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# REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

## Volume 4

### Audit Report on the Economic & Infrastructure Sector

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EXCELLENCE IN PUBLIC SECTOR AUDITING

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Excellence in Public Sector Auditing



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File: 102

17<sup>th</sup> March 2017

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

Dear Dr. Luveni

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## AUDIT REPORT ON GOVERNMENT MINISTRIES AND DEPARTMENTS 2015

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In accordance with section 152 (13) of the Constitution, I am pleased to transmit to you my report on the audit of Government Ministries and Departments of the Republic of Fiji for the year ended 31 December 2015.

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

Ajay Nand  
AUDITOR-GENERAL



# Foreword

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The 2015 accounts of Whole of Government of Republic of Fiji together with 37 Ministries and Departments were audited during 2015, with their audit reports and relevant findings on them reported in accordance with section 152 of 2013 Constitution of Republic of Fiji.

The audit of Whole of Government 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 and sections 46 and 47 of the Financial Management Act 2004.

However, emphasis has been made on the need to include accounts of controlled entities with those of government ministries and departments. In addition, variances between bank reconciliation statements and their respective general ledger accounts for Trust Fund, Trading and Manufacturing Activities, Overseas Missions bank accounts and Drawings accounts, need to be rectified.

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 off 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 Whole of Government financial statements, the appropriation statement of the Republic of Fiji and my opinion expressed on them for the year ended 31 December 2015.

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

A total of 37 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 20 financial statements while audit reports on 17 financial statements were qualified on the following grounds:

- Variances were noted between reconciliations prepared by Ministries and Departments and FMIS Ledger maintained by Ministry of Finance;
- Board of Survey was not carried out;
- Financial transactions were not recorded in the FMIS Ledger;
- Amounts reflected in Trust and Trading Manufacturing Accounts were not fully supported;
- Funds in approved budget estimates for 2015 were used for trust account expenditures; and
- Independent stock take was not done.

### ***Expenditure planning***

Ministries and Departments concentrated spending of their budgets towards the end of 2015 (December) hence indicating lack of proper financial planning during the year. This contributed to significant un-presented cheque balance at the end of the year placing undue strain on government cash flows at the beginning of 2016.

### ***Public debt***

At the end of 2015, the percentage of national debt relative to GDP was 46%, a decrease of 2% when compared to 48% 2014. In addition, percentage growth in Government debt was less than the percentage growth in the economy indicating a slight decrease in debt burden of individuals in 2015.

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***

Root cause analysis is defined as the identification of why an issue (error, problem, missed opportunity or instance of non-compliance) occurred which is reported as audit findings in audit reports.

Analysis of audit findings reported in *Volumes 1 – 4 of the 2015 Audit Reports* indicate the following as key causes to the issues highlighted:

- **People**
  - Inability to prepare reconciliations, investigate and rectify variances
  - Supervision of work of subordinates
  - Inability to manage capital projects
  - Procurement processes not followed
  - Payment procedures not followed
  - Diversion of funds
  - Conflict of interest not managed
  - Records not updated
- **Processes**
  - Delay in approval of capital projects
  - Procedures for debt recovery not effective
  - Policies need to be formulated in some areas
- **Systems**
  - Automated inventory management systems not used

It was evident from the audit that, apart from taking surcharge action for losses incurred, Ministry of Finance was not able to control the performance of accounting officers based in Ministries and Departments. Therefore, it is imperative that Heads of Ministries and Department carry out detailed analysis of the audit reports and take proactive action to address people issues either through capacity building or disciplinary process for non-performance or non-adherence to established policies and procedures.

In respect of processes, more concerted efforts need to be taken to streamline processes enabling quicker completion of capital projects so that intended benefits are realized as soon as possible. Greater use of information technology systems will eliminate manual inventory control which is susceptible to errors and omissions and fraud.

Unless appropriate action is taken to address the root-causes discussed above, repeat audit issues will continue to be the highlight of audit reports.



Ajay Nand  
**AUDITOR GENERAL**



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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 Finance
5.                  Ministry of i-Taukei Affairs
6.                  Ministry of Immigration, National Security and Defence
7.                  Ministry of Employment, Productivity and Industrial Relations
8.                  Ministry of Foreign Affairs
9.                  Office of the Auditor General
10.                Elections Office
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18.                Ministry of Rural and Maritime Development and National Disaster Management
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**Section 30****Ministry of Agriculture****Role and Responsibility**

The Ministry of Agriculture is responsible for maintaining food security through the provisions of extension and research services both for livestock and crops, quick economic recovery through the implementations of Demand Driven Approach Programmes and other commodity projects, assisting in poverty alleviation by building capacity of farmers to increase productions, and sustainable management of natural resources through the flood protection programmes and other sustainable land management practices.

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**PART A: FINANCIAL STATEMENT****30.1 Audit Opinion**

The audit of the 2015 accounts of the Ministry of Agriculture resulted in the issue of a qualified audit report. The qualifications were as follows:

**Trading and Manufacturing Account**

- Included in the Trading and Manufacturing Account (TMA) Balance Sheet is Deposits & Retention of \$22,113. It was not possible during audit to verify the amounts as the Ministry did not provide appropriate audit evidence to support the balance. As a result, the accuracy and completeness of liability in the Trading and Manufacturing Account as at 31 December 2015 could not be determined..
- Included in the TMA Trading Account is Closing Stock of Finished Goods of \$709,078. It was not possible during audit to determine the accuracy and completeness of Closing Stock of Finished Goods as the Ministry did not carry out an independent stock take for the year ended 31 December 2015. Alternative audit procedures could not be performed to confirm this balance.
- There is an unreconciled variance amounting to \$263,038 between the FMIS General Ledger cash balance and the TMA bank reconciliation statement. As a result, it was not possible to determine during audit, the accuracy and completeness of the TMA Cash at bank balance of \$394,430 as at 31 December 2015.

**Trust Fund Account**

- The closing balance of the Trust Account Statement of Receipts and Payments of \$456,998 did not correspond to the Cash at Bank FMIS general ledger balance of \$968,582. Accordingly, it was not possible to determine the accuracy and completeness of the Main Trust Fund balance as at 31 December 2015.

**Statement of Loss**

- The Ministry did not carry out a Board of Survey for 2015. In the absence of a Board of Survey Report, the losses of fixed assets, if any, that occurred during the year could not be substantiated. Furthermore, the Ministry's loss report for 2015 did not include losses for the months of January to June. Consequently, it was not possible to verify the accuracy and completeness of the Statement of Losses.

**30.2 Statement of Receipts and Expenditure**

The Ministry of Agriculture collected revenue totalling \$590,964 and incurred total expenditure of \$52.58 million in 2015. Details are shown in Table 30.1 below.

**Table 30.1: Statement of Receipts and Expenditure**

Description	2015 (\$)	2014 (\$)
Agricultural produce & inspection fees	92	2,345
Registration	3,954	4,845
License	75,359	60,427
Water Charges	1,169	4,380
Rental	59,269	80,495
Revenue from rest house	12,520	6,736
Commission	24,738	13,790
Meat Inspection	23,635	20,484
Veterinary & Animal Quarantine	13,865	32,470
Sale of produce	44,763	97,665

Description	2015 (\$)	2014 (\$)
Sale of sheep and wool	33,872	0
Overpayment recoveries	37,335	0
Rural Electrification	1,629	0
Miscellaneous revenue	258,764	293,771
<b>TOTAL REVENUE</b>	<b>590,964</b>	<b>617,408</b>
Established staff	13,336,531	13,143,921
Government wage earners	5,704,307	6,001,018
Travel & communication	747,722	813,229
Maintenance & operations	2,001,578	2,291,822
Purchase of goods & services	608,131	1,078,682
Operating grants & transfers	1,810,254	3,680,398
Special expenditures	2,037,870	1,252,880
<b>Total Operating Expenditures</b>	<b>26,246,393</b>	<b>28,261,950</b>
Capital construction	15,925,337	17,707,996
Capital purchases	389,914	325,847
Capital grants & transfers	6,992,224	7,295,128
<b>Total Capital Expenditures</b>	<b>23,307,475</b>	<b>25,328,971</b>
Value added tax	3,021,994	3,480,184
<b>TOTAL EXPENDITURES</b>	<b>52,575,862</b>	<b>57,071,105</b>

Total Revenue collected dropped by \$26,444 or 4% in 2015 mainly due to the enforcement of the rent deduction percentage from 8% to 4%.

The decrease in total expenditure by \$4.49 million or 8% in 2015 compared to the previous year resulted mainly from the following:

- Decrease in government wage earners by \$296,711 or 5% compared to 2014. The decrease is a direct result in the prudent management of overtime and related compensation.
- Operating Grants and Transfers expenditure decreased by \$1,870,144 or 51% as a result of the reduction in the budget for SEG 6. Biosecurity Authority of Fiji grants of \$1.6 million was reduced from the 2015 budget Authority.
- Capital Construction expenditure decreased by \$1,782,659 or 10% in 2015 mainly due to difficulty faced by officers in trying to implement capital programs. Problems such as difficulties in obtaining reputable companies to provide services specifically in projects where construction of farm roads and repair and maintenances of quarters are involved and the delay from the suppliers due to non-availability of required materials.
- Capital Grants and Transfers decreased by \$302,904 or 4% in 2015 compared to 2014. It was mainly attributed to delay in the implementation of the Land Clearing Project and Beef Multiplication Program.

### 30.3 Appropriation Statement

The Ministry incurred expenditures totalling \$52.58 million against the budget of \$64.97 million resulting in savings of \$12.39 million. Details of expenditures against the budget estimates 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	14,162,446	-	14,162,446	13,336,531	825,915
2	Government wage earner	6,112,800	-	6,112,800	5,704,307	408,493
3	Travel and communications	791,377	-	791,377	747,722	43,655
4	Maintenance & operations	2,170,340	-	2,170,340	2,001,578	168,762
5	Purchase of goods & services	704,800	-	704,800	608,131	96,669
6	Operating grants & transfers	2,221,000	-	2,221,000	1,810,254	410,746
7	Special expenditures	2,339,980	-	2,339,980	2,037,870	302,110
	<b>Total Operating Expenditure</b>	<b>28,502,743</b>	<b>-</b>	<b>28,502,743</b>	<b>26,246,393</b>	<b>2,256,350</b>
8	Capital construction	22,086,000	-	22,086,000	15,925,337	6,160,663
9	Capital purchases	920,000	-	920,000	389,914	530,086
10	Capital grants & transfers	9,130,000	-	9,130,000	6,992,224	2,137,776
	<b>Total Capital Expenditure</b>	<b>32,136,000</b>	<b>-</b>	<b>32,136,000</b>	<b>23,307,475</b>	<b>8,828,525</b>
13	Value added tax	4,333,488	-	4,333,488	3,021,994	1,311,494
	<b>TOTAL EXPENDITURE</b>	<b>64,972,231</b>	<b>-</b>	<b>64,972,231</b>	<b>52,575,862</b>	<b>12,396,369</b>

### 30.4 Trading and Manufacturing Account

**Table 30.3: Manufacturing Account**

Details	2015 (\$)	2014 (\$)
Opening raw material	---	---
Add: Purchases	1,035,006	1,122,045
	<b>1,035,006</b>	<b>1,122,045</b>
Less: Closing raw material	---	---
<b>Raw material used</b>	<b>1,035,006</b>	<b>1,122,045</b>
Add: Direct labor	7,858	15,071
<b>Cost of manufacturing goods transferred to trading account</b>	<b>1,042,864</b>	<b>1,137,116</b>

**Table 30.4: Trading Account**

Details	2015 (\$)	2014 (\$)
<b>Sales</b>	<b>1,239,504</b>	<b>1,295,692</b>
Opening stock of finished goods	1,014,577	1,058,578
Add: Cost of manufactured goods	1,042,864	1,137,116
	<b>2,057,441</b>	<b>2,195,694</b>
Less: Closing stock of finished goods	709,078	1,014,577
<b>Cost of finished goods sold</b>	<b>1,348,363</b>	<b>1,181,117</b>
Add: Other Income	773	---

Details	2015 (\$)	2014 (\$)
<b>Gross (Loss)/profit</b>	<b>(108,086)</b>	<b>114,575</b>

**Table 30.5: Profit & Loss Statement**

Details	2015 (\$)	2014 (\$)
<b>Income</b>		
Gross Profit transferred from Trading Account	(108,086)	114,575
<b>Total Income</b>	<b>(108,086)</b>	<b>114,575</b>
<b>Expenses</b>		
Travelling & communication expenses	8,672	39,495
Maintenance & operation	281,478	339,284
Other expenses	42,089	153,846
<b>Total Expense</b>	<b>332,239</b>	<b>532,625</b>
<b>Net Loss</b>	<b>(440,325)</b>	<b>(418,050)</b>

**Table 30.6: Balance Sheet**

Details	2015 (\$)	2014 (\$)
<b>Equity</b>		
TMA Surplus Capital Retained	1,845,486	2,263,536
Net Loss for the year	(440,325)	(418,985)
TMA Surplus transferred to Consolidated Fund	(23,727)	220,629
Write Off	(255,813)	---
<b>Total Equity</b>	<b>1,125,621</b>	<b>2,065,180</b>
<b>Assets</b>		
Cash	394,430	1,031,806
Accounts receivable	---	18,797
Finished goods	709,078	1,014,577
<b>Total Assets</b>	<b>1,103,508</b>	<b>2,065,180</b>
<b>Liability</b>		
Deposits & Retention	(22,113)	---
<b>Total Liabilities</b>	<b>(22,113)</b>	<b>---</b>
<b>Net Assets</b>	<b>1,125,621</b>	<b>2,065,180</b>

### 30.5 Trust Fund Accounts

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

Details	2015 (\$)	2014 (\$)
Retention money	269,813	656,559
<b>Total Receipts</b>	<b>269,813</b>	<b>656,559</b>

Details	2015 (\$)	2014 (\$)
Retention money	203,063	589,809
<b>Total Payments</b>	<b>203,063</b>	<b>589,809</b>
<b>Surplus/(Deficit)</b>	<b>66,750</b>	<b>66,750</b>
Opening balance at 1 January	390,248	323,498
<b>Closing balance as at 31 December</b>	<b>456,998</b>	<b>390,248</b>

## PART B: AUDIT FINDINGS

### 30.6 Anomalies noted in the Trading and Manufacturing Account

The Accounting Head shall appoint two stocktake officers, one of whom is independent of the inventory function, to undertake a stocktake of all inventories at least once a year.<sup>1</sup> The stocktake report shall be signed by the stocktake officers and submitted to the Accounting Head together with the stocktake sheets.<sup>2</sup>

Divisional Accountants, Assistant Accounts, Clerks and Recorders shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>3</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>4</sup> The ledger reconciliation statement shall be forwarded to the Senior Accountant (Operations) weekly. The Divisional Accountants, Assistant Accounts, Clerks and Recorders must ensure that:

- I. All balances are accurate and adequately supported; and
- II. Any misallocations or outstanding balances from the previous month have been journalised to the correct allocation code.<sup>5</sup>

Included in the Trading and Manufacturing Account (TMA) Balance Sheet is Deposits & Retention of \$22,113. 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.

In addition, reliance on the Ministry's stock take balance of \$709,077.85 is limited as the stock takes were not independently carried out; the stock take was done by officers directly involved in maintaining and accounting for the stock without an independent supervision. There was no evidence to indicate officials from Ministry Economy participated in the stock take.

As a result, audit was not able to ascertain the correctness of these amounts.

There is also potential risk for mismanagement due to ineffective controls and lack of supervisory checks in the TMA operations. Unless resolved, the issue will continue to affect the TMAs in subsequent years.

<sup>1</sup> Pro – forma Finance Manual 2011 – Section 8.3.1

<sup>2</sup> Pro – forma Finance Manual 2011 – Section 8.3.4

<sup>3</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.3

<sup>4</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.4

<sup>5</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.6

## **Recommendations**

### **The Ministry should:**

- **maintain proper records and provide evidence to substantiate amounts and balances reported in its Trading and Manufacturing Accounts.**
- **should ensure that proper reconciliations are carried out and any errors or omissions are promptly investigated and rectified.**
- **the internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**
- **annual stock take must be conducted by Officers who are independent from the operation of TMA stock.**

## **Ministry's Comments**

*Audit comment is noted.*

*The Ministry is now updating its records in order to provide evidence to substantiate accounts and balances for its Trading & Manufacturing Accounts.*

*In an effort to ensure that proper records are maintained and reconciliation is updated, we have now appointed an assistant accounts officer to look after TMA.*

*For the amount of \$22,113 that is highlighted in the report, is the difference between the VAT charges for provision of goods and service and VAT charges on revenue. We are working closely with the Asset Management Unit, Ministry of Economy in trying to clear this amount by end of 2016/2017 financial year.*

*The MOA Accounts team that directly involved in maintaining the TMA now is not charging Vat on any TMA transaction as TMA is exempted from paying VAT as per Ministry of Economy Circular 11/2012.*

*Independent members have been included in the annual stock stake conducted.*

*As for the issue of TMA Annual Stocktake, the 2015 stocktake team includes an officer from the Ministry of Economy as an independent member.*

## **30.7 Errors in TMA Bank Reconciliation**

The Assistant Accounts Officer (AAO – Ledgers) and the Bank Reconciliation Clerk shall prepare a bank reconciliation within 5 days of the end of the month. Details of un-presented cheques and other reconciling items should be attached to the reconciliation statement. Once the bank reconciliation is prepared, it should be signed and dated by the Bank Reconciliation Clerk and AAO (Ledgers) and submit to Ministry of Finance through Senior Accounts Officer (Operations). The AAO (Ledgers) must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.<sup>6</sup>

All bank accounts must be reconciled monthly. The bank reconciliation shall list all outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>7</sup> The Principal

<sup>6</sup> Ministry of Agriculture – Finance Manual 2011 – Section 7.4.7 to 7.4.10

<sup>7</sup> Finance Instructions 2010 – Section 32(6)

Accountant shall appoint three officers to be part of a Board of Survey to conduct a physical stock-take of all money on hand and other stock held in safes.<sup>8</sup>

Review of the Ministry's monthly TMA bank reconciliation revealed the following discrepancies:

- Board of Survey was not conducted at the end of the year for the TMA cash on hand balance.
- A variance of \$263,038 was noted between the cash at bank balance of \$657,468 as per bank reconciliation statement and the cash balance as per general ledger (FMIS) of \$394,430 as at 31 December 2015.
- Unpresented cheques totaling \$87,281.89 in bank reconciliation statement as at 31 December 2015 included a stale cheque (cheque No. 843101) of \$7,907 resulting in the bank reconciliation balance at the end of the year being understated.
- A TMA Bank Balance of \$7,877 (allocation 4-30351-30999-540301) is included in the FMIS under the overall TMA Bank Balance of \$394,430. The details of this bank account were not made available to audit.

Failure to carry out proper bank reconciliations increases the risk of misappropriation and mismanagement of funds. It also indicates lack of independent checks and verifications by the Accounts Section to ensure the correctness of the reconciliation prior to certification.

### **Recommendations**

**The Ministry should ensure:**

- **that the responsibility of carrying out bank reconciliations is given to Senior Accounting Officers having adequate knowledge of the bank reconciliation process.**
- **that internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies from recurring.**

### **Ministry's Comments**

*Audits comment is noted.*

*The variances of \$263,038 between the cash at bank balance and FMIS balance is basically the unsubstantiated figures from previous years.*

*We have requested a write-off amounting to \$255,813 in 2015 and this was approved in the same year. The Ministry is currently working with the Ministry of Economy Assets Management team in trying to rectify the balance. The balance of \$7225 is in the process of being cleared this will be reflected in the 2016 Financial Report. The amount of \$7877 as TMA balance under allocation 4-30351-30999-540301, of this amount, \$5971.55 was posted in 2013 being Post Masters pay in for Taveuni during the 2013 financial year and the balance is the amount lodged by our Taveuni office to BSP CFA bank account in 2014 financial year. The officer concerned has been advised not to deposit TMA revenue to BSP account but to lodge revenue pay in to Post Fiji. The outstanding amount of \$7877 will be cleared by the end of 2016/2017 financial year.*

*An Assistant Account Officer is now in charge of carrying out bank reconciliation for TMA and IS based at the Headquarters Accounts Section.*

<sup>8</sup> Ministry of Agriculture – Finance Manual 2011 – Section 7.2.1  
Ministry of Agriculture



### 30.8 LWRM Trust Fund Account

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

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. 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.<sup>10</sup>

Audit review of the Land Water Resource Management (LWRM) and Land Resettlement Planning and Development (LRPD) records revealed the following anomalies:

- The FMIS division of the Ministry of Finance has been independently conducting reconciliation of the Ministry True Trust account in 2015. However, the latest reconciliation prepared was up to only October 2015.
- A variance of \$16,397 was noted between Main Trust Fund account general ledger (FMIS) balance (Account No: 9-30101-30065-895012) and the Trust Account Cash at Bank general ledger (FMIS) balance (Account No: 9-30101-30065-520301) as at 31 December 2015. Refer to Table 30.8 for details.

**Table 30.8: Variance in MAIN Trust Fund Account FMIS balance And the FMIS Cash at Bank Balance**

Particulars	Amount (\$)
FMIS Cash at bank balance	968,582
FMIS Trust Fund Account	952,185
<b>Variance</b>	<b>16,397</b>

- The closing balance of the Trust Account Statement of Receipts and Payments of \$456,998 did not correspond to the Cash at Bank FMIS general ledger balance of \$968,582.
- Retention fund ALTA lease (9-30101-30075 895013) had a balance of \$2,530. The Ministry failed to provide any documentary evidence to support this balance. It was also noted that this account is not reflected in the Ministry's Agency Financial Statement as a Main Trust Fund. In addition, there was no movement made within the year and it could not be determined whether the allocation is still in operation or not.

As a result of the above anomalies, audit was not able to substantiate the accuracy of the Main Trust Fund Account Statement of Receipts and Payments for the year ended 31 December 2015.

#### **Recommendations**

**The Ministry should ensure:**

- **monthly reconciliation process is strengthened to mitigate the various issues highlighted above.**
- **that errors and discrepancies identified during the reconciliation process are corrected promptly. Ministry of Economy assistance should be sought where necessary.**

<sup>9</sup> Finance Instructions 2010 – Section 32 (6)

<sup>10</sup> Finance Instructions 2010 – Section 58 (2& 3)

- **That proper books of account are maintained and provided for audit when requested.**

### **Ministry's Comments**

*Audit comment is noted, we are currently working with the FMIS unit of the Ministry of Economy to try and rectify this problem.*

*The variance highlighted by the audit is the result of inter funding from previous years and this was not detected early because no proper reconciliation was done in previous years.*

*We have requested FMIS to assist us in reconciling this account and we have rectified the anomalies in 2016 financial year.*

## **30.9 Statement of Losses**

Each agency must include in its annual financial statement a statement of losses.<sup>11</sup>

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 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.<sup>12</sup> Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.<sup>13</sup> All assets which are not accounted for in the board of survey must be investigated to determine the appropriate recovery or write-off action.<sup>14</sup>

All agencies must maintain a Fixed Asset Register until the asset module of the financial management information system is implemented. Details to be recorded in the asset register should include, at a minimum –

- (a) description;
- (b) cost or fair value;
- (c) date of acquisition, where known;
- (d) make, model and identification number, where applicable; and
- (e) location.<sup>15</sup>

Assets whose value is between \$200 and \$2,000 must also be recorded in an Expendable Items Register.<sup>16</sup>

The following anomalies were noted regarding the maintenance of fixed assets record and the submission of Statement of losses:

- The Ministry did not carry out a Board of Survey (BOS) for 2015.
- The Statement of Losses was submitted for audit for the year 2015. However, audit noted that the Statement of Losses only reflected the losses relating to sheep from Batiri Station only. For presentation purpose of the Ministry's Statement of Losses, audit only managed to compile the

<sup>11</sup> Finance Instructions 2010 – Section 71 (1) (f)

<sup>12</sup> Finance Instructions 2010 – Section 49 (1)

<sup>13</sup> Finance Instructions 2010 – Section 49 (2)

<sup>14</sup> Finance Instructions 2010 – Section 49 (3)

<sup>15</sup> Finance Instructions 2010 – Section 46 (2)

<sup>16</sup> Finance Instructions 2010 – Section 46 (3)

losses for the months of July to December. In addition, losses from the month of January to June 2015 were not provided for audit verification. Thus the Statement of Losses provided in the Agency Financial Statement has been understated. In addition, the Statement of Losses did not reflect losses to other fixed assets. Refer to Table 30.9 below for recorded livestock losses during the six month period from July to December 2015:

**Table 30.9: Summary of Livestock Losses for Six Month Period 2015**

<b>Livestock Commodity</b>	<b>Amount (\$)</b>
Sheep	7,008
Pig	525
Cattle	1,250
Goat	1,274
Chicken	4,109
<b>Total</b>	<b>14,166</b>

Similar audit findings have been raised in previous years. These demonstrate lack of competence to follow procedures and ineffective supervisory checks over the control and safeguard of government property.

Ineffective controls on the management of fixed assets (property, plant & equipment) increases the risk of loss of assets through misappropriation or theft.

### **Recommendations**

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

- ensure that all property, plant and equipment purchased by the Ministry are properly recorded in the FAR.
- ensure that a Board of Survey is carried annually to take stock of all its assets and update the fixed assets records.
- investigate the cause of significant delay in carrying out the Board of Survey and take necessary action against responsible officers.
- ensure that monthly Losses Reports are maintained and made available for audit purposes.

### **Ministry's Comments**

*Audit comment is noted.*

*The ministry has set up an Asset Management Unit (AMU) and one of their primary responsibilities is to make sure that Annual Board of survey is carried out every year. The Ministry carries out its Board of Survey to take stock of its Fixed Asset.*

*The unit has also opened a loss report register where by monthly losses are recorded.*

## **30.10 Revolving Fund Account**

Divisional Accountants, Assistant Accounts, Clerks and Recorders shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>17</sup> Any errors or

<sup>17</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.3  
Ministry of Agriculture

misallocations must be immediately adjusted by way of journal vouchers.<sup>18</sup> The ledger reconciliation statement shall be forwarded to the Senior Accountant (Operations) weekly. The Divisional Accountants, Assistant Accounts Officer, Clerks and Recorders must ensure that:

- I. All balances are accurate and adequately supported;
- II. Any misallocations or outstanding balances from the previous month have been journalized to the correct allocation code.<sup>19</sup>

An accountable advance will not be approved if an officer had taken an earlier advance and has not been cleared.<sup>20</sup> A *travelling officer* shall retire the accountable advance within seven days of completing travel by submission of an acquittal report with supporting documents.<sup>21</sup>

If an advance has not been fully expended, the *travelling officer* must repay the balance within seven days of completing travel.<sup>22</sup> Where an advance has not been acquitted within seven days after return from official travel, the AAO payments shall inform AAO (Salaries/Wages) to effect recovery of unretired amount with an interest of 12% per annum, through a salary deduction from the concerned officer's salary within six (6) fortnights.<sup>23</sup>

The Ministry of Agriculture's Revolving Fund Account (RFA) - Miscellaneous balance for 2015 constituted all balances appearing in the general ledger (FMIS) under accounts receivables (SAG 560000), prepayments and clearing accounts (SAG 570000) and accounts payable (SLG 840000).

Our review of the RFA – Miscellaneous, Inter Departmental Clearing and Imprest accounts records revealed the following anomalies:

- **Non-preparation of Reconciliations**

Audit noted that monthly reconciliations for the following accounts were not up-to-date. Refer to Table 30.10 below for details.

**Table 30.10: RFA, IDC and Imprest Balances**

Allocation	Description	Amount (\$)	Reconciliation Status*
1-30101-30101-560203	AR Individuals	33,255.87	April
1-30101-30101-570301	Advances	10,028.97	October
1-30000-30000-840101	AP Trade – Government Department & Agencies	(1,228,864.48)	October
1-30000-30000-840102	AP Trade - Companies	(28,271.03)	October
1-30000-30000-840602	Withholding Tax Payable	(164,125.44)	October

\* Status - the last monthly reconciliation prepared as per date of audit

Furthermore the Ministry's Inter Departmental Clearing and Imprest account reconciliation was prepared up to the month of September and October, respectively. However, both have nil balances at year end.

- Due to the issues stated above, audit was not able to substantiate the general ledger (FMIS) balances as at 31 December 2015.

<sup>18</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.4

<sup>19</sup> Ministry of Agriculture – Finance Manual 2011 – Section.16.3.6

<sup>20</sup> Ministry of Agriculture – Finance Manual 2011 – Section 10.1.6

<sup>21</sup> Ministry of Agriculture – Finance Manual 2011 – Section 10.1.12

<sup>22</sup> Ministry of Agriculture – Finance Manual 2011 – Section 10.1.13

<sup>23</sup> Ministry of Agriculture – Finance Manual 2011 – Section 10.1.15

In the absence of proper records/explanations, it is difficult to authenticate the accuracy of balances appearing under the respective allocations in the FMIS general ledger.

