</u>	<ul style="list-style-type: none"> • The Department should consider making proposals to review legislations 	The recommendation rose by the Auditors in regards to	The legislations are yet to be reviewed.

Issues	Recommendations	Management Comments	Action Taken
<p>Legislations should be reviewed and updated on a regular basis to accommodate changing developments. The Department of Lands is directly governed by the legislations listed below:</p> <ul style="list-style-type: none"> - Land Use Decree 2010 (2010) - Lands Transfer Act (1978) - Surveyors Act (1978) - Subdivision of Land Act (1978) - State Lands Act (1978) - Agricultural Landlord and Tenants Act (1978) - Valuation Registration Act (1986) - State Acquisition of Lands Act (1978) - Local Government Act (1985) <p>The audit however noted that the Decrees were released from time to time to amend various sections within the legislations. The whole legislation needs to be reviewed. No evidence existed to indicate that proposals have been made to review the entire legislation. The review of the legislation needs to be done to ensure that the various requirement and amendment to the legislations are harmonized into the main legislation governing the Department of Lands.</p>	governing the Department to ensure that all the different legislations are harmonized.	Legislations governing crown Lands Act is acknowledged. The Ministry is targeting to revise three (3) legislations (Mining Act/ Surveyors Registration Act & Water Policy) and development of the Valuation Act in the next financial year depending on the provision of Budgetary allocation in the next financial year.	

Recommendation

The Ministry should ensure that corrective actions are taken to resolve recurring issues.

Ministry's Comments

The Auditor's recommendation is duly noted. The Ministry is taking appropriate approaches to address the prior year recurring issues highlighted by the Auditors.

Appendix 33.1: Trust Fund Account – Department of Lands

Account	2016 (\$)	2015 (\$)
Receipts		
Compensation	254,791	
Other Revenue	154,489	
Fisheries Impact	921,678	
Lease Offer	196,545	
Priority plan	157,485	
Royalty	403,015	
Sand Gravel	8,619	
Total Receipts	2,096,622	5,256,427
Payments		
Bank fees	157	
Meal/Mileage Claim	8980	
Priority Plan	30,596	
Royalty	96,135	
Fisheries Impact	47,392	
Compensation	2,905,159	
Airstrip payments	342,877	
Total Payments	3,431,296	4,246,639
Net (Deficit)/Surplus	(1,334,674)	1,009,788
Balance as at 1 January	5,565,571	4,357,767
Adjustment	---	198,016
Closing Balance as at 31 July 2016	4,230,897	5,565,571

Appendix 33.2: Trust Fund Account – Mineral Resources Department

Account	2016 (\$)	2015 (\$)
Receipts		
Mining		475,854
Mining Bond	336,040	
SPL Renewal Fees	344,897	
Mining Tender Fees	1,958	
Mining Surrender Fees	1,010	
Non-Mining		72,042
Geotechnical Survey	13,982	
Borehole Construction	18,680	
Total Receipts	716,567	547,896
Payments		
Mining		96,732
Transfer of Renewal Fees	314,421	
Bond Refund	25,554	
Non-Mining		63,300
Borehole Construction	8,705	
Geotechnical Survey	5,540	
Total Payments	354,220	160,032
Net (Deficit)/Surplus	362,347	387,864
Add Balance as at 1 January	4,119,688	3,731,824
Closing Balance as at 31 July 2016	4,482,035	4,119,688

Appendix 33.3: Incomplete Adjustments in Accounts Receivables (SAG 56)

Journal ID	Date	Debit	Description	Audit Comments
JULYAD	31/07/2016	(48,511.85)	ADJ OF INTERFUND POST	Posting by Ministry of Economy where the trust account (SLG 89) was debited and SAG 56 was credited.
AR1209	30/05/2016	(394.58)	P/ASSES REV REC ON 2	The sum was cleared to BLC twice. Thus, an outstanding credit balance which needs to be adjusted.
AR6747	31/03/2016	3,236.41	GCC REV REC ON 9/3/1	AR yet to be cleared to BLC.
231008	31/03/2016	238.85	JV01/03	Trust money posted to SAG 56 instead of SAG 52, which is yet to be adjusted.
231008	31/03/2016	456.53	JV02/03	Trust money posted to SAG 56 instead of SAG 52, which is yet to be adjusted.
231014	31/05/2016	600.85	JV01/05	<ul style="list-style-type: none"> \$600.85 is yet to be cleared to BLC. JV1/5 reversed the clearance to BLC. JV1/6 incorrectly done overstating SAG 56 by \$600.85 and understating BLC by \$600.85
231014	30/06/2016	600.85	JV01/06	
231018	30/06/2016	722.5	No journal description in GL	AR of \$722.50 was double posted to SAG 56. One yet to be adjusted.
231018	30/06/2016	7,576.23	No journal description in GL	AR of \$7,576.23 was double posted to SAG 56. One yet to be adjusted.
231018	30/06/2016	9,424.73	No journal description in GL	AR of \$9,424.73 was double posted to SAG 56. One yet to be adjusted.
231002	31/01/2016	12,027.99	No journal description in GL	AR of \$12,027.99 was double posted to SAG 56. One yet to be adjusted.
231018	30/06/2016	12,253.06	No journal description in GL	AR of \$12,253.06 was double posted to SAG 56. One yet to be adjusted.
231018	30/06/2016	25,993.80	No journal description in GL	AR of \$25,993.80 was double posted to SAG 56. One yet to be adjusted.
Total		24,225.37		

Appendix 33.4: Postings in General Ledger that could not be Substantiated

Journal ID	Journal Description	Amount (\$)
DRAW18	ADJ OF CR ADJ REC	(3.60)
DRAW18	ADJ OF CR ADJ REC	(4.40)
DRAW18	ADJ OF CR ADJ REC	(4.40)
DRAW18	ADJ OF CR ADJ REC	(4.80)
DRAW18	ADJ OF CR ADJ REC	(4.80)
DRAW18	ADJ OF CR ADJ REC	(6.80)
DRAW18	ADJ OF CR ADJ REC	(7.20)
DRAW18	ADJ OF CR ADJ REC	(7.50)
DRAW18	ADJ OF CR ADJ REC	(7.50)
DRAW18	ADJ OF CR ADJ REC	(8.80)
DRAW18	ADJ OF CR ADJ REC	(12.16)
DRAW18	ADJ OF CR ADJ REC	(28.82)
DRAW18	ADJ OF CR ADJ REC	(40.00)
AR2002	75% COMPENSATION	(414.20)
JULJNL	AR7899 27/10/2015 REVERSAL	(460.00)
JULJNL	AR712431/07/2015	(969.95)
JULJNL	AR486223/02/2015	(765.92)
AR3820	75% COMPENSATION	(1,030.40)
JULJNL	AR0607 29/09/2015 REVERSAL	(3,081.19)
JULJNL	AR8378 6/03/2015 REVERSAL	(2,318.40)
DRAW18	7/19/2016CHQ CSH1	97.56
JULJNL	31/07/2016ADJ OF	105.00
DRAW18	7/19/2016CHQ CSH1	117.00
JULJNL	12/07/2016 REVERSAL	130.00
AP3803	MEAL & MILEAGE CL	141.84
JULJNL	31/07/2016 REVERSAL	182.61
JULJNL	19/06/2015PAYMENT	264.20
AP3163	MEAL & MILEAGE CL	266.04
JULJNL	31/07/2016 REVERSAL	273.92
JULJNL	31/07/2016 REVERSAL	283.40
JULJNL	31/07/2016 REVERSAL	320.23
JULYAD	ADJ OF INTERFUNDREVERSAL	347.69
DRAW18	12/1/2015PRESENTE	400.00
JULJNL	28/06/2016PAYMENT	455.73
JULJNL	30/06/2016PAYMENT	543.00
JULJNL	31/07/2016 REVERSAL	584.19
JULJNL	31/07/2015 REVERSAL	588.80
JULJNL	31/07/2016 REVERSAL	675.80
JULJNL	31/07/2016 REVERSAL	686.70
JULJNL	31/07/2016 REVERSAL	897.00
JULJNL	31/07/2016ADJ OF	1,152.50
JULJNL	31/07/2016 REVERSAL	1,270.00
JULJNL	31/07/2015 REVERSAL	1,483.50
AP5750	PAYMENT OF AIR FARE	1,500.18
JULYAD	ADJ OF INTERFUND	1,786.40
JULJNL	18/02/2015 PAYMENT	1,995.98
JULJNL	18/2/2015PAYMENT	2,148.80
DRAW18	14/01/2015PRESENT	2,350.00
AP4109	FORESHORE LEASE T	2,521.00
JULJNL	31/07/2016ADJ OF	2,778.40
JULJNL	31/07/2016 ADJ OF	2,955.00
JULJNL	18/02/2015PAYMENT	3,178.20
AP4110	FORESHORE LEASE F	4,250.00

Journal ID	Journal Description	Amount (\$)
JULJNL	12/30/2015 PAYMENT	4,540.19
JULJNL	31/07/2015 PAYMENT	5,366.10
DRAW18	27/02/2015CHQ PRE	8,250.00
JULJNL	23/02/2015 PAYMENT	11,658.51
JULJNL	25/01/2016 PAYMENT	13,077.97
AP3819	RENTAL VUNIWAIWAI	14,500.00
JULJNL	18/02/2015 PAYMENT	18,042.40
JULJNL	1/03/2016 PAYMENT	29,117.96
JULJNL	24/09/2015 PAYMENT	31,011.65
JULJNL	31/07/2016 ADJ OF	4,360.00
Total		\$ 167,474.61

Appendix 33.5: Unpresented EFT Payments as at 31/7/16

Date	EFT No.	Amount (\$)
08/04/16	8664	189,739
08/04/16	8665	204,087
31/05/16	9088	597
31/05/16	9089	598
31/05/16	9090	4,381
31/05/16	9092	5,478
31/05/16	9093	305
31/05/16	9094	1,068
31/05/16	9095	4,050
31/05/16	9096	575
31/05/16	9097	358
31/05/16	9098	270
31/05/16	9099	7,293
31/05/16	9100	1,248
31/05/16	9101	1,248
31/05/16	9102	1,248
31/05/16	9103	1,515
31/05/16	9104	45
31/05/16	9105	1,515
31/05/16	9106	126
31/05/16	9107	72
31/05/16	9108	1,515
31/05/16	9109	4,484
10/06/16	9245	90
10/06/16	9247	527
10/06/16	9248	153
10/06/16	9249	189
10/06/16	9250	72
10/06/16	9251	72
10/06/16	9252	144
10/06/16	9253	72
10/06/16	9254	117
10/06/16	9255	189
10/06/16	9256	162
10/06/16	9257	81
22/07/16	9864	259
22/07/16	9865	3
22/07/16	9866	833
22/07/16	9867	1
22/07/16	9868	764
22/07/16	9869	689
22/07/16	9870	106
22/07/16	9871	294
22/07/16	9872	532
22/07/16	9873	10
22/07/16	9874	50
22/07/16	9875	200
22/07/16	9876	299
22/07/16	9877	89
22/07/16	9878	40
22/07/16	9879	119
22/07/16	9880	989

Date	EFT No.	Amount (\$)
22/07/16	9881	216
22/07/16	9882	40
22/07/16	9883	55
22/07/16	9884	127
22/07/16	9970	189
Total		439,587

Section 34 Ministry of Industry, Trade and Tourism

Role and Responsibilities

Creating an internationally competitive economy and stimulating economic growth is one of the Government's top priorities. To do this, it needs to encourage investment, boost trade and support private enterprise.

The Ministry of Industry, Trade and Tourism is responsible for positioning Fiji as an internationally competitive economy. It does this by diversifying and expanding markets, expanding exports, marketing Fiji as the ideal tourist destination, working to improve the manufacturing and commercial sector, improving investors' and businesses' confidence and the ease of doing business in Fiji, improving market access for Fijian-made products and services, ensuring compliance with national and international standards, and improving livelihoods of grassroots communities through cooperatives, micro and small enterprises development.

In 2016, the Ministry will carry out the Fiji Tourism Development Plan, Fijian Made-Buy Fijian Campaign Audit Procedures and a review of the Department of National Trade Measurement and Standards.

The Ministry will also continue with its highly successful micro and small business grant scheme which creates opportunities for many ordinary Fijians and encourages a culture of enterprise and entrepreneurship.

TABLE OF CONTENTS

PART A: FINANCIAL STATEMENTS.....	1
34.1 Audit Opinion	1
34.2 Statement of Receipts and Expenditure	1
34.3 Appropriation Statement	2
PART B: AUDIT FINDINGS	3
34.4 Backlog of Audited Accounts	3

PART A: FINANCIAL STATEMENTS

34.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Industry, Trade and Tourism resulted in an unqualified opinion.

34.2 Statement of Receipts and Expenditure

The Ministry of Industry, Trade and Tourism recorded revenue totalling \$727,479 and incurred expenditure totalling \$34,371,778 for the seven months period ended 31 July 2016.

Table 34.1: Statement of Receipts and Expenditure for 2016

Description	31 July 2016 (\$)	31 December 2015 (\$)
Fees – Miscellaneous	257,404	709,746
Other Revenue	470,075	7,213
TOTAL REVENUE	727,479	716,959
Established staff	1,700,033	3,364,079
Government wage earners	221,837	319,683
Travel and communications	212,157	362,710
Maintenance & operations	402,602	579,805
Purchase of goods and services	193,551	237,409
Operating grants and transfers	6,569,031	9,588,508
Special expenditures	3,302,537	5,569,452
Total Operating Expenditure	12,601,748	20,021,646
Capital Purchases	-	810,618
Capital Grants and Transfers	21,422,280	25,541,000
Total Capital Expenditure	21,422,280	26,351,618
Value Added Tax	347,750	737,524
TOTAL EXPENDITURE	34,371,778	47,110,788

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.

Other Revenue increased by \$462,862 in 2016 due to Grant-in-aid received from Indian High Commission towards the Micro and Small Business Grant totalling \$470,000.

34.3 Appropriation Statement

The Ministry incurred expenditure totalling \$34,371,778 in 2016 against a revised budget of \$58,946,473 resulting in savings of \$24,574,695 or 42%. 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 34.2 below.

Table 34.2: Appropriation Statement for 2016

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	3,774,396	-	3,774,396	1,700,033	2,074,363
2	Government Wage Earners	377,655	-	377,655	221,837	155,818
3	Travel and communications	451,300	-	451,300	212,157	239,143
4	Maintenance & operations	650,300	(6,422)	643,878	402,602	241,276
5	Purchase of goods and services	312,500	6,422	318,922	193,551	125,371
6	Operating grants and transfers	11,100,676	-	11,100,676	6,569,031	4,531,645
7	Special expenditures	7,130,546	(30,108)	7,100,438	3,302,537	3,797,901

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Total Operating Costs	23,797,373	(30,108)	23,767,265	12,601,748	11,165,517
8	Capital Construction	-	30,108	30,108	-	30,108
9	Capital Purchases	2,000,000	-	2,000,000	-	2,000,000
10	Capital Grants and Transfers	32,200,000	-	32,200,000	21,422,280	10,777,720
	Total Capital Expenditure	34,200,000	30,108	34,230,108	21,422,280	12,807,828
13	Value Added Tax	949,100	-	949,100	347,750	601,350
	TOTAL EXPENDITURE	58,946,473	-	58,946,473	34,371,778	24,574,695

PART B: AUDIT FINDINGS

34.4 Backlog of Audited Accounts

Where required under Finance Instruction 16-(8), the recipient shall prepare an acquittal report. The acquittal report shall provide the following information:

- details of grant money expended and unexpended;
- grant objectives and targets achieved;
- financial statement (audited if practicable) for grants of \$20,000 or more.¹

The report shall include annual Audited Report 2016 and audit financial statements from a reputable audit firm (due in the 1st Quarter 2017).² An Audit report on the Financial Activities for the previous year shall be submitted to the Ministry.³

The audit noted that the following statutory authorities have not provided audited financial statements for the operating grants received from the Ministry. Refer to Table 34.3 for details of grant assistance provided and the status of the audited financial statements.

Table 34.3: Details of Pending Audited Accounts

Grant Recipients	Pending Audited Accounts	Actual Grants (\$) ⁴
Tourism Fiji ⁵	2015	26,500,000
Textile Clothing and Footwear Council	2015	100,000
	2014	100,000
	2013	100,000
Total		26,800,000

In the absence of audited financial statements, the Ministry cannot substantiate whether grants were used for the authorized purpose.

¹ Ministry of Industry, Trade & Tourism Finance Manual 2013 – Part 3.3.1

² Grant Agreement 2016 : Page 6 (Tourism Fiji)

³ Grant Agreement 2016: Page 4 (TCF Council)

⁴ Figures were extracted from Financial Management Information Systems (FMIS) on 26/01/17

⁵ Tourism Fiji receives operating and capital grant. The figure is the consolidation of the grants.

Recommendation

The Ministry should ensure the grant recipients provide the audited financial statements in a timely manner as required in the grant agreement.

Management Comments

- *In year 2013, the Ministry analysed the Service Agreements of the Statutory Organizations for previous years and had identified that the clause on “Reporting and Review” should include the submission of Audited Report. Subsequently, since 2014, the Ministry had made amendments to the Service Agreements and required submission of Audited Reports from all the Statutory Organizations.*
- *The Ministry has noted the auditors recommendation, and will ensure that the Audited Reports are submitted by the Statutory Authorities as required in the Service Agreement*

Table below shows the status of pending audited accounts.

<i>Grant Recipients</i>	<i>Pending Audited Accounts</i>	<i>Actual Grants (\$)</i>	<i>Remarks</i>
<i>Tourism Fiji</i>	<i>2015</i>	<i>26,500,000</i>	<i>2014 accounts is ready for submission and 2015 will be submitted thereafter</i>
<i>Textile Clothing and Footwear Council</i>	<i>2015</i>	<i>100,000</i>	<i>The accounts for 2013, 2014 and 2015 are being audited Earnest and Young. Will be submitted to OAG as soon as the audited report is received.</i>
	<i>2014</i>	<i>100,000</i>	
	<i>2013</i>	<i>100,000</i>	

Section 35

Ministry of Sugar

Role and Responsibility

The Ministry is responsible for the coordination of the activities and functions of the various institutions that make up the sugar industry with the sole objective of ensuring that Government's commitment to reviving the industry is achieved.

Table of Contents

PART A:	FINANCIAL STATEMENT	1
35.1	Audit Opinion	1
35.2	Statement of Receipts and Expenditures	1
35.3	Appropriation Statement	2
PART B:	AUDIT FINDINGS	3
35.4	Grants to Fiji Sugar Corporation Limited (FSCL) on Sugar Development	3
35.5	Anomalies in Revenue records.....	4
35.6	Supporting documentation to Vouchers Not Stamped "Paid"	6
35.7	No Segregation of Duties	6
35.8	Irregularities in Accountable Advance	7
35.9	Anomalies in the Reconciliation of Underline Accounts	9
Appendix 35.1:	Examples of PV supporting documents not stamped "Paid"	11
Appendix 35.2:	Details of Travel Advance Irregularities Noted for Accounts Officer	12

PART A: FINANCIAL STATEMENT

35.1 Audit Opinion

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

35.2 Statement of Receipts and Expenditures

The Ministry of Sugar incurred expenditures totalling \$19,841,904 for the seven months period ended 31 July 2016. Details are shown in Table 35.1.

Table 35.1: Statement of Receipts and Expenditures

Description	31 July 2016 (\$)	31 December 2015 (\$)
Established staff	166,318	355,591
Government wage earners	22,857	31,932
Travel & communication	37,701	49,843
Maintenance & operations	51,085	62,214

Description	31 July 2016 (\$)	31 December 2015 (\$)
Purchase of goods & services	13,131	14,110
Operating grants & transfers	2,009,347	1,429,399
Special expenditures	221,305	938,170
Total Operating Expenditures	2,521,744	2,881,259
Capital construction	2,745,866	2,099,179
Capital grants & transfers	14,322,100	5,000,000
Total Capital Expenditures	17,067,966	7,099,179
Value added tax	252,194	599,767
TOTAL EXPENDITURES	19,841,904	10,580,205

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 Operating Grants and Transfers funds was due to the commencement of payment of Sugar Council Levy by the Ministry in 2016.