### **Recommendations**

**The Ministry should ensure:**

- **monthly reconciliation process is strengthened;**
- **all Accountable advances are retired within seven days of completion of travel; and**
- **that all the relevant supporting documents for all RFA accounts are properly maintained and produced for audit scrutiny.**

### **Ministry's Comments**

*Audit comment is noted.*

*Monthly reconciliation of Revolving Fund Account is implemented. Most of the advances have been retired. The ministry has strengthened its reconciliation by making sure that any posting done into the FMIS is properly documented and also supporting documents are properly filed.*

## **30.11 Operating Trust Fund Account**

Divisional Accountants, Assistant Accounts, Clerks and Recorders shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>24</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>25</sup>

The ledger reconciliation statement shall be forwarded to the Senior Accountant (Operations) weekly. The Divisional Accountants, Assistant Accounts Officer, Clerks and Recorders must ensure that:

- I. All balances are accurate and adequately supported;
- II. Any misallocations or outstanding balances from the previous month have been journalized to the correct allocation code.<sup>26</sup>

Operating trust fund comprise superannuation contributions (FNPF), Tax Arrears/PAYE, Fines, Government Water Rates Charges and other credit union savings, which are not to be overdrawn at any time. By its nature, Operating Trust Fund Accounts should have credit balances.

Our review of the Operating Trust Fund Accounts records revealed the following anomalies:

Audit noted that the Operating Trust Fund Account reconciliations prepared were up to October 2015 only. As a result, it was not possible to substantiate the balance of \$230,422 as at 31/12/15. Refer to Table 30.11 below for details.

**Table 30.11: Operating Trust Fund Account Balance**

Allocation	Particulars	Amount (\$)	Reconciliation Status*
Various (SLG 86)	FMIS Operating Trust Fund balance	(230,422)	October

\*Status - the last monthly reconciliation prepared as per date of audit

<sup>24</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.3

<sup>25</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.4

<sup>26</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.6

In the absence of proper reconciliations, it was difficult to authenticate the accuracy of the balances appearing under Operating Trust Fund Account (SLG 86) allocations in the general ledger (FMIS).

### **Recommendations**

**The Ministry should:**

- ensure monthly reconciliations are carried out properly and accurately;
- ensure that unreconciled balances between the reconciliation statements and the general ledger (FMIS) are investigated and adjusted;
- ensure that all the relevant supporting documents for Operating Trust Fund accounts are properly maintained and produced for audit scrutiny; and
- the internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies from recurring.

### **Ministry's Comments**

*Reconciliation for this has been updated and we are currently reviewing the Agency Finance Manual in an effort to make sure that this issue is not repeated in the future and to be completed by before the end of second quarter for 2016/2017 financial year.*

## **30.12 Arrears of Revenue**

The credit officer must promptly follow up accounts that fall due. If the recovery is unsuccessful after one month, the following actions shall be taken:

- no further credit shall be extended to the debtor;
- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than a month;
- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.<sup>27</sup>

If a final notice had been issued to one of the debtors listed, the Principal Accounts Officer may approve the case to be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implication and the probability of recovery.<sup>28</sup>

The Ministry had a balance of \$804,226 in arrears of revenue as at 31 December 2015. Refer to Table 30.12 below for the balances of arrears of revenue for the past six years.

**Table 30.12: Balance of Arrears of Revenue for the Past Five Years**

Year	Amount (\$)
2010	3,995,811
2011	3,979,609
2012	824,986
2013	811,131
2014	812,132
2015	804,226

<sup>27</sup> Ministry of Agriculture – Finance Manual 2011 – Section 9.2.1

<sup>28</sup> Ministry of Agriculture – Finance Manual 2011 – Section 9.2.4

Audit noted that significant portion of the arrears (\$709,524 or 88%) has been outstanding for more than 5 years. The arrears mainly related to outstanding repayments from farmers for assistance provided to them under different agricultural programs in previous years. Refer to Table 30.13 below for details.

**Table 30.13: Breakdown details of the Arrears of Revenue**

Debtors	2015 (\$)
Meat Inspection	1,071
Research Analysis Test	3,461
Water Rates	14,379
Electricity	883
Sale of Sheep	7,326
Cocoa Development	237,460
Batiri Pineapples	707
Land Development	4,237
Revolving Fund Account	427,763
Irrigation & Commercial	106,939
<b>Total</b>	<b>804,226</b>

Ineffective debt collection strategies may have contributed to the delay in collecting of outstanding revenues. As a result, there has been a significant accumulation of arrears of revenue over the years which may not be recovered and may require write-off.

### **Recommendations**

- **The Ministry should improve its debt collection strategies to enable the recovery of outstanding revenue.**
- **The Ministry must ensure that adequate accounting records are maintained to substantiate arrears of revenue balances at year end.**

### **Ministry's Comments**

*Audit comment is noted.*

*The ministry is currently working with the Ministry of Economy Assets unit in trying to identify those that owes money to the Ministry as most of this debt is over 5 years especially the Cocoa Development, Batiri Pineapples, Land Development, Revolving Fund Account and Irrigation & Commercial. Report to be submitted by December 2016.*

## **PART C: REGULARITY AUDIT FINDINGS**

### **30.13 Implementation of a Succession Plan**

The objective of succession planning is to ensure that the organisation (or a unit of the organisation) continues to operate effectively when individuals occupying critical positions depart. Primarily, this refers to having other staff on board who are ready to step into someone else's shoes at the appropriate time under the appropriate circumstances with a virtually seamless transition.<sup>29</sup>

<sup>29</sup> PSC Guide 2010 – A How - to Guide for Developing a Succession Plan – Page 2  
Ministry of Agriculture

The compulsory retirement age from the Service will be 55 years.<sup>30</sup> Any Officer may, in special circumstances, and with the approval of the appropriate Service Commission be allowed to remain in the Service after he has attained the age of 55 years.<sup>31</sup>

Since the decision for re-engagement of staff rests with the Office of the Prime Minister, addressees are advised that all requests for re-engagement be directed to the Permanent Secretary, Office of the Prime Minister who will now administer assessments and the conveyance of the Prime Minister's decision to the respective Permanent Secretaries.<sup>32</sup>

The Ministry failed to provide a copy of its succession plan despite numerous requests and follow ups by audit. It was noted that the Ministry continues to re – engage retired officers for long periods of time due to lack of technical officers. Refer to Table 30.14 for details.

**Table 30.14: Details of Re-engaged Officers**

EDP No.	Position	Age
60767	Principal Engineer – Land Mineral Resource Management	69
62539	Senior Engineer	67
64530	Technical Assistant – Horticulture	58
90162	Senior Engineer	64
58910	Principal Engineer – Land Mineral Resource Management	66
41308	Director – Land Minerals Resources, Management	55

The audit further noted that the Ministry failed to obtain approval from the Prime Minister's office for the re-engagement of all of the retired officers in the Ministry. In addition, the Ministry has not obtained approval for the re-engagement of the expatriate staffs but are paying them salary at the highest level on the salary grade.

The above finding is the result of lack of proper planning in the part of management to ensure that proper training and understudies are undertaken for critical positions which would have ensured that the Ministry continues to operate effectively when individuals occupying positions depart. Furthermore it clearly indicates a breach of stipulated regulations on re-engagement of retired staffs.

### **Recommendations**

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

- **develop and implement a succession plan as provided for by PSC to ensure continuity in its operations;**
- **obtain approval from the Prime Minister's office prior to the re-engagement of any retired officers.**

### **Ministry's Comments**

*Audit comment is noted.*

*The retention of manpower scarce skill areas such as engineers is an issue that is prevalent across the public sector and is a major challenge to cope with. The Division currently has six (6) senior positions, three occupied by expatriates and three (3) by locals, 2 local staff have resigned in 2016. There are three (3) engineer posts, 1*

<sup>30</sup> General Orders 2011 - Section 215 (b)

<sup>31</sup> General Orders 2011 - Section 215 (c)

<sup>32</sup> PSC Circular 29/498 dated 14 March 2014



filled and 2 vacant. The Division has had to rely on expatriate staffs due to high attrition rate of local engineers and weak bond conditions which have been exploited by graduates after completing their studies.

The Division has a succession plan to fill the posts held by expatriates as shown below; however with local graduates leaving there is a need to consider factors particularly employment conditions, which attract them to the private sector such as FRA, WAF, Fulton and Higgins. The current construction industry landscape with major funding to road and water supply with the conditions offered continually attracts graduates and staff for better opportunities. Staff conditions, incentives and retention policies need to be developed to retain staff.

### **LWRM SUCCESSION STRATEGY**

No	Post	Remarks
1	Principal Engineer (D&I)	SE (North) Graduate 2012, Resign August 2016
2	Principal Engineer (RE)	Engineer BE Graduate 2014 MSc 2015 – JICA Scholarship
3	Senior Engineer (RE)	Engineer BE Graduate 2013, Resigned 2013 STA BE Graduate in 2015
4	Senior Engineer (Design)	TOHG BE graduate 2012, Resigned 2013 TO BE Graduate 2015
5	Senior Engineer (D&I)	Engineer BE graduate 2013, Resigned 2014 TO BE graduate 2015
6	Director	PAO, Promoted 2015

The Division over the past five years has sent staff abroad for training on Chinese, FAB and JICA scholarship. The following staff graduated with Bachelor of Engineering; one staff graduated in 2011 from Malaysia and resigned within three months, three graduated from the University of Queensland in 2012, one resigned in 2013 and another in 2014. One graduated from Tianjin University, China in 2012, resigned in August 2016. Three staff undertaking studies at FNU under government scholarships graduated in 2015 and one staff completed MSc in Flood Disaster Management in 2015 under JICA scholarship. Given the gap between attaining maturity and experience for senior engineer management positions, expatriate staff has continued to be recruited to fill the vacuum particularly for specialized engineering fields in river and water resource engineering.

In regards to the staff re-engagement, Management addresses this with submissions to the Office of the Prime Minister, and upon approval renews expatriate and local staff contracts.

## **30.14 Rice Revitalization Program**

A tender must be called for the procurement of goods, services or works valued at \$50,001 and more.<sup>33</sup>

The procurement limit delegated to Permanent Secretaries and Government Tender Board is amended as follows:<sup>34</sup>

Responsible Authority	Procurement Limit	Amended Procurement Limit
Permanent Secretaries	\$30,000 and less	\$50,000 and less
Government Tender Board	\$30,001 and more	\$50,001 and more

Ministries or Departments must not split at any stage any single requirement in order to avoid the application of the procurement limits in regulation 27 (1).<sup>35</sup>

<sup>33</sup> Procurement (Amendment) Regulation 2012 – Section 30.1

<sup>34</sup> Finance Circular 9/2012 & Procurement Amendment Regulations 2012 - Section 2.1

The Ministry paid a sum of \$59,995.50 to a company (C14) on 15/05/15 via cheque no. 19246 for the supply of Rice Agro Inputs. Audit noted that the total cost was split in two local purchase orders contrary to section 28.3 of the Procurement (Amendment) Regulation 2012. Refer to Table 30.15 below for details.

**Table 30.15: Details of Split Local Purchase Orders**

Date	LPO No.	Supplier	Particulars	Amount (\$)
08.05.15	PO90810 - 003077	Company (C14)	Rice agro inputs	26,551.43
07.05.15	PO90810 - 003059		Rice agro inputs	33,446.95
Total				59,998.50

The stipulated rules and regulation in regards to procurement has not been complied with.

### **Recommendation**

**The Ministry should ensure that tender are called for procurement above \$50,001 and prevent splitting LPOs.**

### **Ministry's Comments**

*Audit comment is noted.*

*The ministry recognizes splitting of procurement as a challenge to address given that our technical officers are involved in capital projects proposal and procurements at some stages. More awareness is required for our technical officers together with divisional accounting personnel to acquaint themselves with financial issues and procedures and understand what actually constitute a split in procurement terms.*

## **30.15 Absence of Tender Boards Approval**

The procurement limit delegated to Permanent Secretaries and Government Tender Board is amended as follows:<sup>36</sup>

Responsible Authority	Procurement Limit	Amended Procurement Limit
Permanent Secretaries	\$30,000 and less	\$50,000 and less
Government Tender Board	\$30,001 and more	\$50,001 and more

The Government Tender Board shall consider tenders, indents or orders for the supply of goods, services or works and may:

- i. Awards tenders or approve indents; or
- ii. Reject tenders and indents; or
- iii. Ask for additional information from procuring agencies with regards to that particular procurement in order to make a decision.<sup>37</sup>

In circumstances where it is necessary to make an advance payment for goods received through shipment from overseas, and for contractual agreements if stated as such, approval must be sought from the chief accountant.<sup>38</sup>

<sup>35</sup> Procurement (Amendment) Regulation 2012 – Section 28.3

<sup>36</sup> Finance Circular 9/2012 & Procurement (Amendment) Regulations 2012 - Section 2.1

<sup>37</sup> Procurement Regulation 2010 Section 11(1)

The audit noted that the Ministry has paid an amount in excess of \$50,000 to a company (C15) for building and maintenance of quarters and solar power installation without Government Tender Board approval. The Ministry engaged the contractor for different small works, each amounting to less than \$50,000 without any contract although the contractor was paid a total of \$151,610. A few of the works were also done concurrently as noted for the month of May where a total exceeding \$50,000 was paid to the contractor.

Tabulated below are details of payments exceeding \$50,000 made to company C15.

**Table 30.16: Details of Payments a Company (C15) without Tender Board Approval**

Date	Cheque No	Particulars	Amount (\$)
28/04/15	18787	Payment for quarters maintenance works – Dreketi.	17,400
08/05/15	18969	Payment for maintenance of Kedra quarters – Macuata.	17,840
18/05/15	19288	Payment of quarters maintenance – Kedra Quarters (50% payment)	22,300
21/05/15	19417	Payment of quarters maintenance – Dreketi Rest House.	21,750
28/05/15	19564	Payment of quarters maintenance – Lomaivuna Quarters.	7,180
11/06/15	19941(A)	Payment of quarters maintenance – Lomaivuna.	10,590
05/10/15	23173	Payment for the maintenance work done at Lomaivuna quarters.	7,120
05/08/15	21453	Payment for the maintenance works at Lomaivuna quarters.	10,770
11/06/15	19941(B)	Payment of quarters maintenance at Lomaivuna quarters.	14,360
18/05/15	19288	Payment of quarters maintenance for the Kedra quarters.	22,300
<b>Total</b>			<b>151,610</b>

Without the Tender Board approval, government may not be procuring services and works from the most economical supplier and government's interest are not protected when payments are made without written contracts.

### **Recommendations**

- **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 also ensure the selection of the best available contractors at the most economical cost to carry out a particular task.**

### **Ministry's Comment**

*The recommendations are noted.*

*Explanations on the payments done to Company C15 are as follows:*

- **Company C15**

*No approval was sought from the Government Tender Board because the amount involved for each individual project was less than \$50,000. Although the total amount paid to the company was more than \$50,000; the payments made were to individual projects, which were less than \$50,000 each.*

*The process taken to award the works was carried out in line with Clause 4.0 of the FPO Procurement Regulation 2012 whereby at least 3 quotes to be obtained for works worth more than \$1,000.00. The process was done in a transparent manner as follows:*

1. *An advertisement was published in the Fiji Sun for the Expression of Interest for quarters' maintenance.*

2. *A committee was set up within the Ministry (LWRM Engineer, Principal Accountant, Principal Admin Officer & Executive Officer – AMU) including the Ministry of Works official to go through the EOI and to nominate the best company. Quotations were in sealed envelopes and opened in front of the Committee.*
3. *Approval of the Permanent Secretary for Agriculture was obtained for the awarding of the Contract.*
4. *Contract Agreement was drawn for each individual project which was vetted by the Office of the Solicitor-General. The Fiji Procurement Office and Ministry of Finance were also consulted during the vetting process.*
5. *Funds were released by the Ministry of Finance through RIE upon fulfillment of the requirements.*

*The process was also done in consultation with the Office Accommodation Division at the Public Service Commission.*

## Section 32

## Ministry of Fisheries and Forest

### Role and Responsibility

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.

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## PART A: FINANCIAL STATEMENTS

### 32.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Fisheries and Forests resulted in the issue of a qualified audit report. The qualification issues are as follows:

#### *Trading and Manufacturing Activities*

- Included in the Trading and Manufacturing Account (TMA) Balance Sheet is Deposits and Deductions of \$26,033 and Accounts Receivable of \$5,745. It was not possible to verify the amounts as the Ministry did not provide appropriate audit evidences to support the balances. As a result, it was not able to ascertain the accuracy and completeness of the Deposits and Deductions and Accounts Receivable reflected in the Trading and Manufacturing Accounts as at 31 December 2015.
- There is an unreconciled difference of \$20,320 between the FMIS general ledger cash balance and the cash book balance. As bank reconciliations were not performed by the Ministry, it was not possible to ascertain the accuracy and completeness of the TMA Cash at bank balance of \$62,115 as shown in the TMA Balance Sheet as at 31 December 2015.
- Included in the TMA Trading Account is Closing Stock of Finished Goods of \$2,599 and Closing Raw Materials of \$7,322. It was not possible to ascertain the accuracy and completeness of Closing Stock of Finished Goods as the Ministry did not carry out an independent stock take for the year ended 31 December 2015. Alternative audit procedures could not be performed to confirm these balances.

#### *Trust Fund Account*

- The closing balance of the Trust Account Statement of Receipts and Payment of \$193,634 did not reconcile with the Cash at Bank FMIS general ledger balance of \$79,641. Due to an unexplained variance of \$113, 993, it was not possible to ascertain the accuracy and completeness of the Main Trust Fund balance as at 31 December 2015.

### 32.2 Statement of Receipts and Expenditure

The Ministry of Fisheries and Forests collected revenue totalling \$3.5 million and incurred a total expenditure of \$22.9 million in 2015. Details are shown in Table 32.1 below.

**Table 32.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
Native timber measurement	962,541	1,002,754
Vessel registration	5,486	71,263
Management fees	10	102,396
License fishing	26,317	280,418
Sale of fish and ice	412,026	294,088
Miscellaneous revenue	393,292	413,672
Offshore Fisheries Management Fees	1,743,925	0
<b>TOTAL REVENUE</b>	<b>3,543,597</b>	<b>2,164,591</b>
Established staff	7,847,972	7,179,068

Description	2015 (\$)	2014 (\$)
Government wage earners	1,951,168	1,825,734
Travel & communication	513,786	543,104
Maintenance & operations	2,389,749	2,268,432
Purchase of goods & services	885,388	821,026
Operating grants & transfers	772,035	370,283
Special expenditures	407,653	152,241
<b>Total Operating Expenditure</b>	<b>14,767,751</b>	<b>13,159,888</b>
Capital Construction	5,770,180	4,026,408
Capital Purchases	649,013	791,075
<b>Total Capital Expenditure</b>	<b>6,419,193</b>	<b>4,817,483</b>
Value added tax	1,705,942	1,295,461
<b>TOTAL EXPENDITURE</b>	<b>22,892,886</b>	<b>19,272,832</b>

Total revenue increased by \$1.4 million or 64% in 2015 compared to 2014 mainly due to the increase in revenue generated from sale of fish and ice and offshore fisheries management fees.

Total expenditure increased by \$3.6 million or 19% in 2015 compared to 2014 due to the following:

- Established Staff increased by \$668,904 million or 9% mainly due to the filling of vacant positions in established staffs;
- Government Wage Earners increased by \$125,434 or 7% due to the filling of vacant positions;
- Maintenance & Operations costs increased by \$121,317 or 5% due to increase in activities carried out on the maintenance of equipment, vehicles and electricity expenses for both the Department of Fisheries and Forestry;
- Purchase of Goods and Services increased by \$64,362 or 8% due to increase in purchases during 2015;
- Operating Grants and Transfers increased by \$401,752 or 108% due to increase in activities for SEG 6 including provision for Forest Subsidy on Value Adding machines as government subsidy to farmers on the procurement of equipment related to the Pine Resin Project such as portable sawmill, workshop and treatment plants.
- Special Expenditure increased by \$255,412 or 168% due to increase of 2015 budget to cater for the special activity which is the data link rental that will connect forestry and fisheries stations to Govnet services.
- Capital Construction increased by \$1,743,772 or 43% as a result of new projects undertaken such as Gau and Rotuma Ice Plant Project, purchase of saw mill gantry hoist, annual contributions for for Western Central Pacific Corporation and the continuation of the Pine Woodlot activities at Cicia and Gau.

### 32.3 Appropriation Statement

The Ministry incurred a total expenditure of \$22.9 million against the revised budget of \$23.9 million resulting in savings of \$1 million or 4.5%. Details of expenditure against the budget estimates are provided in Table 32.2 below.

**Table 32.2: Appropriation Statement for 2014**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	7,964,365	(112,380)	7,851,985	7,847,972	4,013
2	Government wage earner	1,598,116	358,484	1,956,600	1,951,168	5,432
3	Travel and communications	504,578	11,387	515,965	513,786	2,179
4	Maintenance & operations	2,507,240	(118,254)	2,388,986	2,389,749	(763)
5	Purchase of goods & services	904,200	(18,160)	886,040	885,388	652
6	Operating grants & transfers	979,400	(207,364)	772,036	772,035	1
7	Special expenditures	420,435	(13,714)	406,721	407,653	(932)
	<b>Total Operating Expenditure</b>	<b>14,878,334</b>	<b>(100,001)</b>	<b>14,778,333</b>	<b>14,767,751</b>	<b>10,582</b>
8	Capital Construction	6,850,000	(62,056)	6,787,944	5,770,180	1,017,764
9	Capital Purchases	500,000	149,013	649,013	649,013	---
	<b>Total Capital Expenditure</b>	<b>7,350,000</b>	<b>86,957</b>	<b>7,436,957</b>	<b>6,419,193</b>	<b>1,017,764</b>
13	Value added tax	1,752,900	13,044	1,765,944	1,705,942	60,002
	<b>Total Expenditure</b>	<b>23,981,234</b>	<b>---</b>	<b>23,981,234</b>	<b>22,892,886</b>	<b>1,088,348</b>

### 32.4 Trading and Manufacturing Account

The Trading and Manufacturing Account, located in 9 miles, Nasinu, is monitored by the Department of Forest and implemented by the Timber Utilization Research Division under its Policy Output – “Promotion of Commercial Development”. Services provided by the TMA include sawmilling/saw doctoring, laboratory analysis, timber manufacturing, and kiln drying. The TMA operation provides industry assistance and offering minimum fees and charges for its services.

**Table 32.3: Manufacturing Account**

Description	2015 (\$)	2014 (\$)
Opening raw material	10,728	19,069
Add: Purchases	---	---
Less: Closing raw material	7,322	10,728
<b>Raw material used</b>	<b>3,406</b>	<b>8,341</b>
Direct Cost	---	---
Add: Direct labour	112,316	100,104
<b>Cost of manufacturing goods transferred to trading account</b>	<b>115,722</b>	<b>108,445</b>

The “cost of manufacturing goods transferred to trading account” increased by \$7,277 or 7% in 2015 compared to 2014.

**Table 32.4: Trading Account**

Description	2015 (\$)	2014 (\$)
Sales	135,703	152,495
Opening stock of finished goods	7,002	10,125
Add: Cost of manufactured goods	115,722	108,445
	<b>122,724</b>	<b>118,570</b>
Less: Closing stock of finished goods	2,599	7,002
<b>Cost of finished goods sold</b>	<b>120,125</b>	<b>111,568</b>
<b>Gross Profit</b>	<b>15,578</b>	<b>40,927</b>



Gross profit for 2015 decreased by \$25,349 or 62% when compared to 2014. This was mainly attributed to the reduction in sales in 2015.

**Table 32.5: Profit and Loss Statement**

Description	2015 (\$)	2014 (\$)
Gross Profit/(Loss) transferred from Trading Account	15,578	40,927
<b>Total Income</b>	<b>15,578</b>	<b>40,927</b>
Maintenance & operation	59,026	107,215
Special fees and charges	---	25
VAT	---	---
<b>Total Expenses</b>	<b>59,026</b>	<b>107,240</b>
<b>Net Loss</b>	<b>(43,448)</b>	<b>(66,313)</b>

In 2015 the TMA net loss reduced by \$22,386 from a net loss of \$66,313 in 2014. This was mainly attributed to the reduction in expenses in 2015.

**Table 32.6: Balance Sheet**

Description	2015 (\$)	2014 (\$)
TMA surplus capital retained to CFA	213,037	202,067
TMA accumulated surplus	(117,841)	(51,529)
Net Loss	(43,448)	(66,313)
<b>Total Equity</b>	<b>51,748</b>	<b>84,225</b>
Cash	62,115	65,947
Raw materials	7,322	10,728
Accounts receivable	5,745	5,745
Finished goods	2,599	7,002
<b>Total Assets</b>	<b>77,781</b>	<b>89,422</b>
Deposits and deduction	26,033	5,197
<b>Total Liabilities</b>	<b>26,033</b>	<b>5,197</b>
<b>Net Assets</b>	<b>51,748</b>	<b>84,225</b>

Net assets decreased by \$32,477 or 39% from 84,225 in 2014 to \$51,748 in 2015 due to the net loss incurred in 2015.

## 32.5 Trust Fund Account

**Table 32.7: Department of Fisheries – 1/3 Subsidy Scheme**

Description	2015 (\$)	2014 (\$)
1/3 Subsidy contribution	63,527	105,944
<b>Total Receipts</b>	<b>63,527</b>	<b>105,944</b>
Retention money	5,618	25,858
<b>Total Payments</b>	<b>5,618</b>	<b>25,858</b>
<b>Surplus</b>	<b>57,909</b>	<b>80,086</b>
Opening balance at 1 January	135,725	55,639
<b>Closing balance as at 31 December</b>	<b>193,634</b>	<b>135,725</b>

## 32.6 Statement of Losses

In accordance with the Procurement Regulations 2010 (Clause 52), the Permanent Secretary for Finance approved the disposal and write-off of the following items upon submission of the recommendations in the Board of Survey Report.

**Table 32.8: Fixed assets disposed off**

Description	2015 (\$)	2014 (\$)
Computer Equipment	181,872	91,488
Motor Vehicle	---	41,310
Office Equipment	48,515	---
Computer Equipment	19,300	43,699
Sawmill Equipment	18,494	---
Motor Vehicle	76,935	33,750
Office Equipment	27,989	---
Computer Equipment	---	56,915
Land and Buildings	8,100	---
<b>Total</b>	<b>381,205</b>	<b>267,162</b>

## PART B: ANNUAL FINANCIAL STATEMENT AUDIT FINDINGS

### 32.7 Anomalies in the Trade and Manufacturing Account

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.<sup>1</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>2</sup> The ledger reconciliation statement shall be forwarded to the Principal Accounts Officer. The Principal Accounts Officer must ensure that:

- a) all balances are accurate and adequately supported;
- b) any misallocations or outstanding balances from the previous month have been dealt with.<sup>3</sup>

A review of Trading and Manufacturing accounts and related records revealed the following anomalies:

- The Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the balances of the following Balance Sheet items. As a result, it was not possible to ascertain the accuracy and completeness of these amounts during audit. Refer to Table 32.9 for details.

**Table 32.9: Balances that cannot be substantiated**

TMA Balance Sheet Items	Amount (\$)
Accounts receivable	5,745

<sup>1</sup> Ministry of Fisheries & Forests Finance Manual 2013 – Section 13.4.1

<sup>2</sup> Ministry of Fisheries & Forests Finance Manual 2013 – Section 13.4.2

<sup>3</sup> Ministry of Fisheries & Forests Finance Manual 2013 – Section 13.4.4

<b>TMA Balance Sheet Items</b>	<b>Amount (\$)</b>
Deposits & Deductions	26,033

- There was a variance of \$20,320 between the FMIS general ledger and Ministry's cash book balance. Furthermore, bank reconciliations were not performed for the TMA cash account during 2015. Accordingly, the audit could not ascertain the accuracy and completeness of the TMA cash at bank balance. Refer to Table 32.10 for details.

**Table 32.10: Variance in Cash at Bank Balance**

<b>General Ledger Balance (\$)</b>	<b>Cash Book Balance (\$)</b>	<b>Variance (\$)</b>
62,115.00	41,794.73	20,320.27

The audit findings indicate lack of supervisory control over staffs responsible for maintaining the accounting records for the Trading and Manufacturing operations.

### **Recommendations**

**The Ministry should ensure that:**

- **monthly reconciliation process should be strengthened to mitigate the various issues highlighted above;**
- **errors and discrepancies identified during the reconciliation process are corrected promptly, and in consultation with the Ministry of Finance, where necessary; and**
- **the draft Agency Financial Statements including the Trading and Manufacturing Accounts are thoroughly checked, balances substantiated and clarified with the Ministry of Finance before they are submitted for audit.**

### **Ministry's Comments**

*The TMA reconciliation has been updated and the details of the variances have been identified in the reconciliations.*

## **32.8 Drawings Account Reconciliation**

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.<sup>4</sup> The Principal Accounts Officer must verify all the reconciliations before signing and submitting it to the Ministry of Finance.<sup>5</sup>

The audit noted that there were variances between the Drawings Account reconciliation and the general ledger balances as at 31/12/15. Refer to the Table 32.11 below for details.