The increase in Capital Construction expenditure was due to the fast tracking of cane access roads maintenance to ensure coverage of as many roads as possible with an estimated 97% of the cane access roads being maintained and repaired before financial period ended 31 July 2016.

The increase in Capital grants and transfers was due to the payment of fertilizer subsidy to South Pacific Fertilizer in 2016. The payment was made by Ministry of Economy (Head 50) in the financial year 2015.

35.3 Appropriation Statement

The Ministry incurred expenditures totalling \$19,841,904 against a revised budget of \$23,788,345 resulting in savings of \$3,946,441. The 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 estimates are provided in Table 35.2.

Table 35.2: Appropriation Statement

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	502,567	-	502,567	166,318	336,249
2	Government wage earner	68,731	-	68,731	22,857	45,874
3	Travel and communications	88,000	-	88,000	37,701	50,299
4	Maintenance & operations	86,000	-	86,000	51,085	34,915
5	Purchase of goods & services	21,000	-	21,000	13,131	7,869
6	Operating grants & transfers	2,009,347	-	2,009,347	2,009,347	-
7	Special Expenditure	2,945,000	-	2,945,000	221,305	2,723,695
	Total Operating Expenditure	5,720,645	-	5,720,645	2,521,744	3,198,901

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
8	Capital construction	3,000,000	-	3,000,000	2,745,866	254,134
10	Capital grants & transfers	14,722,100	-	14,722,100	14,322,100	400,000
	Total Capital Expenditure	17,722,100	-	17,722,100	17,067,966	654,134
13	Value added tax	345,600	-	345,600	252,194	93,406
	TOTAL EXPENDITURE	23,788,345	-	23,788,345	19,841,904	3,946,441

PART B: AUDIT FINDINGS

35.4 Grants to Fiji Sugar Corporation Limited (FSCL) on Sugar Development

Grants that are administered by agencies should only be used for the purpose for which Parliamentary or Cabinet approval has been given.¹

On 3 May 2016, the Ministry signed an agreement with the Fiji Sugar Corporation Limited (FSCL) for the rehabilitation of the 2016 crops which were damaged by Tropical Cyclone Winston. The objectives of the grant were as follows.

- To rehabilitate 18,000 hectares of sugarcane which was drastically affected by Category 5 Tropical Cyclone Winston that hit Fiji on Saturday 20/02/16 in the sugarcane district of Rakiraki, Tavua, Rarawai and parts of Lautoka. The following components to be provided: Fertilizer – Blend C and Herbicides for 18,000 hectares totaling \$3,636,000.²
- To plant 682 hectares of cane by the end of 2016 planting season with the following component: Land preparation, Seed cane, Fertilizer – Blend A, Herbicide and Drainage for 682 hectares totaling \$1,364,000.³

Audit Review of the program records revealed the following anomalies:

- The grant of \$4.6 million paid to FSCL for the rehabilitation as per the grant agreement, was actually utilised for cane planting program for which Cabinet approval was not obtained by the Ministry. The grant agreement was also not revised to reflect the changes made to the initial objectives of the grant.
- The cane planting program facilitated by the FSCL included payment for fallow and replant of a total area of 3,425 hectares. The total payment made by the FSCL in this regard was approximately \$6.2million and exceeded the total grant amount received by \$1.6million. Refer to Table 8.1 for details.

Table 35.3: Utilisation of Grant as at 31 December 2016

Mill	No. of Growers	Total Grant Paid Out (\$)	Hectares Paid (Unit)		Hectares Paid (Unit)
			Fallow	Replant	
Lautoka	356	521,425	235	62	297
Rarawai	1,230	2,082,740	1,013	163	1,176
Labasa	1,473	3,107,582	1,088	592	1,681

¹ Ministry of Sugar Finance Manual 2013: Part 3 Introductory Paragraph

² Grant Agreement between MOS and FSCL for Sugar Development Plan 2016 – Clause 2.1.

³ Grant Agreement between MOS and FSCL for Sugar Development Plan 2016 – Clause 2.2.

Mill	No. of Growers	Total Grant Paid Out (\$)	Hectares Paid (Unit)		Hectares Paid (Unit)
			Fallow	Replant	
Penang	280	486,935	258	14	272
Total	3,339	6,198,682	2,595	831	3,425

- Project reports were not submitted to the Ministry on a quarterly basis. Instead, only one progress report was submitted on 31 December 2016, which was for work carried out for the whole year.

The audit findings indicate that proper procedures were not followed in utilisation of government grant by FSCL.

Recommendations

The Ministry should ensure that:

- **proper approvals are obtained before the funds are utilised for other purposes and grant agreements are revised accordingly.**
- **physical inspections are carried out in the field to verify that the works carried out are in line with the requirement of the grant agreement.**
- **the grant is released on a quarterly basis after quarterly reports have been received and verified.**

Ministry's Comment

The overall objective of this cane planting/development grant was to increase cane production. However, after TC Winston struck the decision was made to assist those worst hit by TC Winston in Rakiraki, Tavua, Rarawai and parts of Lautoka. However, by the time the grant agreement was signed (May 2016), it was discovered that the cane crop on farms initially identified in these priority areas had recovered and there was no need for rehabilitation, and so the fund was utilized for cane replanting.

For that reason, there was no need to obtain approval.

The Ministry notes and agrees that this is an area needing improvement which it will undertake to address jointly with FSCL and Sugar Cane Growers Council representatives.

The Ministry also notes the three recommendations which it will address in future.

35.5 Anomalies in Revenue records

When cash or bank cheques are received, the Accounts Officer shall immediately issue an official receipt.⁴

An officer appointed to represent the government on any Board in an official capacity must pay Board fees received into the Consolidated Fund Account.⁵

The Director of Sugar was appointed to represent government on the following boards in 2016:

- 1) Fiji Sugar Corporation Limited

⁴ Ministry of Sugar Finance Manual 2013: Section 5.3.1

⁵ Finance Instruction 2010: Part 4: Division 4: Section 26

- 2) Sugar Cane Growers Council
- 3) Sugar Cane Growers Fund (Chairman)
- 4) South Pacific Fertilizers

Audit review of Ministry's records revealed the following anomalies;

- The Ministry did not have revenue records such as government receipt book, revenue collectors' analysis sheet and bank lodgments forms to receive and bank revenue.
- In 2016, the Ministry received a total of \$8,142 as board sitting allowance for the Director of Sugar for attending board meetings for which official government revenue receipts were not issued. Although the allowances were banked, the revenue was not posted in the FMIS general ledger hence was not reflected in the Ministry's Statement of Receipts and Payments as at 31 July 2016. Refer to Table 35.4 for details.

Table 35.4: Board sitting allowance for the Director Sugar

Stakeholders	Purpose	Amount (\$)	Date	Date Lodge to the Bank
South Pacific Fertilizers	4 th quarter allowance 2015	1,614	06/01/16	11/01/16
Fiji Sugar Corporation Ltd	Directors fees 1 st quarter	1,531	31/03/16	12/04/16
South Pacific Fertilizers	1 st quarter allowance	1,614	22/04/16	29/04/16
Fiji Sugar Corporation	Meeting Allowance	238	24/05/16	08/06/16
Fiji Sugar Corporation	2 nd quarters Directors Fees	1,531	08/07/16	13/07/16
South Pacific Fertilizers Limited	Directors allowance for 2 nd quarter 2016	1,614	19/07/16	26/07/16
Total		8,142		

As a result, the Ministry's revenue in the Agency Financial Statement is understated by the same amount.

There is a risk that the Ministry is receiving other forms of revenues or cash without being recorded or lodged into the consolidated fund account of government.

Recommendations

The Ministry should:

- **immediately liaise with the Ministry of Economy for revenue records.**
- **ensure that official government revenue receipts are issued for all cash/cheques received and related revenue records including the revenue collectors' analysis sheets and bank lodgement clearance form are updated accordingly.**
- **all cash/cheque received by the Ministry are recorded in the appropriate FMIS general ledger allocations.**
- **consider appointing a competent officer immediately to oversee the overall operations of the Ministry's Accounts Department.**

Ministry's Comment

The Ministry has deposited the funds received as board sitting allowances and deposited in the CFA as outlined in the section 26 of the Financial Instruction 2010.

The Ministry notes the recommendation to further strengthen its revenue records both in official receipts and FMIS. In terms of appointment of accounts officer as stated in recommendation, the Ministry of Sugar is currently in process of recruiting a new competent accounts officer. The post was advertised on 14/01/2017 and was readvertised on 11/03/2017.

35.6 Supporting documentation to Vouchers Not Stamped “Paid”

Immediately after payment has been effected, the Accounts Officer must stamp ‘paid’ on all vouchers and supporting documentation to avoid any double payments.⁶

In contrary to the above, the audit noted that all supporting documentations to the payment vouchers for all payments totalling \$20,020,988 made during the year were not stamped “PAID”. However, it was noted that only the payment voucher was stamped “PAID” but was not dated which indicates the date upon which the payment had been effected. Refer to Appendix 35.1 for examples.

The above finding indicates non-compliance to standing financial regulations and accounting policies of the Ministry and the failure to address the above increases the risk of double and fraudulent payments being made.

Recommendations

The Ministry should:

- **ensure that all vouchers and supporting documents are stamped "paid" and dated; and**
- **strengthen supervisory checks over processing of payments.**

Ministry’s Comment

The Ministry agrees that only the payment vouchers were stamped “Paid”. The Ministry has improved on this by procuring a “date paid stamp” on 28th February, 2017. The Ministry notes the recommendation to strengthen its supervisory checks to ensure all vouchers and supporting documents are stamped.

35.7 No Segregation of Duties

The Accounts Officer must ensure that payments documents are processed correctly by having different officers involved in the process. He/ She must make sure that different officers are assigned to:

- i. raise orders;
- ii. approve purchase;
- iii. receive ordered goods;
- iv. approve invoices for payments;
- v. review and reconcile financial records before payments are done;
- vi. signs cheques.⁷

⁶ Ministry of Sugar Finance Manual 2013: Part 2: 2.8.9

⁷ Ministry of Sugar Finance Manual 2013 – Section 14.2.1

The audit noted that the Accounts Officer was involved in all phases of the procurement process and there was no segregation of duties within the Accounts Section of the Ministry. Refer to Table 35.5 for details.

Table 35.5: Absence of Segregation of Duties

Process	Job Description	Post
Payments	Raise Orders	Project Officer Accounts Officer
	Approve Purchases	Director Sugar : Limit \$70,000 Accounts Officer: Limit \$10,000
	Receive ordered goods	Project Officer Accounts Officer
	Approve invoices for payments	Account Officer
	Review and reconcile financial records before payments are done;	Clerical Officer Project Officer Accounts Officer
	Signs cheques	Accounts officer Director Sugar Senior Research Officer
Accounts Payable process in FMIS	Raise of payment voucher AP Process in FMIS Schedule Payment Printing of Cheques Disbursing of payments in FMIS	Accounts Clerk

Despite the issue being raised in previous audit reports, no action has been taken by the Ministry.

As a small department, the above issues continue to exist and it increases risk of public funds being misappropriated through fraudulent acts without being detected on a timely basis.

Recommendation

The Ministry should consider reviewing the job descriptions and tasks carried out by the accounting officers to ensure that control measures are in place to safeguard public funds.

Ministry's Comment

The Ministry agrees that only three staff are performing all the accounting functions. Ministry has improved on this by recruiting an Assistant Accounts Officer on 10/03/2017. In addition, the Ministry is in the process of recruiting an Account Officer to ensure that there is segregation of duties.

35.8 Irregularities in Accountable Advance

When applying for a travel advance, the travelling officer must provide the following information:

- i. travel itinerary;
- ii. estimated costs of travel including accommodation and meals;
- iii. purpose of travel & office who approved the travel.⁸

⁸ Ministry of Sugar Finance Manual 2013 – Paragraph 8.1.4

A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents.⁹ If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel.¹⁰ Where an advance has not been acquitted within seven days of travel, the Accounts officer shall effect recovery through salary deduction from the concerned officer's salary within six (6) nights.¹¹

If actual expenses incurred were more than the advance, the travelling officer may be refunded the additional amount. The refund shall only be paid after supporting documents substantiating the additional expenses have been provided.¹²

Upon clearance of the advance, the Accounts Officer shall update the debtors register, offset the advance account and debit the appropriate expenditure account.¹³

The Accounts Officer must not certify a payment as correct unless they are satisfied that the expenditures account it is charged to is correct.¹⁴

Audit review of the advance records revealed the following irregularities in regards to advances issued to the Accounts Officer (EDP no. 60106).

- Travel advances were not acquitted with proper source documentations and within the stipulated timeframe.
- Several advances issued were still outstanding and acquittal records were not provided at all. The advances were yet to be recovered from the Officer as at audit date¹⁵.
- Request for travel and claims made by the officer were not properly justified and scrutinized hence additional claims for refunds were made to the officer upon return to office.
- Moreover, it was noted that several accountable advances issued for meals, subsistence and payment of airfare amounting to \$4,720 were charged to personal emoluments allocation (1-35101-35101-010301). Refer to Appendix 35.2 for details.
- Retirement of advance details was not updated in the Advance Register. Therefore, it was difficult to confirm whether all advance paid to staff of were retired.

The abuse of travel advances is evident which indicates that controls over payment and retirement of advances are not working effectively.

In the absence of proper controls, there is a high risk of funds being misappropriated without being detected on a timely basis.

Recommendations

The Ministry should ensure that:

- **Duties performed by the Accounting Officers is reviewed, segregated and supervised.**

⁹ Ministry of Sugar Finance Manual 2013 – Section 8.1.11

¹⁰ Ministry of Sugar Finance Manual 2013 – Section 8.1.12

¹¹ Ministry of Sugar Finance Manual 2013 – Section 8.1.14

¹² Ministry of Sugar Finance Manual 2013 - Paragraph 8.1.13

¹³ Ministry of Sugar Finance Manual 2013 – Section 8.1.16

¹⁴ Ministry of Sugar Finance Manual 2013 – Section 2.8.4 (v)

¹⁵ 27/01/17

- Proper measures are put in place to ensure that all travel advances requests made are properly justified before they are approved.
- Proper source documentations are provided and thoroughly scrutinized to substantiate claims made.
- All travel advances are cleared within seven days upon return and any outstanding amount plus interest should be immediately recovered through salary deductions from officers concerned.
- Meals and subsistence claims expenditure incurred are charged to the correct allocation in the Travel and Communications allocations (SEG 3); and
- All relevant details are updated in the Accountable Advance Register upon retirement.

Ministry's Comment

The Accounts Officer was terminated on 28th December, 2016 and the matter was referred to the FICAC.

35.9 Anomalies in the Reconciliation of Underline Accounts

Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Accounts Officer shall reconcile the ledger balance to the general ledger reports and prepare the general ledger reconciliations¹⁶.

A ledger reconciliation statement shall be signed and dated by Accounts Officer.¹⁷

Audit review of the Ministry's Underline Accounts revealed the following anomalies:

- Reconciliations were prepared for three to four months instead of on a monthly basis.
- Reconciliations prepared were not reviewed and signed by the Preparer, Accounts Officer and Director. Refer to Table 35.6 for details.

Table 35.6: Status of Underline Accounts Reconciliations

FMIS GL allocation	Description	GL Balance as at 31/07/2016 (\$)	Remarks
1-35101-35101-530301	Drawings BSP Suva- Sugar	2,641,683.10	<ul style="list-style-type: none"> • Reconciliations not prepared monthly. Only two reconciliations prepared for <ul style="list-style-type: none"> ▪ January-April, 2016 ▪ May-July, 2016 • Reconciliations not signed • A variance of \$7,342.08 was noted between the balances as per FMIS general ledger and the Ministry's Reconciliations for the as at 31/07/16 • A variance of \$10,391 was noted between the 2015 GL closing balance and the 2016 opening

¹⁶ Ministry of Sugar Finance Manual 2013 – Section 13.3.3

¹⁷ Ministry of Sugar Finance Manual 2013 – Section 13.3.5

FMIS GL allocation	Description	GL Balance as at 31/07/2016 (\$)	Remarks
			balance as per the Ministry's Reconciliations
1-35101-35101-570301	Advances	2,588.05	<ul style="list-style-type: none"> Reconciliations not prepared monthly. Only two reconciliations prepared for <ul style="list-style-type: none"> January-April, 2016 May-July, 2016 Reconciliations not checked Accounts Officer and not signed by Director Sugar
1-35101-35101-570101	AP Prepaid Expenses	-	<ul style="list-style-type: none"> Reconciliations not prepared monthly for Jan to May. Only three reconciliations prepared <ul style="list-style-type: none"> January-May, 2016 June, 2016 July, 2016 Reconciliations not checked Accounts Officer and not signed by Director Sugar
1-35101-35101-861301 1-35101-35101-861920	Deposits and Retention Money	1,913.84	<ul style="list-style-type: none"> Reconciliations not prepared monthly for Jan to May. Only one reconciliations prepared which is for: <ul style="list-style-type: none"> January-May, 2016 No reconciliation was provided for June to July 2016 Reconciliations not checked Accounts Officer and not signed by Director Sugar

The above denotes the controls in the Accounts Section are not working and there is lack of oversight over its operations.

The audit findings indicate that the Ministry will not be able to detect errors and omissions in the respective accounts on a timely basis.

Recommendations

- The Accounts Officer should prepare all the reconciliations on a monthly basis and submit the, to Ministry of Economy with copy filed for records.**
- Reconciliation of all underline accounts must be signed by the preparer and checked and endorsed by the supervisor and Director.**

Ministry's Comment

The Ministry has improved on the monthly reconciliation and has been submitting reconciliations to the Ministry of Economy on monthly basis. Ministry also ensures that the said documents are signed by the preparer, checked and endorsed by the Director before it is submitted to the Ministry of Economy.

Appendix 35.1: Examples of PV supporting documents not stamped “Paid”

Cheque EFT Date	Cheque/ EFT No.	Particulars	Amount (\$)
06/07/16	2527	Upgrading of Cane Access road at Bucaisau Labasa	47,500
08/07/16	2532	Upgrading of Cane Access Road at Rarawai sector	26,150
14/07/16	2541	Upgrading of Cane Access Road at Wainikorp sectot	32,000
14/07/16	2542	Upgrading of Cane Access Road at Wailevu	48,100
14/07/16	2543	Upgrading of cane Access road at Bucaisau sector	25,400
21/07/16	2578	Upgrading Cane Access Roads at Wailevu sector	33,300
21/07/16	2579	Upgrading Cane Access Road at Vunimoli sector, Labasa	43,800
21/07/16	2580	Upgrading Cane Access Roads at Nawaicoba sector	18,600
21/07/16	2581	Upgrading Cane Access Roads at Mota sector	47,750
22/07/16	2597	Upgrading Cane Access Roads	20,700
22/06/16	2598	Upgrading Cane Access Roads at Drasa sector	31,750
22/07/16	2599	Upgrading Cane Access Roads at Tagitagi sector, Tavua	28,320
22/07/16	2600	Upgrading of Cane Access Roads at Wailevu sector	15,160
22/07/16	2602	Upgrading cane access roads at Ellington sector	50,000
02/09/16	2603	Upgrading of Cane Access Road at Bucaisau sector	22,000
22/07/16	2604	Upgrading Cane Access road at Bucaisau sector Labasa	17,800
22/07/16	2614	Upgrading Cane Access Road fo Ellington sector	40,000
22/07/16	2615	Upgrading Cane Access Road at Leqaleqa sector	47,998
22/07/16	2616	Upgrading cane access road at Drasa sector	43,190
22/07/16	2617	Upgrading of Cane Access Road at Cuvu sector	37,900
22/07/16	2618	Upgrading Cane Access Road at Drasa sector	41,060

Appendix 35.2: Details of Travel Advance Irregularities Noted for Accounts Officer

Date	Cheque #	Details of Travel	Amount (\$)	Remarks
25/01/16	2302	25/01/16 – 01/02/16 regularising Ministry of Sugar accounts at Ministry of Economy	1,223	<ul style="list-style-type: none">As at date of audit,¹⁸ the advance have not been retiredSubsistence Allowance form filled was not clearOriginal subsistence allowance filled was not submitted for auditImprest receipt form was used as receipts to substantiate the taxi fare paidTaxi fare from Town House to Ministry of Economy and return which amounting to \$10 appears excessive. Total taxi fare claim from Town house to Ministry of Economy and return amounted to \$50 for 5 tripsIn one instance amount written in words in the Imprest form shows \$10 whilst the amount in figures shows \$35Imprest receipt form was also used to substantiate the fare from Lautoka to Suva and return which amounted to \$60An amount of \$30 paid as miscellaneous was not substantiated. This claim was for recharge cardsTotal accommodation paid to the officer \$875.00.Total receipts amount as per hotel receipts \$830
21/03/16	2376	28/03/16 – 02/04/16 FMIS accounts verification at the Ministry of Economy	1,008	<ul style="list-style-type: none">Advance retirement overdue by 11 daysUse of imprest voucher to substantiate bus fares from Lautoka to Suva and return which amounted to \$80.00Taxi claim from Elixir hotel to Ministry of Economy and return was \$10 which appears excessive Total taxi fare claim which amounted to \$40 was not substantiatedRecharge card claim of \$60 was not substantiatedTotal accommodation paid to the officer \$675.00, total amount as per hotel receipts \$1,768.00. Excess claim of \$1,093.00A refund of \$1,282 was claimed by the officer after completion of travel (Cheque # 2414 of 20/04/16)
20/04/16	2413	20/04/16 – 22/04/16 Accounting Heads meeting	346	<ul style="list-style-type: none">No supporting documents, estimated cost of accommodation was not included in the request, hotel rates was not providedAdvance retirement overdue by 38 daysSubsistence and meal claim filled with no supporting documentsTotal Claim Traveling Suva and return \$70.00<ul style="list-style-type: none">Accommodation \$408.00Meals \$81.00Total \$559.00 <p>A reimbursement of \$213 was claimed by officer after completion of travel (Cheque # 2463 of 31/05/16)</p>

¹⁸ 27/01/17

Date	Cheque #	Details of Travel	Amount (\$)	Remarks
13/05/16	2440	15/05/16 – 18-05/16 attending the Civil Service Reform Management Training at GTC	924	<ul style="list-style-type: none"> Advance retirement overdue by 11 days
03/06/16	2468	07/06/16 – 11/06/16 Clarification at Ministry of Economy	708	<ul style="list-style-type: none"> Advance not retired at date of audit.¹⁹
23/03/16	2376	Accountable advance 28/03/16 – 02/04/16 for FMIS verification at the Ministry of Economy FMIS unit	1,008	<ul style="list-style-type: none"> Use of imprest voucher to substantiate bus fares from Lautoka to Suva and return which amounted to \$80.00 Taxi claim from Elixir hotel to Ministry of Economy and return was \$10 which appears excessive Total taxi fare claim which amounted to \$40 was not substantiated Recharge card claim of \$60 was not substantiated Total accommodation paid to the officer \$675.00, total amount as per hotel receipts \$1,768.00. Excess claim of \$1,093.00
13/05/16	3302	Accountable advance 15 th May to 17 th May for attending Civil Service reform management training at government training centre	924	<ul style="list-style-type: none"> Imprest form used to substantiate the amount of \$140 for travelling to Suva and return and the taxi fare from hotel to the training venue Claim of recharge for \$100 for the 2 officers was not substantiated Total accommodation paid in to the officer \$504, total claim as per hotel receipts \$776.00 The approval to stay for extra night i.e Friday was not submitted. A refund of \$380 was claimed by the officer after completion of travel voucher # 3329 of 31/05/16
20/04/16	2414	Advance for 02/04/16 – 09/04/16	1,282	<ul style="list-style-type: none"> Advance still outstanding
31/05/16	2463	Accountable advance for Accounting Heads meeting	647	<ul style="list-style-type: none"> This amount represents the various claims by the Accounts Officer with no supporting documents attached to the voucher. This was posted directly to the expenditure allocation SEG 1 and SEG 3
04/10/16	2734	Accountable advance 07/10/16 – 11/10/16 to be at Ministry of Economy for final clearance of accounts	909	Hotel receipt number 9820 of 26/10/16 issued by the officer showed an amount of \$675.00, whereas the confirmation by the Ministry to the Hotel shows same receipt number with an amount of \$100. The receipt was issued on 08/06/16. This issue was raised by the Ministry to FICAC for further investigation
12/09/16	2701	Accountable advance 14 th September to 17 th September for assisting project officer in updating and shortlisting of applicants in Suva	555	The officer was suspended in December 2016. No records were made available to indicate that the advance was cleared prior to her suspension
21/09/16	2725	Accountable advance 21 st September to 27 th September to be at Ministry of Finance to verify accounts and	1,032	

¹⁹ 27/01/17

Date	Cheque #	Details of Travel	Amount (\$)	Remarks
		clear drawings reconciliations and to update GL reports		
02/11/16	2773	Accountable advance 03/11/16 – 05/11/16 to clear board of survey at Ministry of Economy	403	
26/11/16	2784	Accountable advance TOD to Ministry of Economy on 14/11/16 – 15/11/16	555	

Section 36 Ministry of Public Enterprises and Government Printing

Roles and Responsibilities

The Ministry of Public Enterprises oversees and implements reform programs, provide policy recommendations and monitors the performance and operations of public enterprises to increase efficiency and effectiveness in terms of financial growth and improvements in services to the public.

The Government Printing and Stationery Department is responsible for printing Government documents and the Laws of Fiji. The Department is managed by the Government Printer who currently reports to the Permanent Secretary for Public Enterprises.

Table of Contents

PART A: FINANCIAL STATEMENTS	1
36.1 Audit Opinion	1
36.2 Statement of Receipts and Expenditure	1
36.3 Appropriation Statement	2
36.4 Trading and Manufacturing Account	3
36.4.1 Manufacturing Account – Trading and Manufacturing Activity	3
36.4.2 Trading Account – Trading and Manufacturing Activity	3
36.4.3 Profit and Loss Statement – Trading and Manufacturing Activity	4
36.4.4 Balance Sheet – Trading and Manufacturing Activity	4

PART A: FINANCIAL STATEMENTS

36.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Public Enterprises and Government Printing resulted in an unqualified audit opinion.

36.2 Statement of Receipts and Expenditure

The Ministry collected agency revenue totalling \$53,892 and incurred a total expenditure of \$10.3 million for the seven-months period ended 31 July 2016. Details are provided in Table 36.1.

Table 36.1: Statement of Receipts and Expenditure for 2016

Description	31 July 2016 (\$)	31 December 2015 (\$)
Agency revenue	53,892	45,334
Total Revenue	53,892	45,334
Established staff	1,169,718	2,174,400

Description	31 July 2016 (\$)	31 December 2015 (\$)
Government wage earners	180,792	223,242
Travel and communications	45,076	60,227
Maintenance & operations	250,950	433,120
Purchase of goods and services	34,821	33,105
Operating grants and transfers	4,620,000	4,190,989
Special expenditures	41,225	43,897
Total Operating Expenditure	6,342,582	7,158,980
Capital Constructions	-	-
Capital grants and transfers	3,958,334	2,000,000
Total Capital Expenditure	3,958,334	2,000,000
Value Added Tax	38,899	75,973
Total Expenditure	10,339,815	9,234,953

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. Revenue collected was from sale of publications by the Government Printing Department. Total revenue increased by 19% in 2016 compared to 2015 due to increase in sale of publications.

The increase in operating and capital grants paid to the Bio Security Authority of Fiji for the first and second quarters of 2016 resulted in the high total expenditure in 2016 compared to 2015.

36.3 Appropriation Statement

The Ministry incurred expenditure totalling \$10.3 million in 2016 against a revised budget of \$16 million, resulting in a saving of \$5.7 million or 56%. 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 36.2.

Table 36.2: Appropriation Statement for 2016

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,085,745	(15,196)	3,070,549	1,169,718	1,900,831
2	Unestablished Staff	390,249	15,196	405,445	180,792	224,653
3	Travel & Communication	80,800	-	80,800	45,076	35,724
4	Maintenance & Operations	598,000	-	598,000	250,950	347,050
5	Purchase of Goods & Services	74,750	-	74,750	34,821	39,929
6	Operating Grants & Transfers	6,055,046	-	6,055,046	4,620,000	1,435,046
7	Special Expenditure	75,000	-	75,000	41,225	33,775
	Total Operating Costs	10,359,590	-	10,359,590	6,342,582	4,017,008
9	Capital Constructions	-	-	-	-	-
10	Capital Grants and Transfers	5,650,000	-	5,650,000	3,958,334	1,691,666
	Total Capital Expenditure	5,650,000	-	5,650,000	3,958,334	1,691,666
13	Value Added Tax	74,600	-	74,600	38,899	35,701

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	TOTAL	16,084,190	-	16,084,190	10,339,815	5,744,375

36.4 Trading and Manufacturing Account

The Trading and Manufacturing Account (TMA) relates to the Government Printing Department. The significant variances in the balances recorded in the various accounts detailed on Tables 36.4.1 to 36.4.4 are due mainly to the differences in the financial period reported and reduced operations in 2016.

36.4.1 Manufacturing Account – Trading and Manufacturing Activity

Description	31 July 2016 (\$)	31 December 2015 (\$)
Raw Materials (01/01/16)	626,880	596,167
Add: Purchases	237,753	1,017,694
	864,633	1,613,861
Less: Raw Materials (31/07/16)	482,827	626,880
Raw Materials Used	381,806	986,981
Add Work in Progress(01/01/16)	246,041	352,944
Direct Cost	-	-
Direct Labour	4,671	117,505
Less: Work in Progress (31/07/16)	13,854	246,041
Cost of Manufactured Goods Transferred to Trading Account	618,664	1,211,389

36.4.2 Trading Account – Trading and Manufacturing Activity

Description	31 July 2016 (\$)	31 December 2015 (\$)
Sales	702,352	1,901,530
Stock of Finished Goods (01/01/15)	664,111	749,851
Add: Cost of Manufactured Goods	618,664	1,211,389
Goods available for sale	1,282,775	1,961,240
Less: Stock of Finished Goods (31/12/15)	670,049	664,111
Cost of Finished Goods Sold	612,726	1,297,129
Gross Profit Transferred to Profit and Loss Statement	89,626	604,401

36.4.3 Profit and Loss Statement – Trading and Manufacturing Activity

Description	31 July 2016 (\$)	31 December 2015 (\$)
Income		
Gross Profit transferred from Trading Account	89,626	604,401
Expenses		
Maintenance & Operations	55,242	76,670
Special Expenses	-	6
Total Expenses	55,252	76,676
Net Profit	34,384	527,725

36.4.4 Balance Sheet – Trading and Manufacturing Activity

Description	31 July 2016 (\$)	31 December 2015 (\$)
Accounts Payable	15,598	15,598
Deposits & Deductions	56,913	44,523
Total Equity	2,705,570	3,457,516
TOTAL LIABILITIES & EQUITY	2,778,081	3,517,637
Cash at Bank	974,284	1,186,488
Account Receivable	637,067	794,117
IC Raw Materials	482,827	626,880
Work In progress	13,854	211,494
Finished Goods for sale	670,049	698,658
TOTAL ASSETS	2,778,081	3,517,637

Section 37

Ministry of Local Government, Town Country Planning and Environment

Role and Responsibilities

The Ministry of Local Government, Town Country Planning and Environment is responsible for formulating and implementing local government and urban planning policies, developing Government policy for the protection of the environment and its sustainable use and policing the use of the environment to ensure compliance with Government policy.

The Ministry also partners with other authorities such as National Fire Services, Municipal Councils nationwide, as well as with international donor agencies that conduct environment and climate change programs. The Ministry has three main Departments under its portfolio: the Department of Town and Country Planning, the Department of Local Government and the Department of Environment.

Table of Contents

PART A: FINANCIAL STATEMENT	1
37.1 Audit Opinion.....	1
37.2 Statement of Receipts and Expenditure	2
37.3 Appropriation Statement	3
37.4 Statement of Losses	3
37.5 Trust Fund Account Statement of Receipts and Payments	3
PART B: AUDIT FINDINGS	4
37.6 Failure to Prepare of Salaries and Wages Reconciliations.....	4
37.7 Delay Implementation of the Laqere Waste Transfer Station Project.....	5
37.8 Failure to Implement Projects	6
37.9 Unreconciled Main Trust Fund Account Balance – Department of Environment	7
37.10 Significant Outstanding Debtors for Naboro Landfill	9
37.11 Overcharging of VAT on Revenue	10
37.12 Non Submission of Acquittals from Municipal Councils	11
37.13 Backlog Audited Financial Statements – Municipal Council and Statutory Authority	11
37.14 Anomalies in General Ledger Accounts Reconciliations	13
37.15 Missing Payment Records – Payment Voucher for Accounts Payable	14
37.16 Panellist for Directors Position	15
37.17 Board of Survey not conducted.....	15

PART A: FINANCIAL STATEMENT

37.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Local Government, Town Country Planning and Environment resulted in a qualified audit opinion. The qualifications are as follows:

- The Environment Trust Fund account for the Ministry had a closing balance of \$2,781,989 for period ended 31 July 2016. The Ministry did not maintain proper records including cash books. Proper bank and trust reconciliations were also not performed for the trust account. As a result, the

audit was not able to ascertain the accuracy and correctness of the amount reflected in the trust account.

- The Ministry did not carry out an annual board of survey to verify the existence and condition of all assets under its authority contrary to Section 49 of Finance Instructions 2010. The last survey was carried for the financial period ended 31 December 2015.

37.2 Statement of Receipts and Expenditure

The Ministry of Local Government, Town Country Planning and Environment recorded revenue totalling \$344,426 and incurred expenditure totalling \$25,228,885 for the seven months period ended 31 July 2016. Details are provided in Table 37.1.

Table 37.1: Statement of Receipts and Expenditure for 2016

Description	31 July 2016 (\$)	31 December 2015 (\$)
RECEIPTS		
State Revenue		
Town and Country Planning Fees	174,574	244,691
Commission	4,639	5,752
Total State Revenue	179,213	250,443
Agency Revenue		
Miscellaneous Revenue	165,213	253,788
Total Agency Revenue	165,213	253,788
TOTAL RECEIPTS	344,426	504,231
EXPENDITURE		
Operating Expenditure		
Established Staff	1,591,961	2,754,337
Government Wage Earners	118,901	140,795
Travel & Communications	150,819	197,771
Maintenance & Operations	165,289	252,868
Purchase of Goods & Services	61,609	140,179
Operating Grants & Transfers	1,310,402	1,315,831
Special Expenditures	1,064,429	1,524,562
Total Operating Expenditure	4,463,410	6,326,343
Capital Expenditure		
Capital Construction	1,838,461	429,765
Capital Purchase	825,688	856,781
Capital Grants & Transfers	17,814,240	16,474,957
Total Capital Expenditure	20,478,389	17,761,503
Value Added Tax	287,086	497,263
TOTAL EXPENDITURE	25,228,885	24,585,109

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 capital construction in 2016 was due to contractual payments towards the Stage two construction of Naboro Landfill and consultancy payment for Waste Transfer Station.

The increase in expenditure for capital grants and transfers was due to significant payments made for the re-development of Albert Park and Churchill Park projects, capital grants disbursed to the National Fire Authority and payment of challenge and investment funds to various municipal councils.

37.3 Appropriation Statement

The Ministry of Local Government, Town Country Planning and Environment incurred expenditure totalling \$25,228,885 in 2016 against a revised budget of \$35,041,515 resulting in saving of \$9,812,630 or 28%. 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 37.2.

Table 37.2: Appropriation Statement for 2016

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Operating Expenditure					
1	Established Staff	3,206,032	-	3,206,032	1,591,961	1,614,071
2	Government Wage Earners	148,936	-	148,936	118,901	30,035
3	Travel & Communications	201,030	-	201,030	150,819	50,211
4	Maintenance & Operations	301,200	-	301,200	165,289	135,911
5	Purchase of Goods & Services	203,836	-	203,836	61,609	142,227
6	Operating Grants & Transfers	1,807,620	-	1,807,620	1,310,402	497,218
7	Special Expenditures	3,380,489	-	3,380,489	1,064,429	2,316,060
	Total Operating Expenditure	9,249,143	-	9,249,143	4,463,410	4,785,733
	Capital Expenditure					
8	Capital Construction	3,722,232	-	3,722,232	1,838,461	1,883,771
9	Capital Purchase	900,000	-	900,000	825,688	74,312
10	Capital Grants & Transfers	20,484,240	-	20,484,240	17,814,240	2,670,000
	Total Capital Expenditure	25,106,472	-	25,106,472	20,478,389	4,628,083
13	Value Added Tax	685,900	-	685,900	287,086	398,814
	TOTAL EXPENDITURE	35,041,515	-	35,041,515	25,228,885	9,812,630

37.4 Statement of Losses

The Ministry did not report any loss for the financial period ending 31 July 2016. The Ministry did not carry out an annual board of survey to verify the existence and condition of all assets under its authority contrary to Section 49 of Finance Instructions 2010.

37.5 Trust Fund Account Statement of Receipts and Payments

The Environment Main Trust Fund Account had a balance of \$2,781,989 for the financial period ending 31 July 2016. The Ministry recorded revenue totalling \$1,529,659 and expenditure totalling \$1,642,276 resulting in a loss of \$112,617 for the seven months period ended 31 July 2016.

Details of receipts against the payments are provided in Table 37.3

Table 37.3: Trust Account Statement of Receipts & Payments for 2016

Description	31 July 2016 (\$)	31 December 2015 (\$)
RECEIPTS		
Ozone Depletion Substance (ODS) Fines	233,080	455,628
Waste and Environment Impact Assessment	1,201,105	2,200,699
Environment Trust	88,467	276,904
Convention on International Trade in Endangered Species	7,007	193,982
Total Receipts	1,529,659	3,127,213
PAYMENTS		
Ozone Depletion Substance (ODS) Fines	22	773
Waste and Environment Impact Assessment	1,256,149	2,500,490
Environment Trust	245,750	601,067
Convention on International Trade in Endangered Species	140,355	1,369
Total Payments	1,642,276	3,103,699
Net (Loss)/Surplus	(112,617)	23,514
Balance as at 1 January	2,894,606	2,871,092
Closing Balance as at 31 July	2,781,989	2,894,606

PART B: AUDIT FINDINGS

37.6 Failure to Prepare of Salaries and Wages Reconciliations

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.¹

The Accounts Officer is responsible for the safekeeping and proper maintenance of all accounting records or documents.² The payroll report shall be handed to the Accounts Officer Ledgers or Clerical Officer who is responsible for preparing the salary reconciliation (this officer must not be involved in payment process or the preparation of input forms).³

The salary reconciliation must reconcile the difference between the previous fortnight payroll report and the current report, and must be prepared prior to each pay date. The salary reconciliation shall be signed by the Assistant Accountant and forwarded to the Senior Accountant with a copy to the Ministry of Finance, within one week from the pay date.⁴

The Ministry of Local Government, Town Country Planning and Environment salaries and wages expenditure totalled \$1,664,868 for the period 01/01/16 – 31/07/16. The audit noted that the Ministry did not prepare salaries and wages reconciliation for the period.

Refer to Table 37.4 for details.