<sup>4</sup> Ministry of Fisheries & Forests Finance Manual 2013 – Section 14.4

<sup>5</sup> Ministry of Fisheries & Forests Finance Manual 2013 – Section 14.4.2

**Table 32.11: Variance in the Drawings Reconciliation**

Department	General Ledger (\$)	Ministry Record (\$)	Difference (\$)
Ministry of Fisheries and Forests	(327,338)	(543,371)	216,033

It was noted that the difference was a result of cheques totalling \$158,744 which were voided (cancelled) by the Ministry but were later shown as presented in the bank statement. Necessary adjustments could not be done in 2015 as the Ministry did not have sufficient fund as all budgeted expenditure allocation had been fully utilised in 2015.

### **Recommendation**

- **The Ministry should investigate and rectify the variance of \$216,033 between the two records.**

### **Ministry's Comments**

*Adjustments were made to rectify the variance in the 2016 accounts.*

## **32.9 TMA Stock Figures**

A stocktake must be undertaken each year to verify the existence and condition of inventories on hand.<sup>6</sup>

All Permanent Secretaries shall appoint a Board of Survey annually to determine whether government plant, equipment and inventories under his or her control are –

- In working condition or serviceable
- Unserviceable or obsolete; or
- Surplus to the requirement of that agency<sup>7</sup>

An appointed Board of Survey shall consist of -

- Two officers from that Ministry or Department who are not directly responsible for the government plant, equipment and inventories being surveyed.
- An officer from another Ministry or Department with relevant expertise in the items being surveyed.
- An officer from the Fiji Procurement Office for Government plant, equipment and inventories worth \$50,000 and above.<sup>8</sup>

The Chairperson of the Board of Survey shall not be an officer from that Ministry or Department.<sup>9</sup>

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.<sup>10</sup>

<sup>6</sup> Finance Instruction 2010 – Section 38

<sup>7</sup> Procurement Regulations 2010 – Section 24 (1)

<sup>8</sup> Procurement Regulations 2010 – Section 24 (2)

<sup>9</sup> Procurement Regulations 2010 – Section 24 (3)

<sup>10</sup> Finance Instructions 2010 – Section 30 (3)

The Ministry had reported a total of \$7,322 for raw materials and closing stock of \$2,599 as Current Assets in the Trading and Manufacturing Account Balance Sheet for the year ended 31 December 2015.

The audit noted that an independent stocktake was not conducted on the closing raw materials and closing stock for the year 2015. Instead, the stock certificate was signed off by the Principal Accountant and the Permanent Secretary.

Given lack of proper documentations, audit was also unable to perform alternative procedures to confirm the closing balances for inventory and raw materials.

### **Recommendation**

**The Ministry should ensure that an officer who is independent of the Ministry is present to oversee the stock take process.**

### **Ministry's Comments**

*Recommendations made been noted with great concern to our PSFF thus directed our SAO to manage and oversee the TMA operation in Nasinu TUD. Board of Survey will be carried out annually as agreed between the management as well as stock take and proper management of government equipment and assets.*

## **32.10 Stale Cheques**

If cheques remain in the un-presented cheque list for more than 3 months, the Principal Accounts Officer must attempt to locate the payees and have their cheques presented before they become stale. The Principal Accounts Officer shall review the unpresented cheque list and determine whether a replacement cheque should be issued for cheques that are stale.<sup>11</sup>

The audit noted that stale cheques for the Ministry of Fisheries and Forests as at 31 December 2015 totalled \$57,322.25 out of which a sum of \$50,104.60 was carried forward from 2014.

Refer to Table 32.12 below for details.

**Table 32.12: Stale Cheques**

Cheque No.	Date	Description	Amount (\$)
321405	17/09/15	JV#32/09 Few Stale Chq June 2014	1,477.42
321462	29/09/15	JV#98/09 Stale Chq's July to Dec 2014	48,627.18
321458	29/09/15	JV#94/09 Stale Chq's Jan-March 2015	1,559.04
321459	29/09/15	JV#95/09 Stale Chq's Jan - March 2015	1,504.75
321460	29/09/15	JV#96/09 Stale Chq's - March 2015	4,153.86
<b>Total</b>			<b>57,322.25</b>

The above indicates that the stale cheque list was not regularly reviewed to determine whether adjustments or replacement cheques were required.

The unpresented cheque list has been overstated and Drawings Account closing balance understated due to stale cheques.

<sup>11</sup> Ministry of Fisheries & Forests Finance Manual 2013 – Section 5.5.1 & 5.5.2

**Recommendation**

**The Ministry should improve management of unpresented cheques by complying with Section 5 of the Finance Manual.**

**Ministry's Comments**

*Adjustment were made to rectify the variance in the 2016 accounts*

**32.11 Anomalies in the Fisheries Main Trust Fund**

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.<sup>12</sup>

Audit review of the Department of Fisheries 1/3 Subsidy Scheme Main Trust Fund Account and related records revealed the following anomalies:

- There was a variance of \$1,304.22 between the Main Trust Receipts and Payment balance reflected on SLG 89 and the Main Trust Cash balance reflected under SAG 52. Refer to Table 32.13 for details.

**Table 32.13: Variance between the Main Trust General Ledgers**

Account	Description	Amount (\$)
<b>Main Trust Balance</b>		
9-32301-78068-895005	Fisheries	78,336.95
<b>Main Trust Cash Balance</b>		
9-32301-76068-520301	Generated Account	79,641.18
<b>VARIANCE</b>		<b>(1,304.22)</b>

- The accuracy and completeness of cash at bank as at 31 December 2015 could not be ascertained as there was a variance of \$113,992.82 between the cash at bank balance in the General Ledger (FMIS) and the bank reconciliation balance. Refer to Table 32.14 for details.

**Table 32.14: Variance between the GL and Bank Reconciliation**

Particulars	Amount (\$)
Cash at Bank Reconciliation	193,634.00
General Ledger (FMIS)	79,641.18
<b>Variance</b>	<b>113,992.82</b>

- The accuracy and completeness of Main Trust closing balance at 31 December 2015 could not be ascertained as there was a variance of \$115,297.05 between the Main Trust balance in the General Ledger (FMIS) and the Main Trust reconciliation balance. Refer to Table 32.15 for details.

<sup>12</sup> Finance Instructions 2010 – Section 58 (3)

**Table 32.15: Variance between the GL and Bank Reconciliation**

Particulars	Amount (\$)
Main Trust Reconciliation	193,634.00
General Ledger (FMIS)	78,336.95
<b>Variance</b>	<b>115,297.05</b>

- The signed monthly Trust Fund reconciliation statements for September and December 2015 were not provided for audit.

The above anomalies indicate the existence of ineffective controls and lack of supervisory checks in the operation and administration of the Main Trust Fund Account.

### **Recommendations**

**The Ministry should ensure that:**

- **Accounts Officers are proactive in resolving unreconciled balances between the Ministry's reconciliation statements and the general ledger (FMIS).**
- **all errors and discrepancies are corrected promptly and to seek the Ministry of Finance assistance where necessary.**

### **Ministry's Comments**

*Issue is noted. Details of the variances between Cash at Bank general ledger and Bank Reconciliations were identified but have not been adjusted in the GL.*

## **32.12 Anomalies in the Underline Accounts Reconciliation**

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.<sup>13</sup>

Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>14</sup>

The ledger reconciliation statement shall be forwarded to the Principal Accounts Officer. The Principal Accounts Officer must ensure that:

- a) all balances are accurate and adequately supported; and
- b) any misallocations or outstanding balances from the previous month have been dealt with.<sup>15</sup>

The following anomalies were noted when scrutinising the underline accounts and related records:

- There were variances noted between the FMIS ledger and the Ministry's reconciliation balances. The variances were mainly due to the incomplete reconciliations submitted to the Ministry of Finance. Refer to Table 32.16 for details:

<sup>13</sup> Ministry of Fisheries & Forests Finance Manual 2013 – Section 13.4.1

<sup>14</sup> Ministry of Fisheries & Forests Finance Manual 2013 – Section 13.4.2

<sup>15</sup> Ministry of Fisheries & Forests Finance Manual 2013 – Section 13.4.4

**Table 32.16: Underline Accounts Anomalies**

Account	FMIS Figure (\$)	Ministry's Figure (\$)	Variance (\$)	Comments
1-32201-77101-560102	641,908.69	809,918.95	(168,010.26)	Certified reconciliations were done until the month of June 2015 only.
1-32301-78999-840102	(60,000.00)	(228,386.62)	168,386.62	Certified reconciliations were only updated to September, even though funds were utilised up till December 2015.
1-32201-77101-570302	-	532.65	(532.65)	Certified reconciliations were updated only to May 2015.
1-32102-32999-570301	2,083.00	72.00	2,011.00	Certified reconciliations were done until the month of May 2015 only.
1-32000-00000-860000	(1,385,785.81)	(1,307,129.44)	(78,656.37)	Certified reconciliations were done until the month of October 2015 only

- Reconciliations were not provided for the following active accounts payable, advances and receivables allocations. Refer to the Table 32.17 below for details.

**Table 32.17: Accounts for which reconciliations not prepared**

Account	Description
1-32101-32999-840602	Withholding Tax Payable
1-32301-78999-840101-001	Information Technology Operational Support
1-32301-78999-840102-005	AP Trade Companies
1-32101-32999-570301	Advances
1-32301-78999-560102	AR Companies
1-32201-77101-560611	PD Employees FNPF

The above anomalies indicate the existence of ineffective controls and lack of supervisory checks in the operation and administration of underline accounts.

### **Recommendations**

**The Ministry should ensure that:**

- reconciliation of underline accounts are performed monthly;
- procedures relating to the preparation of reconciliation statements as stated in the Finance Manual are complied with to strengthen the reconciliation process; and

### **Ministry's Comments**

*Audit issue is noted.*

*The Ministry will ensure that all reconciliation are updated accordingly moving forward.*



## PART C: REGULARITY AUDIT FINDINGS

### 32.13 Medical & Police Reports for New Recruits Not Provided

Before either a letter of appointment or contract of appointment is issued, a candidate selected for appointment must undergo medical examination and be passed as being in all respects physically and mentally fit by an authorised Medical Officer. The employee must have a satisfactory police record.<sup>16</sup>

Audit verification of staff personal files revealed that medical and police clearance reports were not filed for newly appointed officers indicating that appointments of officers were made without compliance to required vetting process Listed in Table 32.18 below are examples of new appointments not supported with medical report and/or police clearance report.

**Table 32.18: Appointments without supporting medical and/or police reports**

EDP/ FNPF No.	Position	Contract Dated	Documents Pending
94923	Principal Economic Planning Officer (Planning)	11/05/15	Medical Report Police Clearance
95112	Clerical Officer (Payments)	14/09/15	Medical Report Police Clearance
62013	Forester	15/08/15	Police Clearance
55671	Labourer	12/01/15	Medical Report Police Clearance
LY524	Project Forester-Joiner (WUP)	06/01/15	Medical Report Police Clearance
XV828	Fieldsmen II (MRIS)	26/03/15	Medical Report Police Clearance
MA753	Handyman (Gau Island Ice Plant Project)	09/07/15	Police Clearance

In the absence of medical and police clearance reports there was no assurance that persons appointed have been vetted to ensure that they are not only physically and mentally capable for undertaking the tasks at hand but also persons of integrity.

In addition, the audit finding also indicates non-compliance with section 203 of General Orders 2011.

#### **Recommendation**

**The Ministry should ensure that:**

- proper vetting of applicants is conducted prior to the appointment of officers as required under General Orders 203; and
- medical reports and police clearance reports obtained and kept in the respective personal files to confirm the vetting process carried out.

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

*Medical and police forms are issued to the appointees when contracts are signed. The audit concerns have been duly noted and HR will ensure that the appointees submit their medical and police clearance before contracts are signed. The ones pending will also be issued with reminders.*

<sup>16</sup> General Orders 2011 - Section 203

### 32.14 Competitive Quotes not obtained

Any procurement of goods, services or works shall be issued so as to promote the following principles:

- a) value for money;
- b) maximize economy and efficiency and the ethical use of Government resources;
- c) promote open and fair competition amongst suppliers and contractors;
- d) promote the integrity of, fairness and public confidence in the procurement process; and
- e) achieve accountability and transparency in the procedures relating to procurement.<sup>17</sup>

A minimum of three competitive quotes must be obtained for the procurement of goods, services or works valued at \$1,000 and more but \$50,000 and less.<sup>18</sup>

Audit noted that the Ministry made numerous purchases from various suppliers without obtaining competitive quotes contrary to Procurement Regulation 2010. Refer to Table 32.19 below for details of payments made.

**Table 32.19: Payments to Various Suppliers without competitive quotes**

Date	Cheque No.	Payment Description	Amount (\$)
02/02/15	72941	Purchase of chainsaw parts for FTC.	3,249.13
31/03/15	2614	Purchase and install of wireless conference sound systems.	8,173.90
23/06/15	4538	Printing of books (import permit, export permit, landing permit, provision workbook and bunkering permit)	7,000.00
02/03/15	2220	Electrical work done at Lami office and Jetty	1,850.00
21/01/15	72770	Purchase of Toners	4,610.00
12/05/15	3709	Purchase of stationery	1,919.15
28/05/15	4027	Being or purchases of hardware materials	4,630.64
18/03/15	2376	Being advance payment for the hire of conference room and catering for TUD stakeholder Meeting	2,420.00
08/01/15	72669	Payment of pine posts for Gau Ice Plant	5,100.00
29/06/15	4605	Payment of home appliances for seaweed value adding and processing	3,865.00
<b>Total</b>			<b>42,817.82</b>

Due to the lack of competitive quotes it was not possible to determine whether the goods and services received were purchased from the most economical source. Therefore the purchases lack transparency.

#### **Recommendation**

**The Ministry should comply with the requirements of the Procurement Regulation 2010 by obtaining competitive quotations for purchase of goods and services.**

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

*The Issue is noted. Divisional Heads and supervisors have been notified on the issue of three competitive quotes for procurements more than one thousand dollars.*

<sup>17</sup> Procurement Regulation 2010 - Section 3

<sup>18</sup> Procurement Amendments Regulations 2012 - Section 4 (a)

## 32.15 Misallocation of Expenditures

All business transactions must be captured by the respective appropriation code and cost centres, if applicable that are responsible for their approval and budgetary controls and management reporting.<sup>19</sup>

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, including the ledger account it is charged to.<sup>20</sup>

Audit verification of the Ministry's 2015 payment vouchers revealed that the Ministry was charging expenses to unrelated expenditure allocations. Refer to **Appendix 32.1** for examples.

The above reflects a lack of proper planning by the Ministry in identifying all necessary expenditures for a period and ensuring they are adequately budgeted for.

Failure to correctly allocate expenses to the appropriate account would result in the expenditure account being overstated thus providing inaccurate information vital for informed decision making purposes.

### **Recommendation**

**The Ministry should ensure that:**

- **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.**

### **Ministry's Comments**

*For one reason, why misallocation occurs is due to the urgency of the purchases, travel or depending on the situation that we at the accounts are faced with. Here we have a couple of misallocation made by the Ministry, noting that most of these are correlated to the expenditure allocation used. In the case of the Minister's per diem, this is a clear situation where we have no choice but to pay per diem even if there are no funds available in his appropriate allocation. Further to this, such trips are not budgeted for however, accounts section will have to look for ways to have the payment done.*

*The recommendation made audit is important and needs to be addressed:*

- *Correct charges are to be made to the appropriate allocation. Misallocation will be journalised to correct expenditure vote.*
- *Way forward, it is important that expenditures are correctly charged to the appropriate allocation.*
- *Virement has to be prepared in future to address this misallocation. PAO and SAO will allocate the correct expenditure allocation to the subordinates. This minimise the misallocation.*

<sup>19</sup> Chart of Accounts (Part 2) – Reporting Structure Flowchart for Fiji Government 2005

<sup>20</sup> Ministry of Fisheries & Forests Finance Manual 2013 – Section 14.1(g)

### 32.16 Use of Operational Funds (Fund 1) to cater for Trading & Manufacturing Account (Fund 4) activities.

All business transactions must be captured by the respective appropriation code and cost centres, if applicable that are responsible for their approval and budgetary controls and management reporting.<sup>21</sup>

Each Agency operating a trading and manufacturing activity must prepare quarterly profit and loss statement. The profit and loss statement and the balance sheet must be prepared on an accrual accounting basis.

Inter-fund transactions or posting on the FMIS between Fund 1 and Fund 4 is prohibited.<sup>22</sup>

The profit and loss statement must include all expenses that relate to the activity, and where necessary, include estimates of overheads met by the department, depreciation of assets, services provided below costs by other agencies, provision for doubtful debts, and provision for inventory to be written off.<sup>23</sup>

Audit noted that the Ministry's TMA bank account number 191888 held by the Bank of the South Pacific (BSP) was overdrawn by \$2,558 in September 2015. To clear the overdrawn account, the Ministry transferred funds totalling \$8,000 from the Operating Fund (Fund 1) to the TMA Fund (Fund).

Refer to Table 32.20 below for details.

**Table 32.20: Examples of TMA Expenditures Funded from Operating Fund**

Date	Cheque No.	Amount (\$)	Payee	Reason
22/09/15	6171	8,000.00	PUO	Payments for TMA account overdrawn for September, 2015 which will be replenished after revenues for sales of timber for Nakavu Project are realized.

Since transfer of funds between fund 1 and fund 4 is not allowed, the above transaction was therefore unauthorised.

#### **Recommendations**

**The Ministry should strictly comply with TMA policies and avoid inter-fund transfers.**

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

*The \$8,000 amount from Fund 1 paid to TMA fund was to reimburse the amount paid from TMA to United Apparel for the 50% down payment for the manufacture of MFF uniform. The deductions from the employees weekly and fortnightly were then deposited to TMA account to reimburse the amount of \$17,729.*

*The recommendation made by audit is noted and needs to be addressed:*

- *Prior consultation with MOF to account for the GL.*
- *Way forward, this mode of arrangement will be looked into thoroughly in the future.*

<sup>21</sup> Chart of Accounts (Part 2) – Reporting Structure Flowchart for Fiji Government 2005

<sup>22</sup> Trading and Manufacturing Account Policy Section 7.2

<sup>23</sup> Finance Instruction 2010 – Section 30

**32.17 Consultancy Payments Anomalies**

The Assistant Accounts Officer must not certify a payment as correct unless they are satisfied that:

- a) it is in accordance with an LPO, indent, contract, invoice or other authorisation;
- b) there is documentation that the goods, services or works have been received;
- c) sufficient uncommitted funds are available for payment of the account;
- d) the account is not fraudulent and has not been previously paid;
- e) the expenditure account it is charged to is correct.<sup>24</sup>

The Ministry engaged a consultant to develop a competency framework for the Ministry via an Agreement dated 26/05/15 for the sum of \$25,000.

The Agreement requires that prior to the first phase; payment of \$6,000 should be made to the Consultant who is to provide a detailed work plan and an inception report detailing the initial findings at the end of the 2<sup>nd</sup> week from the commencement date. Audit noted that the Consultant only provided the detailed work plan without the inception report when the first payment of \$5,100 was made vide cheque number 73621 of 24/05/15.

Control procedures in place to ensure receipt of required services from consultants has not been complied with.

**Recommendations**

**The Ministry should ensure that terms and conditions of contract agreements entered into for the provision of goods and services are honoured prior to effecting payments.**

**Ministry's Comments**

*Audit issue is noted.*

*The Ministry ensures that in future contracts should be properly scrutinised and no advance payment before the report is submitted.*

**32.18 LPO raised after Invoicing**

All system generated purchase orders, indents and other commitments of funds must be recorded in the Financial Management Information System (FMIS) and Commitment Ledger immediately after they have been approved.

Audit noted that the Ministry did not adhere to proper accounting procedures when making part payment of \$5,000 vide cheque number 73622 of 24/06/15 to a company for the gravelling and repairs of bridge at the NFMPP site in Nakavu, Namosi. Review of supporting documents for the payment indicated that the Local Purchase Order (LPO) no. 91011-012147 of 24/06/15 was raised a day after the invoice for works done was received.

The anomaly reflects disregard of required accounting procedures and of the internal controls ensuring the integrity of the payments of goods and services system.

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<sup>24</sup> Finance Manual 2013, Section 2.9.4

**Recommendation**

**The Ministry should ensure that internal control requirements for the purchase of goods and services (such as raising of LPOs prior to receiving goods and services) are upheld prior to payments being effected.**

**Ministry's Comments**

*The issue is noted. The Ministry will ensure that LPO are raised before goods or services are invoiced.*

**32.19 Utilisation of Capital Expenditure Funds for Other Projects**

The Assistant Accounts Officer must not certify a payment as correct unless they are satisfied that:

- a) it is in accordance with an LPO, indent, contract, invoice or other authorisation;
- b) there is documentation that the goods, services or works have been received;
- c) sufficient uncommitted funds are available for payment of the account;
- d) the account is not fraudulent and has not been previously paid;
- e) the expenditure account it is charged to is correct.<sup>25</sup>

Expenditure must not be incurred on an item that is noted as Requisition to Incur Expenditure until written approval has been obtained from the Ministry of Finance.<sup>26</sup>

Audit noted that the Ministry has been utilising funds from some Capital project allocations for the procurement of goods and services which are not related to those projects.

Refer to Table 32.21 below for details.

**Table 32.21: Mis-utilisation of capital expenditure allocations**

Date	Cheque No	Particulars	Allocation Utilised	Correct Allocation	Amount (\$)
30/07/15	73810	Payment of Telegraphic Transfer (TT) to A Co Ltd" for advance payment on the purchase of shrimp hatchery equipment and feed from Thailand as per Indent No DF 04/15.	Marine Resource Inventory Survey	Brackish water Development	30,471.43
24/06/15	73625	Payment of 3rd installation of 30% completion of the contracted amount for the construction of 5 ponds and water dam at Dreketi Fisheries	Construction of Multi Species Hatchery	Aquaculture Development	8,688.00
<b>Total</b>					<b>39,159.43</b>

In addition, no approval was received from the Ministry of Finance for the utilisation of funds for the Construction of Multi Species Hatchery Allocation which is under Requisition in the 2015 budget.

The above finding indicates clear breaches of financial regulations which should be adhered to by the Ministry to ensure that proper controls exist on use of budgeted funds.

<sup>25</sup> Finance Manual 2013, Section 2.9.4

<sup>26</sup> Finance Manual 2013, Section 2.1.9

**Recommendation**

**The Ministry should ensure that the funds are utilised for their intended purposes as set out in the budget.**

**Ministry's Comments**

*Audit comments are acknowledged that incorrect allocation are utilised for the project. Audit recommendation is implemented immediately, prior approval from MoF for payment is important to eradicate such expenditures in the future.*

**32.20 Settlement of Previous Years Outstanding Accounts**

All Ministries and Departments were advised in 2014 that the Ministry of Finance would not be facilitating any requests for carry-over of funds from 2014 to the 2015 financial year.<sup>27</sup>

It was noted that the Ministry paid for outstanding accounts from 2014 in 2015 contrary to the requirements of the Ministry of Finance Circular Number 25/14. Details of payments are listed in Table 32.22 below.

**Table 32.22: Payment of Outstanding Accounts from Previous Years**

Date	Cheque No.	LPO Date	LPO Number	Particulars	Amount (\$)
26/02/15	1931	05/11/14	078999-000574	Payment of outstanding account for the purchase of underwater camera and water proof bags for the Seaweed farming project.	3,871
03/06/15	4048	05/12/14 03/12/14	91011-011000 91011-010952	Purchase of Rota tanks for Gau Ice Plant.	9,440
<b>Total</b>					<b>13,311</b>

The above finding indicates a lack of laxity in ensuring that accounts due are settled in a timely manner or in the year in which they are incurred.

The settling of prior year's due accounts in the current financial year impinges on the current year's budget and may result in over-spending of expenditure allocations.

**Recommendation**

**The Ministry should ensure that the current year's expenditures are settled within the current financial period and not carried forward to the next financial year.**

**Ministry's Comments**

*Recommendation made herewith been noted with great concern and will strictly comply with the Ministry of Finance Circular Number 25/2014. Officers been notified on this and not to repeat in future.*

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<sup>27</sup> Finance Circular No 25/14.

**APPENDIX 32.1: Sample of Expenditure Misallocations in 2015**

Date	Cheque No.	Particulars	Amount (\$)	Allocation Charged
21/1/15	72770	Purchase of Toners	4,610.00	1-32302-91011-050499 (Training Expenses)
16/2/15	1722	January 2015 VAT payment	3,777.68	1-32101-32101-050499 (Training Expenses)
			5,000.00	1-32102-32999-071116 (Information Technology Operational Support)
			5,000.00	1-32201-77101-060514 (ITTO)
			5,000.00	1-32203-91071-050499 (Training Other)
			5,000.00	1-32205-91071-050499 (TITC Training Expenses)
16/2/15	1933	Purchase of Premix and Super Diesel	2,019.68	1-32302-91011-050499 (Training Expenses)
2/3/15	2151	Purchase of Powermate Fan and hose for refrigerator department.	712.95	1-32304-91011-050171 (PC Software and Stationery)
10/3/15	2130	TFL bill for various Forestry departments	4,312.14	1-32205-91021-050499 (No description)
			1,000.00	1-32207-91021-070999 (Monitoring & Surveillance Logging)
24/4/15	3219	Purchase of 2 Dell Desktop Computers	3,650.00	1-32302-91011-040351 (Maintenance of Office Equipment)
7/5/15	73405	Air passage of Hon Minister whilst attending the 11 <sup>th</sup> session of the United Nations Forum on Forests, New York with effect from 13 <sup>th</sup> – 14 <sup>th</sup> May and two other meetings at Seoul Korea on 19 <sup>th</sup> May and Jakarta, Indonesia effective from 21 <sup>st</sup> – 22 <sup>nd</sup> May 2015.	6,805.65	1-32102-32999-071301 (Farm Management Activities)
			6,805.65	1-32303-91011-049999 (Galoa Research Station)
22/5/15	2303	Purchase of valve, pvc tees and seal tapes for NRS freshwater tilapia and prawn ponds at Naduruloulou.	2,593.19	1-32303-91011-051099 (Dive Insurance)
26/5/15	3895	Vanuabalavu TFL Bill for the month of April	1,707.89	1-32301-78999-050501 (Office Books, Periodical and Publications)
2/6/15	4710	Lami TFL Bill for the month of May	3,003.44	1-32303-91011-040399 (Naduruloulou Fish Farm)
8/6/15	4176	Purchase of diving equipment's	2,282.00	1-32303-91011-051099 (Dive Insurance)
18/6/15	73584	Conference room hire for regional observer training (50% deposit).	1,500.00	1-32302-91011-040205 (Protective Clothing)
23/6/15	4538	Printing of books (import permit, export permit, landing permit, provision workbook and bunkering permit)	3,000.01	1-32302-91011-040105 (Fuel and oil vessels)
			3,999.99	1-32302-91011-040101 (Fuel and oil vehicle civil)
3/7/15	73660	Conference room hire for regional observer training.	1,500.00	1-32302-91011-040205 (Protective Clothing)



Date	Cheque No.	Particulars	Amount (\$)	Allocation Charged
21/7/15	4990	Monthly telephone bills for MFF	582.53	1-32303-91011-049905 (Makogai Research Station)
			8,506.26	1-32305-91011-080620 (Coastal Fisheries Development)
			2,212.56	1-32204-91011-050133 (Stores & Equipment)
			2,212.00	1-32206-91011-080801 (Reforestation of Degraded Forests)
			1,667.24	1-32303-91011-040399 (Naduruloulou Fish Farm)
21/7/15	5673	Advertising at new Nausori fish market regarding prohibited sale and small catch fish.	3,473.00	1-32306-91011-080628 (Seaweed Development Project)
25/8/15	5714	Air passage payment for TCC11 meeting in Pohnpei, FSM for Mr. J.A. and Mr. A. R.	5,340.79	1-32302-91011-040205 (Protective Clothing)
			4,513.22	1-32302-91011-040364 (Vessel Spare Parts & Maintenance)
			2,920.86	1-32302-91011-030101 (Travelling)
Total			104,708.73	

**Section 33****Ministry of Lands and Mineral Resources****Role and Responsibilities**

The Ministry of Lands and Mineral Resources is made up of two Departments, namely the Department of Lands and the Department of Mineral Resources. The Department of Lands is responsible for the administration, development and management of all state land property. Activities include Land Valuation, Mapping, Development and Maintenance of State Land and Geographic Information System.

The Department of Mineral Resources undertake studies in relation to geological hazards, mineral prospects and groundwater development and manage the development of the Mining and Quarrying Sector with a mandate under the Mining, Petroleum (Exploration and Exploitation), Quarries, Explosive and Continental Shelf Acts.

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## PART A: FINANCIAL STATEMENTS

### 33.1 Audit Opinion

Audit of the 2015 accounts of the Ministry of Lands and Mineral Resources resulted in issue of an unqualified audit report.