¹ Ministry of Finance Instructions 2010 – Section 17 (7)

² Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 19.2.1

³ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 4.6.3

⁴ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 4.6.4 – 4.6.5 and Ministry of Finance 2010 Instruction 17 (7)

Table 37.4: Detail of Salaries & Wages for 01/01/16 – 31/07/16

Description	Total Amount (\$)
Established Staff	1,545,967
Government Wage Earners	118,901
Total	1,664,868

In the absence of timely reconciliations, the Ministry will not be able to detect fraud, errors and omissions in the payment of salaries and wages.

Recommendation

The Senior Accountant should ensure that salary and wages reconciliation are performed on a timely basis and filed accordingly.

Ministry's Comments

1. OAG's recommendation is noted.
2. Inadequate staffing in Accounts was an attributing factor. There were three Accounts Staff (SAO/AO/AAO) and two Clerical Officer to attend to the daily operational duties.
3. Although the Ministry has been allocated two (2) Budgetary Allocations- Heads 23 and 37, Housing under Head 23 for approx. \$25m budget, there is no separate accounting team for Department of Housing but the same team as mentioned in (3) above.
4. Management is addressing the current staffing problem through the 2017/2018 budget submissions for the establishment of a Principal Accounts Officer also to substantively fill the two other vacant Clerical Officer posts.

37.7 Delay Implementation of the Laqere Waste Transfer Station Project

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.⁵ Proper planning for projects is to be carried out as soon as Parliament approves the National Budget so that the funds allocated are effectively used within the fiscal year and that the objective of funds allocated are fully achieved.

The Ministry of Local Government, Town Country Planning and Environment was provided a total of \$4,021,250 in the 2014 to 2016 budget estimates to construct the Laqere Waste Transfer Station. However, the audit noted that the project is yet to be completed. Refer to Table 37.5 for details.

Table 37.5: Details of Budgeted Funds Allocated from 2014 to 2016 for Waste Transfer Stations

Year	Budget Amount (\$)	Actual Expenditure (\$)	Remarks
2014	1,000,000	0	Planning and Design works stage. The amount was re-deployed by Ministry of Finance since the Ministry failed to commence with the project works.
2015	1,000,000	135,607	Implementation of construction Works and set up to commence
2016	2,021,250	157,005	Completion of construction works and set up. However the amount incurred was for the hiring of consultants.
Total	4,021,250	292,612	

⁵ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 2.1.2
Ministry of Local Government, Town Country Planning and Environment

The audit finding indicates that the Ministry did not properly plan the construction works to be undertaken on the waste transfer stations. As a result, substantial amount of funds allocated in the budget estimates have not been utilized.

Recommendation

- **The Ministry should ensure that the waste transfer station project is properly planned and implemented.**

Ministry's Comments

OAG's recommendation is noted.

- *The Ministry has carried out fourth round of community consultation in Kalabu, Wakanisila and neighbouring community on February 16, 2017 on the Waste Transfer Station development; however the communities present during the consultation were strongly against the development.*
- *For this, the Ministry is committed to revisiting the Kalabu community for another round of awareness as much resources have been spent towards the establishment of the WTS in Laqere.*
- *At the same time the Ministry is exploring new sites.*

37.8 Failure to Implement Projects

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.⁶

The Department of Town/Country Planning and Environment was provided a sum of \$2.67 million in the 2016 budget estimates to carry out three projects, namely Valelevu Sports Complex, Lautoka Botanical Garden Swimming Pool and the New Town Development in Nabouwalu in Bua.

Audit review of the above projects revealed that the Department did not utilise the funds provided by government and the projects were not implemented. Refer below for details of the funds provided and the reason for the non-implementation of the projects.

Table 37.6: Details of Project Not Implemented

Project	Budget Amount (\$)	Utilised Amount (\$)	Remarks
Department of Local Government			
Valelevu Sports Complex	500,000	0	Project was delayed due to the Cyclone Winston in February 2016.
Lautoka Botanical Garden Swimming Pool	250,000	0	
Department of Town and Country Planning			
New Town Development- Nabouwalu, Bua,	1,920,000	0	The subdivision scheme plan had not been approved by TLTB as the formal development lease from TLTB was returned to TLTB due to typing errors and other anomalies noted in the formal development lease document. The Ministry received the formal Development lease in December 2016. Only then can the subdivision

⁶ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 2.1.2

Project	Budget Amount (\$)	Utilised Amount (\$)	Remarks
			scheme plan be cleared for approval.
Total	2,670,000		

Non-implementation of development projects denies the economic development for the people on an improved standard of living.

Recommendation

- **The Ministry should ensure that proper planning is carried out for all capital projects and these implemented in a timely manner with progress reports provided to all key stakeholders.**

Ministry's Comments

The two projects highlighted, Valelevu Sports Complex and Lautoka Botannical Garden Swimming Pool, did not commence as scheduled. Both projects scheduled from May, 2016 were delayed due to:

1. *Cyclone Winston, as both Municipal Councils mobilised resources for Winston's rehabilitation works.*
2. *The introduction of new fiscal year, Aug16-Jul17, was also an attributing factor.*

Please note the following:

New Town Development required a dedicated officer, hence an engineer, assigned to ensure that the project progresses. Any project plan is a plan and its success rate should be measured, in mindful of the corresponding resources and variables. It is necessary to state for the record that the non-utilization of project funds is the result of the slow recruitment of a qualified engineer. The Ministry had to re-advertise in early 2016 with Director Town Country Planning (DTCP) finally having an engineer in mid-June 2016. DTCP consider it necessary to have the engineer on this project given the scope from inception to completion of civil works. Efforts for the recruitment of an engineer had even begun from 2014-2015.

During the first six months of 2016, the department had been facilitating and coordinating the subdivision scheme plan with the engaged surveying consultant Cadastral Solutions Limited. The scheme plan had been drawn and finalized however there were issues of existing leases within the Development lease given to the Ministry. It was important to have this discussed and clarified with TLTB.

The formal Development Lease (DL) from TLTB sent to DTCP got returned due to typo-errors and anomalies and the DL itself finally made its way to the Ministry in December 2016. Only then can the subdivision scheme plan be cleared for approval and this has just been cleared last week.

Please also note that all expenditure relating to New Town Development in 2016 to date, are considered as administrative. i.e. site meetings, scoping etc. Hence, results in the non-utilization of New Town Development budget funds.

37.9 Unreconciled Main Trust Fund Account Balance – Department of Environment

Within 5 days after the end of each month, the assistant accounts officer shall prepare trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account⁷

⁷Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 15.4.1
Ministry of Local Government, Town Country Planning and Environment

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger 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.⁸

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and must be signed and dated by the responsible officer.⁹

The audit noted a variance of \$17,210 between the trust fund cash at bank balance of \$2,764,779 recorded in the general ledger and the trust fund liability account balance of \$2,781,989 as at 31 July 2016. Refer to Table 37.7 for details.

Table 37.7: Details of Trust Fund Account Balance

Year	Trust Fund Cash (\$)	Trust Fund Liability Account (\$)	Variance Amount (\$)
2016	2,764,779	2,781,989	17,210

The audit further noted that the Department of Environment trust fund cash at bank account maintained at Westpac Bank Corporation did not reconcile to the general ledger balance as at 31/07/2016. A variance of \$544,564 exists between the trust fund cash at bank recorded in the general ledger (\$2,764,779) and the bank balance (\$3,309,343) contrary to section 32(6) of Finance Instructions 2010. Refer to Table 37.8 for details.

Table 37.8: Variance in Trust Fund Cash at Bank Balances

Description	Amount (\$)
Cash at bank balance as per general ledger (FMIS)	2,764,779
Cash at bank balance as per bank confirmation	3,309,343
Variance	544,564

The audit also noted that there was no evidence to indicate that the reconciliation was reviewed by the Senior Accounts Officer for its correctness.

Variances in reconciliations indicate the risk of errors and omissions and possible fraud.

Recommendation

- **The Ministry should ensure that monthly reconciliations are properly carried out and reconciled to the general ledger records and any variances are investigated and rectified on a timely basis.**

Ministry's Comments

OAG's recommendation is noted.

The variance of more than \$500,000 was inherited during transition of the Department of Environment from the Ministry of Lands in 2010. It is to be noted that the variance is reducing every year and the Ministry is committed to regularise the anomaly inherited against the FMIS records/assistance. Inadequate staffing in Accounts was an

⁸ Ministry of Finance Instructions 2010, Section 58 (2-3)

⁹ Ministry of Finance Instructions 2010, Section 32 (6)

attributing factor. There were three Accounts Staff (SAO/AO/AAO) and two COs to attend to the daily operational duties.

Reconciliation with FMIS records was carried out but due to unavailability of records from Department of Lands, the variance exists to-date. Thus, a recommended way forward is to request for Write-Off to MOE of the variance in the Bank Balance against the General Ledger (GL) Balance.

37.10 Significant Outstanding Debtors for Naboro Landfill

All refuse accepted on credit shall be the responsibility of the Contractor. The acceptance of cheques for payment of fees, the recovery of fees from users who do not have sufficient cash and the recovery of bad debts shall be the responsibility of the Contractor.¹⁰

The Contractor, H. G. Leach (Fiji) Ltd allowed rubbish to be disposed at Naboro Landfill on credit.

The audit noted that the total debtor's balance for the Naboro Landfill as at 08/08/16 was \$1,329,904 out of which \$253,454 has been outstanding for more than 90 days.

The audit established that \$524,291 or 39% of the total debts was owed by the four Municipal Councils out of which \$218,744 has been outstanding for more than 90 days. Refer to Table 37.9 for details.

Table 37.9: Breakdown Details of Outstanding Debt

Debtor	Amount Owed as at 08/08/16 (\$)	Percentage of Total Debtors (%)
Nasinu Town Council	252,147.75	18.96
Suva City Council	188,042.84	14.14
Nausori Town Council	73,841.41	5.55
Lami Town Council	10,259.06	0.77
Ministries & Departments	668,358.74	50.26
Private Companies	137,254.14	10.32
Total	1,329,903.94	100.00%

Although this issue has been raised in previous years audit reports, no improvements have been noted. Failure by the Contractor to effectively manage the debtor balances will increase the risk of bad debts and will exert pressure on the Ministry to meet any operational shortfalls.

Recommendations

The Ministry should:

- ensure that the Contractor complies with all aspects of the contract agreement and effectively manages the Naboro Landfill Debtors; and
- consider assisting the Contractor in collecting the debts owed by municipal councils.

Ministry's Comments

¹⁰ Contract Agreement between H.G Leach (Fiji) Ltd and MLGUDHE clause 2.5
Ministry of Local Government, Town Country Planning and Environment

The Ministry is committed to working with the Contractor in the collection of debts from Councils following the meeting in Feb, 2017 and thus the Environment Landfill Officer has been assigned to assist the Contractor in following-up with any future debts.

37.11 Overcharging of VAT on Revenue

Section 15 of the Decree was amended by deleting “fifteen” and substituting “nine”.¹¹ If the percentage of VAT decreases, a registered person must sell goods and services at a price which reflects the actual percentage VAT decrease.¹² A registered person who fails to comply with subsection (1) shall be liable to a fine not exceeding \$50,000 which must be payable by that registered person within 21 days of notification by the Chief Executive Officer.¹³

The audit noted that the VAT on revenue was charged at 15% instead of the revised rate of 9%. The general ledger system records of the Ministry indicated that the VAT charged on revenue totaling \$174,573.91 for the period amounted to \$26,229.60. Refer to Tables 37.10 and 37.11 for details.

Table 37.10: FMIS Figures as at 31/07/2016

Allocation	Description	FMIS Amount as at 31/07/16 (\$)
1-37101-37999-230307	FEES-TOWN PLANNING	1,526.45
1-37201-37999-230307	FEES-TOWN PLANNING	173,047.46
1-37201-37999-863201	VAT ON REVENUE	26,229.60 ¹⁴

Table 37.11: VAT on Revenue

Description	Amount as per FMIS (\$)	VAT as per FMIS (15%) (\$)	VAT as per Audit (9%) (\$)	Variance (\$)
Fees – Town Planning	174,574	26,230	15,712	10,518

As a result, the Ministry has overcharged individuals and businesses an amount of \$10,518.

The above finding indicates that the Ministry did not abide with the current VAT amendment and there is a lack of control since the error was not detected by the Ministry.

Recommendations

The Ministry should:

- ensure that VAT is charged at the correct rate; and
- liaise with FRCA for any adjustments to its VAT account.

Ministry's comments

1. OAG's recommendation is noted.
2. The anomalies were detected and have been corrected.

¹¹ Value Added Tax (Budget Amendment) – 22 of 2015: Part 3

¹² Value Added Tax (Budget Amendment) – 22 of 2015: Part 5.1

¹³ Value Added Tax (Budget Amendment) – 22 of 2015: Part 5.3

¹⁴ General Ledger System credit amount as at 31/07/16

3. VAT -9% is being charged on Fees collected by Department of Town & Country Planning and Department of Environment.
4. Accounts have consult FRCA on the anomalies detected and correct VAT is being charged.

37.12 Non Submission of Acquittals from Municipal Councils

The recipient of the Grant Assistance shall prepare an acquittal report. The acquittal report shall provide details of grant money expended and unexpended.¹⁵

The audit noted several grant recipients did not submit acquittals detailing the utilization of grants provided by the Ministry. Refer to Table 37.12 for details.

Table 37.12: Examples of Grant Recipients that Failed to Submit Acquittals

Grant Recipients	Grant Amount (\$)
Lami Town Council	198,072
Nadi Town Council	755,000
Savusavu Town Council	250,000
Sigatoka Town Council	845,000
Tavua Town Council	488,000
Ba Town Council	1,463,928

Similar concerns were raised in previous years' audit. In the absence of acquittals, there is a lack of transparency and accountability on how funds are utilized by the grant recipients.

Recommendations

The Ministry should:

- strictly follow up with the grant recipients to submit their acquittals in a timely manner; and
- not provide new grants unless acquittals have been provided for previous grant payments.

Ministry's Comments

Subject allocated grants were released to the respective Municipal Councils at the end of June, 2016. Project preparatory works commenced in July, 2016 and Department of Local Government has been maintaining acquittals for the subject works on a quarterly basis.

In addition, field visits and meetings are held in between Department of Local Government and respective Town Councils on a quarterly basis.

37.13 Backlog Audited Financial Statements – Municipal Council and Statutory Authority

The recipient of the Grant Assistance shall provide financial statement (audited if practicable) for grants of \$20,000 or more.¹⁶

¹⁵ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 3.3.1

¹⁶ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 3.3.1

The Ministry provided grants to various Municipal Councils and to National Fire Authority for capital works. The audit noted that the following Municipal Councils and National Fire Authority have not provided audited financial statements for the grants received from the Ministry to carry out capital projects. Refer to Table 37.13 for details.

Table 37.13: Examples of Municipals that Failed to Submit Audited Financial Statements

Grant Recipient	Last Audited Account	Grant Provided Since Last Audited Account						Total Grant Provided (\$)
		2011	2012	2013	2014	2015	2016	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
Nadi Town Council	2013	-	-	-	844,000	295,410	755,000	1,894,410
Lami Town Council	2013	-	-	-	143,160	613,000	198,072	954,232
Savusavu Town Council	2010	-	-	-	75,000	162,035	250,000	487,035
Tavua Town Council	2014	-	-	-	-	158,685	488,000	646,685
Ba Town Council	2014	-	-	-	-	203,500	1,463,928	1,667,428
Sigatoka Town Council	2015	-	-	-	-	-	845,000	845,000
Lautoka City Council	2013	-	-	-	500,000	293,250	2,814,240	3,607,490
Suva City Council	2010	-	-	452,355	-	10,000,000	7,000,000	17,452,355
National Fire Authority	2013	-	-	1,746,329	3,900,000	3,476,088	5,300,000	14,422,417

In the absence of audited financial statements, the Ministry cannot substantiate whether grants were used for the authorised purpose.

Recommendation

The Ministry should ensure that grant recipients provide the audited financial statements on a timely basis.

Ministry's Comments

Department of Local Government and Municipal Councils have been meeting on the subject. During the meeting held in February, 2017 all Municipal Councils have agreed to submit draft accounts for external audit before 30th August, 2017. Reason for delay in submission over the last two to three years has been that Municipal Councils have been informed to upgrade financial statements to International Financial Reporting Standards to avoid disclaimer opinion.

National Fire Authority annual accounts 2014 shall be submitted to the Office of the Auditor General in April, 2017, 2015 and 2016 draft annual accounts are planned to be submitted before end of August 2017. National Fire Authority has been traditionally waiting for the clearance of a financial year report before submitting the following year draft accounts to ensure verified opening balances are captured. Department of Local Government has informed National Fire Authority to submit all previous year draft accounts to office of the Auditor General and following audit carry upgrade following year's accounts as deemed necessary.

37.14 Anomalies in General Ledger Accounts Reconciliations

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced. The Senior Accountant must verify all the reconciliations before signing and submitting it to Ministry of Finance.¹⁷

Each month, the Accounting Head must provide a signed and dated report to the Permanent Secretary to advice whether all reconciliations and check required in the agency's Finance manual have been carried out.¹⁸

The audit noted that the Ministry did not prepare and submit monthly reconciliations or reconciliations prepared were not checked by senior officers for various general ledger accounts for the period January to July 2016. Refer to Table 37.14 for details.

Table 37.14: Details of Anomalies for General Ledger Accounts Reconciliations

General Ledger Account Numbers	General Ledger Account Description	Closing Balance as at 31/07/2016 (\$)	Audit Remarks
1-37101-37999-530301	DRAWINGS BSP SUVA- LOCAL GOVT.	1,185,831	The Reconciliation that the Ministry provide was not signed and checked by the responsible officers.
1-37101-37999-570301	ADVANCES	61,202	- The Reconciliation that the Ministry provide was not signed and checked by the responsible officers. - The amount disclosed in the reconciliation totaled \$11,966 contrary to the closing balance of \$61,202 hence a variance of \$49,236 was noted.
1-37000-00000-840000	ACCOUNTS PAYABLE	45,194	- The Reconciliation that the Ministry provide was not signed and checked by the responsible officers. - The amount disclosed in the reconciliation totaled \$61,983 contrary to the closing balance of \$45,194 hence a variance of \$16,789 was noted.
1-37000-00000-860000	DEPOSITS & RETENTION MONEY	43,655	The Ministry did not prepare any reconciliation.
9-37000-00000-520000	DOMESTIC BANK BALANCES	2,764,779	The Ministry did not prepare any reconciliation.
9-37000-00000-560000	ACCOUNTS RECEIVABLE (AR)	2,805	The Ministry did not prepare any reconciliation.
9-37000-00000-840000	ACCOUNTS PAYABLE	10,127	The Ministry did not prepare any reconciliation.
9-37000-00000-860000	DEPOSITS & RETENTION MONEY	672.52	The Ministry did not prepare any reconciliation.
9-37000-00000-890000	CONSOLIDATED TRUSTED FUND	2,781,989	- The Reconciliation that the Ministry provide was not signed and checked by the responsible officers. - July Reconciliation was not prepared and provided to audit.

Absence of reconciliations will result in the Ministry failing to detect irregularities in respective accounts in a timely manner.

¹⁷ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.5

¹⁸ Ministry of Finance Instructions 2010, Section 60 (1) (a)

As a result, the audit was not able to fully ascertain the correctness of the balances reflected in the Ministry's general ledger accounts.

Recommendations

The Ministry should ensure that:

- the monthly reconciliations for the various general ledger accounts are prepared, signed and submitted for Permanent Secretary's endorsement in a timely manner; and
- signed reconciliations are submitted to Ministry of Economy and a copy is retained by the Ministry for records purposes.

Ministry's Comments

1. OAG's recommendation is noted.
2. Inadequate staffing in Accounts was an attribute. There were three Accounts Staff (SAO/AO/AAO) and two COs to attend to the daily operational duties.
3. Although the Ministry has been allocated two (2) Budgetary Allocations- Heads 23 and 37, Housing under Head 23 for approx. \$25m budget, there is no separate accounting team for Department of Housing but the same Team as mentioned in (3) above.
4. Management is addressing the staffing problem through the 2017-2018 Budget submission for the establishment of a PAO and to substantively fill two other vacant Clerical Officers.

37.15 Missing Payment Records – Payment Voucher for Accounts Payable

Agencies must ensure that all commitments and invoices are promptly and accurately recorded in the accounting system to meet management and external reporting needs.¹⁹ All payments must be processed through payment vouchers prepared by the Clerical Officer (Accounts Payable). Separate vouchers are to be used for separate payees and for the payment of different services.²⁰

The audit could not review payments totalling \$118,485 as payment vouchers were missing. Refer to Table 37.15 for details.

Table 37.15: Missing Payment Voucher – Standard Expenditure Group 84

Date	Allocation	Cheque Number	Vendor	Amount (\$)
29/06/2016	13710137999840602	000000042260	FIRCA	67,644
29/06/2016	93730137999840602	000000042260	FIRCA	43,995
29/06/2016	13710137999840602	000000042260	FIRCA	6,754
29/06/2016	13710137999840602	000000042260	FIRCA	92
Total				118,485

In the absence of payment vouchers, the audit could not sight evidence of proper authorisation and ascertain whether the payment were adequately approved and paid to bona fide recipients. The above may indicate that basic internal control procedures were not adhered to which poses risk of misappropriation of funds.

¹⁹ Ministry of Finance Instructions 2010: Section 53.1

²⁰ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 2.8.2

Recommendations

The Ministry should ensure that:

- **system of record keeping is reviewed and strengthened; and**
- **all the payment vouchers and supporting documents are made available for audit purposes.**

Ministry's Comments

1. *OAG's recommendation is noted.*
2. *Record maintenance has been improved.*

37.16 Panellist for Directors Position

Panel members will all be at or above the level of the position;²¹

The job description of the Director Local Government (DLG) as advertised states “the Director Local Government (DLG) will investigate performance of councils and special administrators and work closely with the Special Administrator’s”. The role of the DLG requires monitoring and helping in manage special administrators and their municipal councils.

The post of Director Local Government was advertised on 21/05/15 and a successful candidate was appointed on 16/09/2015.

The audit noted that the three member interview panel for the position comprised of Special Administrators of two Municipal Councils with the outgoing Director of Local Government as the third member and Chairman of the panel;

Having two Special Administrators on the interview panel to select the Director Local Government defies open-recruitment practices implying subordinate officers have had an influence on the interview results of their former supervisor and the appointment of their new supervisor who was also one of their colleagues from another municipal council.

Recommendation

The Ministry should ensure that the interview panel members are above the level of the position being filled.

Ministry's Comments

The Ministry affirmed that there was no conflict of interest in the Director of Local Government recruitment as due process of the Open Merit Recruitment policy was carried out by the Ministry. Director Housing was also a member of the selection panel which was not mentioned by OAG. Proper documentation of every activity of the selection process was effected and properly kept.

37.17 Board of Survey not conducted

An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register provided that, for agencies that have, in the opinion of the Permanent

²¹ Open Merit Based Recruitment and Selection Guideline Section 4.2

Secretary a large asset base, the board of survey to be conducted on a cyclical basis so that all assets are checked every three years.²²

Annual board of survey must be conducted by three 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.²³

The audit noted that the Ministry did not conduct a Board of Survey for the period ended 31 July 2016. The last survey was carried for the financial period ended 31 December 2015.

In the absence of a Board of Survey report for the period, the Statement of Losses (Other than money) could not be substantiated.

Recommendation

The Ministry should ensure that a Board of Survey is carried out in accordance with Section 49 of the Finance Instruction and a copy is readily available for audit verification.

Ministry's Comments

Ministry is currently organising a BOS for the period Jan-Jul 2016 to be submitted on 31st May 2017 to MOE and OAG.

²² Ministry of Finance Instructions 2010 - Section 49.1

²³ Ministry of Finance Instruction 2010 – Section 49(2)

Section 40

Ministry of Infrastructure and Transport

Roles and Responsibilities

The Ministry has authority for the Departments of Transport, Meteorological Services, Public Works, Energy, Water and Sewerage, and Government Shipping Services. It also oversees the Land Transport Authority, the Maritime Safety Authority of Fiji, the Water Authority of Fiji and the Fiji Roads Authority.

The Ministry, through the Department of Transport, provides the regulatory framework for the implementation of an efficient and affordable land and maritime transport systems. The transport sector is one of the principal drivers of economic growth as it provides the mobility and infrastructure that link people with jobs and goods with markets.

Government Shipping Services provides Government with a specialised fleet of six vessels that allow it to transport Government officials as well as machinery, building supplies, rural-development materials, livestock and any other cargo needed for development projects.

The Department of Meteorology is critical for a nation that is dispersed among more than 100 islands in the middle of an area that is prone to violent storms. It is committed to providing timely and reliable weather, hydrology and climate information to the public on both normal and extreme weather conditions. The public needs to be warned well in advance in order to prepare for extreme events like cyclones, storm surges and flooding, and as quickly as possible in the event of a tsunami. Special emphasis is being placed on disaster preparedness and on mitigating the effects of rising sea levels as a result of climate change.

The Department of Works is the only engineering arm of Government, and is responsible for planning, designing, building, operating, maintaining and upgrading Government buildings, quarters, and electrical services, and for providing electricity in five rural government stations.

The Department of Energy will focus on policy directions which include the provision of electricity services to remote and rural areas; research and development of renewable energy sources such as geothermal, wind, hydro, biofuel and biomass; research into alternative fuels for the transport and industrial sectors and for land transport.

The Department of Water and Sewerage is responsible for the development of the water supply and sanitation sector policies to ensure the provision of safe, clean drinking water and efficient sanitation services to all communities.

Table of Content

PART A:	FINANCIAL STATEMENTS.....	2
40.1	Audit Opinion.....	2
40.2	Head 40, 41 and 43 - Statement of Receipts and Expenditures	3
40.3	Appropriation Statement	4
40.4	Trade and Manufacturing Account (TMA)	5
40.5	Trust Fund Account.....	8
PART B:	AUDIT FINDINGS	9
40.6	Trading and Manufacturing Account (Fund 4).....	9
40.6.1	Variance between Consolidated TMA Bank Account balance and FMIS General Ledger balance	9

40.6.2	Recording of TMA Sales and Accounts Receivable in FMIS General Ledger	10
40.6.3	Valuation of Inventories.....	11
40.6.4	Anomalies in VAT reflected in the Deposits and Deductions Balance	12
40.6.5	Unreasonable Ceilings for the TMAs.....	12
40.6.6	Anomalies in determining the Sale Price for Joinery TMA	13
40.6.7	Joinery Items Sold at a Loss	14
40.6.8	Anomalies in Joinery and Plumber Shop TMAs	15
40.6.9	Anomalies in Plumber Shop and Plant Hire TMA.....	18
40.7	Underline Accounts	20
40.7.1	Anomalies in Operating Fund Account.....	20
40.8	Headquarters	22
40.8.1	Provision of Electricity in Rural Areas	22
40.8.2	Poor Monitoring of Bua/Macuata Solar Home Systems Projects	24
40.8.3	Anomalies in Project Records and Delay in Project	25
40.8.4	Internal Controls Weaknesses	26
40.8.5	Payment of VAT from SEG 13 for Operating Grant	28
40.8.6	Anomalies in Revenue – Fiji Meteorological Services.....	29
40.9	Head 41 – Water Authority of Fiji	30
40.9.1	Recurring Issue on Retention Funds from the Department of Water and Sewerage	30
40.10	Follow-up Issues	31
APPENDIX 40.1:	DETAILS OF SHIPPING FRANCHISE COSTS PAID FROM SEG 13.....	34
APPENDIX 40.2:	DETAILS OF UNSUBSTANTIATED RETENTION AND SECURITY DEPOSITS.....	Error! Bookmark not defined.

PART A: FINANCIAL STATEMENTS

40.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Infrastructure and Transport resulted in the issue of a qualified audit report. The qualification issues were as follows:

1. Several Trading and Manufacturing Accounts (TMA) did not disclose Cash at Bank account in the TMA balance sheet as at 31 July 2016 although significant amount of receipts and payments were recorded in the TMA profit and loss statements. Separate cash account general ledgers were also not maintained for these TMAs.

In addition, Consolidated TMA balance sheet had Cash at Bank balance of \$3,766,112 while consolidated bank reconciliation balance was \$2,493,936 as at 31/07/16 resulting in a variance of \$1,272,176.

2. A variance of \$210,188 also existed between the subsidiary debtors' records and the FMIS accounts receivable balance as at 31 July 2016. Since the Ministry did not reconcile the two records, I was not able to ascertain the correctness of nil accounts receivable balance stated in the Consolidated TMA balance sheet as at 31 July 2016.

40.2 Head 40, 41 and 43 - Statement of Receipts and Expenditures

The Ministry recorded revenue totalling \$635,011 and incurred expenditure totalling \$58,631,803 for the seven months period ended 31 July 2016. Details are provided in Table 40.1.

Table 40.1: Head 40 - Statement of Receipts and Expenditure

Description	31 July 2016 (\$)	31 December 2015 (\$)
Miscellaneous Revenue	351,404	1,868,425
Reimbursements for Meteorological Services	217,392	565,854
Commission	6,021	19,445
Registration	1,350	850
Revenue from Cartage of Freight	58,844	-
TOTAL REVENUE	635,011	2,454,574
Established Staff	6,421,197	11,527,198
Government Wage Earners	5,074,436	6,951,361
Travel & Communications	808,876	1,164,965
Maintenance & Operations	4,757,990	8,165,823
Purchase of Goods and Services	945,856	1,417,207
Operating Grants and Transfers	11,473,112	19,446,939
Special Expenditure	156,220	860,868
Total Operating Expenditure	29,637,687	49,534,361
Capital Construction	15,793,736	15,718,627
Capital Purchase	97,024	8,701,101
Capital Grants and Transfer	10,829,721	25,438,773
Total Capital Expenditure	26,720,481	49,858,501
Value Added Tax	2,273,635	5,241,792
TOTAL EXPENDITURE	58,631,803	104,634,654

The Water Authority of Fiji recorded expenditure totalling \$101,123,170 for the seven months period ended 31 July 2016. Refer to Table 40.2 for details.

Table 40.2: Head 41 - Statement of Receipts and Expenditure for 2016

Description	31 July 2016 (\$)	31 December 2015 (\$)
EXPENDITURE		
Operating grants and transfers	37,095,110	63,156,625
Total Operating Expenditure	37,095,110	63,156,625
Capital grants and transfers	64,028,060	131,064,796
Total Capital Expenditure	64,028,060	131,064,796
Total Expenditure	101,123,170	194,221,421

The Fiji Roads Authority recorded expenditure totalling \$186,015,975 for the seven months period ended 31 July 2016. Refer to Table 40.3 for details.

Table 40.3: Head 43 - Statement of Receipts and Expenditure for 2016

Description	31 July 2016 (\$)	31 December 2015 (\$)
EXPENDITURE		
Operating grants and transfers	10,751,013	18,234,379
Total Operating Expenditure	10,751,013	18,234,379
Capital grants and transfers	175,264,962	541,162,298
Total Capital Expenditure	175,264,962	541,162,298
Total Expenditure	186,015,975	559,396,677

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.

40.3 Appropriation Statement

The Ministry of Infrastructure and Transport incurred expenditure totalling \$58,631,803 in 2016 against a revised budget of \$122,232,205 resulting in savings of \$63,600,402 or 52%. 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 40.4.

Table 40.4: Head 40 - Appropriation Statement

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	15,327,356	-	15,327,356	6,421,197	8,906,159
2	Government Wage Earners	9,328,028	-	9,328,028	5,074,436	4,253,592
3	Travel & Communication	1,227,120	-	1,227,120	808,876	418,244
4	Maintenance & Operations	9,131,219	4,000	9,135,219	4,757,990	4,377,229
5	Purchase of Goods & Services	2,055,392	(20,000)	2,035,392	945,856	1,089,536
6	Operating Grants & Transfers	23,001,858	-	23,001,858	11,473,112	11,528,746
7	Special Expenditures	1,336,813	16,000	1,352,813	156,220	1,196,593
	Total Operating Costs	61,407,786	-	61,407,786	29,637,687	31,770,099
8	Construction	25,781,671	13,568	25,795,239	15,793,736	10,001,503
9	Purchases	7,376,605	-	7,376,605	97,024	7,279,581
10	Capital Grants & Transfers	23,500,000	(13,568)	23,486,432	10,829,721	12,656,711
	Total Capital Expenditure	56,658,276	-	56,658,276	26,720,481	29,937,795
13	Value Added Tax	4,166,143	-	4,166,143	2,273,635	1,892,508
	TOTAL EXPENDITURE	122,232,205	-	122,232,205	58,631,803	63,600,402

The Water Authority of Fiji incurred expenditure totalling \$101,123,170 in 2016 against a revised budget of \$250,444,383 resulting in savings of \$149,321,213 or 60%. 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 40.5.

Table 40.5: Head 41 - Appropriation Statement for 2016

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	74,190,219	-	74,190,219	37,095,110	37,095,109
	Total Operating Costs	74,190,219	-	74,190,219	37,095,110	37,095,109
10	Capital Grants and Transfers	176,254,164	-	176,254,164	64,028,060	112,226,104
	Total Capital Expenditure	176,254,164	-	176,254,164	64,028,060	112,226,104
	TOTAL	250,444,383	-	250,444,383	101,123,170	149,321,213

The Fiji Roads Authority incurred expenditure totalling \$186,015,975 in 2016 against a revised budget of \$555,675,337 resulting in savings of \$369,659,362 or 67%. 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 40.6.

Table 40.6: Appropriation Statement for 2016

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	19,909,283	-	19,909,283	10,751,013	9,158,270
	Total Operating Costs	19,909,283	-	19,909,283	10,751,013	9,158,270
10	Capital Grants and Transfers	615,766,054	(80,000,000)	535,766,054	175,264,962	360,501,092
	Total Capital Expenditure	615,766,054	(80,000,000)	535,766,054	175,264,962	360,501,092
	TOTAL	635,675,337	(80,000,000)	555,675,337	186,015,975	369,659,362

40.4 Trade and Manufacturing Account (TMA)

TMA (Trading and Manufacturing Account) is established under the Revolving Fund Account for the purpose of trading or production of goods and services for sale to other departments, statutory bodies or individuals. Trading involves the buying and selling of goods. Manufacturing involves the conversion of one type of good or material to another through the application of labour and facilities.

Since government is a non-profit organization, the immediate objective is to serve the requirements of ministries and departments and statutory bodies and at least at recouping costs. Profitability is secondary objective to the extent that it will justify or increasing or broadening government services to meet the demands of users.

Altogether there are Three Divisions with 17 TMA entities, The 17 TMA Entities comprises of Divisional Engineer Central Eastern (DECE) (Plumber shop, Joinery, Workshop Wages, Lube Bay, Plant Hire, Fuel & Oil) Divisional Engineer Western (DEW) (Fuel and Oil, Plant Hire, Workshop Wages, Joinery, Plumber shop) and Divisional Engineer Northern (DEN) (Joinery, Plumber shop, Fuel and Oil, Plant Hire, Block Shed, Workshop Wages)

Joinery

TMA Joinery receives bulk of its work from the Building Section in the form of Capital Works Projects, Maintenance of public buildings, interior fit-outs and furnishing of these quarters. These buildings are standard designed structures for residential quarters, office accommodation and other institutional buildings. The Joinery also fabricates wall framings, roof trusses, fixtures, manufacturing of all types of furniture has and dressed timber of required sizes as per details in the standard design.

Plumber shop

TMA Plumbing receives bulk of its work from the Building Section in the form of Capital Works Projects, Maintenance of public buildings. These buildings are standard designed structures for residential quarters, office accommodation and other institutional buildings.

The Plumber shop also fabricates water tanks, ridge caps, Barge flashings, roof trusses, fixtures, manufacturing of all types of flashings to buildings and required sizes as per details in the standard design.

Fuel and Oil

Fuel and Oil is one of the basic core values of operation within the Ministry of Infrastructure and Transport especially the Department of Works in the Central/Eastern. It serves as a backbone, set to a higher standard for effective improvement of our daily operation. It also enhances a better service delivery required as a business entity to display its potential and quality service to its customers. The products which consist of diesel, petrol, brake fluid, premix, SAE 30, Tellus 46 and many more is brought from Total Fiji at a retail price.

Lube Bay

The core role of the Lube Bay is to provide lubrication services to the customers to ensure it fulfils customer satisfaction concurrently ensure a healthy income for the Business sustainability. It consists of a wide range of product which are bought from a lesser price and in return sold out to customers as to market price. Lube Bay is open to all government vehicles and at present the major customer is plant pool and few other ministry that are still finding it suitable and convenient.

Plant Hire

The main role of this business entity is to provide a reliable and cost-effective means of transportation to customers ensuring that it meets customer expectations in terms of service delivery and in concurrence with the workers fulfilment of attaining a healthy income and proper Fleet Management System. Periodically, the Business's principal earning source is derived from the hiring of all of its resources ranging from light vehicles, heavy vehicles, heavy machineries and plants. In such way, the Business is able to satisfy its workers through the provision of a persistent wage and meeting certain expenditures ensuring the overall financial status is well retained.

Workshop Wages

The Workshop provides mechanical services to Plant Pool, Water & Sewerage, Buildings, Hospitals and other client ministries in delivering of Capital and on – going projects. The Workshop can provide widest range of engineering services available in the country.

Blocks shed

The Block shed TMA was setup to support the needs of the Building and Roads Section in terms of facilitating the supply of concrete products (blocks, V – drains, road kerbs, marker posts, slabs and other non-structural concrete products needed for building and road construction. That was during the time when the Roads Section was still part of Department of Works. These buildings are either residential Quarters accommodation for government officials, government office buildings and institutional buildings. That traditional role has remained since its inception until this day. The volume of work that the Block shed TMA undertakes each year varies depending on the needs of other government ministries and department.

Table 40.7: Manufacturing account

Description	31 July 2016 (\$)	31 December 2015 (\$)
Opening Raw materials	253,933	340,123
Add: Purchases	1,231,423	2,367,908
	1,485,356	2,708,031
Less: Closing Raw Materials	294,851	253,933
Raw Materials Used	1,190,505	2,454,098
Direct Labour	2,324,661	2,841,617
Opening Work in Progress	44,203	85,606
	3,559,369	5,381,321
Less: Closing Work in Progress	37,027	44,203
Cost of Goods Manufactured transferred to Trading Account	3,522,342	5,337,118

Table 40.8: Trading account

Description	31 July 2016 (\$)	31 December 2015 (\$)
Sales	5,337,334	9,070,829
Finished Goods (01/01/16)	244,586	277,391
Add: Cost of Manufactured Goods	3,522,342	5,337,118
Cost of goods available for sale	3,766,929	5,614,509
Less: Finished Goods (31/7/16)	206,315	244,586
Cost of Goods Sold	3,560,613	5,369,923
Gross Profit transferred to Profit & Loss	1,776,721	3,700,906

Table 40.9: Profit & Loss Statement

Description	31 July 2016 (\$)	31 December 2015 (\$)
Income		
Gross Profit transferred from Trading A/C	1,776,721	3,700,906
Other income	277	616
Total Income	1,776,998	3,701,522
Expenses		
Travel and communications	187,957	165,803
Maintenance and operation	1,376,062	1,504,555
Purchase of Goods and Services	19,699	12,193

Description	31 July 2016 (\$)	31 December 2015 (\$)
Special Expenses	3,705	1,669
Total Expenses	1,587,423	1,684,220
Net Profit	189,575	2,017,302

Table 40.10: TMA Balance Sheet

Description	31 July 2016 (\$)	31 December 2015 (\$)
Liabilities		
Accounts Payable	27,143	27,143
Unearned Revenue	196,704	1,157,097
Total Liabilities	223,847	1,184,240
Equity		
TMA Accumulated (Loss)/Surplus	(503,108)	34,024
TMA Surplus	4,702,397	4,693,201
Total Equity	4,199,289	4,727,225
Total Equity and Liabilities	4,423,136	5,911,465
Assets		
Cash at Bank	3,766,112	5,285,919
Accounts Receivable	-	-
Deposits, Deductions & Retention money	118,832	82,824
Inventory	538,192	542,722
Total Assets	4,423,136	5,911,465

40.5 Trust Fund Account

The Ministry's Department of Energy Trust Fund Account is guided by the Rural Electrification Policy (REP) 2016 approved by the Minister for Infrastructure and Transport.