### 33.2 Statement of Receipts and Expenditures

The Ministry collected revenue totalling \$15.1millionand incurred a total expenditure of \$25.3 million in 2015. Details are shown on Table 33.1 below.

**Table 33.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
Land and property rent	13,213,598	13,851,038
Rental for quarters	-	958
Fees charges, fine and penalties	678,583	4,693,637
Revenue from surveys & sales of nav	42,051	-
Hire of plants & vehicles	7,241	10,209
License	49,366	142,058
Sale of publications	345	-
Sale of photographs	516	-
Mining fees	367,290	619,932
Chemical	8,460	7,309
Stamp duty	35,035	113,181
Commission	9,508	9,481
Miscellaneous	704,885	650,293
<b>Total Revenue</b>	<b>15,116,878</b>	<b>20,098,096</b>
Established staff	8,426,698	8,418,047
Government wage earners	797,850	741,926
Travel and communications	669,632	709,995
Maintenance & operations	5,048,758	5,542,051
Purchase of goods and services	981,796	1,000,860
Operating grants and transfers	20,227	32,100

Description	2015 (\$)	2014 (\$)
Special expenditures	950,479	131,748
<b>Total Operating Expenditure</b>	<b>16,895,440</b>	<b>16,576,727</b>
Capital construction	2,487,381	4,583,570
Capital purchases	2,573,146	352,268
Capital grants and transfers	1,593,861	971,376
<b>Total Capital Expenditure</b>	<b>6,654,388</b>	<b>5,907,214</b>
Value Added Tax	1,803,716	1,843,361
<b>Total Expenditure</b>	<b>25,353,544</b>	<b>24,327,302</b>

Total revenue decreased by \$4.98 million or 25% in 2015 compared to 2014 even though the Ministry had taken vigorous measures to collect the arrears due to Government. The increase in number of expired leases contributed to the decrease.

Total expenditure increased by \$1.0 million or 4% from the previous year and was largely due to increase in capital expenditure by 13% which was the result of the increased number of projects executed during the year.

### 33.3 Appropriation Statement

The Ministry incurred expenditure totalling \$25.4 million in 2015 against a revised budget of \$33.0 million resulting in a savings of \$7.6 million. Details of expenditure against the budget estimate are provided in Table 33.2.

**Table 33.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	9,092,414	(100,000)	8,992,414	8,426,698	565,716
2	Government Wage Earner	859,504	-	859,504	797,850	61,654
3	Travel and Communications	666,800	117,000	783,800	669,632	114,168
4	Maintenance & Operations	6,620,050	(40,000)	6,580,050	5,048,758	1,531,292
5	Purchase of Goods & Services	1,075,700	15,000	1,090,700	981,796	108,904
6	Operating Grants & Transfers	32,100	-	32,100	20,227	11,873
7	Special Expenditures	1,460,165	(145,783)	1,314,382	950,479	363,903
	<b>Total Operating Expenditure</b>	<b>19,806,733</b>	<b>(153,783)</b>	<b>19,652,950</b>	<b>16,895,440</b>	<b>2,757,510</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	4,405,150	19,330	4,424,480	2,487,381	1,937,099
9	Capital Purchases	3,155,000	134,453	3,289,453	2,573,146	716,307
10	Capital Grants and Transfers	3,020,000	-	3,020,000	1,593,861	1,426,139
	<b>Total Capital Expenditure</b>	<b>10,580,150</b>	<b>153,783</b>	<b>10,733,933</b>	<b>6,654,388</b>	<b>4,079,545</b>
13	Value Added Tax	2,607,429	-	2,607,429	1,803,716	803,713
	<b>Total Expenditure</b>	<b>32,994,312</b>	<b>-</b>	<b>32,994,312</b>	<b>25,353,544</b>	<b>7,640,768</b>

### 33.4 Statement of Losses

Misappropriation of revenue of \$129,602.22 was recorded in 2015. An internal investigation was conducted internally (Finance Section) in first week of October 2015 to authenticate the loss and an Officer was suspended with effect from 14/10/2015. Subsequently, a Ministerial Investigation team was appointed to further investigate and collate relevant information pertaining to the loss. An initial

loss notification was lodged with Fiji Police Force on 13/10/2015. A proper report was lodged on 30/11/2015. Currently the Fiji Police Force is investigating the matter.

The Ministry of Finance approved the write off of unverifiable accounts receivable balances amounting to \$6,834.10 and Lands Trust Cash of \$32,049.98 in 2015.

## PART B: ANNUAL FINANCIAL STATEMENT AUDIT FINDINGS

### 33.5 Anomalies in Trust Fund Account (Main Trust Funds)

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.<sup>1</sup>

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.<sup>2</sup> The Accounts Officer shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents.<sup>3</sup>

The Senior Accounts Officer must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.<sup>4</sup>

The following anomalies were noted when scrutinising the trust fund accounts and related records:

- (i) Audit noted a variance when comparing the balances reflected in the general ledger for Cash to Trust amount for the Department of Lands. It was also noted that despite the write off of Trust Cash amounting to \$32,050 and an adjustment of Trust Account for \$170,101 on 02/06/2016, differences were still noted. Refer to Tables 33.3 to 33.6 below for details:

**Table 33.3: Variance in Trust Fund Account – Consolidated**

Allocation	Before Write Off Amount (\$)	Write-Off/ Adjustment Amount (\$)	After Write Off Amount (\$)
9-33101-79001-520401	5,537,654	32,050	5,505,604
9-33101-79001-895051	(5,395,470)	170,101	(5,565,571)
<b>Variance</b>	<b>142,184</b>		<b>(59,967)</b>

A difference of \$212,241 also exists between the cash general ledger amount and bank reconciliation amount.

**Table 33.4: Variance between Bank Reconciliation and GL SAG 52 for Lands**

General Ledger 9-33101-79001-520401 (\$)	Bank Reconciliation (\$)	Difference (\$)
5,505,604	5,717,845	212,241

<sup>1</sup> Finance Instruction 2010 Section 58(3)

<sup>2</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 Section 15.4.1

<sup>3</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 Section 15.4.3

<sup>4</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 Section 7.4.11

The above also has resulted in a difference of \$152,274 between the Bank reconciliation amount of \$5,717,845 and the Trust liability of \$ 5,565,571.

**Table 33.5: Variance between Trust Receipts Register and GL SAG 52 for Lands**

Month	Trust Receipts Register (\$)	FMIS GL (\$)	Variance (\$)
January	44,768	43,213	1,555
February	81,102	88,686	(7,584)
March	42,521	70,874	(28,353)
April	274,269	263,417	10,852
May	309,624	309,388	236
June	95,823	102,351	(6,528)
July	107,799	113,005	(5,206)
August	113,383	113,383	-
September	298,755	319,095	(20,340)
October	45,871	43,707	2,164
November	791,670	845,890	(54,220)
December	2,501,500	2,943,418	(441,918)
	<b>4,707,085</b>	<b>5,256,427</b>	<b>(549,342)</b>

**Table 33.6: Variance between Trust cashbook and GL SEG 52 for Lands**

Month	Trust Cashbook (\$)	FMIS GL (\$)	Variance (\$)
January	12,946	12,946	-
February	66,987	68,468	(1,481)
March	375,189	378,572	(3,383)
April	-	-	-
May	-	-	-
June	605,085	607,918	(2,833)
July	56,508	64,881	(8,373)
August	28,841	28,841	-
September	39,250	39,250	-
October	45,529	51,062	(5,533)
November	126,682	126,736	(54)
December	2,390,332	2,900,015	(509,683)
	<b>3,747,349</b>	<b>4,278,690</b>	<b>(531,341)</b>

Carrying out monthly reconciliation is ineffective if variances noted between the cashbook, reconciliation statements and the general ledger (FMIS) are not resolved or relevant accounts adjusted to reflect the correct balances.

### **Recommendations**

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

- liaise with the Ministry of Finance on appropriate ways to account for direct deposits of operating revenue made through bank transfers; and
- reconcile operating revenues receipted through trust to payments made to operating revenue.
- clarify with evidence the reasons for the cheques issued but not captured in the cheque register; and

- **investigate and rectify the variances noted between its manual cashbook and the cheque register.**

### **Management Comments**

*No comments received*

## **33.6 Presentation of Trust Account Statement of Receipts and Payments**

One of the objectives of agency financial statements is to provide information that is useful to the Ministry in making economic decisions.

Audit review of the 2015 Trust Account Statement of Receipts and Payments submitted for audit revealed that the statement did not detail the types or nature of revenue received and expenditure paid from the trust accounts. Instead, it merely reflected the different trust fund accounts maintained by the Ministry with a summary of monthly cash inflows and outflows reflected as part of the Notes.

The current presentation method limits the usefulness of the Trust Account Statement of Receipts and Payments in assisting the Ministry and other users in their decision-making process regarding the operations of the Trust Fund Accounts.

Although the issue had been raised with the Ministry in the 2012, 2013 and 2014 audit reports, changes are yet to be seen in the presentation of the financial statements.

### **Recommendations**

**The Ministry should consider:**

- **reflecting the nature or types of receipts and payments in the Trust Account Statement of Receipts and Payments.**
- **preparing separate Statements for each Trust Fund Account.**

### **Management Comments**

*No comments received*

## **33.7 Rental Being Charged on Expired Leases**

Lease agreements are drawn up for a specific period and yearly rental is payable to the Director of Lands during this period.

It was noted from data obtained from the Crown Land Lease System that rental revenue was being charged on expired leases. This amounted to \$1,043,573.58 as at the date the date of audit on 4 November 2015.

Refer to **Appendix 33.1** for examples.

The above can result in the overstatement of arrears of revenue disclosed in the Agency Financial Statement.

**Recommendations**

**The Department should ensure that:**

- lease rental is not charged on expired leases; and
- the necessary processes are taken prior and after the expiry of leases.

**Management Comments**

*The recommendation is duly noted. With effect from last year the Ministry has taken appropriate approach and stopped charging rental on expired lease.*

**33.8 Arrears of Revenue**

The credit officer must promptly follow up accounts that fall due. If the recovery is unsuccessful after one month, the following actions shall be taken.

- no further credit shall be extended to the debtor;
- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than a month;
- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within 14 days.<sup>5</sup>

If a final notice had been issued to one of the debtors listed, the Principal Accounts Officer may approve the case to be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implication and the probability of recovery.<sup>6</sup>

The audit noted the arrears of revenue for Department of Lands as at 31/12/15 amounting to \$26,980,319 included only crown land lease rent. The Department was not able to provide details of arrears for other revenue such as Valuer and Surveyor Registration Fees, Taxi Base Fees/Narere Government Barracks rent and premium.

Refer to the Table 33.7 below for details.

**Table 33.7: Details of Arrears of Revenue**

Arrears of Revenue	2015 Amount (\$)	2014 Amount (\$)
Valuers Registration Arrears	-	33,467.78
Surveyor Registration Arrears	-	26,813.75
Taxi Base Arrears / Narere Barracks Arrears	-	184,973.25
Premium Arrears	-	268,025.19
Crown Lease Arrears	26,980,318.91	24,736,888.33
<b>Total</b>	<b>26,980,318.91</b>	<b>25,250,168.30</b>

The audit also noted that procedures for recovery of arrears of revenue have not been effective as arrears of revenue have been increasing since 2010. Refer to the Table 33.8 below for details.

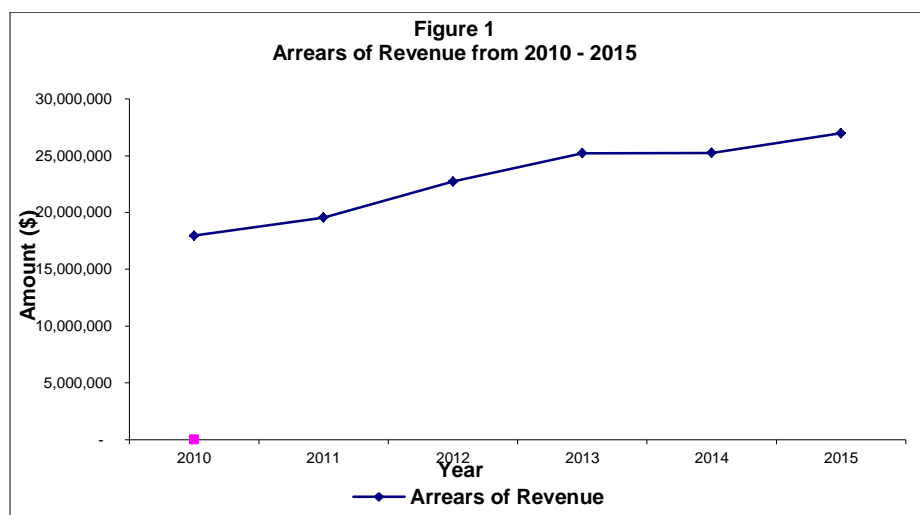
<sup>5</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 Section 9.2.1

<sup>6</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 Section 9.2.4



**Table 33.8: Arrears of Revenue**

Year	Balance (\$)
2010	17,970,765
2011	19,561,844
2012	22,729,013
2013	25,228,161
2014	25,250,168
2015	26,980,319



### **Recommendations**

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

- arrears for all types of revenue collected are compiled on a timely basis;
- take appropriate steps to vigorously recover 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.

### **Management Comments**

*No comments received*

## **33.9 Anomalies in the Underline Accounts Reconciliation**

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.<sup>7</sup>

<sup>7</sup>Ministry of Lands and Mineral Resources Finance Manual 2011 Section 16.3.1

Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>8</sup>

A ledger reconciliation statement shall be signed and dated by the Accounts Officer.<sup>9</sup>

The ledger reconciliation statement shall be forwarded to the Senior Accounts Officer. The Senior Accounts Officer must ensure that:

- (i) all balances are accurate and adequately supported; and
- (ii) any misallocations or outstanding balances from the previous month have been dealt with.<sup>10</sup>

The Senior Accounts Officer shall certify and date the reconciliation. If required by the Ministry of Finance, the reconciliation statement shall be forwarded to them by the date specified by the Ministry.<sup>11</sup>

When receipting revenue, the VAT portion should be credited to the new liability account, with natural account number [863201], and the balance to the revenue code. At the end of the month when making VAT return payment to FRCA, the VAT portion should be debited to the same liability account thus making it zero.<sup>12</sup>

Audit noted the following anomalies:

- Monthly reconciliations for the Department of Lands Operating Trust and Revolving Fund Accounts were not prepared on time. Failure to perform account reconciliations on time is a breach of the Finance Manual which can allow material misstatements to be undetected for a considerable period of time contributing to unreconciled variances and errors in the financial statements.
- An amount of \$1,317,407 was recorded as VAT 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 VAT collected on revenue and the VAT payment made to FRCA. The audit noted that the Department of Lands has not been paying the VAT collected to FRCA resulting in the outstanding balance increasing every year. Refer to Table 33.9 for details.

**Table 33.9: VAT from Provision of Goods and Services 2009 - 2015**

2015 (\$)	2014 (\$)	2013 (\$)	2012 (\$)	2011 (\$)	2010 (\$)	2009 (\$)
(1,317,407.19)	(1,099,709.82)	(923,500.79)	(717,548.26)	(623,908.65)	(367,639.85)	(157,836.34)

This balance of VAT collected and not paid to FRCA is a liability to the Ministry.

## **Recommendations**

**The Ministry should ensure that:**

- **Trust Fund Account reconciliations are prepared on a timely basis;**
- **The Ministry should ensure VAT collected is paid to FRCA on a timely basis.**

<sup>8</sup>Ministry of Lands and Mineral Resources Finance Manual 2011 Section 16.3.4

<sup>9</sup>Ministry of Lands and Mineral Resources Finance Manual 2011 Section 16.3.5

<sup>10</sup>Ministry of Lands and Mineral Resources Finance Manual 2011 Section 16.3.6

<sup>11</sup>Ministry of Lands and Mineral Resources Finance Manual 2011 Section 16.3.7

<sup>12</sup>Finance Circular No. 10/2009 - Value Added Tax (VAT) on Revenue Section 5.0

**Management Comments***No comments received***33.10 Accountable Advance**

A ledger shall be maintained for advances, petty cash, accounts payable, revolving fund accounts expenditure and commitment accounts.<sup>13</sup> Any transaction raised affecting these accounts shall be entered in the appropriate ledger.<sup>14</sup> Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the accounts supervisor shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>15</sup>

Audit noted the following anomalies from review of Revolving Fund Accounts:

- The Accountable Register for the Department of Lands was not produced for audit which limited our ability to verify retirement of advances;
- In addition to the above, the Department was not able to provide detailed listings of officers who were yet to retire the Accountable Advance as per the format provided by Finance Circular 02/2013; and
- The detailed report attached to the December 2015 reconciliation could not be relied upon as there were credit balances indicating over-recovery of advances and debit balances with comments that the amounts have been cleared.

The audit noted that the Accountable Advance Account balance increased by \$88,147 or 225% in 2015 compared to 2014. The Ministry did not provide an explanation for the increase. Refer to Table 33.10 below for details.

**Table 33.10: Increase in Accountable Advance Account Balance in 2015**

Account No.	Description	2015 (\$)	2014 (\$)	Increase (\$)	Percentage Increase
1-33301-79101-570301	Advances	127,349	39,202	88,147	225%

The above shows the ineffective internal controls exist in the Ministry in administration of accountable advances. As a result, audit was not able to ascertain the accuracy and the completeness of the amount reflected as accountable advance for the Ministry at end of 2015.

**Recommendations**

- **The Ministry should maintain an updated Accountable Advance register.**
- **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.**

**Management Comments**

*Recommendation is duly noted and as recommended Ministry is currently practicing.*

<sup>13</sup> Ministry of Lands & Mineral Resource Finance Manual 2013 Section 16.3.1

<sup>14</sup> Ministry of Lands & Mineral Resource Finance Manual 2013 Section 16.3.2

<sup>15</sup> Ministry of Lands & Mineral Resource Finance Manual 2013 Section 16.3.2

### 33.11 Stamp duty

On 12<sup>th</sup> February 2015, Fiji Revenue and Customs Authority (FRCA) and Ministry of Lands and Mineral Resources signed an agreement for Stamp duties to be collected by Fiji Revenue and Customs.<sup>16</sup>

The audit noted stamp duty amounting to \$35,035 was still collected by the Department of Lands during 2015. Refer to Table 33.11 below:

**Table 33.11: Stamp Duty in GL FMIS**

Allocation	Description	Amount (\$)
1-33301-79101-230201	Stamp Duty	35,035

As a result, the Ministry's revenue for the year 2015 has been overstated by \$35,035.

#### Recommendations

- All stamp duties collected after 12 February 2015 should be paid to FRCA.

#### Management Comments

*No comments received*

### 33.12 Write Off of Government Asset Accounts

Subject to this or any other Act, the Minister of Finance may write off losses in respect of public money, state assets and agency assets.<sup>17</sup>

The Finance Instructions may require each budget sector agency:

- To undertake appropriate recovery action for losses;
- To maintain a register of losses containing the details required to be recorded by the Finance Instructions; and
- To include details about losses and recovery action in the audited financial statements to be included in the agency's annual report.<sup>18</sup>

Audit noted that assets totalling \$38,884 which were not supported by relevant documents were written off by Ministry of Finance which resulted in loss to the Ministry and to government as a whole. Refer Table 33.12 for details.

**Table 33.12: Write off**

Asset	Account Balance	Description	Amount (\$)
Accounts Receivable	1-33101-33101-560601	SLG 86 CLEARING - 320 WESRAM FINANCE	266.38

<sup>16</sup> Ministry of Lands and Mineral Resources Press Release No: 06/2015 12th February, 2015

<sup>17</sup> Financial Management Act 2004 – Section 34(1)(a)

<sup>18</sup> Financial Management Act 2004 – Section 35

Asset	Account Balance	Description	Amount (\$)
	1-33101-33101-560602	SLG 86 CLEARING - 202 PD OPR C/YR	176.05
	1-33101-33101-560603	SLG 86 CLEARING - CARP FINANCE	602.27
	1-33101-33101-560604	SLG 86 CLEARING -DOBU FINANCE	95.00
	1-33101-33101-560605	SLG 86 CLEARING - PD RATES NASINU	52.47
	1-33101-33101-560606	SLG 86 CLEARING - PD PUBLIC RENTAL BOAR	36.28
	1-33101-33101-560607	SLG 86 CLEARING - PD FINES & TREASURY	25.00
	1-33101-33101-560608	SLG 86 CLEARING - PD RATES LTK	9.75
	1-33101-33101-560609	SLG 86 CLEARING - PD OTHERS	5,570.90
Land Trust Cash Account	9-33101-79001-520401	LANDS TRUST FUND ACCOUNT	32,049.98
<b>TOTAL</b>			<b>38,884.08</b>

In addition, an amount of \$170,100.89 was adjusted into Main Trust account No. 9-33101-79001-895051 as part of the write off.

Poor control and review of general ledger posting has resulted with some posting errors and unreconciled variances for which the Ministry sought approval from the Ministry of Finance for write-off. The risk of fraud and errors and omission exist in the accounts which have been written-off.

### **Recommendation**

**The Ministry should ensure that ledger postings are checked and proper reconciliation of accounts balances are carried out to ensure that balances are fully supported.**

### **Management Comments**

*No comments received*

## **PART C: REGULARITY AUDIT FINDINGS**

### **DEPARTMENT OF LANDS**

#### **33.13 Administration of Extensions and Contracts**

Salaries and wages largely represent the agency's budgeted expenditure. Salary advices must be submitted promptly to the Ministry of Finance where there is any change to personnel emoluments or deductions such as appointments, promotions, transfers, acting allowances, dismissals and resignations, income tax allowances, housing deductions, or other authorised charges or deductions.<sup>19</sup>

The audit of payroll revealed discrepancies which resulted with incorrect payment of salaries which was attributed to late or non-submission of Contract/Extension to Accounts Section, incorrect salary grade and scale used in employments contracts.

<sup>19</sup> Finance instruction 2010 Section 17(1)

Refer to the Tables 33.13 to 33.15 below for details.

**Table 33.13: Late or Non-Submission of Contract/Extension to Accounts**

EDP No.	Position	Over Payment /(Under Payment) (\$)	Late / Non-Submission to Accounts Section
61091	Senior Valuer	129.19	Late Submission
46311	Principal Surveyor	(2,448.96)	Non submission
60662	Assistant Accountant	15.36	Late Submission
60481	Admin Officer	(652.15)	Non submission
60396	Senior Surveyor	(738.95)	Non submission
00993	Temporary Clerical Officer	(243.46)	Late Submission
53511	Chief Valuer	148.78	Late submission
58850	Principal Valuer	(932.78)	Non submission
58440	Senior Valuer	(637.61)	Late Submission
91105	Technical Assistant	(20.61)	Late submission
63854	Executive Officer	(492.29)	Late submission

**Table 33.14: Retrospective Approval of Acting Appointments**

EDP No.	Date of Letter	Period of Acting Appointment	No. of Days Lapsed
58519	19/02/2015	23/01/2015-22/04/2015	19
	27/07/2015	23/7/2015-22/10/2015	2
61091	16/04/2015	29/03/2015-30/06/2015	14
	17/07/2015	1/7/2015-30/09/2015	8
64501	7/07/2015	01/07/2015-30/09/2015	4
	5/10/2015	1/10/2015-31/12/2015	2
46311	19/03/2015	1/12/2014-28/2/2015	79
	19/03/2015	1/3/2015-31/5/2015	14
60662	18/11/2014	03/11/2014-02/02/2015	11
	10/02/2015	3/02/2015-2/05/2015	5
	11/08/2015	03/08/2015-02/11/2015	6
92816	26/11/2014	23/10/2014-22/01/2015	24
60481	7/11/2014	01/11/2014-31/01/2015	5
58563	28/05/2015	20/4/2015-19/7/2015	28
	27/07/2015	20/7/2015-19/10/2015	5
60396	22/12/2014	17/12/2014-16/03/2015	3
	1/04/2015	17/03/2015-16/06/2015	12
90368	25/11/2014	03/11/2014-02/2/2015	16
	4/08/2015	3/2/2015-2/5/2015	131
	4/08/2015	3/5/2015-2/8/2015	67

**Table 33.15: Incorrect Salary Grade or Scale in Contract**

EDP No.	Position	Overpayment/ (Underpayment) (\$)	Comment
58519	Technical Officer II	(134.33)	Wrong salary grade
92816	Clerical Officer	1,152.88	Wrong Input into Government Payroll
00917	Temporary Research Officer	(672.58)	Wrong Salary scale
49840	Senior Research Officer	\$940.77	Wrong salary grade

Staff of salaries unit of the Department agreed with the issues and that they will look into sorting the issue with administration section.

Failure to provide correct pay details of staffs resulted in significant short-payments to staffs.

### **Recommendation**

**The Ministry's Corporate Services Section, as custodians of all employment details, should perform monthly reviews of employment data and inform supervisors if acting appointments or contracts are about to expire.**

### **Management Comments**

*Kindly acknowledge the recommendation made by the respective auditors.*

- *Efforts to ensure that officers' acting and temporary extensions are inputted on time are guided by the Ministry Quarterly Planner which depicts timelines for submission of Performance Assessments for extensions.*
- *There are necessary processes implemented by the ministry to ensure a qualitative assessment for the extension of acting or temporary appointments. The timeline allows for a 2 weeks submission to Accounts prior to expiry of acting or temporary appointment.*
- *CSD is also actively pursuing in collaboration with the Ministry's Systems Support Unit, a pop up message of alert to officers and corresponding CSD desk officer of expiry dates for all appointments. This will assist in the early facilitation of the above with due process.*
- *We are currently updating the internal database HRIS which records staff information on the above, together with assignment of updating staff information to a desk officer for continuous updating of HRIS to facilitate the successful implementation of the expiry date pop up mechanism.*

## **33.14 Salary and Wages Reconciliation not prepared on Time**

The Accounting Head must ensure that payroll reconciliations are carried out fortnightly for salaries and weekly for wages and copies sent to the Ministry of Finance.<sup>20</sup>

Audit noted that in a number of cases, there was significant delay in preparation of salary and wages reconciliations.

Refer to the Tables 33.16 and 33.17 below for details:

**Table 33.16: Pay Date and Date Reconciliation Prepared**

Pay No.	Pay Date	Date Reconciliation Prepared
1	08.01.15	24.08.15
2	22.01.15	24.08.15
3	05.02.15	24.08.15
4	19.02.15	24.08.15
5	05.03.15	24.08.15
6	19.03.15	24.08.15
7	02.04.15	24.08.15
8	16.04.15	24.08.15
9	30.04.15	24.08.15
10	14.05.15	24.08.15

<sup>20</sup> Finance instruction 2010 Section 17(7)

Pay No.	Pay Date	Date Reconciliation Prepared
11	28.05.15	24.08.15
12	11.06.15	24.08.15
13	25.06.15	24.08.15
14	09.07.15	24.08.15
15	23.07.15	24.08.15
16	06.08.15	24.08.15
17	20.08.15	7.10.15
18	03.09.15	7.10.15
19	17.09.15	7.10.15
20	01.10.15	7.10.15

**Table 33.17: Wages Reconciliation**

Pay No.	Pay Date	Date of Reconciliation
1	7/01/2015	12/05/2015
2	14/01/2015	12/05/2015
3	21/01/2015	12/05/2015
4	28/01/2015	12/05/2015
5	4/02/2015	12/05/2015
6	11/02/2015	12/05/2015
7	18/02/2015	12/05/2015
8	25/02/2015	12/05/2015
9	4/03/2015	12/05/2015
10	11/03/2015	12/05/2015
11	18/03/2015	12/05/2015
12	25/03/2015	13/05/2015
13	1/04/2015	25/05/2015
14	8/04/2015	25/05/2015
15	15/04/2015	25/05/2015
16	22/04/2015	15/06/2015
17	29/04/2015	9/07/2015
18	6/05/2015	9/07/2015
19	13/05/2015	9/07/2015
20	20/05/2015	10/07/2015
21	27/05/2015	10/07/2015
22	3/06/2015	10/07/2015
23	10/06/2015	10/07/2015
24	17/06/2015	10/07/2015
25	24/06/2015	10/07/2015
26	1/07/2015	10/07/2015
27	8/07/2015	10/07/2015
28	15/07/2015	14/07/2015
30	29/07/2015	30/07/2015
31	5/08/2015	3/08/2015
32	12/08/2015	11/08/2015
33	19/08/2015	25/08/2015
34	26/08/2015	25/08/2015
35	2/09/2015	2/09/2015
37	16/09/2015	15/09/2015
38	23/09/2015	23/09/2015
39	30/09/2015	29/09/2015
41	14/10/2015	12/10/2015
42	21/10/2015	20/10/2015



As result, there is a high possibility of errors and omissions not being detected and rectified in a timely manner.