In 2008, this Policy was amended whereby the community contribution for all rural electricity schemes was reduced from 10 per cent to 5 per cent. The policy was silent with respect to changing supply between diesel and solar schemes or incorporating either system to one another to improve overall reliability of supply for example in the cases of hybrid systems.

The revised REP of 2016 constitutes a number of important changes that harmonizes with the Green Growth development model pursued by the nation in line with the vision of the UN framework of “Energy for All”; that electricity is now a basic necessity for life and sustainable development. These vital changes include:

- Waiver of community contribution to reciprocate community contribution in kind;
- Removal of finite assistance for diesel schemes recipients making them eligible for electrification via renewable based technologies like solar home systems;
- Increase in the Fiji Electricity Authority’s annual Rural Electrification fund;
- Increase in validity of FEA Rural Electrification scheme quotations; and
- The handover of Solar Home Systems ownership and maintenance to community’s and recipients.

The trust fund is used to deposit the receipts from the following operational activities:

- Solar Home Systems (SHS)
- FEA House Wiring
- Performance Bond for House wiring, supply of materials for 3200 SHS
- Bio Gas

Table 40.11 Department of Energy Trust Fund Account

Description	31 July 2016 (\$)	31 December 2015 (\$)
Opening Balance at 1 January	3,637,247	3,344,443
RECEIPTS		
FEA Grid & House wiring	46,527	751,683
Bond Payment	-	212,601
Solar Home Payments	94,961	657,814
Biogas	100	-
Biofuel	300	2,019
Bank Interest	2,059	3,129
Total Receipts	143,947	1,627,246
PAYMENTS		
FEA Grid & House wiring	-	363,898
Contractual House wiring	10,568	-
Bond Payment	112,376	37,688
Connection Fee	4,603	20,233
Solar Home Payments	-	1,137
Biogas	-	10,681
Biofuel	-	11,378
Refunds	1,301,492	-
Bank Fees	839	266
Write Off	-	889,161
Total Payments	1,429,878	1,334,442
Net Receipts Payments	(1,285,931)	292,804
Closing Balance as at 31st July 2016	2,351,316	3,637,247

PART B: AUDIT FINDINGS

40.6 Trading and Manufacturing Account (Fund 4)

40.6.1 Variance between Consolidated TMA Bank Account balance and FMIS General Ledger balance

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.¹

¹ Finance Instructions 2010, Section 32 (6)

The Ministry showed Cash at Bank balance of \$3,766,112 in its consolidated TMA Balance Sheet as at 31 July 2016. However, the consolidated cash at bank reconciliation had a balance of \$2,493,936 indicating variance of \$1,272,176 between the two records.

The variance was due to the non-posting into the FMIS general ledger of revenue receipts totalling \$1,070,320 and payments totalling \$2,342,496. The case has been under investigation by FICAC since 2009. Refer to Table 40.12 for details.

Table 40.12: Details of Unposted Receipts and Payments

TMA	Unposted Receipts (\$)	Unposted Payments (\$)	Variance (\$)
Buildings TMAs (Plumber shop/Joinery)	1,070,320	1,842,986	772,666
Mechanical TMAs	-	499,510	499,510
Total	1,070,320	2,342,496	1,272,176

Due to lack of supervisory checks by Accounting Officers, errors and omissions and possible fraud in the bank reconciliations were not detected by the Ministry.

Recommendations

The Ministry should ensure that:

- all reconciliations prepared are thoroughly checked by the Senior Accounts Officer; and
- variances noted are investigated and appropriate action taken to rectify them.

Ministry's Comments

The Cash at Bank figures cannot be adjusted since the Ministry (MoIT) is awaiting the outcome of this case under FICAC investigation from 2009.

40.6.2 Recording of TMA Sales and Accounts Receivable in FMIS General Ledger

Each agency operating a trading and manufacturing activity must prepare:

- Quarterly profit and loss statement; and
- A balance sheet on an annual basis.²

The profit and loss statement and the balance sheet must be prepared on an accrual basis.³ The annual profit and loss statements and balance sheet for each current financial year just ended must be prepared and submitted to the Auditor-General in a form suitable for audit and inclusion in the agency's annual report.⁴

² Finance Instructions 2010, Section 30 (1)

³ Finance Instructions 2010, Section 30 (2)

⁴ Finance Instructions 2010, Section 30 (3)

The TMA Manager shall update the FMIS on a daily basis to ensure that revenues and expenses are recorded under the correct period (month) to which they belong.⁵

The audit noted that the Ministry was recording TMA sales on cash basis of accounting hence TMA credit sales were not recorded in the FMIS general ledger. However, manual records of credit sales were maintained by the respective divisions.

As a result, the Account Receivables Schedule total for all the TMA's had a balance of \$210,188 while the FMIS general ledger showed nil balance for Accounts Receivable as at 31 July 2016. Therefore, the Sales amount reflected in the Consolidated TMA Trading Account and the Total Assets in the Consolidated Balance Sheet are understated by \$210,188.

The above findings indicates poor record keeping in the Ministry's Accounts Section resulting in credit sales not being properly accounted for.

Recommendation

The Ministry should ensure that the accounts receivables schedules are updated and reconciled with the FMIS general ledger on a monthly basis.

Ministry's Comments

Debtors show a nil balance due to the nature of recording sales. All sales in the TMA are recorded on cash basis. Once the entities receive money, it is receipted and recognized as sales or revenue. Under the cash basis of accounting, transactions are only recorded when there is a related change in cash. This means that there is no accounts receivable to record on the balance sheet, since they are not realized until such time as they are paid by customers.

40.6.3 Valuation of Inventories

Inventories must be valued at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. Estimates of net realisable value also take into consideration the purpose for which the inventory is held.⁶

The Ministry's Consolidated TMA Balance Sheet recorded closing inventory of \$538,192 as at 31/7/16. However, the audit noted that inventory was valued at cost and not at net realizable value.

With no assessment of net realisable value or current replacement cost of inventories being carried out, the Ministry is unable to accurately determine the future economic benefits to be realised from their sale, exchange, distribution or use.

As a result, the closing inventory was incorrectly stated in the Consolidated TMA Balance Sheet as at 31/7/16.

Recommendation

The Ministry must ensure that closing inventory is recorded at the lower of cost or net realisable value.

⁵ Trading and manufacturing Account Policy (June 2005) Section 8.10

⁶ International Accounting Standards 2.9 - Inventories

Ministry's Comments

The TMA reporting structure was set up by Ministry of Economy since the inception of the Ministry's TMA entities. The Ministry has been in compliance to the Ministry of Economy established format. However, the Ministry acknowledges the audit recommendation and has advised Asset Management and Monitoring Unit (AMMU) on the reporting of inventory. Furthermore, the Ministry highlights that TMA Finished Goods are standard items which have standard price values and raw materials are valued at cost. Such issues will need to be considered by the AMMU for recording at the lower of cost or Net Realizable Value and then the Ministry will be able to follow an amended reporting structure.

40.6.4 Anomalies in VAT reflected in the Deposits and Deductions Balance

Liability accounts, by convention, should always have credit balance in the accounts.

The Deposits and Deductions is a liability account which had a debit balance of \$118,834 in the TMA consolidated balance sheet as at 31/07/16. The account operates as an operating trust fund account that consists of other moneys such as salary deductions payable to other entities such as insurance premium deductions from employees, Fiji National Provident Fund deductions from employees etc. and VAT postings on receipts and payments. The Ministry records these moneys in the trust fund account to be paid to relevant authorities in the following month.

The audit noted that there was a variance of \$166,095.64 between the total amount of VAT receivable as per the FMIS GL balance of \$193,804.44 and the total VAT refunds receivable as per the FRCA Statement of Tax Account of \$27,708.80 as at 31/7/16. Furthermore, the audit could not substantiate the variance as VAT reconciliations were not prepared by the Ministry.

The above finding is a result of the lack of proper supervision on the reconciliations carried out on these accounts.

Recommendations

The Ministry should:

- **take appropriate action to rectify the anomaly; and**
- **ensure that adequate training is provided to its accounting staff especially in accounting of TMA operations.**

Ministry's Comments

These are the VAT refunds not received from FRCA which has been accumulating for years. These allocations, 863201, are all vat codes used by the 3 Divisions which we have been highlighting to FRCA that they need to refund this as TMA is operating as a business entity.

40.6.5 Unreasonable Ceilings for the TMAs

All TMA Accounts in the respective Divisions must comply with the TMA approved cash ceilings by Ministry of Economy as follows:

Table 40.13: Details Cash Ceilings for TMA⁷

TMA	DEN (\$)	DECE (\$)	DEW (\$)
Fuel and Oil	200,000	200,000	200,000
Plant Hire	400,000	400,000	400,000

The purpose of the Plant Hire TMA is to deliver a reliable and cost-effective means of transportation to customers and the purpose of the Fuel and Oil TMA is to sell to customers at an approved Ministry of Economy selling price to make marginal profit. The Ministry is required to remit the excess cash ceiling to the Ministry of Economy.

The audit noted that the current TMA ceilings have not been revised downwards after the transfer of the Department of National Roads to Fiji Roads Authority and the Department of Water to Water Authority of Fiji.

The reduction of the ceiling will ensure that more cash is remitted by the Ministry to the Consolidated Fund Account and would reduce the risk of misuse and misappropriation of cash.

Recommendation

The Ministry should liaise with the Ministry of Economy to consider reducing the cash ceilings for the Fuel and Oil and Plant Hire TMA's.

Ministry's Comments

The Ministry will liaise with Ministry of Economy for a review of the ceiling as per the recommendations by OAG.

40.6.6 Anomalies in determining the Sale Price for Joinery TMA

Goods or services shall only be sold at the prices set out in the Schedule of Prices by Ministry of Finance.⁸ Any proposed changes in prices must be submitted through the Ministry of Finance to Cabinet for approval unless there is a revenue retention arrangement with the Minister for Finance.⁹

The mark-up for non-standard items manufactured by the Joinery TMA ranges from 10-15%.

The TMA Joinery uses a Joinery Worksheet to record details of materials and labour used to manufacture a particular non-standard item. The final cost in the Joinery Worksheet with a mark-up of 10 -15% determines the sale price of the non-standard item.

The audit noted several instances where the Joinery Worksheets were not updated. Important details such as cost of materials and labour were not recorded. In addition, the approved basis or guideline by the Ministry of Economy on determining the mark up of 10-15 % charged by the Joinery TMA was not produced for audit. As at the date of audit (4/11/16), the mark-up was determined by the Foreman as the position of Supervisor was vacant. Refer to Table 40.14 for details.

⁷ Ministry of Infrastructure and Transport Agency Finance Manual 2016, Section 6.6.2

⁸ Ministry of Infrastructure and Transport Agency Finance Manual 2016, Section 6.2.3

⁹ Ministry of Infrastructure and Transport Agency Finance Manual 2016, Section 6.2.4

Table 40.14: Details of Items Sold Without Updating the Joinery Worksheet

Job No.	Job Details	Total Cost as per Joinery Worksheet	Receipt No.	Amount Collected (\$)	Remarks
D 75	Dressing of timber	No details of the percentage of mark up.	546315	131	Selling price and profit margin cannot be determined
D 68	Doors	No details of the percentage of mark up.	546303	1,690	Selling price and profit margin cannot be determined.
D 80	Payment of materials	No details of the percentage of mark up.	546328	641	Selling price and profit margin cannot be determined
D 81	Door and window stopper	No details of the percentage of mark up.	Not attached with quotation	Receipt not attached with quotation	Selling price and profit margin cannot be determined
D 84	Non – standard cupboard	Joinery Worksheet Incomplete. No details of the percentage of mark up.	546345	500	Selling price and profit margin cannot be determined

The above findings indicate lack of proper supervision and monitoring on the sales made by the Joinery TMA by senior officers. In addition, the absence of approval from the Ministry of Economy led to revenue collection by the Ministry not being properly authorised.

In the absence of updated Joinery Worksheets, the audit could not ascertain whether the items were sold at a profit or breakeven was achieved.

Recommendations

The Ministry should ensure that:

- **proper monitoring and supervision is provided to subordinate staffs;**
- **any change in fees and charges is approved by the Ministry of Economy; and**
- **Joinery Worksheets are updated and sale price determined.**

Ministry's Comments

The audit recommendation is acknowledged.

The department ensures that worksheets are updated and all costs are recorded in determining the Sale price.

The Accounts Officers also do verification of the worksheets so that cost accuracy is maintained and mark-up are monitored.

40.6.7 Joinery Items Sold at a Loss

Trading and Manufacturing Accounts are government owned entities that are operated on a semi-commercial basis and within the limits of a prescribed ceiling set by the Minister for Finance; to

provide goods, services or works cost-effectively, whilst increasing the returns that are realised from them.¹⁰

The prices quoted to the customers for non-standard items were determined by the Joinery Foreman.

The audit noted instances where the prices quoted to the customers for non-standard items were less than the total cost of manufacturing as per the Joinery Worksheet. Thus the items were sold at a loss by the Ministry. Refer to Table 40.15 for examples.

Table 40.15: Examples of Variance between Quotation and Selling Price

Job No.	Job Details	Cost as per Quotation to Customer (\$)	Total Cost as per Joinery Worksheet (\$)	Amount Paid (\$)	Item Sold at a Loss by (\$)
D 49	Double Bed with mattress and 3 drawers	600	1,124	100.00	524
				500.00	
D 53	King size bed with drawers, Linen cupboard	1,100	1,572	600.00	472
				500.00	
D 74	Double bed with mattress	380	467	380.00	87
D 85	Door framing	154	174	153.60	20

The above finding results from inaccurate calculation of price by the Joinery Section.

There is high risk that Joinery TMA will be recording losses by manufacturing non-standard items and selling them at prices lower than the costs of manufacture..

Recommendation

The Ministry should ensure that the prices quoted to the customers are properly calculated to include the total cost of materials, labour and mark-up charged.

Ministry's Comments

The audit recommendation is acknowledged. The department ensures that the manufacturing cost do not exceed the selling/estimated prices. The Accounts Officers in the department verifies the Job cards to ensure that such losses do not incur in future.

40.6.8 Anomalies in Joinery and Plumber Shop TMAs

The PAO, SAO, AO and AAO have the sole authority to approve all journal adjustments.¹¹ The Clerical Officer (Ledgers) must ensure that the Journal Vouchers are numbered in sequential order with all supporting documents attached to the voucher.¹² The SAO, AO and AAO must ensure to check and verify that:

- i. all relevant details are included on the voucher;
- ii. GL balances are adequately supported;

¹⁰ Trading and Manufacturing Account Policy 2015, Introductory Paragraph

¹¹ Ministry of Infrastructure and Transport, 2016 Agency Finance Manual, Section 16.1.1

¹² Ministry of Infrastructure and Transport, 2016 Agency Finance Manual, Section 16.1.2

iii. the correct allocations have been debited and credited.¹³

The *Clerical Officer (Ledgers)* must ensure that the approved Journal Vouchers must be posted into the appropriate ledger and the general ledger system (FMIS).¹⁴

- The audit noted that the sales journals were prepared, approved and posted into the FMIS solely by the AAO responsible for TMA Joinery Account. In addition, the journals for the Joinery and Plumber Shop TMA did not have adequate supporting documents. There was no basis on how the transfer of accrued revenue for the projects which were to be completed for the Ministry from the operating budgetary allocations was journalised to record as sales. Details such as the amount charged for materials used, direct labour and mark-up were not attached. Refer to Table 40.16 for details.

Table 40.16: Details of Journals prepared, approved and posted by AAO

JV No.	Journal Period	Amount (\$)	Particulars	Details of limited Supporting Documents Attached
Joinery TMA				
415028	March 16	38,150	Cash flow for Joinery for the month of March	Emails between Chief Clerk and AAO for monthly cash flows
415123	June 16	218,000	Cash flow for Joinery for the month of June	Emails between Chief Clerk and AAO for monthly cash flows
415145	July 16	26,570	Closing of accrued income transfer to sales	FMIS GL Printout
415071	May 16	54,500	Cash flow for the month of July	Emails between Chief Clerk and AAO for monthly cash flows
415060	April 16	65,400	Cash flow for the month of April	Internal memo for cash flow for the month of April
415013	February 16	70,000	Cash flow for the month of February	Email between Chief Clerk and AAO for monthly cash flows
415031	March 16	103,550	Cash flow for on-going projects for Joinery 2016	Email between Chief Clerk and AAO for monthly cash flows
Plumber Shop TMA				
415090	May 2016	196,200	Cash flow for the month of May (Ecological Purification System - \$70,000 and Relining Projects \$110,000 (Central Police Station), Samabula, Nasese and Nasova Relining))	Email between Clerk and AAO for monthly cash flows
415121	June 2016	90,000	Cash flow for June 2016	Email between Clerk and AAO for monthly cash flows
415066	April 2016	87,200	Additional cash flow for April	
415144	July 2016	73,317	Closing of Accrued Income	FMIS GL Printout
415014	February 2016	40,000	Cash flow for February	Email between Clerk and AAO for monthly cash flows

¹³ Ministry of Infrastructure and Transport, 2016 Agency Finance Manual, Section 16.1.3

¹⁴ Ministry of Infrastructure and Transport, 2016 Agency Finance Manual, Section 16.1.4

Furthermore, upon discussion with the Clerical Officer (EDP No. 90825) responsible for preparing the journal vouchers, the audit was informed that the journals were prepared and forwarded by the AAO (EDP No. 53975) to the Clerical Officer to sign the journals as verified and endorsed.

- The audit also noted instances where receipts for Joinery TMA were wrongly posted into the Plumber Shop TMA general ledger. As a result, the revenue for Plumber Shop TMA was overstated and the Joinery TMA was understated by \$10,020. Refer to Table 40.17 for examples.

Table 40.17: Examples of Receipts for Joinery TMA posted in the Plumber Shop

JV Ref	Date	Receipt No.	Amount (\$)
415119	17/6/16	546319	9,775
	22/6/16	546327	245
Total (sample only)			10,020

- The audit further noted instances where receipts for the Plumber Shop TMA were posted into the Joinery TMA general ledger. As a result, the revenue for Plumber Shop TMA was understated and the Joinery TMA was overstated by \$2,547. Refer to Table 40.18 for examples.

Table 40.18: Examples of Receipts for Plumber Shop posted in the Joinery TMA

JV Ref	Date	Receipt No.	Amount (\$)
415147	20/7/16	546358	1,907
-	19/1/16	546111	540
-	28/7/16	546365	100
Total (sample only)			2,547

The above findings are a result of work of subordinates not being properly supervised by Senior Officers and failure to maintain proper records. In the absence of proper supporting documents, the audit could not substantiate the correctness of the journal vouchers for TMA Sales.

Recommendations

The Ministry should ensure that:

- **adequate supervision is provided to subordinate staffs;**
- **all officers comply with the requirements of its Finance Manual;**
- **there is adequate segregation of duties between those responsible for preparing, approving and posting of the journal vouchers;**
- **the journal vouchers include supporting documents of the breakdown of jobs to be carried out for that particular month; and**
- **all misallocations in the general ledger are immediately adjusted to reflect the correct revenue for both TMAs.**

Ministry's Comments

The Division has been short of Supervising Officers during this period thus the AAO was acting and approving the journals. However the Ministry has appointed an Acting Senior Accounts Officer to oversee the responsibilities of Head of Section for Accounts.