### **Recommendation**

**The Ministry should ensure that regular payroll (salaries/wages) reconciliations are performed on a timely basis.**

### **Management Comments**

*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 Finance again upon their request which resulted in the delay.*

## **33.15 Anomalies in Procurement and Payment Processes**

Any procurement of goods, services or works shall be issued so as to promote the following principles

–

- (a) value for money;
- (b) maximise economy and efficiency and the ethical use of Government resources;
- (c) promote open and fair competition amongst suppliers and contractors;
- (d) promote the integrity of, fairness and public confidence in the procurement process; and
- (e) achieve accountability and transparency in the procedures relating to procurement.<sup>21</sup>

Audit review of expenditure records revealed numerous breaches of procurement and payments procedures and other basic internal controls resulting in non-compliance with the Finance Instructions and the procurement regulations of Government. These include the following:

- Insufficient supporting documents;
- Splitting of costs; and
- Anomalies in the Payment of Rates for Crown Land – Municipal Council Allocation: 1-33301-79101-040612;

### **33.15.1 Insufficient Supporting Documents**

The PSLMR, Directors, Manager Finance, Senior Accounts Officer or Accounts Officers must not certify a payment as correct unless they are satisfied that:

- i. it is in accordance with an PO, indent, contract, invoice or other authorisation;
- ii. there is documentation that the goods, services or works have been received;
- iii. sufficient uncommitted funds are available for payment of the account;
- iv. the account is not fraudulent and has not been previously paid;
- v. the expenditure account it is charged to is correct.<sup>22</sup>

Audit noted that payment of meal claims did not have any supporting documents except for the meal claim forms.

<sup>21</sup> Procurement Regulation 2010 Section 3

<sup>22</sup> Ministry of Lands & Mineral Finance Manual 2013 Section 2.8.1

Refer to the Table 33.18 below for details.

**Table 33.18: No supporting documents for Meal Claims**

Payment ID	Payment Date	Vendor/Supplier	Amount (\$)
60181	3/03/2015	Permanent Secretary for Lands & Mineral	1,062.50
60648	31/7/2015	Permanent Secretary for Lands & Mineral	3,683.00
60649	31/7/2015	Permanent Secretary for Lands & Mineral	2,140.00
3670	20/02/2015	X-61150	63.00
4137	10/04/2015	X-91098	750.00
60325	22/04/2015	X-00933	18.00
60359	4/05/2015	Permanent Secretary for Lands & Mineral	3,877.00
60409	22/05/2015	Permanent Secretary for Lands & Mineral	6,282.95
4724	9/06/2015	X-61150	295.00
4722	9/06/2015	X-00862	262.00
4721	9/06/2015	X-00848	88.00
4729	9/06/2015	X-QA556	262.00
4730	9/06/2015	X-QS559	262.00
3414	23/1/2015	MK	396.00
3674	20/02/2015	MK	510.00
4581	6/02/2015	JV	159.00
3529	2/05/2015	MR	1,020.00
4016	25/3/2015	VR	772.00
60652	31/7/2015	Permanent Secretary Land Mineral	1,140.00
5760	14/8/2015	JD	627.00
60243	27/03/2015	Permanent Secretary Land Mineral	288.00
4534	26/5/2015	JV	603.00
5231	7/07/2015	JT	258.00
60669	8/07/2015	Permanent Secretary Land Mineral	529.00

It was also noted that there were other payments made without adequate supporting documents, lacking competitive quotations and a SEG 10 capital payment for which separate VAT was charged. Refer to the Table 33.19 below for details.

**Table 33.19: Other payment anomalies**

Payment ID	Payment Date	Vendor/Supplier	Amount (\$)	Issues
JV31/05	6/03/2015	Fiji Procurement Office (FRCA & W&G charges)	39,436.16	Audit could not sight PV paid to FPO allocated to 1333027901090133.
JV 6/08	9/03/2015	NA	20,655.66	<ul style="list-style-type: none"> <li>Only PV is attached.</li> <li>No supporting documents attached to the PV.</li> </ul>
EFT No. 5321	14/07/2015	HS	15,202.09	<ul style="list-style-type: none"> <li>PO not attached.</li> <li>No competitive quotations were attached</li> </ul>
3/02/1913	12/06/2015	W & J C	73,485.00	Land Bank Investment allocation under SEG 10. VAT amounting to \$9,585.08 inclusive in the amount above has been charged SEG 13 VAT allocation.

In the absence of requisite supporting documents the authenticity of the payments could not be determined during audit.

**Recommendation**

**The Department should ensure that requisite supporting documents are attached to payments vouchers before payments are made.**

**Management Comments**

*The recommendations and findings by the auditors are acknowledged. The ministry has now put in place a payments checklist to ensure that proper checking and verification carried before payments process. The payment checklist would ensure all relevant documents are made available in times of payments.*

**33.15.2 Splitting of Cost**

Ministries or Departments must not split at any stage any single requirement in order to avoid the application of the procurement limits in regulation 27-(1).<sup>23</sup>

The procurement authorities delegated to Permanent Secretaries and the Board when procuring goods, services or works are as follows - <sup>24</sup>

Responsible Authority	Procurement Limits
Permanent Secretaries	\$50,000 and less
Government Tender Board	\$50,001 and more

Audit noted that the payments totalling \$61,640 to a supplier for hire of helicopter during the survey of Namosi was split into two payments in order to circumvent approval of the Tender Board.

Refer to Table 33.20 below for details.

**Table 33.20: Splitting of Cost**

Payment ID	Payment Date	Vendor/Supplier	Amount (\$)	Issues
3943	17/03/2015	H (FIJI) L	50,000.00	There was no GTB approval and splitting of cost has occurred to make payment. The first payment was made on 17/03/2015 and the next was made on 28/10/2015. It was also noted that Maintenance of Sub division allocation was used to make payment.
6645	28/10/2015	H (FIJI) L	11,640.00	

Procurement regulations have been breached to facilitate the payment of services obtained without tender.

**Recommendation**

**The Ministry should ensure that approval of Government Tender Board is obtained for payments above \$50,000;**

<sup>23</sup> Procurement regulation 2010 – Section 28(3)

<sup>24</sup> Procurement regulation 2010 – Section 27(1)

**Management Comments**

- The division responsible have acquired the services of the company without obtaining the initial approval of the Permanent secretary in consultation with Finance section on the procurement processes and availability of funds.
- Given that the services have been provided, the ministry was obliged to execute payment with concurrence of the head of the ministry.
- Appropriate internal awareness is now being undertaken within the ministry in ensuring that such events are not repeated in future.

**33.15.3 Anomalies in the Payment of Rates for Crown Land – Municipal Council Allocation: 1-33301-79101-040612**

The revised 2015 budget for the Municipal Council Rates for Crown Land was \$1,380,000 of which \$1,365,703.58 was spent resulting in a budget savings of \$14,296.92.

**33.15.3.1 Payments made after the Discount Period**

Audit review of sample of payment vouchers for payments of rates to Municipal Councils revealed that the Department did not take advantage of the full discount offered by the Municipal Councils by paying within the discount period. Refer to Table 33.21 for examples.

**Table 33.21: Payments after the discount period**

Date	Payee	Cheque No.	Amount VEP GL (\$)	Amount VIP (\$)	Details	Issues
26/02/15	Suva City Council	3743	885,058.81	1,017,817.63	GRANT-IN-LIEU RATES 2015 for Suva, Samabula, Muanikau, Tamavua and Suva Extension Wards.	<ul style="list-style-type: none"> <li>10% discount was applicable if the rate was paid before 31/1/15. The Department could have saved \$32,832.83.</li> </ul>
26/02/15	Nausori Town Council	3740	40,456.65	46,525.15	GRANT-IN-LIEU RATES 2015	<ul style="list-style-type: none"> <li>10% discount was applicable if the rate was paid before 31/1/15 as per schedule. The Department could have saved \$1,500.81.</li> </ul>
25/02/14	Sigatoka Town Council	3741	33,764.30	38,828.95	GRANT-IN-LIEU RATES 2015	<ul style="list-style-type: none"> <li>10% discount was applicable if the rate was paid before 31/1/15 as per schedule. The Department could have save \$2,043.63.</li> </ul>
3/3/2015	Labasa Town Council	3807	32,902.53	37,837.91	GRANT-IN-LIEU RATES 2015	<ul style="list-style-type: none"> <li>10% discount was applicable if the rate was paid before 31/1/15 as per schedule. The Department could have save \$2,043.63.</li> </ul>

Delay in payments of rates to Municipal Councils have resulted in the Department not taking advantage of discounts offered by Councils and eventual loss to Government .

### 33.15.3.2 Difference between Audit and Lands Calculation of the Rates Payable

Rates payable to the Municipal Councils are calculated as a percentage of the unimproved capital value (UCV) of the land.

Audit recalculation of rates payable to Municipal Councils noted that there were differences between the amount paid and the audit calculations.

Refer to Table 33.22 below for details.

**Table 33.22: Examples of Differences in Rates Payable to Municipal Councils**

Municipal Council	Rates– Audit Calculation (\$)	Actual Rates Paid (\$)	Remarks
Lautoka City Council	94,010.05	176,789.02	\$82,778.97 overpayment
Labasa Town Council	39,489.54	40,685.92	\$1,196.38 overpayment
Nasinu Town Council	Could not be verified	30,049.65	Basis of calculation not provided
Nausori Town Council	Could not be verified	46,525.15	Basis of calculation not provided

The differences noted above resulted in the overpayment of rates by the Department. Moreover, lack of relevant information provided by the Department prevented audit verification of amounts paid to Nasinu and Nausori Town Councils.

In addition, it was further noted that for Nasinu Town Council payment, the amount used in the payment vouchers by the Department did not match with the amount initially calculated. Refer to the Table 33.23 below for details.

**Table 33.23: Payment Voucher amount does not match with initial calculation**

Council	Department's Calculation of rates. (\$)	PV Amount Before Discount (VIP) (\$)	Difference (\$)
Nasinu Town Council	62,115.83	30,049.65	32,066.18

### Recommendations

**The Department should:**

- take advantage of the discounts offered by Municipal Councils by making rate payments within the discount period; and
- properly reconcile the rate payments with the respective municipal council prior to payment.

### Management Comments

*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 to before payment is facilitated. Statements of payments are usually 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 the 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 Finance. However we worked to make the processes faster and efficient with the consultation from the relevant authorities.*

*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.*

*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.*

### **33.16 Anomalies in the Receipting and Recording of Revenue - CLLS**

The Accounting Head is responsible for the effective design and operation of internal control of the agency.<sup>25</sup> The Department of Lands is one of the major collectors of revenue within Government Ministries and Departments.

The audit of Crown Land Lease System (CLLS) and its related records revealed the following anomalies, which indicate existence of weak internal controls over the revenue receipting processes and procedures/system.

#### **33.16.1 Incorrect posting of reference numbers**

The audit noted that errors were made when receipt numbers were used as reference to update the CLLS. All receipts used in 2015 had six (6) digits. However, it was noted that there were entries in the CLLS that either had less or more than six (6) digits as references. Therefore, the audit was not able to trace the entries in the CLLS to the respective manual receipts to ascertain the correctness of the entries in the CLLS.

Refer to [Appendix 33.2](#) for details.

#### **33.16.2 Delays in updating lessees' accounts in the CLLS**

The audit noted that the updating of the lessees' accounts in the CLLS was often delayed. Refer to Table 33.24 for details

**Table 33.24: Examples of Delays in Updating of Lessee's Account**

Receipt No.	Amount (\$)	Date of Receipt	Account No.	Entry Date in CLLS	Remarks
555374	130.00	13/02/2015	32561	18/02/2015	Delay by 5 days
555375	300.00	13/02/2015	30409	18/02/2015	✓
555376	70.00	13/02/2015	48665	18/02/2015	✓
555377	110.00	13/02/2015	11231	18/02/2015	✓
555378	80.00	13/02/2015	48711	18/02/2015	✓
555379	56.00	13/02/2015	30611	18/02/2015	✓
556509	200.00	13/02/2015	30898	18/02/2015	✓
556510	200.00	14/04/2015	30416	17/04/2015	Delay by 3 days

<sup>25</sup> Ministry of Lands & Mineral Resources Finance Manual 2013 Section 17.1.1

Receipt No.	Amount (\$)	Date of Receipt	Account No.	Entry Date in CLLS	Remarks
556511	404.50	14/04/2015	31582	17/04/2015	✓
556512	200.00	14/04/2015	44178	17/04/2015	✓
556513	100.00	14/04/2015	44194	17/04/2015	✓
556514	2,070.00	14/04/2015	32825	17/04/2015	✓

There is potential risk of lessees' account not being updated if postings to the CLLS are delayed.

### **33.16.3 Lessees' Statement of Account not updated to reflect payments made**

The audit noted instances where payments have been receipted but were not updated in the respective lessees' account. Refer to Table 33.25 for examples:

**Table 33.25: Examples of Lessees' Statement of Account not updated**

Receipt No.	Amount (\$)	Date of Receipt	Account No.
553603	90.00	02/01/2015	New Account
553604	100.00	02/01/2015	New Account
553609	122.50	02/01/2015	20248
553963	100.00	02/01/2015	4/14/7912

Accounts that are not updated will show that the lessees still owe arrears therefore inflating the revenue arrears at year end. In addition, incorrect statements of accounts will be issued to lessees and reports produced by the CLLS will be incomplete and inaccurate.

### **33.16.4 No reconciliation performed between the manual receipts with the entries to CLLS**

The audit also noted that the Department does not reconcile the amounts manually receipted with the details and balances entered into the CLLS.

In the absence of such reconciliation process, there is a high risk of the Department failing to detect, on a timely basis, possible irregularities in the receipting and posting of lease payments.

The above findings shows anomalies associated with the receipting and recording of revenue into the CLLS system. There is also a high risk of fraud and misappropriation of lease monies received.

### **Recommendations**

**The Department should ensure that:**

- processes and procedures relating to receipting and recording of revenue are reviewed to enhance internal controls and safeguard revenue received through land lease;
- manual data is reconciled to the CLLS daily; and
- lessees' accounts are immediately updated once payments are received.

**Management Comments**

*The recommendations put forth by the auditors on each scenario are acknowledged.*

- The department is currently upgrading the oracle system so that we can implement the six digits CLLS into our system and this will help us to keep better records. Once the system is upgraded it will not allow any CLLS less than six digit or more than six digits to batch into oracle system.*
- We acknowledge that there was delay in posting of CLLS to lease account. This mostly occurs when the oracle system is down and at times during the peak period for collection of revenue.*
- An internal process is in place to address this issue.*
- We duly acknowledge the query raised by the auditor. This occurs as new accounts cannot be updated into the oracle system until the lease is registered and noted with an account number. The other reason as why we cannot batch CLLS into the system is due to the account being expired.*
- We take on board recommendations provided by the auditors and initiate appropriate process to address this issue from occurring.*
- It is acknowledge that reconciliations between manual receipts and CLLS did not happen in the past however from mid last the department has taken the initiative to reconcile the manual receipt with the entries to CLLS.*

### **33.17 Accounting for revenue received through Housing Authority of Fiji and Post Fiji Limited**

The Accounting Head is responsible for the effective design and operation of internal control of the agency.<sup>26</sup>

The Housing Authority, on behalf of the Department of Lands, receipts crown land rental fees which are then paid to the Department at the end of each month.

The audit noted that even though the full amounts were receipted and lodged, the CLLS was not fully updated. Furthermore, considerable delays were noted in the postings to the CLLS to update the lessees' account. Refer to Table 33.26 and Table 33.27 for details.

**Table 33.26: Revenue Received through Housing Authority not fully updated in the CLLS**

Month	Revenue Receipt No.	Date	Receipt Amount (\$)	Amount Batched to CLLS (\$)	Amount not Batched to CLLS (\$)	Remarks
January	557061	12/2/2015	1,808.76	1,659.34	149.42	<ul style="list-style-type: none"> <li>Payment was receipted in February.</li> <li>Entries to CLLS posted in August, September, October.</li> </ul>
February	558305	10/3/2015	1,791.17	1,687.92	103.25	<ul style="list-style-type: none"> <li>Payment was receipted in March</li> <li>Entries to CLLS posted in July and August</li> </ul>
March	Information not provided					
April	559408	18/5/2015	1,754.63	1,585.54	169.09	<ul style="list-style-type: none"> <li>Payment was receipted in April</li> <li>Entries to CLLS posted in August and September</li> </ul>
May	Information not provided					
June	Information not provided					
July	562613	11/8/2015	1,659.30	1,619.71	39.59	<ul style="list-style-type: none"> <li>Payment was receipted in August</li> </ul>

<sup>26</sup> Ministry of Lands and Mineral Resources (2013) Section 17.1.1



Month	Revenue Receipt No.	Date	Receipt Amount (\$)	Amount Batched to CLLS (\$)	Amount not Batched to CLLS (\$)	Remarks
August	564080	10/09/2015	1,675.52	1,576.34	99.18	<ul style="list-style-type: none"> <li>• Entries to CLLS posted in December</li> <li>• Payment was receipted in September</li> <li>• Entries to CLLS posted in October and December</li> </ul>
September	564927	8/10/2015	1,675.52	1,530.34	145.18	<ul style="list-style-type: none"> <li>• Payment was receipted in October</li> <li>• Entries to CLLS posted in December</li> </ul>

Refer to [Appendix 33.3](#) for the details of the lessees' account that were not updated.

**Table 33.27: Revenue Received through Post Fiji not fully updated in the CLLS**

Month	Revenue Receipt No.	Date	Receipt Amount (\$)	Amount not Batched to CLLS (\$)	Remarks
January	558531	26/03/2015	251,957.34	149.42	<ul style="list-style-type: none"> <li>• Payment was receipted in February.</li> <li>• Entries to CLLS posted in April</li> <li>• \$2,942 updated in CLLS but revenue not received through Post Fiji</li> </ul>
February	559547	21/04/2015	110,945.73	3,091.14	
March	Information not provided				
April	559442	21/05/2015	38,849.27	407.40	<ul style="list-style-type: none"> <li>• Payment was receipted in May</li> <li>• Entries to CLLS posted in May, September &amp; August</li> <li>• \$1,472.50 updated in CLLS but revenue not received through Post Fiji</li> </ul>
May	Information not Provided				
June	Information not provided				
July	563331	18/8/2015	37,652.47	387.50	<ul style="list-style-type: none"> <li>• Payment was receipted in August</li> <li>• Entries to CLLS posted in August &amp; September</li> <li>• \$3,149.50 updated in CLLS but revenue not received through Post Fiji</li> </ul>

Refer to [Appendix 33.4](#) for the details of the lessees' account that were not updated.

The above show that Lessees' accounts were not updated in a timely basis in CLLS. In most cases reviewed during audit, lesser amounts were updated to the CLLS compared to the receipted amounts. As a result, there is a high possibility of the arrears of land lease rental amounts being overstated in CLLS.

### **Recommendations**

**The Department should:**

- **prepare reconciliation for monies received through Housing Authority of Fiji and Post Fiji against CLLS accounts; and**
- **investigate and rectify anomalies noted above.**

### **Management Comments**

*The Department acknowledges the recommendations made by the auditors.*

*The Ministry has taken appropriate action in ensuring that all payments received from both Post Fiji Limited and Housing Authority are receipted and updated in the CLLS with immediate effect and also carry out internal verification on the reasons for the delay.*

## **33.18 Record Keeping – Survey of Mahogany**

Proper record keeping should be maintained for all projects. Any projects undertaken by Ministries should be properly documented and relevant records maintained in a file with all documentations since the inception of each project.

The mahogany plantations around the country covers a vast area of 58,860 hectares and holds 105 leases (Agreement for Lease) involving 204 landowning units (LOU). The boundary perimeter of these plantations is approximately 1,900 kilometres that need to be surveyed.

All of these plantations are on native land. The area is to be surveyed, pegged and have survey plans drawn for each Mataqali. The scheme plan contains 50 lots of NLC Mataqali survey for mahogany plantation which was approved in 3/7/09. The amended scheme plan needs to be amended to show individual Mataqali land as it will be surveyed separately and the Local authorities will issue clearance certificate for individual land surveyed and approval of survey plan. In the past six years, a total of \$530,008.61 has been spent on these projects in Central/Eastern Division.

Audit reviewed the Nukurua Mahogany Project and noted that relevant records such as project information and monitoring/progress reports from the inception of the project were not held by the Ministry.

In the absence of required records not being produced by the Ministry for audit review, there is a high possibility that the project is not being properly monitored.

### **Recommendation**

**Lands departments should ensure that proper documentation in respect to projects is properly maintained and made available for audit purposes.**

### **Management Comments**

*Kindly acknowledge the recommendation made by the respective auditors. Relevant divisions are now taking the responsibility of safeguarding and keeping the records of the survey of Mahogany.*

### 33.19 Legislation governing Lands Department

Legislation is one of the most important instruments of government in organising society and protecting citizens. It determines, amongst other things, the rights and responsibilities of individuals and authorities to whom the legislation applies. Legislation is valuable to setting societal standards and norms at all levels of government, including the local, state and national level.

Legislations should be reviewed and updated on a regular basis to accommodate developments. The Department of Lands is directly governed by the legislations listed on Table 33.28

**Table 33.28: Legislations applicable to the Department of Lands**

Legislation	Year
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

While it was noted that the Decrees were issued from time to time to amend various sections of some legislation, a comprehensive review of relevant legislation is yet to be carried out.

Untimely review of legislation would result in the Department having difficulty in enforcing relevant requirements as they may have become irrelevant due to changes over time.

#### **Recommendation**

**The Department should consider submitting proposal to review various legislations governing the Department.**

#### **Management Comments**

*The recommendation raised by the Auditors in regards to the 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.*

### 33.20 Crown Land Lease System (CLLS)

The Crown Land Lease System (CLLS) contains details of all crown land leases whether active or non-active.

The audit of Crown Land Lease System (CLLS) and its related records revealed the following anomalies, which may indicate under-utilisation of the database.

- UCV recorded in the CLLS is based on Municipal Council's UCV and not the UCV used by the Department for the purpose of lease rental calculation;

- Receipting is not automated in CLLS but is done manually after which the Statement of Accounts in CLLS is then updated;
- File reference has duplicate accounts;
- CLLS continue to charge lease rental on expiry leases; and
- CLLS does not integrate with FMIS.

The above anomalies can have various implications which include the following:

- the UCV can be undervalued which can lead to loss of rental revenue for the Ministry;
- there is risk that CLLS is not updated on time thus indicating a huge amounts arrears of revenue (high outstanding debt amount);
- arrears of revenue will be inflated as duplicate accounts will continue to accrue rent – revenue will thus be overstated;
- arrears of revenue will be overstated as rent is charged on expired leases which can become irrecoverable; and
- the integrity of balances cannot be ascertained due to anomalies between CLLS and FMIS

Rental revenue can be understated or overstated due to the underutilization of the CLLS database.

### **Recommendations**

**The Department should consider:**

- **recording UCV used for the purpose of lease rental calculations in the CLLS;**
- **incorporating a receipting module in CLLS to issue receipts to lessees and to automatically update their Statement of Account;**
- **consider carrying out data cleansing in CLLS.**

### **Management Comments**

*Recommendation of the Auditors is appreciated.*

- *The Ministry is currently working on upgrading the oracle system at the same time too integrates some of the fields which would capture some eminent information that are mandatory. This would include capturing not only the municipal ratings but for rental assessment too.*
- *The CLLS has already in place a receipting module but needs to be further developed to accommodate the Revenue Management and Revenue control measures.*
- *Ministry of Finance is currently pursuing the Receipting Module through FMIS to be implemented throughout the whole of Government Ministries and Department. We appreciate this initiative of Ministry of Finance and are looking forward to its implementation to be used in the Ministry.*
- *This cleansing of data in CLLS is currently being pursued by the Ministry. The Ministry as part of the internal restructure had created a Policy, Planning, Quality Assurance Unit (PPQA) and one of its mandatory roles is to collate recent updated information pertaining to leases and lessee's to be updated in CLLS.*

## **DEPARTMENT OF MINERAL RESOURCES**

### 33.21 Incorrect Payments of Salary

Any sum due by an Officer to Government may be deducted by the Permanent Secretary for Finance from salary due to such officer. An officer shall be given prior notice of such action being taken.<sup>27</sup> Salary advice must be submitted promptly to the Ministry of Finance where there is any change to personnel emoluments or deductions such as appointments, promotions, transfers, acting allowances, dismissals and resignations, income tax allowances, housing deductions or other charges or deductions.<sup>28</sup>

Where it becomes necessary to hold, cease or reverse an employee's salary, the Assistant Accounts Officer (Salaries) must immediately advise the Ministry of Finance in writing.<sup>29</sup>

Audit reviewed the 2014 incorrect payment of salary and noted that it is not yet resolved by the Department's Accounts Section. Similar issues were also noted in 2015.

Refer to Tables 33.29 and 33.30

**Table 33.29: Sample of incorrect payments of salaries in 2014**

EDP No.	Amount (\$)	Remarks
92022	85.15	Underpayment
58309	1,108.50	Underpayment
63272	(901.07)	Overpayment
53964	384.07	Underpayment
92058	(2,068.44)	Overpayment
94356	(62.26)	Overpayment
58924	(886.98)	Overpayment
47883	421.64	Underpayment
53083	(307.50)	Overpayment
58341	(1,328.90)	Overpayment

**Table 33.30: Sample of incorrect payments of salaries in 2015**

EDP No.	Amount (\$)	Remarks
93434	332.95	Underpayment
92081	(777.43)	Overpayment
MRD25	(196.45)	Overpayment
2526542	(1719.67)	Overpayment
63188	611.04	Underpayment

Incorrect payments of salaries that were not detected during 2015 may have resulted from the ineffectiveness of the salary reconciliation process.

As personnel expenses are a substantial component of the department's operating expenses, it is important that supervisory controls in the administration of payroll are effectively implemented.

The above has been a recurring issue over the years.

<sup>27</sup> General Orders 2011, Section 401

<sup>28</sup> Finance Instructions 2010, Section 17(1)

<sup>29</sup> Ministry of Lands & Mineral Resources Finance Manual 2013, Section 4.9.1

**Recommendations****The Department should:**

- **implement an effective and efficient communication process between the Human Resource and Payroll Sections to ensure that changes in payroll are processed on time to minimize or avoid incorrect payments of salaries;**
- **take appropriate action on the incorrect payments of salaries as highlighted on Table 34 and 35; and**
- **salary reconciliations are performed on a fortnightly basis and reviewed by the Accounting Head.**

**Management Comments**

*Auditors comments is duly noted.*

- *Departments Finance and Administration team are working together to ensure the timely processing of payroll advices on promotions, acting appointments and cessation of appointments. It is also important to note that the payroll feeding of any appointment whether on promotion or acting basis depends on the processing and receiving of approvals from management. Accounts Section is being vigilant to ensure arrears and or recoveries are paid out if advices are received late.*
- *The Department agrees with the incorrect payment of salaries mentioned in report. A list of overpayment and underpayment is now prepared to be submitted to management for approval for appropriate action.*
- *Salary reconciliations is now conducted on fortnightly basis and is update till pay 12/2016. Management has also assigned an independent officer to conduct salary reconciliation for 2015*

**33.22 Salary Reconciliation Not Prepared on Time**

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.<sup>30</sup>

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.**<sup>31</sup> The salary reconciliation shall be signed by the Accounts Officer and forwarded to the Manager Finance or Senior Accounts Officer with a copy to the Ministry of Finance fortnightly.<sup>32</sup>

The audit noted that the 2015 salary reconciliations were not prepared by the Department.

Salaries and wages reconciliation is an important internal control mechanism and when the reconciliation process is not performed effectively, possible irregularities in the payments of salaries and wages will not be detected on time.

**Recommendation**

<sup>30</sup> Ministry of Lands & Mineral Resources Finance Manual 2013, Section 4

<sup>31</sup> Ministry of Lands & Mineral Resources Finance Manual 2013, Section 4.5.4

<sup>32</sup> Ministry of Lands & Mineral Resources Finance Manual 2013, Section 4.5.5

**The Department should ensure that regular payroll (salaries/wages) reconciliations are performed on a fortnightly/weekly basis and that the reconciliations are checked by the Accounting Head to minimise or avoid incorrect payments of salaries and wages.**

### **Management Comments**

*Auditor's comments noted and improvement shown in salary reconciliations now conducted on fortnightly basis. Salaries Reconciliation is updated till pay12/2016*

### **33.23 Purchase Orders not received**

Upon receipt of the goods, services or works, the requesting officer shall verify that their receipt is in good order and that the invoice is in accordance with the Purchase Order.<sup>33</sup>

The PSLMR, Directors, Manager Finance, Senior Accounts Officer or Accounts Officers must not certify a payment as correct unless they are satisfied that:<sup>34</sup>

- vi. it is in accordance with an PO, indent, contract, invoice or other authorisation;
- vii. there is documentation that the goods, services or works have been received;
- viii. sufficient uncommitted funds are available for payment of the account;
- ix. the account is not fraudulent and has not been previously paid;
- x. the expenditure account it is charged to is correct.

Audit noted that purchase orders were not signed by requesting officer to confirm that goods and services have been received. This indicates that laxity of the receiving officers in not ensuring that the goods ordered were actually received.

Refer to Table 33.31 for details.