The Ministry ensures compliance with the requirement of the Finance Manual as the Principal Accounts Officer has been regularly visiting the Divisions for such trainings.

The appointment of the Acting SAO ensures that the Journal Vouchers are supported with supporting documentary evidence before they are approved for posting.

The audit recommendation is acknowledged and Ministry will ensure the Divisions adhere to the audit recommendation as stated.

40.6.9 Anomalies in Plumber Shop and Plant Hire TMA

The *Foreman and Supervisor* must record all manufacturing jobs on a job record sheet. The job record sheet shall provide the following details:

- i. job number;
- ii. type of work carried out;
- iii. number of hours spent on job;
- iv. materials used and the costs.

The *Clerical Officer (TMA)* must maintain up-to-date and accurate ledgers which record:

- i. administrative and overhead expenditures incurred in operating the TMA;
- ii. inventory items bought, processed and sold;
- iii. sales and debtors;
- iv. creditors and commitments;
- v. cash payments and receipts;
- vi. property, plant & equipment values and depreciation costs.¹⁵

The *PAO, SAO, AO, AAO* must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.¹⁶

- TMA Plumber Shop receives bulk of its work from the Building Section in the form of Capital Works Projects and Maintenance of public buildings. It also manufactures water tanks, ridge caps, barge flashings, roof trusses, fixtures, manufacturing of all types of flashings to buildings in required sizes.¹⁷

The audit noted a variance of \$354,217 in the total sales between the Job Record Sheet (JRS) and the general ledger for the Plumber Shop TMA as at 31/7/16. Refer to Table 40.19 for details.

¹⁵ Ministry of Infrastructure and Transport, 2016 Agency Finance Manual, Section 6.2.3 – 6.2.5

¹⁶ Ministry of Infrastructure and Transport Agency Finance Manual 2016, Section 2.8.4

¹⁷ Plumber shop Business Plan - Section 2.0 Profile Background

Table 40.19: Variance between the Job Record Sheet and General Ledger

Total Sales as per Job Record Sheet (\$)	Total Sales as per General Ledger (\$)	Variance (\$)
412,419 (VEP)	766,636 (VEP)	354,217

- The audit also noted instances where payments were incorrectly charged to expenditure allocations that did not relate to that expenditure type for the Plumber Shop and Plant Hire TMAs. Refer to Table 40.20 for examples.

Table 40.20: Examples expenditure mispostings

Date	Cheque No.	Amount (\$)	Payee	Details	Allocation Incorrectly Charged to	Allocation that should have been Charged to
13/7/16	663837	12,161	Payee A	Being payment for materials for Joinery Shop	4-40252-91011-260101 Direct Materials Purchases – Plumber Shop	This is a Joinery TMA expense, incorrectly charged to Plumber shop. Correct allocation: 4-40258-91011-260101
17/6/16	822753	8,000	Payee B	Being payment for the hire of LC Senikabuta Barge to cart machines from Beqa to Suva. – (Transporting digger and 10 wheeler truck from Beqa to Suva.)	4-40258-91011-260403 Repair and maintenance of Fixed Assets – Plant Hire	Correct allocation to be charged is 4-40258-91011-260406 – Lease and Rent payments.

The above findings indicate lack of monitoring and supervision by Senior Officers on the tasks carried out by junior officers at the Plumber Shop and Plant Hire TMA.

Recommendations

The Ministry should ensure that:

- work of subordinate officers are monitored and supervised;
- the variance in sales between the JRS and general ledger is identified and adjusted to reconcile the two records;
- adequate supporting documents are attached to journal vouchers; and
- expenditure is properly reviewed by senior officers and posted to their correct allocations in the general ledger.

Ministry's Comments

The Division has been short of Supervising Officers during this period thus the AAO was acting and approving the journals. However the Ministry has appointed an Acting Senior Accounts Officer to oversee the responsibilities of Head of Section for Accounts.

The variance was due to the Cash Flow issue whereby no Job Record Sheet (JRS) was issued for such funding. However, the Division has started to issue JRS based on the Cash Flow to capture the flow of funding. This has also been addressed via the trainings carried out by PAO whereby a revised JRS was designed and implemented.

The audit recommendation is acknowledged.

The Division monitors periodic monthly reconciliations by Chief Clerks to detect and regularise any mispostings in a timely manner.

The department ensures that expenditures are properly monitored and posted to correct allocation upon review by the Accounts Officers.

40.7 Underline Accounts

40.7.1 Anomalies in Operating Fund Account

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at Ministry/Department/Divisional level and/but most importantly at whole of government level. All consolidated reconciled accounts must be verified by SAO, AO and AAO and be submitted to Ministry of Finance through PSIT within two weeks after the closing of each monthly account.¹⁸

Audit review of Operating Trust Fund Account for the year ended 31/7/16 revealed the following anomalies.

- The Ministry had five Programs and 20 Activities in the approved budget under Head 40 for 2015 and 2016. Budgetary program numbers 5, 6 and 7 from 2015 were changed as Programs 3, 4 and 5 in 2016 under the same Head. Refer to Table 40.21 for details.

Table 40.21: Changes in Programs from 2015 to 2016 under Head 40

Program No.	2015	Program No.	2016
5	DECE – Works	3	Department of Water and Sewerage
6	Department of Energy	4	Department of Energy
7	Department of Water and Sewerage	5	Department of Water and Sewerage

As at date of audit (18/10/16), the Ministry was yet to transfer the closing credit balances of \$1,859,557 as at 31/12/15 for various operating trust fund accounts from Programs 5, 6 and 7 to Programs 3, 4 and 5 as opening balances as at 1/1/16. Refer to Table 40.22 for details.

¹⁸ Ministry of Infrastructure and Transport Agency Finance Manual 2016, Section 17.2.5
Ministry of Infrastructure and Transport

Table 40.22: Details of Operating Trust Fund account balances not transferred from 2015 to 2016

Allocation	Details	2015 (\$)	2016 (\$)
1-40101-40999-861923	Uniform Deduction - Transport	(251.25)	(251.25)
1-40501-96991-861923	Payroll Deduction Agriculture	(374.49)	(374.49)
1-40501-95991-861924	Payroll Deduction - Central Finance	(466.78)	(466.78)
1-40501-96991-861933	NUPW Credit Union	(48.98)	(48.98)
1-40501-97991-861933	NUPW Credit Union	(20.00)	(20.00)
1-40501-96991-861104	208 PD Rent H/A Unest	(364.77)	(364.77)
1-40501-97991-861104	208 PD Rent H/A Unest	(210.00)	(210.00)
1-40501-96991-861106	390 PD Gov Water Rates Chrgs	(72.99)	(72.99)
1-40601-84999-861106	390 PD Gov Water Rates Chrgs	(758.50)	(758.50)
1-40501-96991-861202	241 PD CMLA	(175.06)	(175.06)
1-40501-97991-861202	241 PD CMLA	(2,276.08)	(2,276.08)
1-40502-95212-861202	241 PD CMLA	(50.00)	(50.00)
1-40501-96991-861204	244 PD - LICl	(285.87)	(285.87)
1-40501-97991-861204	Payroll Deductions-LICl	(133.46)	(133.46)
1-40501-97991-861501	286 PD Fiji Public Service Ass	(36.91)	(36.91)
1-40501-96991-861525	316 PD Service Worker Cu	(529.99)	(529.99)
1-40501-97991-861525	316 PD Service Worker Cu	(90.00)	(90.00)
1-40501-96991-861532	YYY PD Public Employee Union	(19.49)	(19.49)
1-40501-96991-861537	Carpenters Finance Fiji Ltd	(175.99)	(175.99)
1-40501-96991-861606	346 PD Maintenance -Lautoka	(39.99)	(39.99)
1-40501-97991-861899	440 PD Fixed Rent	(97.38)	(97.38)
1-40501-97991-861901	201 PD Tax Arrears / PAYE	(0.02)	(0.02)
1-40501-96991-861911	385 PD Sports & Social	(29.99)	(29.99)
1-40501-97991-861911	385 PD Sports & Social	(0.01)	(0.01)
1-40501-96991-861920	501 PD Employees FNPF	(4,098.01)	(4,098.01)
1-40501-96991-861934	NUPW Welfare	(60.97)	(60.97)
Total		(10,666.98)	(10,666.98)
1-40601-84999-861920	501 PD Employees FNPF	(23,288.08)	(23,288.08)
1-40601-91991-861920	501 PDE Employees FNPF	(154,365.28)	(154,365.28)
1-40601-84999-862102	JC Retention Money	(1,681,904.09)	(1,681,904.09)
Total		(1,859,557.45)	(1,859,557.45)

- In addition, details of Security Deposits totalling \$13,209 and Tender deposits totalling \$951,202 were not provided by the Ministry despite several requests. Refer to Table 40.23 for details.

Table 40.23: Details of Uncleared Operating Trust Fund Balances from 2013 to 2016

Allocation	Details	2013 (\$)	2014 (\$)	2015 (\$)	2016 (\$)
1-40301-99991-860101	Security Deposits	-	-	-	(13,209.05)
1-40301-99991-860103	Tender Deposits	-	-	-	(951,202.35)
1-40501-83999-860101	Security Deposits	(13,209.05)	(13,209.05)	(13,209.05)	-
1-40501-83999-860103	Tender Deposits	(951,202.35)	(951,202.35)	(951,202.35)	-
1-40601-84999-862102	JC Retention Money	-	(1,681,904.09)	(1,681,904.09)	(1,681,904.09)
		(964,411.40)	(2,646,315.49)	(2,646,315.49)	(2,646,315.49)

There was no evidence to indicate that appropriate action was taken by the Ministry taken to clear the amounts.

The above findings reflect lack of proper monitoring and supervision by the officers at the Ministry to clear the operating trust account in a timely manner.

Recommendations

The Ministry should:

- **liaise the Ministry of Economy FMIS section on the correct classification of the trust accounts above;**
- **ensure that operating trust account balance are supported; and**
- **clear the credit amounts from its operating trust fund account in a timely manner.**

Ministry's Comments

The issue has been raised in previous OAG audit reports and has been discussed in the Public accounts Committee on 3rd May 2017.

These balances are inherited figures from past years during the inception of FMIS and figures have been stagnant over those years.

There were no supporting documents available over the years as only figures were transferred from the old manual system to FMIS.

However, the Ministry prepares monthly Trust Fund Account reconciliations which are submitted to Ministry of Economy as required.

40.8 Headquarters

40.8.1 Provision of Electricity in Rural Areas

It is the intention of Government that social benefit of electricity is made available to all rural areas in the shortest time possible. Social benefit of electricity is provided to as many Fiji villages and settlements as possible within the bounds of funds allocated annually by Government and/or aid.¹⁹

40.8.1.1 “Grid Extensions” Projects yet to commence

A total of \$21.06 million has been paid for 72 “grid extension” to provide electricity (power poles and electricity lines) in rural areas for the last four years.

The audit noted that out of the total \$21.06 million paid for 72 “grid extensions” projects for the last four years, works for projects totalling \$20.48 million or 57 “grid extensions” (79%) is yet to commence. Refer to Table 40.24 for details.

¹⁹ Ministry of Infrastructure & Transport, Rural Electrification Policy 2016 – section 3.1.6
Ministry of Infrastructure and Transport

Table 40.24: Details of Payments for “Grid Extension” Projects

Year	Total Amount Paid (\$)	Ministry's Contribution (\$)	Community Contribution (\$)	No. of Grid Extensions	Grid Extension yet to commence (\$)	No. of Grid Extensions	Per cent (%)
2016	12,156,119	12,156,119	---	11	12,156,119	10	91
2015	5,399,227	5,174,845	224,383	34	5,326,682	27	79
2014	2,721,024	2,287,324	160,078	25	2,328,275	19	76
2013	780,573	741,544	39,029	2	669,764	1	50
Total	21,056,943	20,359,832	423,490	72	20,480,840	57	79

40.8.1.2 “Grid Extensions” paid for in 2016

A total of \$7.063 million was paid for “grid extensions” to provide electricity services via “Grid Extension Agreement” number REU-02-17 (\$3.648 million) and REU-04-08 (\$3.415 million) dated 29th July 2016. These included: the village of *Nabukelevu & Nuku village in Serua (\$930,389)*, *Sector 1-4, 7 & 8 Cocoa Road, Navunisoroa, Nataveira & Navutu village in Naitasiri (\$828,400)*, *Wainicoce, Vatubo & Waikubukubu village in Tavua (\$708,500)*, *Nasebitu, Naituvatuva and Nalidi village in Wainibuka (\$697,183)* and *Qiolevu Road Settlement & Sawani in Naitasiri (\$483,600)* and **24 other** rural electrification projects totalling **\$3.415 million** in the central, western and northern divisions.

The audit noted the following anomalies from the review of the “Grid Extension Agreement” numbers REU-02-17 and REU-04-18 (“the agreement”) entered into by the Department of Energy:

- The timeline for the completion of the “grid extension” in the five villages is agreed upon as 2016 – 2018.²⁰ Specific timelines for the completion of the each “grid extension” is not stated.
- The “detail of works” for the “grid extensions” in Schedule 2 of the agreement does not have timelines for the completion of the works in stages that includes the negotiations and the consent of the landowners to construct the power poles, the drawing of the design & the scope of work and the construction of the “grid extensions”.²¹
- The “project plan” following the payment for the “grid extensions” in the villages as per the agreement were yet to be finalised between the Department, the contractor and the Department of National Planning (now Strategic Planning Office) as at 12 September 2016 – the date of the audit.²²
- Although the Department of National Planning is mentioned in the agreement for a consultative project plan, it is not represented in the signing of the agreement.

The above findings indicate that despite the significant funding, the implementation of the “grid extensions” to improve the lives of the rural communities is largely yet to be implemented.

²⁰ Grid Extension Agreement, reference, REU-02-17 & REU-04-08, dated 29 July 2016, section II, paragraph 2

²¹ Grid Extension Agreement, reference, REU-02-17 & REU-04-08, dated 29 July 2016, section V, paragraph 2.2 and Schedule 2

²² Grid Extension Agreement, reference, REU-02-17 & REU-04-08, dated 29 July 2016, section V, paragraph 2.1

Recommendations

The Ministry through the Department of Energy:

- **should be pro-active in the monitoring of the timely implementation of “grid extensions” projects as per the “Grid Extension agreement” addressing the key issues noted in the implementation of the agreement; and**
- **enquire with the contractor on the status of the “grid extensions” projects since 2013 or any that may be pending prior to this.**

Ministry’s Comments

The audit recommendation is acknowledged.

The Fiji Electricity Authority (FEA) is the sole supplier responsible for the Generation, Transmission and Retail of electricity on the larger islands, Viti Levu, Vanua Levu and Ovalau, which account for some 90% of the country’s population.

For all future grid extension projects the Ministry will now propose to FEA to have the specific timelines incorporated for each stage of works for grid extension projects.

The contracts have been vetted by the Solicitor General’s office. It would therefore be sufficient to allow the progress of each stage in schedule 2 to be complete within the general timeline stipulated in the signed contracts. This is to allow flexibility for each stage due to unforeseen circumstances that may arise such as delays in wayleave negotiations etc.

The Department of National Planning is an important stakeholder and the overall monitoring body with respect to the progress of grid infrastructure projects. To this effect, National Planning is part of the monthly monitoring consultations for these projects. However, the Solicitor General’s office did not deem it necessary for representation in signing of the agreement. For future grid extension projects, the Ministry will recommend to the Solicitor General’s office to remove the mention of the Department of National Planning.

40.8.2 Poor Monitoring of Bua/Macuata Solar Home Systems Projects

The main objective of the maintenance and servicing works of Individual Solar Home Systems in Bua and Macuata was to provide reports of maintenance works carried out for 895 Solar Home Systems in Macuata and 918 Solar Home Systems in Bua as specified in the agreement.²³ The GTB approved cost for the maintenance and servicing works for Macuata and Bua was \$69,989 and \$71,787.60, respectively.

The audit noted that the comments in the inspection report of the houses visited by the contractor indicated that several houses could not be accessed during the inspection. Refer to Table 40.25 for details.

Table 40.25: Details of Houses not accessed by the Contractor

Report	No. of Houses not Accessed
Bua – 3 rd Quarter	57
Bua – 4 th Quarter	292

²³ Contract Agreement between the Ministry and Contractor for Bua and Macuata, Clause 1, Objectives
Ministry of Infrastructure and Transport

Report	No. of Houses not Accessed
Macuata – 3 rd Quarter	3
Macuata – 4 th Quarter	125

The Senior Scientific Officer (EDP No. 91628) explained that the reasons for the houses not being visited by the Contractor was that the customers may have been out in the farms during the contractor's visit; customers tampering with their systems and not paying their monthly bills and the contractor not having any spares to repair the systems to be operational.

However, the Ministry did not provide a list of house owners for which the meters were tempered with and those not paying their monthly bills.

The audit findings indicate lack of proper monitoring and supervision of the maintenance works by Ministry officials resulting in government's interest not being fully protected.

Recommendation

The Ministry should liaise with the village Turaga Ni Koro and Divisional Engineers for the access to customers' residence.

Ministry's Comments

The issue of contractor not able to access the systems is mainly due to houses being closed.

Some causes identified for house closed:

- Owners and family in Suva or Labasa – School Children schooling in the City
- Owners went to their farms
- Owners closed their house and went to farms to avoid the warning or fine issued by DoE because they must have tampering with their systems
- House vacant and no idea where the owner is

40.8.3 Anomalies in Project Records and Delay in Project

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as 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.²⁴

The audit noted in the review of the project records for Repair and Upgrade of Public Building maintained by the Divisional Engineer Central Eastern (DECE) Office that project records were not properly maintained. The following anomalies were noted.

- Complete payment details were not entered in the manual ledgers for three different projects namely Laucala Meteorological Office Quarters, Lami Government Shipping Services (GSS) Quarters and DPP's Office Building 30. Details only of requisitions made for the materials required in the project were entered. As a result, the audit could not quantify actual cost incurred in each of the three projects mentioned above.

²⁴ Ministry of Infrastructure & Transport Agency Finance Manual 2016, Part 2: Expenditure Opening paragraph
Ministry of Infrastructure and Transport

- The project for the Repair and Upgrade of DPP's Office Building 30 commenced on 9/3/16 and was expected to be completed by 15/7/16. However, the project was delayed for 52 days due to the change in government financial year to 31 July 2016. Supervisor Buildings informed audit that the contracts for the project workers were terminated on 31 July 2016 to coincide with the government financial year end. In addition, lack of required resources such as permanent carpenters also contributed to the delay in completion of works. The project recommenced on 22/9/16 and the expected completion date was revised to 21/12/16.

The above findings indicate poor project management and record keeping by the Divisional Engineer Central Eastern (DECE) which resulted in delay in completion of the project.

Recommendations

The Ministry should ensure that:

- **individual projects costs are properly accounted in the respective ledgers; and**
- **all projects are completed within the agreed time frame.**

Ministry's Comments

The Division had encouraged the use of Expenditure Ledger in addition to the Site Ledger as currently practice by the Division compared to previously. This practice ensures improvement in the reporting and analysis of each project since all information will be captured in the Expenditure Ledger.

The delay in the implementation of the project was solely due to the unexpected change of the financial year by Government.

40.8.4 Internal Controls Weaknesses

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 agency's Finance manual have been carried out; and the current status of any unresolved external or internal audit issues.²⁵

The audit noted that the monthly signed report was not provided to the Permanent Secretary contrary to section 60 of the Finance Instructions 2010. As such, the following internal controls were neither checked regularly nor in place for the financial period ended 31 July 2016:

- Unresolved audit issues continued in the new financial year. Refer to section 7.4 for matters raised as "follow-up" issues.
- The following administrative controls were absent:
 - The Ministry carried out beacon works in February and June at Ellington, Bau and Ovalau waters, respectively. However, the Ministry did not provide for audit the reports on the beacon works carried out in February at Ellington waters for verification contrary to section 2.8.4 of the Ministry's 2016 Agency Finance Manual;

²⁵ Finance Instructions 2010, Section 61, Assurance to Permanent Secretary
Ministry of Infrastructure and Transport

- The Ministry paid a sum of \$6,862,847 VIP to FEA on 29 July 2016. The Ministry did not monitor the works on a weekly basis. Although progress reports were requested by audit on 5/9/16, no updates were provided contrary to the Agreement between the Ministry of Infrastructure and Transport and FEA for the establishment of the FEA Somosomo Hydro Power Depot in Taveuni.
- Several instances were noted where the Ministry was incorrectly clearing the retirement of accountable advance to the revenue allocations contrary to section 10.1.15 of the Ministry's 2016 Agency Finance Manual. Refer to Table 40.26 for examples.

Table 40.26: Details of Accountable Advance retired to Revenue allocation

Date	Revenue Receipt No.	Amount (\$)	Comments
7/6/16	313248	555	Retirement of Accountable Advance
10/6/16	313249	5	Retirement of Accountable Advance - Levuka Trip
15/6/16	313250	18	Retirement of Accountable Advance
	154751	30	
20/6/16	154752	40	Retirement of Accountable Advance - Training in Nadroga / Navosa
27/6/16	154753	309	Retirement of Accountable Advance - training in Northern Division

- The revenue receipt book in use for the Energy Trust Fund account as at date of audit on 12/10/16 was from the receipt numbers 897001 - 897050. Two receipt books with receipt numbers 897051 - 897100 and 897101 - 897150 were unused while two receipt books with receipt numbers 897151 - 897200 and 897201 - 897250 were already used. Hence these receipt books were not issued in numerical sequence. Refer to Table 40.27 for details.

Table 40.27: Details Receipt Books Used by the Ministry

Receipt Book No.	Sequence	Status
1	897001 – 897050	In Use
2	897051 – 897100	Unused
3	897101 – 897150	Unused
4	897151 – 897200	Used
5	897201 – 897250	Used

- Receipt books issued to the field officers to collect revenue for the Solar Home Systems were not fully used. Although, the books with unused receipts were kept by the cashier in a safe under lock and key, the pages of the unused receipts were not recorded. Refer to Table 40.28 for details.

Table 40.28: Details of Receipt Books Used by the Ministry

Sequence	Used	Unused
511351-511400	511351-511388	511389-511400
511651-511700	511651-511657	511658-511700
511701-511750	511701-511705	511706-511750

- The Ministry paid for an outstanding account from 2013 in 2016 contrary to section 17.2.4 of the Ministry's 2016 Agency Finance Manual. Refer to Table 40.29 below for details.

Table 40.29: Outstanding account from 2013

Date	Payee	EFT No.	Invoice No.	Invoice Date	Particulars	Amount (\$)
5/7/16	Taubmans Paints	2808	SINV-030221 & SINV030222	29/8/13	Being payment for the purchase of 18 by 10 litre red paint for the works carried out by Industrial Marine Engineering Limited (IMEL) for the Barge Vualiku in 2013.	15,556 (VIP)

The above finding is an indication of the weaknesses in the internal controls in the Ministry which can result in misstatements in the financial reporting and fraud and misappropriation.

Recommendations

The Ministry should ensure that:

- **records relating to project works are properly maintained and provided for audit review;**
- **retirement of accountable advance are journalised correctly;**
- **receipt books for the Energy Trust Fund are used in numerical sequence and all unused receipts are properly recorded in a register; and**
- **current year's expenditures are settled within the current financial period and not carried forward to the next financial year.**

Ministry's Comments

Every month there is a meeting on Rural Electrification Projects with FEA and also the representatives from Ministry of Economy on the said projects. The monthly update on the Rural Electrification Projects is provided to the Ministry of Infrastructure & Transport for monitoring purposes.

The Trust Fund Receipt Books are used to receipt the Solar Rental Bills, Performance Bond, Connection Fees deposits of the department. The receipt book sequence numbers are not used sequentially as the Receipt Books are issued to Authorised Revenue collectors to collect the solar rental bills arrears in mainland and maritime zones. The collections are reconciled and lodged as per the receipts.

40.8.5 Payment of VAT from SEG 13 for Operating Grant

In line with Sections, 3(5) and (6) of the VAT Decree 1991; all grant monies are VAT inclusive; i.e. all grant recipients must meet the VAT from the allocation provided under SEG 6 and/or SEG 10. VAT is not provided under SEG 13.²⁶

The audit noted that the Ministry paid VAT from SEG 13 for the tendered shipping companies under the Shipping Franchise Scheme Program in SEG 6 contrary to Finance Circular 16/2010. The total VAT paid from SEG 13 for the Shipping Franchise Operating Grant Scheme for the period January – July, 2016 amounted to \$56,064. Refer to **Appendix 40.1** for details.

²⁶ Finance Circular No: 16/2010 – Clause 5.2

The finding indicates lack of proper monitoring and supervision by senior officers on the processing of payments by the Ministry.

As a result, SEG 6 has understated by \$56,064 while SEG 13 has been overstated by the same amount.

Recommendation

The Ministry should ensure that payment of VAT is made from the correct allocation.

Ministry's Comments

The audit recommendation is acknowledged.

The separation of VAT from SEG 6 and posting in SEG 13 was an inadvertent error as there were staff rotation in the Accounts Section and the incoming payments officers were not experienced in facilitating Shipping Franchise Scheme subsidy payments.

40.8.6 Anomalies in Revenue – Fiji Meteorological Services

The Cabinet on 16/08/05 approved that Airports Fiji Limited (AFL) reimburse Fiji Meteorological Services (FMS) 50% Meteorological Aviation costs of Nadi Terminal, Nausori International and En-route only and backdating to July 1997; and approved that a review to be funded by FMS of the structure of costs be undertaken and a contract should be entered into between FMS and AFL for the provision of weather services to the aviation industry with effect from January 2006.²⁷

AFL on 15/4/08 wrote a letter to FMS agreeing to pay \$50,000 per month until an independent study is carried out. The FMS from 2006 to 31/7/16 recorded arrears of revenue amounting to \$2,671,056 from AFL.

The audit noted that after a lapse of 11 years, FMS is yet to carry out a review of the cost structure with AFL and finalise the agreement for the provision of weather services.

The audit further noted variance in revenue from AFL amounting to \$103,710 for the period ended 31/7/16. The difference is due to a debit posting of \$86,957 and charging of VAT at 15% instead of 9% totalling \$16,753.

No supporting documents were provided for the debit posting of \$86,957.

The findings indicate non - compliance of the Ministry with Cabinet Decision on 16/08/05 and the lack of monitoring by senior officers of the Department. As a result, the revenue is understated by \$ 103,710 in the Statement of Receipts and Payments.

Recommendations

The Ministry should ensure that:

- **AFL complies with the Cabinet Decision and reimburse the FMS 50% of the costs of meteorological services provided;**

²⁷ Cabinet Decision CP (05)310 dated 16/8/05

- a review of the cost structure on the provision of meteorological services to the aviation industry is carried out; and
- revenue is correctly posted in the FMIS general ledger.

Ministry's Comments

The FMS is currently in a series of consultations with AFL in regards to the reimbursement of costs of meteorological services.

Currently, FMS is also working on a mutually agreed formula for determining the value of the meteorological services provided to AFL and to mutually agree on the cost to be reimbursed.

Once there is an agreement from both stakeholders, a submission will be made by the Ministry to Parliament for approval.

FMS is currently working on this review process.

The Ministry has conducted staff rotation exercise in 2016 which has seen improvements in the accounting and financial activities of FMS. In taking such measures, the Ministry ensures proper accounting processes and procedures are being exercised and any irregularities detected and regularised.

40.9 Head 41 – Water Authority of Fiji

40.9.1 Recurring Issue on Retention Funds from the Department of Water and Sewerage

Trust money is money that the agency is holding in trust. Trust money is to be kept in a separate bank account and accounted for separately from “public money” and “other money”.²⁸

The audit noted that the Ministry maintained retention money totalling \$1,161,883.81 deducted from the contractors engaged in water and sewerage projects in the Ministry's Operating Trust Fund account number 1-41201-85999-860101. As at 31/07/16, the Operating Trust Fund account had a balance of \$1,161,883.81 as retention money.

The retention money reflected in the Operating Trust Fund account were not supported by actual cash to pay off these liabilities. Furthermore, the audit noted that neither the contractors have made any claims for the payment of retention security nor does the Ministry have the supporting documents such as contract documents, completion certificates and progress certificates for the payment of security deposits.

The Department has been carrying forward these balances from the year 2009 and it is highly unlikely that these payments will be made in future as all records relating to the payments were not properly handed over to Water Authority of Fiji from the Department of Water. Although, the Ministry maintained a register for the receipt and payment of retention money, the audit could not ascertain the accuracy and correctness of the register as details pertaining to payments were not provided. Refer to **Appendix 40.2** for details.

²⁸ Ministry of Infrastructure and Transport, 2016 Agency Finance Manual, Section 15
Ministry of Infrastructure and Transport

As a result, the Operating Trust Fund account was over stated by \$1,161,883.81 as at 31/7/16.

Recommendation

The Ministry should liaise with the Water Authority of Fiji to locate the documents relating to the payment of retention deposit monies from the contractors.

Ministry's Comments

The department had consulted Ministry of Finance on maintaining of a separate bank account for the retention funds held. Ministry of Finance advised that this fund should be maintained in the Operating Trust because it is not an active monetary account. These funds were retained from payment made to the contractors as security which would have been paid to the contractors upon satisfactory completion of the project. Funds are released only when a Completion Report with all supporting documents is submitted by Water Authority of Fiji (WAF) to Director of Water and Sewerage confirming on the completion of the project. The funds maintained in this account were retained prior to the transition of WAF which continued after 2010. This retention security deposit is a non-cash deposit received from the contractors but instead is the sum retained from the contract sum which is payable to the Contractor after completion of the project and its defect liability period.

The sum of \$1,161,883.81 has been retained in Operating Trust under DWS which doesn't have any budgetary provision under 2015 Budget.

Current status: *The Ministry had submitted the request to transfer the liability of \$1,161,883.81 under Ministry of Economy which is pending for approval as this still appears under Ministry Accounts.*

40.10 Follow-up Issues

During the 2016 audit, the status of the matters reported in the previous year was followed up. These matters have remained outstanding as actions were yet to be taken by the Ministry to resolve them.

The status of outstanding issues is tabulated below:

Table 40.30: Follow-up on Previous Year Accounting and Control Anomalies

Issues	Recommendations	Current Status	Management's Proposed Action
TMA			
Department of Government Shipping Services			
<p>Anomalies in Maintenance of Tally Cards.</p> <p>The Department keeps 4 different types of stores which comprise of Office Supplies, Fuel and Lubricants, Repair and Maintenance materials and Docking and Maintenance materials.</p> <p>The Department did not maintain the tally cards for Office Supplies and Repair and Maintenance materials for the year 2015. The Department started maintaining the tally cards for these stores from the year 2016. The audit</p>	<p>The Department should ensure that tally cards are updated regularly to record movement of stores; and appropriate disciplinary action taken against those responsible for not performing their duties diligently.</p>	<ul style="list-style-type: none"> - Storeroom visit done on 11/1/17 - The storeroom does not have a storeman to look after the store items and update the tally cards. - Currently, one staff (marine engineer) is partly looking after the stores and updating the tally cards. - Tally cards are not up to date. Store items are taken out is recorded in the delivery book. From here the staff updates the tally cards. - Discussions with Director GSS revealed that the post has been advertised and interviews will be 	<p><i>The audit recommendations are noted. The Department will ensure that a Storeman is appointed to fill the vacant Storeman post to ensure regular update for movement of stores.</i></p>

Issues	Recommendations	Current Status	Management's Proposed Action
noted that the tally cards were not updated by the Departments storeman as of the date of audit on 31/3/16 for the Office Supplies, Fuel and Lubricants, Repair and Maintenance materials stores.		conducted by the end of this month.	
Department of Energy			
<p>No Delay Damages Charged for Delay in Project Completion.</p> <p>The GTB award the tender number CTN 68/2013 for construction of Electrical Overhead Grid Extension Works and Connection to 24hr Supply to Kadavu to PEL and Muana Hydro to EPCL for \$53,543.20 and \$510,416 respectively.</p> <p>The construction of Electrical Overhead Grid Extension Works and Connection to 24hr Supply to Kadavu and Muana Hydro project was to be completed by 31/08/14 and 31/07/14 respectively. A penalty charge of \$200 per day is to be incurred by the Contractor if any aspect of the work is not completed on time.</p> <p>The audit noted that as per the inspection report after the completion date the works were still in progress.</p> <p>The Department was not able to provide the actual completion date of the project and the completion certificate. However the DOE paid 90% of the project cost and the 10% retention sum to the contractor for Muana Grid Extension. In addition the DOE also paid 90% of the project cost to the contractor for Kadavu and Koro hydro Overhead grid project. The Department did not claim damages for the delay from both contractors.</p>	<p>Capital projects are properly planned and reviewed to avoid delays</p> <p>Delay damages are claimed from the contractors for works not completed as per the contract Terms and conditions of the contract are complied with at all times.</p>	<p>The delay is mainly for the late supply of materials from FEA who is a sole supplier.</p> <p>The delay is for the late supply of materials; the department is responsible for the supply of materials for the two project and not the contractors themselves.</p>	<i>No response provided.</i>
<p>Revenue Arrears for Solar Home System Scheme.</p> <p>The audit noted that the arrears of revenue for the Solar Home System Scheme fees were prepared up to 30/6/15 only. The Department was still in the process of updating the arrears records. The Department's arrears of</p>	<p>Update its arrears records on a monthly basis to fairly represent arrears of revenue; and</p> <p>Ensure that concerted effort is made to recover the arrears to avoid write offs.</p>	<p>As of the date of audit on 20/1/17, the Ministry was yet to update the arrears of revenue for Solar Home Systems.</p>	<i>No response provided.</i>

Issues	Recommendations	Current Status	Management's Proposed Action
<p>revenue for the Solar Home System Scheme as at 30/6/15 was \$548,124.</p> <p>In addition out of the total arrears of revenue \$548,124 for Solar Home System Scheme as at 30/6/15 the Department managed to recover only \$155,447.80 or 28% as at 30/1/16. A balance of \$392,676.20 or 72% of the total arrears of \$548,124 was yet to be recovered by the Department as at 31/1/16.</p>			

APPENDIX 40.1: DETAILS OF SHIPPING FRANCHISE COSTS PAID FROM SEG 13

Shipping Route	Tendered Company	Cheque No.	Payment Allocation to SEG 13 (\$)
Upper Southern Lau	Company A	1989	1,073.39
		2077	1,073.39
		2010	1,073.39
		2094	1,073.39
		2133	1,073.39
		2196	1,073.39
		2213	1,073.39
Northern Lau	Company B	2037	1,486.24
		2154	1,486.24
		2209	1,486.24
	Company C	2039	1,486.24
		2133	1,486.24
		2196	1,486.24
		2248	1,486.24
Lower Southern Lau	Company D	2038	1,486.24
		2155	1,486.24
		2189	1,486.24
		2239	1,486.24
Rotuma	Company E	2037	2,064.22
		2154	2,064.22
		2209	2,064.22
Northern Eastern Vanua Levu	Company F	1985	1,114.68
		2077	1,114.68
		2133	1,114.68
		2213	1,114.68
Yasawa	Company G	2078	577.98
		2078	577.98
		1995	577.98
		2019	577.98
		2203	577.98
Yasayasa Moala	Company H	2076	908.26
		1996	908.26
		2240	908.26
	Company I	2133	908.26
	Company J	2129	908.26
		2129	908.26
		2209	908.26
Kadavu	Company K	1984	743.12
		2076	743.12
		2020	743.12
		2132	743.12
		2216	743.12
		2240	743.12
		2247	743.12
	Company L	2196	743.12
Lomaiviti	Company M	1988	908.26
		2048	908.26

Shipping Route	Tendered Company	Cheque No.	Payment Allocation to SEG 13 (\$)
		2075	908.26
		2130	908.26
		2204	908.26
		2212	908.26
		2239	908.26
TOTAL			\$56,064.25

Section 49 Peacekeeping Missions

Roles and Responsibilities

Peacekeeping Missions

The Fiji Military Forces and Fiji Police Force contributes troops to successive international peacekeeping operations for the United Nation (UN) sanctioned missions (United Nations Disengagement Observer Force, United Nations Assistance Mission for Iraq, Multinational Force and Observers) in Syria, Iraq and Sinai.

The UN Security Council mandate for peacekeeping operations calls for security personnel deployed to conflict zones under UN authority to

- maintain or restore international peace and security;
- disengage the conflict parties;
- create conditions for peaceful settlement of a conflict;
- monitor ceasefire peace agreements; and
- render humanitarian assistance to civilian population in the area of deployment.

Table of Contents

PART A: FINANCIAL STATEMENT	1
49.1 Audit Opinion.....	1
49.2 Statement of Receipts and Expenditure.....	1
49.3 Appropriation Statement	2

PART A: FINANCIAL STATEMENT

49.1 Audit Opinion

The audit of the 2016 accounts of the Department of Peacekeeping Mission resulted in an unqualified audit opinion. However, Management's attention was drawn to the following:

- The Peacekeeping Mission 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 Instruction 2010.

49.2 Statement of Receipts and Expenditure

The Department of Peacekeeping Mission incurred expenditure totalling \$41,760,365 for the seven months period ended 31 July 2017. Refer Table 49.1 for details.

Table 49.1: Statement of Receipts and Expenditure for 2016

Description	2016 (\$)	2015 (\$)
RECEIPTS		
State Revenue	---	---
Total State Revenue	---	---
Agency Revenue	---	---
Miscellaneous	---	---

Description	2016 (\$)	2015 (\$)
TOTAL RECEIPTS	---	---
EXPENDITURE		
Operating Expenditure		
Established Staff	39,524,162	66,632,091
Government Wage Earners	---	---
Travel & Communications	119,031	159,635
Maintenance & Operations	27,354	38,152
Purchase of Goods & Services	1,674,140	1,109,406
Operating Grants & Transfers	---	---
Special Expenditures	247,280	476,610
Total Operating Expenditure	41,591,967	68,415,894
Capital Expenditure		
Capital Construction	---	---
Capital Purchase	---	---
Total Capital Expenditure	---	---
Value Added Tax	168,398	195,494-
TOTAL EXPENDITURE	41,760,365	68,611,388

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 Purchases of Goods and Services in 2016 was due to procurement of clothing, uniform and footwear for officers deployed for overseas mission during the period.

49.3 Appropriation Statement

The Department of Peacekeeping Mission incurred expenditures totalling \$41,760,365 in 2016 against a revised budget of \$78,972,275 resulting in a significant savings of \$37,211,910 or 47%. 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 expenditures against the budget estimates are provided in Table 49.2.

Table 49.2: Appropriation Statement for 2016

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	72,574,879	---	72,574,879	39,524,162	33,050,717
2	Government Wage Earners	---	---	---	---	---
3	Travel & Communications	122,758	1,000	123,758	119,031	4,727
4	Maintenance & Operations	180,146	(1,000)	179,146	27,354	151,792
5	Purchase of Goods & Services	3,264,192	---	3,264,192	1,674,140	1,590,052
6	Operating Grants & Transfers	---	---	---	---	---
7	Special Expenditures	2,302,200	---	2,302,200	247,280	2,054,920
	Total Operating Costs	78,444,175	---	78,444,175	41,591,967	36,852,208
	Capital Expenditure					
8	Capital Construction	---	---	---	---	---
9	Capital Purchases	---	---	---	---	---
10	Grants & Transfers	---	---	---	---	---
	Total Capital Expenditure	---	---	---	---	---

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
13	Value Added Tax	528,100	---	528,100	168,398	359,702
	TOTAL EXPENDITURE	78,972,275	---	78,972,275	41,760,365	37,211,910