**Table 33.31: Purchase Orders not received**

Payment ID	Issue Date	VIP AMOUNT (\$)
1806	22/01/2015	900.00
1905	20/02/2015	759.00
30103	11/06/2015	3,660.00
30107	12/06/2015	856.00
30137	18/06/2015	1,129.70
2162	21/04/2015	790.00
1830	2/02/2015	2,260.00
1834	2/02/2015	2,223.65
1978	12/03/2015	1,900.00
2024	24/03/2015	995.00
2215	8/05/2015	1,738.00
2214	8/05/2015	2,300.00
2272	21/05/2015	2,399.99
2450	13/07/2015	2,485.00
2687	9/09/2015	360.00
2725	17/09/2015	635.00
2155	21/04/2015	2206.36
2171	21/04/2015	3347.65

<sup>33</sup> Ministry of Lands & Mineral Resources Finance Manual 2013 Section 2.5.8

<sup>34</sup> Ministry of Lands & Mineral Resources Finance Manual 2013 Section 2.8.4

Payment ID	Issue Date	VIP AMOUNT (\$)
2027	24/03/2015	1,700.00
2500	24/07/2015	4,025.00
2882	20/10/2015	5,999.40
3197	14/12/2015	2,185.00
3015	16/11/2015	971.32
3292	21/12/2015	2,220.01
2156	21/04/2015	320.00
2203	30/04/2015	742.75
1875	12/02/2015	4,800.00
1995	18/03/2015	19,680.01
1996	18/03/2015	12,000.00
1994	18/03/2015	4,856.00
2071	26/03/2015	5,604.05
2311	28/05/2015	5,175.00
2764	25/09/2015	40,850.00
2773	29/09/2015	4,500.00
2795	1/10/2015	20,000.00
2841	13/10/2015	16,340.00
2867	15/10/2015	1,131.26
30755	18/11/2015	3,599.99
3029	19/11/2015	4,900.00
30926	21/12/2015	9,579.50
30925	21/12/2015	4,375.00

Confirmation of receipt of goods and services notifies the Payments team that goods and services have been received in good order and condition and according to the specifications in the order.

### **Recommendation**

**The Accounts Heads should ensure that confirmation of receipt of goods and services is provided before approving payments.**

### **Management Comments**

*The Department has implemented a proper checking system to ensure that all PO's are received by Stores personnel although they had focused on signing the receivable on delivery dockets of every goods and or services supplied. Corrective measures taken on PO's identified by auditors and proper procedures followed on current practice.*

## **33.24 Insufficient Supporting Documents**

The words "travelling on duty" are defined as:

- (i) Travelling on transfer from one station to another.
- (ii) The period spent away from an Officer's station while on official duty.
- (iii) The period spent in Government quarters while on tour, provided that the Officer's own dwelling is not vacated.
- (iv) The period spent away from an Officer's station occasioned by instruction issued through his Permanent Secretary or Head of Department.<sup>35</sup>

<sup>35</sup>General Orders 2011 Edition Section 500(a)



An evidence of an official duty would be a tour plan approved by the Head of the Department. The audit noted that the subsistence/ meal claim form was not sufficient to verify the period an officer had claimed to be away from Officer's station on an official duty.

Refer to Table 33.32.

**Table 33.32: Meal and Subsistence Claims without supporting documents**

Payment ID	Issue Date	Vendor Name	VIP Amount (\$)
1892	16/02/2015	X-NILEC	312.00
29947	8/05/2015	X-2312739	399.00
2812	6/10/2015	X-20060	453.50
2827	8/10/2015	X-53964	405.00
2829	8/10/2015	X-60091	39.00
3005	13/11/2015	X-60394	503.00
3008	13/11/2015	X-ELENOAB	303.00
3053	24/11/2015	X-20060	371.00
3186	11/12/2015	X-KELRAI	378.00
3302	21/12/2015	X-49337	339.10
3326	23/12/2015	X-PA111	875.65
2196	29/04/2015	X-62020	383.00
2194	29/04/2015	X-25793	331.00
2750	23/09/2015	X-63476	382.00
2790	29/09/2015	X-YK282	647.00
2734	18/09/2015	X-PA111	3,348.85

As majority of the staff at the Department of Minerals Resources are deployed to the field, a lot of claims are therefore submitted for payment without relevant supporting documents.

### **Recommendation**

**Accounting Heads should ensure that approved tour plans are submitted with meals and subsistence claims.**

### **Management Comments**

*The Department had previously practiced formalising email approvals of official trips of field officers where the Accounts team is copied for reference. This approval is used in the preparations of logistics and travel arrangements for teams when conducting field works and tour and also used when cross referencing of any claims that is submitted from officers when claiming for meals and subsistence.*

*However, the Auditors recommendation is noted and management has agreed that a copy of approval of trip and work plan should be attached with officers claim for reference. Management has also instructed that officers meal and substantive claims are only signed by their respective Division Heads who approves field works and aware of staff movement.*

**APPENDIX 33.1: Examples of Rent Charged on Expired Leases**

Lease_num	Rent (\$)	Start date	End date
18158	48,300.00	01-July-2009	01-July-2012
13421	34,500.00	01-December-1997	01-July-2009
AN46159	21,275.00	01-July-2006	01-July-2011
11959	9,315.00	01-October-1981	30-September-2011
AN24883	6,422.64	01-October-1981	30-September-2011
AN22613	6,325.00	01-July-1974	01-July-2014
AN 43158	5,750.00	01-April-1999	01-April-2004
013130	5,175.00	01-April-1987	01-April-2012
001655	4,600.00	12-April-1927	12-April-2002
XXX26401	4,560.32	01-October-1981	30-September-2011
000813	4,105.50	30-May-1938	30-May-2013
341950	3,576.50	01-November-1988	31-October-2009
AN 45193	2,875.00	01-July-2008	01-July-2013
000151	2,616.26	17-February-1929	16-January-2004
18176	2,300.00	01-July-2007	01-July-2012
AN 45732	2,300.00	01-July-2007	01-July-2012
46781	2,300.00	01-July-2009	01-July-2014
XXX12504	2,242.50	01-January-1905	31-December-2003
AN 45730	2,185.00	01-July-2007	01-July-2012
020204	2,157.40	24-February-1939	25-January-2014
019946	2,116.00	01-March-1938	31-July-2013
AP957	2,070.00	01-July-2008	01-July-2013
XXX10309	2,012.50	01-January-1975	31-December-1977
AN22616	1,955.00	15-December-1987	30-June-2004
TAW10278	1,900.00	01-July-2009	01-July-2010

**APPENDIX 33.2: Details of Incorrect Postings to the CLLS**

Reference No.	Journal Name	Amount (\$)	Reference No.	Journal Name	Amount (\$)
1184	Receipt	1029.57	262683	RECEIPT	200.00
1184	V.A.T.	154.43	262684	RECEIPT	125.00
11345	RECEIPT	3,500.00	262685	RECEIPT	92.50
11345	V.A.T	525.00	262686	RECEIPT	940.80
48300	RECEIPT	100.00	262687	RECEIPT	50.00
53100	RECEIPT	150.00	262688	RECEIPT	100.00
53100	V.A.T.	22.50	262690	RECEIPT	122.00
53101	RECEIPT	1,986.83	262691	RECEIPT	50.00
53140	RECEIPT	405.00	262692	RECEIPT	1,050.00
55298	RECEIPT	100.00	262692	V.A.T.	157.50
55300	RECEIPT	170.00	262693	RECEIPT	100.00
55300	V.A.T.	25.50	262695	RECEIPT	50.00
55544	RECEIPT	987.50	262696	RECEIPT	206.70
55544	V.A.T.	148.13	262696	V.A.T.	31.00
55747	RECEIPT	955.82	262697	RECEIPT	95.30
56096	RECEIPT	636.64	262698	RECEIPT	113.04
56096	V.A.T.	95.50	262698	V.A.T.	16.96
56428	RECEIPT	230.00	262699	RECEIPT	92.50
56492	RECEIPT	145.00	262700	RECEIPT	190.00
56645	RECEIPT	2,500.00	262855	RECEIPT	485.00
56645	V.A.T.	375.00	264956	RECEIPT	108.50
57261	RECEIPT	225.00	264956	V.A.T.	16.28
57261	V.A.T.	33.75	363310	RECEIPT	50.00
62005	RECEIPT	194.35	363311	RECEIPT	50.00
62005	V.A.T.	29.15	363312	RECEIPT	5.00
262682	RECEIPT	100.00	461477	RECEIPT	1,300.00
			<b>Total</b>		<b>\$21,864.20</b>

### **APPENDIX 33.3: Details of the Lessee's Statement of Account not Updated – Revenue Received through Housing Authority**

<b>Account Name Initials as per Listing Provided by Housing Authority</b>	<b>January (\$)</b>	<b>February (\$)</b>	<b>April (\$)</b>	<b>July (\$)</b>	<b>August (\$)</b>	<b>September (\$)</b>
A B K	-	9.17	9.17			
A R						
B T	3.58	-				
D L						10.42
E D	10.42	10.42	10.42		10.42	10.42
J T	13.00	-				
J T	49.17	-	49.17		49.17	49.17
J L	2.25	2.25	2.25			2.25
J M			16.67			
L D	18.75	18.75	18.75	18.75	18.75	18.75
L V	-	14.58	14.58			
M F	2.08	2.08	2.08			2.08
M S S	16.67	-				
M N	-	12.50	12.50			12.50
O V	10.42	10.42	10.42	10.42	10.42	10.42
P T	10.42	10.42	10.42	10.42	10.42	
R N	4.33	4.33	4.33			
S A	8.33	8.33	8.33			
V P						29.17
<b>Total Not Updated in the CLLS</b>	<b>149.42</b>	<b>103.25</b>	<b>169.09</b>	<b>39.59</b>	<b>99.18</b>	<b>145.18</b>

### APPENDIX 33.4: Details of the Lessee's Statement of Account not Updated – Revenue Received Through Post Fiji Limited

Account Name Initials as per Listing Provided by Post Fiji	January (\$)	February (\$)	April (\$)	July (\$)	September (\$)
A N		90.00			
A L K			50.00		
Ar		20.00			
A V					50.00
A K	20.00				
B		13.25			
Dh	330.43				
H A		200.00			
Jo	50.00				
J U			87.00		112.00
J N		50.00			
K and M C					114.00
L L			25.00		30.00
N U			100.00		
N V	10.00				20.00
M Y					180.00
M S S					200.00
P M					50.00
P L			40.00		30.00
R K		40.00			
R B					20.00
R K					50.00
R and R P					172.50
R C		2,203.70			
R P	50.00				
S B					160.00
S K M					624.00
S K		50.00			
S T		34.45			
S L			15.40		
S B F R M					124.72
S N and S D					20.00
S K		50.00	50.00		
S P	60.00				
U R	300.00				
V S			40.00		30.00
V				287.50	
V K	21.00				
W G				100.00	
Wa		340.00			
<b>Total Not Updated in the CLLS</b>	<b>841.43</b>	<b>3,091.40</b>	<b>407.40</b>	<b>387.50</b>	<b>1,987.22</b>

## 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 2015, the Ministry will launch the new Trade Policy Framework, the Fiji Tourism Development Plan, Fijian Made-Buy Fijian Campaign Audit Procedures, a review of the Department of National Trade Measurement and Standards, and the Small Micro Enterprises Start-up Grant Facility.

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## PART A: FINANCIAL STATEMENTS

### 34.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Industry, Trade and Tourism resulted in the issue of an unqualified audit report.

### 34.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$716,959 and incurred a total expenditure of \$47,110,788 in 2015. Refer to Table 34.1 below for details.

**Table 34.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
Fees – Miscellaneous	709,746	790,556
Other Revenue	7,213	18,918

Description	2015 (\$)	2014 (\$)
<b>TOTAL REVENUE</b>	<b>716,959</b>	<b>809,474</b>
Established staff	3,364,079	2,261,167
Government wage earners	319,683	244,828
Travel and communications	362,710	221,831
Maintenance & operations	579,805	610,248
Purchase of goods and services	237,409	158,480
Operating grants and transfers	9,588,508	6,253,600
Special expenditures	5,569,452	5,043,409
<b>Total Operating Expenditure</b>	<b>20,021,646</b>	<b>14,793,563</b>
Capital Purchases	810,618	504,997
Capital Grants and Transfers	25,541,000	---
<b>Total Capital Expenditure</b>	<b>26,351,618</b>	<b>504,997</b>
Value Added Tax	737,524	820,700
<b>TOTAL EXPENDITURE</b>	<b>47,110,788</b>	<b>16,119,260</b>

Total revenue decreased by \$92,515 or 11% compared to 2014 due to decrease in revenue collected by the Department of National Trade Measurement and Standards.

Total expenditure increased by \$30,991,528 or 192% in 2015 due to the following:

- Increase in Established Staff expenditure by \$1,102,912 or 49% was due to the inclusion of salaries of Tourism Unit and the Honourable Minister, Assistant Minister and Senior Executive Support Officer.
- Increase in Operating Grants and Transfer expenditure by \$3,334,908 or 53% was due to inclusion of Tourism Fiji operating grant budget by \$3m, increase in operating grant to Consumer Council and inclusion of South Pacific Tourism Organization and World Tourism Organization.
- Capital Purchases expenditure increased by \$305,621 or 61% due to payment of remaining balance for Water Test Bench.
- Capital Grants and Transfers was a new expenditure of \$25,541,000 due to inclusion of Tourism Fiji Marketing Grant and Small and Medium Enterprise Grant.

### 34.3 Appropriation Statement

The Ministry incurred a total expenditure of \$47,110,788 against a budget of \$49,484,689 resulting in a saving of \$2,373,901. Details of expenditure against the budget estimate are provided in Table 34.2 below.

**Table 34.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	4,117,564	---	4,117,564	3,364,079	753,485
2	Government Wage Earners	333,574	---	333,574	319,683	13,981
3	Travel and communications	396,300	59,000	455,300	362,710	92,590

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
4	Maintenance & operations	565,300	97,000	662,300	579,805	82,495
5	Purchase of goods and services	302,500	(6,000)	296,500	237,409	59,091
6	Operating grants and transfers	9,512,700	114,000	9,626,700	9,588,508	38,192
7	Special expenditures	7,005,621	(1,305,000)	5,700,621	5,569,452	131,169
	<b>Total Operating Costs</b>	<b>22,233,559</b>	<b>(1,041,000)</b>	<b>21,192,559</b>	<b>20,021,646</b>	<b>1,170,913</b>
9	Capital Purchases	1,313,530	---	1,313,530	810,618	502,912
10	Capital Grants and Transfers	24,500,000	1,041,000	25,541,000	25,541,000	---
	<b>Total Capital Expenditure</b>	<b>25,813,530</b>	<b>1,041,000</b>	<b>26,854,530</b>	<b>26,351,618</b>	<b>502,912</b>
13	Value Added Tax	1,437,600	---	1,437,600	737,524	700,076
	<b>TOTAL EXPENDITURE</b>	<b>49,484,689</b>	<b>---</b>	<b>49,484,689</b>	<b>47,110,788</b>	<b>2,373,901</b>

## PART B: AUDIT FINDINGS

### 34.4 Failure to Submit Accounts

An audit report on the financial activities for previous year shall be submitted to the Ministry<sup>1</sup>. An audit report on the financial activities for previous year shall be submitted to the Ministry<sup>2</sup>.

The audit noted that National Centre for Small and Micro-Enterprise Development (NCSMED) and Real Estate Agents Licensing Board (REALB) had failed to submit audited accounts to the Ministry since 2013 and 2014, respectively as required under the grant agreement section 7.2 (v) for both entities. The Ministry continued to release yearly grants. Refer to the Table 34.3 below for grants released.

**Table 34.3: Grants Released to NCSMED and REALB**

Year	Actual Operating Grants (\$)
<b>NCSMED</b>	
2015	500,000.00
2014	500,000.00
2013	428,612.29
<b>Total</b>	<b>1,428,612.29</b>
<b>REALB</b>	
2015	300,000.00
2014	300,000.00
<b>Total</b>	<b>600,000.00</b>

The above finding shows lack of monitoring by the Ministry prior to release of funds to NCSMED and REALB. Failure to submit audited accounts demonstrate poor accountability and no assurance is available to confirm that public funds have been utilised according to its purpose and the grant agreement.

<sup>1</sup> 2015 Grant Agreement between MITT and NCSMED, Section 7.2 (v)

<sup>2</sup> 2015 Grant Agreement between MITT and REALB, Section 7.2 (v)



### **Recommendation**

**The Ministry should ensure that funds released to NCSMED and REALB are audited immediately as required under both recipients' grant agreement section 7.2.**

### **Management Comments**

*In accordance to clause 5.4 of the Service Agreement, Ministry only releases quarterly grant after proper analysis of financial acquittals such as Statement of Income and Expenditure and Bank Reconciliation.*

*Audit comments are noted and emphasis has been made to the Statutory Authorities to provide Audit Reports.*

- *NCSMED audit for 2010 to 2015 is in progress by Aliz Pacific.*
- *REALB is completing 2014 and 2015 Financial Reports in accordance to IFRS and will submit to OAG for auditing.*

**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.

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**PART A: FINANCIAL STATEMENT****35.1 Audit Opinion**

The audit of the 2015 accounts of the Ministry of Sugar resulted in the issue of a qualified audit report.

The qualification related to annual Board of Survey not being carried out by the Ministry in 2015. As such the completeness and accuracy of the statement of losses could not be ascertained.

**35.2 Statement of Receipts and Expenditures**

The Ministry of Sugar incurred expenditures totalling \$10.6 million in 2015 compared to \$18.6 million in 2014. Details are shown in Table 35.1 below.

**Table 35.1: Statement of Receipts and Expenditures**

Description	2015 (\$)	2014 (\$)
Established staff	355,591	429,335
Government wage earners	31,932	25,441
Travel & communication	49,843	48,396
Maintenance & operations	62,214	44,989
Purchase of goods & services	14,110	11,883
Operating grants & transfers	1,429,399	1,429,400

Description	2015 (\$)	2014 (\$)
Special expenditures	938,170	-
<b>Total Operating Expenditures</b>	<b>2,881,259</b>	<b>1,989,444</b>
Capital construction	2,099,179	2,145,199
Capital purchases	-	-
Capital grants & transfers	5,000,000	14,150,000
<b>Total Capital Expenditures</b>	<b>7,099,179</b>	<b>16,295,199</b>
Value added tax	599,767	281,700
<b>TOTAL EXPENDITURES</b>	<b>10,580,205</b>	<b>18,566,343</b>

The major components of expenditures in 2015 were operating and capital grants of \$6.4 million to the Sugar Research Institute of Fiji (\$0.9 million), Sugar Industry Tribunal (\$0.5 million), Sugarcane Growers Fund (\$0.3 million) and the Sugar Development Program (\$5 million).

Capital Grants and Transfers decreased by \$9,150,000 or 64.7% in 2015 compared to 2014 as a result of cessation of the subsidy provided to the South Pacific Fertilizers Limited which is now under Ministry of Finance.

### 35.3 Appropriation Statement

The Ministry incurred expenditures totalling \$10.6 million against the revised budget of \$11.8 million resulting in savings of \$1.23 million. Details of expenditures against the revised budget estimates are provided in Table 35.2 below.

**Table 35.2: Appropriation Statement**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	454,703	-	454,703	355,591	99,112
2	Government wage earner	56,651	-	56,651	31,932	24,719
3	Travel and communications	74,000	-	74,000	49,843	24,157
4	Maintenance & operations	69,000	-	69,000	62,214	6,786
5	Purchase of goods & services	17,000	-	17,000	14,110	2,890
6	Operating grants & transfers	1,429,400	-	1,429,400	1,429,399	1
7	Special Expenditure	938,170	-	938,170	938,170	-
	<b>Total Operating Expenditure</b>	<b>3,038,924</b>	<b>-</b>	<b>3,038,924</b>	<b>2,881,259</b>	<b>157,665</b>
8	Capital construction	2,500,000	-	2,500,000	2,099,179	400,821
9	Capital purchases	600,000	-	600,000	-	600,000
10	Capital grants & transfers	5,000,000	-	5,000,000	5,000,000	-
	<b>Total Capital Expenditure</b>	<b>8,100,000</b>	<b>-</b>	<b>8,100,000</b>	<b>7,099,179</b>	<b>1,000,821</b>
13	Value added tax	629,700	-	629,700	599,767	29,933
	<b>TOTAL EXPENDITURE</b>	<b>11,768,624</b>	<b>-</b>	<b>11,768,624</b>	<b>10,580,205</b>	<b>1,188,419</b>

### 35.4 Statement of Losses

There was no loss of money or assets recorded for the year ended 31 December 2015.

**PART B: AUDIT FINDINGS****35.5 Underline Accounts Reconciliation not being prepared**

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 reconciliations<sup>1</sup>. All underline accounts must be reconciled on a monthly basis.

The Ministry had seven (7) Operating Trust Accounts as detailed in Table 35.3 below. The audit noted that the Ministry did not prepare monthly reconciliations for three of the seven Operating Trust Accounts for the year 2015. For the remaining four accounts, the Ministry prepared reconciliations for months of July to December 2015 only. Thus, reconciliations for these Operating Trust Accounts were not prepared for the months of January to June 2015.

The audit also noted that the Ministry did not prepare any reconciliation during 2015 for Revolving Fund Account and IDC account. Refer to Table 35.3 for details of underline accounts reconciliations not prepared.

**Table 35.3: Details of Underline Accounts Reconciliations for its months not Prepared**

Underline Account	Detail	Allocation	Monthly Reconciliations not Prepared
Operating Trust	PD CAR	1-35101-35101-861301	January – June 2015
	204 PD DEPST A/C RECOVERABLE	1-35101-35101-861902	
	388 PD PSC SCHOLARSHIP LOAN	1-35101-35101-861309	
	501 PD EMPLOYEES FNP	1-35101-35101-861920	
	440 PD FIXED RENT	1-35101-35101-861899	January – December 2015
	201 PD TAX ARREARS / PAYE	1-35101-35101-861901	
	440 PD FIXED RENT	1-35101-35101-861861	
RFA	RFA	1-35101-35101-570000	January – December 2015
IDC	IDC	1-35101-35101-536101	January – December 2015

As a result, the audit was not able to ascertain the accuracy of the underline account balances as at 31 December 2015.

**Recommendations****The Ministry must:**

- ensure that monthly reconciliations are prepared for all underline accounts; and
- investigate the matter and take appropriate action.

**Ministry's Comments**

*The Ministry had been preparing reconciliations but was never updated due to changes in figures from FMIS reports. The Ministry will ensure that all underline accounts are reconciled and improved in future.*

<sup>1</sup>Ministry of Sugar Finance Manual 2013, Section 13.3.3

### 35.6 Board of Survey

Annual board of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.<sup>2</sup>

The audit noted that the Ministry did not carry out the annual Board of Survey for 2015. The Ministry did not provide explanation for not carrying out the annual Board of Survey.

In the absence of a Board of Survey Report for Assets and Drawings accounts, the Statement of Losses (Other than money) cannot be substantiated and the accuracy of the unpresented cheques could not be ascertained as at 31 December 2015.

#### **Recommendation**

**The Ministry should carry out its Board of Survey every year.**

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

*The Ministry agreed that the Board of survey was not conducted. The Ministry will ensure to conduct Board of Survey in a timely manner.*

### 35.7 Variance in Drawings Account

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.<sup>3</sup>

Any errors or misallocations must be adjusted by way of journal vouchers.<sup>4</sup>

The audit noted a variance of \$10,391 between the FMIS general ledger and the Drawings Account reconciliation balance as at 31/12/15. However, the Ministry did not provide explanations for the variance. Refer to Table 35.4 for details.

**Table 35.4: Details of Variance in Underline Accounts**

Underline Account	FMIS Balance (\$)	Department Balance (\$)	Variance (\$)
Drawings	(572,236)	(582,627)	10,391

The findings shows that the Ministry's Accounting Officers were not vigilant in performing their duties and failed to identify and rectify the variance. It also indicates absence of adequate supervisory checks in Accounts Section.

#### **Recommendations**

**The Ministry should:**

- **ensure that necessary supervisory checks are carried out in the accounting section; and**

<sup>2</sup> Finance Instruction 2010, Part 6, Section 49(2)

<sup>3</sup> Ministry of Sugar Finance Manual 2013, Section 13.3.3

<sup>4</sup> Ministry of Sugar Finance Manual 2013, Section 13.3.4

- ensure that the Drawings Account reconciliations are prepared and any variances noted is investigated and adjusted accordingly.

### **Ministry's Comments**

*The Ministry agreed on the variances in the Drawings Account. The Ministry confirms to rectify with FMIS on the variance and will ensure that it is cleared.*

## **35.8 Unexplained Account Balances**

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.<sup>5</sup>

The audit noted that the Ministry had unexplained balances totalling \$3,975,515 in the FMIS general ledger under the APP Surplus and Deficit account. Refer to Table 35.5 for details.

**Table 35.5: Unexplained Account Balance**

Allocation	Description	2015 (\$)	2014 (\$)	Variance (\$)
1-35101-35101-910101	APP Surplus & Deficit – Prior Year	3,975,515	3,919,272	56,243

The Ministry of Economy explained that the balances were the net reflection of the balance sheet items under the Ministry's general ledger. However, this could not be substantiated. This issue was also raised in the 2014 audit report but recommendations made are yet to be implemented.

In the absence of proper records/explanations, it is difficult to authenticate the accuracy of the balances appearing under the above allocation in the FMIS general ledger.

### **Recommendations**

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

- ensure that transactions posted to the FMIS general ledger are supported with documentary evidences which made available to audit scrutiny when requested; and
- seek clarifications from the Ministry of Economy on the matter.

### **Ministry's Comment**

*The Ministry does not have access to the account and had forwarded the issue to Ministry of Finance for clarification.*

## **35.9 Anomalies in Payments Processes**

The Accounts Officer must not certify a payment as correct unless they are satisfied that:

- It is in accordance with an LPO, indent, contract, invoice, statement or other authorisation;
- There is documentation that the goods, services or works have been received;

<sup>5</sup> Ministry of Sugar Finance Manual 2013, Part13

- iii. Sufficient uncommitted funds are available for payment of the account;
- iv. The account is not fraudulent and has not been previously paid;
- v. The expenditure account it is charged to is correct.<sup>6</sup>

Competitive quotes, instead of public tenders, may be called for procurements worth \$50,000 and less unless; the PS has approved an exemption in accordance with Procurement Regulation 29 (3).<sup>7</sup>

The audit noted instances of double payment, delay in payment, payments made from incorrect allocation and procurements made with less than three competitive quotes. Refer to Table 35.6 for details.

**Table 35.6: Examples of Anomalies in Payments**

Cheque Number	Cheque Date	Amount (\$)	Payee	Details	Remarks
1795	6/5/15	352.61	Company A	Payment of bills for the month of March & April	The bill for the month of April was paid twice
1823	26/5/15	165.28	Company A	Payment of bills for the month of April	
1727	19/3/15	1,900.00	Company B	Being payment for upgrading cane access road at Balram Singh Road	Payment was made from SEG 4 when it should have been made from SEG 8
1881	02/7/15	20,550.01	Company C	Being payment for the upgrading of the cane access road at Lomawai Sector	Only 2 quotes attached
1877	30/6/15	32,500.00	Company D	Being payment for the upgrading of the cane access road at Lovu Sector	Only 1 quote attached
1951	28/7/15	37,300.00	Company E	Being payment for the upgrading of the cane access road at Tagitagi Sector	Only 2 quotes attached
2159	12/11/15	21,950.00	Company F	Being payment for the upgrading of the cane access road at Koronubu Sector Ba	Only 2 quotes attached

The findings indicate poor supervision and lax attitude towards work by the Accounts Officers. There is high risk of mismanagement of public funds in the Ministry.

### **Recommendations**

**The Accounts Officer should ensure that:**

- **necessary due diligence checks are made to avoid double payments. Double payment is recovered from the supplier or officer authorizing the payment;**
- **payments are promptly made upon receiving the invoice from the supplier or service provider;**
- **Permanent Secretary's approval is obtained prior to making payment for expenditures from a different allocation;**
- **supervisory checks in the procurement of goods and services is strengthened; and**
- **at least three quotations are obtained for all purchases below \$50,000.**

<sup>6</sup>Ministry of Sugar Finance Manual 2013, Section 2.8.4

<sup>7</sup>Ministry of Sugar Finance Manual 2013, Section 2.3.2

### **Ministry's Comments**

*The Ministry agreed to the comments, for not providing three quotations. Moreover the programme of Upgrading of Cane Access Road went through a process of Express of Interest, where the Tender Board approved a list of Contractors to work in the specific sector.*

*The Ministry will ensure to be in compliance with the procurement procedures.*

### **35.10 Audited Acquittals of Grant to Sugar Research Institution of Fiji not provided**

Sugar Research Institution of Fiji (SRIF) must keep proper files and accounting records in relation to the Funds and make these files and records available for inspection upon request by the Ministry.<sup>8</sup> SRIF is to submit to the Ministry a progress report on the use of Funds in accordance with this Agreement.<sup>9</sup>

The Board shall submit to the Minister for Sugar an Annual Report (including audited Financial Statement) in accordance with the requirement as set out in the Agreement.<sup>10</sup>

The Ministry provided a grant of \$900,000 on annual basis to SRIF since its establishment in 2012 over the four years totalling \$3.6 million.

The audit noted that the following anomaly:

- Audited financials were not provided as required under section 7.2 of the agreement.

The finding shows the laxity of the Ministry in not enforcing the provision of the agreement to submit audited financial acquittals prior to release of grant monies.

### **Recommendations**

**The Ministry should ensure that provision of section 7.2 of the agreement for audited financial statements to be provided by SRIF is adhered with.**

### **Ministry's Comments**

*The Ministry has now been approved with 2 additional staff (AAO and CO) in the Accounts section in the budget for 2016, once Accounts unit will have the full structure they will be able to work according to their position description, share the loads and will ensure that grant monies are properly monitored. In 2016, to ease monitoring the Ministry had required that all sugar industry stakeholders receiving grant from government through Ministry of Sugar should open an Account alone for the Grant.*

<sup>8</sup>Agreement between Ministry of Sugar and Sugar Research Institute of Fiji, Section 6.4

<sup>9</sup>Agreement between Ministry of Sugar and Sugar Research Institute of Fiji, Section 7.1

<sup>10</sup>Agreement between Ministry of Sugar and Sugar Research Institute of Fiji, Section 7.2



## Section 36 Ministry of Public Enterprises

### Roles and Responsibilities

The Ministry of Public Enterprises implement Government's public enterprises reform programs, provide policy recommendations and monitor public enterprises portfolio to maximise returns and increase efficiency and quality of service. Apart from corporatisation, public enterprises reforms also include the sale of certain Government assets and the partial divestment of earmarked State-owned enterprises.

The Government Printing and Stationery Department also reports to the Permanent Secretary for Public Enterprises. The Department's core functions include printing of legislations and publications, optimum use of resources through sound commercial discipline.

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## PART A: FINANCIAL STATEMENTS

### 36.1 Audit Opinion

The audit of the 2015 consolidated accounts which included Ministry of Public Enterprises and Government Printing and Stationery Department was completed with issue of an unqualified audit report.

### 36.2 Statement of Receipts and Expenditure

The consolidated revenue for the Ministry totalled \$45,334 with a consolidated expenditure of \$9,234,953 in 2015. Details are provided in Table 36.1.

**Table 36.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>REVENUE</b>		
Miscellaneous	45,334	180,037
<b>Total Revenue</b>	<b>45,334</b>	<b>180,037</b>
<b>EXPENDITURE</b>		
Established staff	2,174,400	2,201,443
Government wage earners	223,242	356,967
Travel and communications	60,227	72,330
Maintenance & operations	433,120	442,806
Purchase of goods and services	33,105	350,161
Operating grants and transfers	4,190,989	-
Special expenditures	43,897	38,457
<b>Total Operating Expenditure</b>	<b>7,158,980</b>	<b>3,462,164</b>
Capital Constructions	-	-
Capital grants and transfers	2,000,000	-
<b>Total Capital Expenditure</b>	<b>2,000,000</b>	<b>-</b>
Value Added Tax	75,973	122,204
<b>Total Expenditure</b>	<b>9,234,953</b>	<b>3,584,368</b>

Total revenue decreased by \$134,703 or 74.8% in 2015 compared to 2014 due to no Directors Fees received for trainings undertaken at the Ministry during 2015.

Total expenditures increased by \$5,650,585 or 157.6% in 2015 compared to 2014, which was largely attributed to new expenditures for Operating and Capital Grants and Transfers of \$4,190,989 and \$2,000,000, respectively.

### 36.3 Appropriation Statement

The Ministry incurred expenditure totalling \$9,234,953 in Head 36 in 2015 against a revised budget of \$10,518,816, resulting in a saving of \$1,283,863 or 12.2%. Details of expenditure against the revised budget are provided in Table 36.2.

**Table 36.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,212,867	(190,990)	3,021,877	2,174,400	847,477
2	Unestablished Staff	390,249	-	390,249	223,242	167,007
3	Travel & Communication	77,800	-	77,800	60,227	17,573
4	Maintenance & Operations	593,800	-	593,800	433,120	160,680
5	Purchase of Goods & Services	74,700	-	74,700	33,105	41,595
6	Operating Grants & Transfers	4,000,000	190,990	4,190,990	4,190,989	1
7	Special Expenditure	50,000	-	50,000	43,897	6,103
	<b>Total Operating Costs</b>	<b>8,399,416</b>	<b>-</b>	<b>8,399,416</b>	<b>7,158,980</b>	<b>1,240,436</b>

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
9	Capital Constructions	-	-	-	-	-
10	Capital Grants and Transfers	2,000,000	-	2,000,000	2,000,000	-
	<b>Total Capital Expenditure</b>	<b>2,000,000</b>	<b>-</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>-</b>
13	Value Added Tax	119,400	-	119,400	75,973	43,427
	<b>TOTAL</b>	<b>10,518,816</b>	<b>-</b>	<b>10,518,816</b>	<b>9,234,953</b>	<b>1,283,863</b>

### 36.4 Manufacturing Account – Trading and Manufacturing Activity

The Manufacturing Account is for Government Printing and Stationery Department. The total production costs in 2015 amounted to \$1.2 million during the year, \$0.12 million for direct labour cost. Refer to Table 36.3 for details.

**Table 36.3: Manufacturing Account**

Description	31 December 2015 (\$)	31 December 2014 (\$)
Raw Materials (01/01/15)	596,167	1,158,751
Add: Purchases	1,017,694	841,720
	<b>1,613,861</b>	<b>2,000,471</b>
Less: Raw Materials (31/12/15)	626,880	596,167
Raw Materials Used	986,981	1,404,304
Add Work in Progress(01/01/15)	352,944	-
Direct Cost	-	-
Direct Labour	117,505	39,326
Less: Work in Progress (31/12/15)	246,041	352,944
<b>Cost of Manufactured Goods Transferred to Trading Account</b>	<b>1,211,389</b>	<b>1,090,686</b>

### 36.5 Trading Account – Trading and Manufacturing Activity

The Trading Account is for Government Printing and Stationery Department. The cost of goods sold amounted to \$1.3 million whilst sales income amounted to \$1.9 million, resulting in a gross profit of \$0.60 million. Refer to Table 36.4 for details.

**Table 36.4: Trading Account - Government Printing & Stationery Department**

Description	31 December 2015 (\$)	31 December 2014 (\$)
<b>Sales</b>	<b>1,901,530</b>	<b>1,938,555</b>
Stock of Finished Goods (01/01/15)	749,851	665,696
Add: Cost of Manufactured Goods	1,211,389	1,090,686
Goods available for sale	1,961,240	1,756,382
Less: Stock of Finished Goods (31/12/15)	664,111	749,851
<b>Cost of Finished Goods Sold</b>	<b>1,297,129</b>	<b>1,006,531</b>

Description	31 December 2015 (\$)	31 December 2014 (\$)
Gross Profit Transferred to Profit and Loss Statement	604,401	932,024

### 36.6 Profit and Loss Statement – Trading and Manufacturing Activity

The profit and loss statement showed a net profit of \$0.52 million in 2015 compared to \$0.91 million in 2014.

Total expense for 2015 was \$76,676 with the major components of expenses being incurred on maintenance and operations. Refer to Table 36.5 for details.

**Table 36.5: Profit & Loss Statement - Government Printing & Stationery Department**

Description	31 December 2015 (\$)	31 December 2014 (\$)
<b>Income</b>		
Gross Profit transferred from Trading Account	604,401	932,024
<b>Expenses</b>		
Travel & Communication	0	260
Maintenance & Operations	76,670	20,208
Special Expenses	6	42
<b>Total Expenses</b>	<b>76,676</b>	<b>20,510</b>
<b>Net Profit</b>	<b>527,725</b>	<b>911,514</b>

### 36.7 Balance Sheet – Trading and Manufacturing Activity

The total net assets of the Government Printing and Stationery Department during the year 2015 totalled \$3.5 million compared to \$3.8 million during 2014. This was attributed to reduction in Accounts Receivable by \$102,516 or 11%, Work in progress by \$141,450 or 40% and finished goods for sale by \$51,193 or 7%. Refer to Table 36.6 for details.

**Table 36.6: Balance Sheet**

Description	31 December 2015 (\$)	31 December 2014 (\$)
Accounts Payable	15,598	662
Deposits & Deductions	44,523	25,993
<b>Total Liabilities</b>	<b>60,121</b>	<b>26,655</b>
<b>Equities</b>		
Accumulated TMA Surplus	5,142,334	4,230,821
TMA Surplus transferred to Consolidated Fund	(2,212,543)	(1,352,261)
Net Profit	527,725	911,514
<b>Total Equity</b>	<b>3,457,516</b>	<b>3,790,074</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>3,517,637</b>	<b>3,816,729</b>

Description	31 December 2015 (\$)	31 December 2014 (\$)
<b>Current Assets</b>		
Cash at Bank	1,186,488	1,221,134
Account Receivable	794,117	896,633
IC Raw Materials	626,880	596,167
Work In progress	211,494	352,944
Finished Goods for sale	698,658	749,851
<b>TOTAL ASSETS</b>	<b>3,517,637</b>	<b>3,816,729</b>

The cash at bank balance decreased by \$34,646 or 2.8% in 2015 compared 2014 due to inability of the Government Printing and Stationery Department to identify direct bank deposits made by customers which were subsequently not included in the general ledger.

## PART B: AUDIT FINDINGS

### Government Printing and Stationery Department

#### 36.8 Anomalies - Trading and Manufacturing Account for 2015

The profit and loss statement and the balance sheet must be prepared on an accrual basis.<sup>1</sup> 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.<sup>2</sup>

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

- There was an unreconciled difference of \$99,551 between the FMIS general ledger and the TMA bank reconciliation statement for cash at bank. Explanation provided by the Department revealed delays in posting of direct deposits to the general ledger as customers that made the direct deposits could not be identified.
- In addition, an unreconciled difference of \$50,181 was noted between the FMIS general ledger and the Accounts Receivable listings maintained by the Department. Furthermore, the unidentified deposits amounting to \$99,551 was yet to be posted to the general ledger as customers that made the deposits could not be identified.

The above anomalies imply the lack of effective controls and lack of supervisory checks in the TMA operations.

#### **Recommendations**

**The Department should ensure that:**

- **Accounts Officers take necessary action to ensure that direct bank deposits are promptly identified and FMIS general ledger is updated in a timely manner to capture the amounts received; and**

<sup>1</sup> Finance Instructions 2010, Section 30 (2)

<sup>2</sup> Finance Instructions 2010, Section 30 (3)

- **Bank reconciliations are properly checked and any variances are promptly investigated and rectified.**

### **Department's Comments**

*The difference is made up of our debtors who had made their payment through EFT. Unfortunately, these customers haven't disclosed the required information whilst transmitting funds through EFT. Thus, this has prevented us from crediting their respective accounts as we need the Invoice(s) to which their payment relates to allow us to credit their accounts accordingly through the Accounts Receivable module.*

*The variance is due to the following:*

- (i) On some occasions we invoice customers for the normal printing charges plus a component of overtime payment.*
- (ii) On other occasions customers raise one cheque for normal printing jobs plus payment for gazette subscriptions.*

*When receipting is done in the 2 scenarios above, the total amount inclusive of overtime payment and subscription payment is initially receipted into Fund 4 (TMA). However, overtime payment and subscriptions needs to be accounted for in Fund 1.*

*Thus, we normally raise a cheque from the general ledger (Fund 4) and this is then paid into Fund 1 to offset the overtime payment made from SEG 1 and also to record the subscription as government revenue in Fund 1. The effect of the above transactions is that the Arrears of Revenue in the G/L will always be less than the amount shown in the Aged Arrears Report maintained by the Department because the payment amount initially recorded in the GL has been split and a portion of it has been paid to Fund 1. The Aged Arrears Report is not affected because the raising of cheques and subsequent payment into Fund 1 is not reflected in that report but only in the G/L.*

*This issue has been discussed with Irimaia from FMIS section at MOF and OAG staffs some years back and it was agreed by both parties that this issue be deleted and not included as a qualification issue in the Audit Report. We had a lot of e-mail correspondences on this issue last year between Irimaia, Firoz and me. Sairusi is also aware of this during our exit meeting*

- *FIRCA variances – Comments noted. We will try and substantiate the difference between the two.*

## Section 37

# Ministry of Local Government, Urban Development and Environment

### Role and Responsibilities

The Ministry of Local Government, Urban Development 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.

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## PART A: FINANCIAL STATEMENT

### 37.1 Audit Opinion

Audit of the 2015 accounts of the Ministry of Local Government, Urban Development and Environment, resulted in the issue of a qualified audit report. The qualifications are as follows:

- The Environment Trust Fund Account Statement of Receipts and Payments had a closing balance of \$2,894,606 as at 31 December 2015 while the cash at bank and cash book balances were \$3,279,438 and \$2,949,352, respectively. The Ministry did not perform a reconciliation of the FMIS general ledger with the cash at bank and cash book balances.

As a result, audit was not able to ascertain the accuracy and correctness of the closing balance of \$2,894,606 for the Environment Trust Fund Account Statement of Receipts and Payments for the year ended 31 December 2015.

- The correctness of the Statement of Losses could not be verified as the Board of Survey was not completed by the Ministry.

## 37.2 Statement of Receipts and Expenditure

The Ministry collected revenue amounting to \$504,231 and incurred expenditure totalling \$24,585,109 in 2015. Details are provided in Table 37.1.

**Table 37.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Town and Country Planning Fees	244,691	198,246
Commission	5,752	5,413
<b>Total State Revenue</b>	<b>250,443</b>	<b>203,659</b>
<b>Agency Revenue</b>		
Miscellaneous Revenue	253,788	45,791
<b>Total Agency Revenue</b>	<b>253,788</b>	<b>45,791</b>
<b>TOTAL RECEIPTS</b>	<b>504,231</b>	<b>249,450</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	2,754,337	2,637,643
Government Wage Earners	140,795	130,963
Travel & Communications	197,771	164,988
Maintenance & Operations	252,868	234,343
Purchase of Goods & Services	140,179	153,030
Operating Grants & Transfers	1,315,831	1,640,416
Special Expenditures	1,524,562	1,602,256
<b>Total Operating Expenditure</b>	<b>6,326,343</b>	<b>6,563,639</b>
<b>Capital Expenditure</b>		
Capital Construction	429,765	1,678,856
Capital Purchase	856,781	869,565
Capital Grants & Transfers	16,474,957	9,219,996
<b>Total Capital Expenditure</b>	<b>17,761,503</b>	<b>11,768,417</b>
<b>Value Added Tax</b>	<b>497,263</b>	<b>686,584</b>
<b>TOTAL EXPENDITURE</b>	<b>24,585,109</b>	<b>19,018,640</b>

The Ministry's revenue increased by \$254,781 or 102 % in 2015 compared to 2014 due to increase in Town and Country Planning Fees collected and increase in miscellaneous revenue due to regularisation of the stale cheques.

Total expenditure increased by \$5,566,469 or 29% in 2015 compared to 2014 which was mainly attributed to increase in capital grants and transfers resulting from new projects undertaken including New Town Development, Nasinu Market (Laqere) and Albert Park Redevelopment.



### 37.3 Appropriation Statement

The Ministry of Local Government, Urban Development and Environment incurred expenditure totalling \$24,585,109 in 2015 against a revised budget of \$32,682,569 resulting in saving of \$8,097,460 or 24.7%. Details are provided in Table 37.2.

**Table 37.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
	<b>Operating Expenditure</b>					
1	Established Staff	3,315,947	---	3,315,947	2,754,337	561,610
2	Government Wage Earners	148,936	---	148,936	140,795	8,141
3	Travel & Communications	201,030	1,000	202,030	197,771	4,259
4	Maintenance & Operations	301,200	10,000	311,200	252,868	58,332
5	Purchase of Goods & Services	181,836	---	181,836	140,179	41,657
6	Operating Grants & Transfers	1,806,220	---	1,806,220	1,315,831	490,389
7	Special Expenditures	2,339,976	(11,000)	2,328,976	1,524,562	804,414
	<b>Total Operating Expenditure</b>	<b>8,295,145</b>	<b>---</b>	<b>8,295,145</b>	<b>6,326,343</b>	<b>1,968,802</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	3,932,616	---	3,932,616	429,765	3,502,851
9	Capital Purchase	985,308	---	985,308	856,781	128,527
10	Capital Grants & Transfers	18,300,000	---	18,300,000	16,474,957	1,825,043
	<b>Total Capital Expenditure</b>	<b>23,217,924</b>	<b>---</b>	<b>23,217,924</b>	<b>17,761,503</b>	<b>5,456,421</b>
13	Value Added Tax	1,169,500	---	1,169,500	497,263	672,237
	<b>TOTAL EXPENDITURE</b>	<b>32,682,569</b>	<b>---</b>	<b>32,682,569</b>	<b>24,585,109</b>	<b>8,097,460</b>

### 37.4 Statement of Losses

There was no loss reported for the Ministry in 2015. A board of survey for the year ending 31 December 2015 was not completed by the Ministry.

### 37.5 Trust Fund Account Statement of Receipts and Payments

The Environment Main Trust Fund Account had credit balance of \$2,894,606 as at 31/12/15 compared to a credit balance of \$2,871,092 in 2014. Refer Table 37.3 for receipts and payments for the year ended 31/12/15.

**Table 37.3: Trust Account Statement of Receipts & Payments for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Ozone Depletion Substance (ODS) Fines	455,628	1,146,528
Waste and Environment Impact Assessment	2,200,699	2,087,250
Environment Trust	276,904	1,123,436
Convention on International Trade in Endangered Species	193,982	56,734
<b>Total Receipts</b>	<b>3,127,213</b>	<b>4,413,948</b>

Description	2015 (\$)	2014 (\$)
<b>PAYMENTS</b>		
Ozone Depletion Substance (ODS) Fines	773	87,469
Waste and Environment Impact Assessment	2,500,490	2,923,916
Environment Trust	601,067	264,744
Convention on International Trade in Endangered Species	1,369	---
<b>Total Payments</b>	<b>3,103,699</b>	<b>3,276,129</b>
Net Surplus	23,514	1,137,819
Balance as at 1 January	2,871,092	1,733,273
<b>Closing Balance as at 31 December</b>	<b>2,894,606</b>	<b>2,871,092</b>

The Environment Main Trust Fund Account showed a surplus of \$23,514 in 2015 compared to \$1,137,819 as at end of 2014. The significant decrease was due to decrease in receipts from Ozone Depletion Substance (ODS) fines by \$690,900 or 60% and Environment Trust by \$846,532 or 75%.

Trust expenditures also decreased by \$172,430 or 5% during 2015 compared 2014.

## PART B: AUDIT FINDINGS

### 37.6 Unreconciled Balances for the Main Trust Fund Account

Each month the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items must be investigated and resolved promptly.<sup>1</sup>

The Department of Environment's main trust fund accounts cash at bank had a balance of \$2,949,352.28 in FMIS general ledger while the bank statement had a balance of \$3,279,438.16 as at 31/12/15 resulting in a variance of \$330,085.88. The Department did not prepare the Main Trust Fund Account reconciliation for 2015. Hence, the trust fund account balance as at 31/12/15 was not reconciled. Refer to Table 37.4 for details.

**Table 37.4: Variance in Cash at Bank and FMIS Balance**

Particulars	Amount (\$)
Balance as per FMIS General Ledger	2,949,352.28
Balance as per Bank Statement	3,279,438.16
<b>Variance</b>	<b>330,085.88</b>

In addition, a variance of \$54,746.23 was noted between Trust Fund Account balance (SLG 89) and the Cash at bank balance (SAG 52) in the FMIS general ledger as at 31 December 2015. Refer to Table 37.5 for details.

<sup>1</sup> Finance Instructions 2010, Section 58 (3)

**Table 37.5: Variance in FMIS Trust Fund Account and FMIS Cash at Bank Balance**

Particulars	Amount (\$)
FMIS Cash at Bank Balance	2,949,352.28
FMIS Trust Fund Account Balance	2,894,606.05
<b>Variance</b>	<b>54,746.23</b>

The findings show laxity of the officers responsible for not performing their duties. As a result, audit was not able to ascertain that all receipts and payments had been accurately accounted for in the main trust fund account.

### **Recommendations**

**The Ministry should ensure that:**

- trust fund account bank balance is reconciled with the trust fund FMIS ledger balance on a monthly basis;
- receipts and payments from the Environment Trust Fund account are posted to the general ledger on a timely basis; and
- appropriate action is taken against officers responsible for not performing their duties diligently.

### **Ministry's Comments**

*Please note the Trust Fund reconciliations have been processed up to September, 2015 and submitted to Finance. The remaining reconciliations for October – December, 2015 are being processed for submission to Finance.*

*As mentioned earlier, the delay is due to staffing constraints within Accounts which is being addressed urgently by management.*

*Also note the variance of \$330,085.88 in balances between the FMIS/GL and bank balance was inherited by the Ministry when the Trust Account was transferred to the Ministry in 2010. It previously operated under a number of Ministries before it was transferred to the Ministry in 2010 from the Ministry of Lands.*

*However, the Accounts section has been liaising with FMIS to regularize the variance through a write-off submission to the Minister for Finance. Appropriate measures are being taken to regularize the variance of \$54,746.23 as highlighted.*

## **37.7 Reconciliations not prepared**

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.<sup>2</sup>

Each month, the Accounting Head must provide a signed and dated report to the Permanent Secretary to advise whether all reconciliations and check required in the agency's Finance manual have been carried out.<sup>3</sup>

The audit noted that the Ministry failed to prepare and submit its monthly reconciliations for various underline accounts for the period January to December 2015. Refer to Table 37.6 for details.

<sup>2</sup> Ministry's Finance Manual 2013, Section 17.2.5

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

**Table 37.6: Underline Accounts Balances without Reconciliations**

Allocation	Description	FMIS Balance as at 31/12/15 (\$)	Audit Remarks
1-37101-37999-570301	RFA (Advance)	(4,753.82)	Reconciliations for Jan – Dec 2015 was prepared in December/January 2016 and was maintained in soft copies only.
1-37000-00000-530000	IDC	---	
1-37101-37999-530301	Drawings	(320,468.81)	The reconciliations are not certified by Senior Accounts Officer and the Permanent Secretary.
1-37000-00000-860000	Operating Trust	(12,953.97)	Reconciliations done till March 2015 was prepared in March/April 2016 and was maintained in soft copies only.
1-37301-37999-840602	SLG 84 – Accounts Payable	(1,200)	
1-37000-00000-530000	BLC	---	Reconciliations done till March 2015 was prepared in March/April 2016 and was maintained in soft copies only.
9-37000-00000-890000	Environment Main Trust - Liability	(2,894,606.05)	
9-37301-37999-520301	Environment Main Trust – Cash	2,949,352.28	The reconciliations are not certified by Senior Accounts Officer and the Permanent Secretary.
9-37301-37999-560102	Accounts Receivable	2,750.51	Reconciliations not prepared for the 12 months

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

As a result, it was not possible to ascertain the correctness of the balance reflected in the Ministry's underline accounts.

### **Recommendations**

**The Ministry should ensure that:**

- **monthly reconciliations for the underline accounts are prepared, signed and submitted to the Permanent Secretary for review and endorsement in a timely manner;**
- **all signed reconciliations are submitted to the Ministry of Finance FMIS unit for necessary action; and**
- **appropriate action is taken against officers responsible for not performing their duties diligently.**

### **Ministry's Comments**

*All monthly reconciliations have been updated and submitted to FMIS which records all reconciliations submitted by Ministries. In case of non-submissions by Ministries, FMIS takes corrective measures such as withholding Excess approvals, RIE uploads, virement uploads, etc. until such time Ministries comply.*

### 37.8 Unreported Losses

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 Secretary a large asset base, the board of survey to be conducted on a cyclical basis so that all assets are checked every year.<sup>4</sup>

The audit noted that the Ministry did not complete its Board of Survey for the year ended 31/12/15.

Due to lack of proper planning and coordination by the Ministry, the Board of Survey for 2015 was not completed.

As a result the losses may not be properly disclosed by the Ministry in the Statement of Losses.

#### **Recommendation**

**The Ministry should ensure that annual board of survey is properly planned and conducted before preparation of agency financial statement audit to ensure losses are properly disclosed in the financial statements.**

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

*Please note the 2015 BOS was carried out as required and the reports are being finalized before the Ministry submits to Finance.*

### 37.9 No Back - Up Records for 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.<sup>5</sup>

The Ministry paid a total of \$2,754,337 in salaries and \$140,795 in wages for the period 1/1/15 – 31/12/15. However, the Ministry failed to provide salaries and wages reconciliations for the period 1/1/15 – 31/12/15 for audit verification.

Discussion with the Accounts Officer revealed that the reconciliations were maintained in soft copies which were lost when the hard disk of the computer in which it was kept crashed. The Ministry did not maintain backups of the reconciliations.

In the absence of the reconciliations, it was not possible to ascertain during audit that payroll reconciliations were regularly prepared and reconciled with the amount of salaries and wages paid by the Ministry.

#### **Recommendations**

**The Ministry should ensure that:**

- **salaries and wages reconciliations are regularly prepared and hard copies of all reconciliations are maintained for audit purposes.**
- **regular backups are done for all critical data held in the Ministry's computers.**

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<sup>4</sup> Finance Instructions 2010, Section 49 (1)

<sup>5</sup> Finance Instructions 2010 – Section 17 (7)

**Ministry's Comments**

*Please note our Salaries and Wages reconciliations are being updated with copies submitted to FMIS/Finance with copies retained on files for record purpose. Please note soft copies were submitted to FMIS which is a more convenient way of delivery.*

*Delays in compilation and submission have been due to staffing constraints in our Accounts Section for the last 2 years or so.*

**37.10 Anomalies in Extension of Current Naboro Landfill Stage 2**

The proper management of expenditure is fundamental to ensuring value for money in delivering services to the community.<sup>6</sup>

The Ministry of Local Government, Urban Development and Environment were allocated \$2,932,616 in the 2015 budget for the extension of the current Naboro Landfill Stage 2.

The Government Tender Board (GTB) on 6/8/14 awarded the design tender to Contractor A for a sum of \$255,025 VIP with a contingency sum of \$25,502.50.

The contract was signed between the Ministry and Contractor “A” on 11/5/15 after a lapse of nine months from the date tender was awarded by the GTB. The delay was due to the disagreements between the contractor and the Ministry over the payment of 15% non-resident miscellaneous withholding tax.

As a result of the delay in construction, the land fill space available at Naboro landfill reached at critical level. To address the situation, the Ministry submitted request for waiver of tender which was approved by Minister of Economy on 25/11/15. The tender was awarded to Contractor B for the construction of the Naboro Landfill Stage 2 Cell 1.

Audit review of the project records and contract documents revealed the following anomalies.

- a) The disagreement over the payment of withholding tax by the contractor and the Ministry agreeing to pay the 15% withholding tax on behalf of the Contractor A to FRCA totalling \$44,118.09 as at 31/12/15.

Hence, the Ministry paid total of \$280,527 to Contractor “A” inclusive of provisional tax of \$44,118.09 not being deducted.

- b) The nine months delay to finalise the agreement resulted in having variations in designs to be provided by the contractor to breakdown the Stage 1 design into 3 phases instead of the initial agreement to have one design. As a result, the Ministry had to pay \$25,502.50 as cost of variations from the contingency sum.

The findings indicate that the Ministry did not foresee and adopt proactive approach for the construction of the 2<sup>nd</sup> phase of the landfill which resulted in additional costs.

<sup>6</sup> Ministry of Local Government, Urban Development, Housing and Environment Finance Manual 2013 Part 2

## **Recommendation**

**The Ministry should ensure that capital projects are properly planned and managed in order to avoid delays and incurring additional costs in the completion of projects.**

## **Ministry's Comments**

*The Ministry fully acknowledged the recommendations of the OAG.*

*Please note the Ministry was only aware of the 15% WHT and the 15% VAT Reverse charge requirements following GTB approval and during the vetting of the draft Contract by the office of the Solicitor General in 2014.*

*Please note that it would not have become an issue should the Fiji Procurement Office had included the 15% WHT for non-residents in the Bidder's checklist. The Ministry had raised its concerns to the FPO in 2015 and requested that such condition be considered.*

*The Consultancy for the designs for Naboro Landfill Stage 2 was then for five months beginning from 8<sup>th</sup> May, 2015 until 8<sup>th</sup> October, 2015.*

*Due to the delays in obtaining the designs consultancy, the Ministry had therefore requested for the consultant, Contractor A to provide an immediate designs (Stage 2- Cell 1) to cater for the much needed landfill space which has resulted in the variations to the contract.*

*The Ministry has therefore had no option but to request for waiver of tender for the construction of the first cell of Stage 2 due to the limited airspace at the landfill and the timelines for adhering to the tender process which normally takes another 3- 6 months. The Ministry received Minister of Finance approval on the waiver of tender on 25<sup>th</sup> of November, 2015 and the contract was then finalized and signed on 29<sup>th</sup> January, 2016.*

*The Ministry is now fully aware of the 15% WHT requirements for future tender works.*

## **37.11 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.<sup>7</sup>

The Contractor 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 31/12/15 was \$471,364.01 out of which \$191,189.85 was outstanding for more than 90 days.

The audit also noted that \$384,993.97 or 81.7% of the total debts was owed by the four Municipal Councils out of which \$189,778.65 were outstanding for more than 90 days. Refer to Table 37.7 for the details.

**Table 37.7: Breakdown Details of Outstanding Debt**

Debtor	Amount Owed as at 31/12/15 (\$)	Percentage of Total Debtors (%)
Nasinu Town Council	249,876.64	53.0
Nausori Town Council	32,930.33	7.0
Lami Town Council	4,664.45	1.0
Suva City Council	97,522.55	20.7

<sup>7</sup> Contract Agreement between Contractor and MLGUDHE clause 2.5

Debtor	Amount Owed as at 31/12/15 (\$)	Percentage of Total Debtors (%)
Private Companies	86,370.04	18.3
<b>Total</b>	<b>471,364.01</b>	<b>100.0</b>

The Ministry does not maintain any evidence to substantiate that the Contractor has been following up with the debtors to recover the amount owed.

In addition, the audit noted that the Naboro Landfill debtors is significantly contributing to large amount of subsidy paid by the Ministry to meet the short fall in the monthly gate fees collected. For the financial year 2015, the Ministry paid a sum of \$713,545.41 as subsidy to the Contractor which could have been saved if debts amounting to \$471,364.01 had been recovered.

The above finding indicates that the Contractor's debt recovery procedures are ineffective as significant amount of debtors balance is outstanding for more than 90 days. In addition, the findings also indicates that the Contractor does not recognize the importance of recovering debts as the Ministry has been continuously meeting the short fall in the gate fees through subsidy payment.

Similar observation was made in previous years audit report but no improvement has been noted.

Failure by the Contractor to effectively manage the debtor balances will increase the risk of bad debts and will exert pressure for the Ministry to meet the shortfall.

### **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 from municipal councils as majority of the debts are owed by the councils.**

### **Ministry's Comments**

*The Ministry fully acknowledged the recommendations of the OAG.*

*As per our response in the 2014 Audit Report:*

*The contractor as per the conditions of Contract has to pass all revenue from the operations of the Naboro landfill to the principal and assumes responsibility for recovering all debts that are incurred for customers allowed on credit basis. The specifications state that the contractor must ensure that there are sufficient funds in the nominated trust fund to ensure payment to the contractor for the previous month's; this in itself acts as a control for requiring the contractor to recover a minimum of \$230k-\$250k from its creditors.*

*We also note that majority of the debtors are municipal councils and the Ministry also being responsible for the affairs of Local Governments appreciates the variable and volatile cash flows experienced by the councils mentioned.*



*The subsidy is relied on regardless of the state of the creditors as the revenue in any given month is certain not to exceed the contractual costs; this is due to the fact that the gate fees are set at a level whereby revenue does not break even with the costs. To address the above disparity, cabinet had approved on 23<sup>rd</sup> June, 2015 an increase in gate fee thus the Landfill is in a position to break even with the contractual costs for the first time in its history.*

*The increase in gate fees will come into effect on 23<sup>rd</sup> June, 2016.*

## 37.12 Anomalies in Operations of Naboro Landfill

On 22/7/2005, the Ministry of Local Government, Urban Development and Environment entered into a five year contract agreement with Contractor A for the operation of Naboro Landfill. Consequently, the contract was extended for another term of 5 years with a contract price of \$5,834,070 (VIP) and the current contract agreement expired on 30/6/15. Further extension of three months and additional extension of eight months was given to the Contractor A and after the extension the contract will expire on 31/5/16.

### 37.12.1 Anomalies in Award of Tender for Naboro Landfill Operations

The proper management of expenditure is fundamental to ensuring value for money in delivering services to the community.<sup>8</sup>

The current Naboro Landfill Operations contract with Contractor “A” expired on 30/6/15.

Audit review of the tender documents and awards revealed the following anomalies.

- The Tender Evaluation Committee (TEC) after its evaluation on 19/1/15 recommended Contractor B for a contract sum of \$10,822,730.50 VIP for a period of 5 years.

On 5/8/15, the Ministry on behalf of the Government Tender Board (GTB) wrote to Contractor “A” requesting them to further reduce its tendered price. On 18/8/15, Contractor A agreed to reduce the initial tender price to \$11,339,362.25 VIP after which the GTB awarded the contract to Contractor “A” on 28/9/15.

However, there was no evidence if similar price negotiation were made with the Contractor “B” by GTB.

The audit noted that the price offered by Contractor “B” was lower than the revised price submitted by Contractor “A” with a difference of \$516,631. Refer to Table 37.8 for details.

**Table 37.8: Tendered Amount by Contractor “A” and Contractor “B”**

Contractor	Price (\$ VIP)
Contractor A (Revised Amount)	11,339,362.25
Contractor B	10,822,730.50
<b>Difference</b>	<b>516,631.75</b>

Audit review of the TEC minutes further revealed that Contractor “B” had the relevant experience, track record, technical skills and tendered the lowest bid.

<sup>8</sup> Ministry of Local Government, Urban Development, Housing and Environment Finance Manual 2013 Part 2

However, the GTB awarded the contract to Contractor “A” without any valid explanations provided by GTB to the Ministry.

- The Ministry paid a total of \$1,409,387.79 to Contractor “A” for a period of six months from July 2015 to December 2015 for the overall landfill operations rates after the expiry of its agreement on 30/6/15.

The Ministry could have saved \$365,328.39 VIP or 25.9% of the total payments made to Contractor “A” up till 31/12/15 if the tender for the operation of the Naboro Landfill was awarded to Contractor “B” as recommended by the Tender Evaluation Committee. Refer to Table 37.9 for details.

**Table 37.9: Savings from July 2015 – December 2015 if Contractor “B” was engaged**

Months	Tonnes of Waste Processed	Contractor B	Total Expected Cost	Overall Monthly Total Cost for Contractor B	Actual payment to Contractor A	Cost Savings
		(\$)	(\$)	(\$)	(\$)	(\$)
<b>July</b>						
Up to 4,200 tonnes	4,200.00	35.50	149,100.00			
Between 4,200 to 5,000	800.00	1.50	1,200.00			
Greater than 5,000	1,799.80	0.50	899.90	151,199.90	201,998.00	50,798.10
<b>August</b>						
Up to 4,200 tonnes	4,200.00	35.50	149,100.00			
Between 4,200 to 5,000	800.00	1.50	1,200.00			
Greater than 5,000	1,860.68	0.50	930.34	151,230.34	202,606.80	51,376.46
<b>September</b>						
Up to 4,200 tonnes	4,200.00	35.50	149,100.00			
Between 4,200 to 5,000	800.00	1.50	1,200.00			
Greater than 5,000	2,060.01	0.50	1,030.00	151,330.01	204,600.10	53,270.09
<b>October</b>						
Up to 4,200 tonnes	4,200.00	35.50	149,100.00			
Between 4,200 to 5,000	800.00	1.50	1,200.00			
Greater than 5,000	2,281.61	0.50	1,140.81	151,440.81	206,816.10	55,375.29
<b>November</b>						
Up to 4,200 tonnes	4,200.00	35.50	149,100.00			
Between 4,200 to 5,000	800.00	1.50	1,200.00			
Greater than 5,000	1,896.42	0.50	948.21	151,248.21	202,964.20	51,715.99
<b>December</b>						
Up to 4,200 tonnes	4,200.00	35.50	149,100.00			
Between 4,200 to 5,000	800.00	1.50	1,200.00			
Greater than 5,000	2,256.94	0.50	1,128.47	151,428.47	206,569.40	55,140.93
<b>Total Savings VEP</b>						<b>317,676.86</b>
<b>VAT (15%)</b>						<b>47,651.53</b>
<b>Total Savings VIP</b>						<b>365,328.39</b>

The above finding indicates that there was lack of consultation with the Ministry and proper cost analysis was not carried out to determine the most economical contractor for Naboro Landfill operations.

### **Recommendation**

**The Ministry in consultation with Fiji Procurement Office should obtain justification on the decision of the GTB.**

### **Ministry's Comments**

*The Ministry fully acknowledges the recommendations of the OAG.*

*The Ministry has taken on board the findings of the audit report in particular the cost savings analysis for the purpose of engaging a most economical contractor for Naboro Landfill Operations.*

### **37.12.2 Savings Foregone due to Delay in tender approval and signing of agreement**

The proper management of expenditure is fundamental to ensuring value for money in delivering services to the community.<sup>9</sup>

The agreement with Contractor "A" for the operation of Naboro Landfill expired on 30/6/15.

The final tender evaluation for the Naboro landfill operation was finalised on 19/1/15 and Tender Evaluation Committee (TEC) recommended Contractor "B". However, after a lapse of 8 months the Government Tender Board (GTB) on 28/9/15 awarded the tender to Contractor "A".

The audit noted that as at the date of audit on 3/2/16, the Ministry had not entered into a contract agreement with Contractor "A".

However, the Ministry engaged Contractor "A" without a valid agreement and paid a total of \$708,802.16 for a period of three months from October 2015 to December 2015 for the overall landfill operations at the existing rates.

Audit review noted that the Ministry could have saved \$72,192.77 VIP based on new rate on the total payments made between July 2015 to December 2015 if the new contract was finalised from 1/7/15. Refer to Table 37.10 for details.

**Table 37.10: Savings if Contractor "A" was Engaged Based on the New Tendered Price**

Months	Tonnes of Waste	New Tendered Rate by Contractor A (\$)	Total Cost For the Month (\$)	Overall Total Cost For the Month Based on New Tendered rate (\$)	Actual Payment Made to Contractor A (\$)	Cost Savings (\$)
<b>July</b>						
Up to 4,200 tonnes	4,200	33.65	141,330.00			
Between 4,200 to 5,000	800	20	16,000.00			
Greater than 5,000	1,799.80	18	32,396.40	189,726.40	201,998	12,271.60
<b>August</b>						

<sup>9</sup> Ministry of Local Government, Urban Development, Housing and Environment Finance Manual 2013 Part 2

Months	Tonnes of Waste	New Tendered Rate by Contractor A (\$)	Total Cost For the Month (\$)	Overall Total Cost For the Month Based on New Tendered rate (\$)	Actual Payment Made to Contractor A (\$)	Cost Savings (\$)
Up to 4,200 tonnes	4,200	33.65	141,330.00			
Between 4,200 to 5,000	800	20	16,000.00			
Greater than 5,000	1,860.68	18	33,492.24	190,822.24	202,606.80	11,784.56
<b>September</b>						
Up to 4,200 tonnes	4,200	33.65	141,330.00			
Between 4,200 to 5,000	800	20	16,000.00			
Greater than 5,000	2,060.01	18	37,080.18	194,410.18	204,600.10	10,189.92
<b>October</b>						
Up to 4,200 tonnes	4,200	33.65	141,330.00			
Between 4,200 to 5,000	800	20	16,000.00			
Greater than 5,000	2,281.61	18	41,068.98	198,398.98	206,816.10	8,417.12
<b>November</b>						
Up to 4,200 tonnes	4,200	33.65	141,330.00			
Between 4,200 to 5,000	800	20	16,000.00			
Greater than 5,000	1,896.42	18	34,135.56	191,465.56	202,964.20	11,498.64
<b>December</b>						
Up to 4,200 tonnes	4,200	33.65	141,330.00			
Between 4,200 to 5,000	800	20	16,000.00			
Greater than 5,000	2,256.94	18	40,624.92	197,954.92	206,569.40	8,614.48
<b>Total Savings VEP</b>						<b>62,776.32</b>
<b>VAT (15%)</b>						<b>9,416.45</b>
<b>Total Savings VIP</b>						<b>72,192.77</b>

The above finding shows significant delays by GTB in making its decision. As a result, savings of \$72,192.77 as at 31/12/15 were foregone by the Ministry for not having the agreements signed prior to the expiry of the operations contract agreement on 30/6/15.

### **Recommendation**

**The Ministry should ensure that valid agreements are in place prior to the expiry of the current agreements.**

### **Ministry's Comments**

*The Ministry fully acknowledges the recommendations of the OAG and has taken on board the findings for our necessary action.*

### **37.12.3 Incorrect Estimation used for Total Tonnes of Rubbish for the 5 Year Period**

The proper management of expenditure is fundamental to ensuring value for money in delivering services to the community.<sup>10</sup>

<sup>10</sup> Ministry of Local Government, Urban Development, Housing and Environment Finance Manual 2013 Part 2

The tender specifications required the bidders to submit tender price based on an estimated 310,000 tonnes of rubbish for a 5 year period. Refer to Table 37.11 for details.

**Table 37.11: Tonnage Used for Tender**

Item	Quantity (tonnes)
Overall Landfill Operations rates	
Up to 4,200 tonnes per month	252,000.00
Greater than 4,200 and less than 5,000	48,000.00
Over 5,000 tonnes	10,000.00
Total Tonnes for 5 Years	310,000.00
Total tonnes per month	5,166.67

Review of the tender documents revealed the following anomalies.

- As per the tender specifications, the Contractors were required to submit their bids based on 310,000 tonnes of waste for a period of 5 years which equates to 5,166.67 tonnes of waste per month.

However, the total tonnes of waste processed for the year ended 31/12/15 were 84,759.70 which equates to an average of 7,063 tonnes per month. Refer to Table 37.12 for details.

**Table 37.12: Tonnes of Rubbish per Month for Year 2015**

Month	Tonnes of Rubbish
January	6,876.30
February	7,627.14
March	8,101.62
April	6,383.61
May	6,364.06
June	7,251.51
July	6,799.80
August	6,860.68
September	7,060.01
October	7,281.61
November	6,896.42
December	7,256.94
Total	<b>84,759.70</b>

The above findings indicate that the total tonnage of rubbish as per tender specifications was grossly understated.

- The Naboro Landfill Operations contract was awarded to Contractor “A” by the GTB on 28/9/15 based on the price submitted for 310,000 tonnes of rubbish as per the tender documents.

The audit noted that the total waste expected for the next 5 year period based on the 2015 figures of the total tonnage of waste processed was approximately 423,798.50 tonnes. Thus, this could result in the Ministry paying Contractor “A” an extra \$2,355,628.95 VIP above its tendered price for the 5 year period.

Refer to Table 37.13 for details.

**Table 37.13: Difference between Expected tonnage of Waste and tendered tonnage of Waste**

Item	Quantity (tonnes) 5 year	Contractor A Rate per tonne (\$)	Total Cost for 5 years as per Audit Estimate	Total Cost for 5 Years as per Bid Submitted by Contractor A	Additional Cost
<b>Provisional Items</b>			240,515.00	240,515.00	
<b>Overall Landfill Operations rates</b>					
Up to 4,200 tonnes per month	252,000.00	33.65	8,479,800.00	8,479,800.00	
Greater than 4,200 and less than 5,000	48,000.00	20.00	960,000.00	960,000.00	
Over 5,000 tonnes – As per Audit Estimate	123,798.50	18.00	2,228,373.00	---	
Over 5,000 tonnes – As per Tender submitted	10,000.00	18.00	---	180,000.00	
<b>Total VEP</b>			<b>11,908,688.00</b>	<b>9,860,315.00</b>	2,048,373.00
VAT (15%)			1,786,303.20	1,479,047.25	307,255.95
<b>Total VIP</b>			<b>13,694,991.20</b>	<b>11,339,362.25</b>	<b>2,355,628.95</b>

The above findings indicate that the total tonnage of rubbish as per the tender specifications was unrealistic and was made without considering the population growth and developments within Lami - Nausori corridor over the next 5 years.

- Cost analysis carried out during audit based on the expected tonnes of rubbish for the five year period of 423,798 tonnes charged by Contractor “A” in comparison to the tendered rate provided by Contractor “B” revealed; that in the long run, the Ministry would have saved \$2,806,826 VIP if the contract would have been awarded to Contractor “B” contrary to the initial difference in price of only \$516,632 VIP based on 310,000 tonnage. Refer to Table 37.14 for details.

**Table 37.14: Contractor “A” and Contractor “B” Rate Analysis**

Item	Quantity (tonnes) 5 year	Contractor A		Contractor B		Difference
		Rate per Tonne (\$)	Total Cost for 5 years (\$)	Rate per tonne (\$)	Total Cost for 5 years (\$)	
<b>Provisional Items</b>			240,515.00		388,070	(147,555)
<b>Overall Landfill Operations rates</b>						
Up to 4,200 tonnes per month	252,000.00	33.65	8,479,800.00	35.50	8,946,000	(466,200)
Greater than 4,200 and less than 5,000	48,000.00	20.00	960,000.00	1.50	72,000	888,000
Over 5,000 tonnes	123,798.50	18.00	2,228,373.00	0.50	61,899.25	2,166,473.75
<b>Total VEP</b>			<b>11,908,688.00</b>		<b>9,467,969.25</b>	<b>2,440,718.75</b>
VAT (15%)			1,786,303.20		1,420,195.39	366,107.81
<b>Total VIP</b>			<b>13,694,991.20</b>		<b>10,888,164.64</b>	<b>2,806,826.56</b>

The above finding indicates that analysis was not done on the realistic tonnage by the Ministry while awarding the tender to Contractor “A”. As a result, the Ministry would incur significant additional cost over the five year period compared to the lowest bidder.

### **Recommendations**

- **The Ministry should ensure that value for money is obtained from expenditures incurred.**
- **Proper cost and benefit analysis should be carried out based on the realistic data in future.**

### **Ministry’s Comments**

*The Ministry fully acknowledges the recommendations of the OAG and has taken on board the findings for our necessary improvements in future tender works.*

## **37.13 Delay in Finalising Draft Financial Statements for Audit**

The recipient of the Grant Assistance shall provide financial statement (audited if practicable) for grants of \$20,000 or more.<sup>11</sup>

The Ministry provided grants to various Municipal Councils and to National Fire Authority for capital works.

The audit noted that various Municipal Councils and National Fire Authority failed to provide detailed outline of expenditure incurred to carry out capital projects or audited financial statements. Refer to Table 37.15 for details of grant assistance provided:

**Table 37.15: Examples of Grant Recipient not submitting draft account for audit**

Grant Recipient	Last Audited Account	Grant Provided Since Last Audited Account				Total Grant Provided (\$)
		2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)	
Suva City Council	2010		452,355	n/a	10,000,000.00	10,452,355.00
Levuka Town Council	2010	400,000	52,500	245,774	315,444.08	1,013,718.08
Nausori Town Council	2012	n/a	1,500,000	1,579,249	252,650.00	3,331,899.00
Nadi Town Council	2012	n/a	215,325	844,000	295,410.00	1,354,735.00
Labasa Town Council	2013	n/a	n/a	252,500	289,095.00	541,595.00
Lautoka Town Council	2013			500,000	293,250.00	793,250.00
Lami Town Council	2013			143,160	613,000.00	756,160.00
National Fire Authority	2013	n/a	1,746,329	3,900,000	3,476,088.00	9,122,417.00

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

### **Recommendation**

**The Ministry should liaise with grant recipients and ensure that audited financial statements are received prior to release of further grant payments.**

<sup>11</sup> Ministry of Local Government, Urban Development, Housing and Environment Finance Manual 2013 Section 3.3.1

**Ministry's Comments**

*The Ministry fully acknowledges the report of the OAG, please note that the Ministry is aware of the status of the financial accounts of the Municipal Councils and has also instructed all Councils to have their accounts audited.*

*A few of the Councils mentioned in the are awaiting the respond from the OAG on the draft accounts submitted for auditing, this included Levuka, Nausori and Nadi.*

*Councils have engaged professional accounting firms to carry out the preparation of their draft accounts.*

*On the above note, the Ministry noting this progress and the need for the basic infrastructures to be developed have given funds to Council on the conditional that Councils submit acquittals on quarterly basis and the continuous monitoring of the grants.*



## Section 40

## Ministry of Infrastructure and Transport

### Roles and Responsibilities

The Ministry of Infrastructure and Transport plans, regulates and carries out activities that help drive economic growth, protect and raise the country's standard of living, and ensure public health and safety. It is the key to many activities carried out by other Ministries and the private sector. Overall, the Ministry is the lead agency for the condition and performance of the nation's infrastructure and the efficient operation of the transport sector. 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's budget for 2015 totals \$113 million, with \$57.3 million allocated for operations and \$50.2 million allocated for capital expenditures.

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

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

The Department of Meteorology is critical to 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 stipulated in the revised Energy Policy and also the recently established Green Growth Framework for Fiji. Initiatives include transfer of the regulatory role from the Fiji Energy Authority to the Department of Energy, provision of electricity services to remote 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, introduction of flexi fuels (electric/hybrid), and also more vehicles running on biofuels.

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

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## PART A: FINANCIAL STATEMENTS

### 40.1 Audit Opinion

The audit of the 2015 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 have cash at bank account in the TMA Balance Sheet as at 31 December 2015. However, significant amount of receipts and payments were recorded in the TMA Profit and Loss Statements for which separate cash account general ledgers were not maintained.

In addition, Consolidated TMA Balance Sheet had cash at bank balance of \$5,285,919 while consolidated cash at bank reconciliation balance was \$4,041,812 as at 31/12/15 resulting in a variance of \$1,244,107.

2. The subsidiary debtor records showed debt of \$414,692 while the FMIS accounts receivable showed nil balance as at 31 December 2015. The Ministry did not reconcile the two records.
3. The Ministry did not invite the auditors to observe the annual stock take carried out at the end of year 2015 for any of its three divisions.

### 40.2 Statement of Receipts and Expenditures

The Ministry collected revenue totalling \$2,454,574 and incurred a total expenditure of \$104,634,654 in 2015. Details are shown in Table 40.1.

**Table 40.1: Statement of Receipts and Expenditure**

Description	2015 (\$)	2014 (\$)
Miscellaneous Revenue	1,868,425	296,013
Reimbursements for Meteorological Services	565,854	480,426
Commission	19,445	8,653
Registration	850	1,700
<b>TOTAL REVENUE</b>	<b>2,454,574</b>	<b>786,792</b>
Established Staff	11,527,198	7,971,839
Government Wage Earners	6,951,361	6,243,152
Travel & Communications	1,164,965	833,407
Maintenance & Operations	8,165,823	4,205,583
Purchase of Goods and Services	1,417,207	1,053,227
Operating Grants and Transfers	19,446,939	16,237,939
Special Expenditure	860,868	540,496
<b>Total Operating Expenditure</b>	<b>49,534,361</b>	<b>37,085,643</b>
Capital Construction	15,718,627	3,488,381
Capital Purchase	8,701,101	3,208,307
Capital Grants and Transfer	25,438,773	5,990,927
<b>Total Capital Expenditure</b>	<b>49,858,501</b>	<b>12,687,615</b>
Value Added Tax	5,241,792	2,471,259
<b>TOTAL EXPENDITURE</b>	<b>104,634,654</b>	<b>52,244,517</b>

Revenue collection increased by \$1,667,782 or 212.0% in 2015 compared to 2014 due to the following:

- payments received for Rural Government Stations collected by Post Fiji Ltd and remitted to the Ministry;
- increase in reimbursement of Meteorological Services revenue; and
- increase in commission revenue.

Total expenditure increased by \$52,390,137 or 100% in 2015 compared to 2014. This was largely due to the following:

- increase in established staff costs for public officers;
- increase in travel and communications costs to inspect capital projects at main inland and maritime zones;
- increase in maintenance and operations costs for the existing Department's fleets, vessels, meteorological equipment, energy development projects, desalination plants and procurement of building accessories;
- increase in operating grants and transfers to Land Transport Authority, Maritime Safety Authority of Fiji, payment for shipping franchise scheme and annual subscription for meteorology;
- increase in the number of capital construction projects;
- movement of Departments of Energy, and Water and Sewerage to Org 40 from Org 41; and
- increase in capital projects and capital grants for Land Transport Authority, Maritime Safety Authority of Fiji and rural electrification projects.

### 40.3 Appropriation Statement

The Ministry of Infrastructure and Transport incurred expenditure totalling \$104.63 million in 2015 against a revised budget of \$113.02 million resulting in a savings of \$8.38 million or 8%. Details of expenditure against the revised budget estimates are provided in Table 40.2.

**Table 40.2: Appropriation Statement**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Carry Over (\$)	Lapsed Appropriation (\$)
1	Established Staff	15,541,271	(1,523,093)	14,018,178	11,527,198	-	2,490,980
2	Government Wage Earners	9,337,086	(1,517,125)	7,819,961	6,951,361	-	868,600
3	Travel & Communication	1,207,120	18,000	1,225,120	1,164,965	-	60,155
4	Maintenance & Operations	8,665,719	(181,576)	8,484,143	8,165,823	-	318,320
5	Purchase of Goods & Services	1,594,982	(31,947)	1,563,035	1,417,207	-	145,828
6	Operating Grants & Transfers	19,657,797	-	19,657,797	19,446,939	-	210,858
7	Special Expenditures	1,311,323	467,197	1,778,520	860,868	-	917,652
	<b>Total Operating Costs</b>	<b>57,315,298</b>	<b>(2,768,544)</b>	<b>54,546,754</b>	<b>49,534,361</b>	<b>-</b>	<b>5,012,393</b>
8	Construction	17,278,670	277,942	17,556,612	15,718,627	-	1,837,985

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Carry Over (\$)	Lapsed Appropriation (\$)
9	Purchases	7,055,360	2,160,000	9,215,360	8,701,101	-	514,259
10	Capital Grants & Transfers	25,882,197	-	25,882,197	25,438,773	-	443,424
	<b>Total Capital Expenditure</b>	<b>50,216,227</b>	<b>2,437,942</b>	<b>52,654,169</b>	<b>49,858,501</b>	<b>-</b>	<b>2,795,668</b>
13	Value Added Tax	5,492,057	330,620	5,822,677	5,241,792	-	580,885
	<b>TOTAL EXPENDITURE</b>	<b>113,023,582</b>	<b>18</b>	<b>113,023,600</b>	<b>104,634,654</b>	<b>-</b>	<b>8,388,946</b>

#### 40.4 Trade and Manufacturing Account (TMA)

Trading & Manufacturing Accounts 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 realized from them.

There are 17 TMA accounts operated by the Ministry and are as follows:

- 1) Plumber Shop Divisional Engineer Central/Eastern (DECE)
- 2) Plumber Shop Divisional Engineer Western (DEW);
- 3) Plumber Shop Divisional Engineer Northern (DEN);
- 4) Workshop Wages DECE;
- 5) Workshop Wages DEW;
- 6) Workshop Wages DEN;
- 7) Plant Hire DECE;
- 8) Plant Hire DEW;
- 9) Plant Hire DEN;
- 10) Fuel and Oil DECE;
- 11) Fuel and Oil DEW;
- 12) Fuel and Oil DEN;
- 13) Joinery DECE;
- 14) Joinery DEW;
- 15) Joinery DEN;
- 16) Lubrication DECE; and
- 17) Block Shed DEN.

**Table 40.3: Manufacturing account**

	2015 (\$)	2014 (\$)
Opening Raw materials	340,123	235,644
Add: Purchases	2,367,908	3,109,181
	<b>2,708,031</b>	<b>3,344,825</b>
Less: Closing Raw Materials	253,933	340,123
<b>Raw Materials Used</b>	<b>2,454,098</b>	<b>3,004,702</b>
Direct Labour	2,841,617	3,176,476
Opening Work in Progress	85,606	25,327
	<b>5,381,321</b>	<b>6,206,505</b>
Less: Closing Work in Progress	44,203	85,605
<b>Cost of Goods Manufactured transferred to Trading Account</b>	<b>5,337,118</b>	<b>6,120,900</b>

**Table 40.4: Trading account**

	2015 (\$)	2014 (\$)
Sales	9,070,829	9,004,949
Finished Goods (01/01/14)	277,391	146,817
Add: Cost of Manufactured Goods	5,337,118	6,120,900
<b>Cost of goods available for sale</b>	<b>5,614,509</b>	<b>6,267,717</b>
Less: Finished Goods (31/12/13)	244,586	277,392
<b>Cost of Goods Sold</b>	<b>5,369,923</b>	<b>5,990,325</b>
<b>Gross Profit transferred to profit &amp; loss</b>	<b>3,700,906</b>	<b>3,014,624</b>

**Table 40.5: Profit & Loss Statement**

	2015 (\$)	2014 (\$)
<b>Income</b>		
Gross Profit transferred from Trading A/C	3,700,906	3,014,624
Other income	616	1,115
OPR from previous years	-	-
<b>Total Income</b>	<b>3,701,522</b>	<b>3,015,739</b>
<b>Expenses</b>		
Travel and communications	165,803	194,299
Maintenance and operation	1,504,555	1,670,951
Purchase of Goods and Services	12,193	16,590
Special Expenses	1,669	1,338
Rent & Hire	-	-
<b>Total Expenses</b>	<b>1,684,220</b>	<b>1,883,178</b>
<b>Net Profit/(Loss)</b>	<b>2,017,302</b>	<b>1,132,561</b>

**Table 40.6: TMA balance sheet**

	2015 (\$)	2014 (\$)
<b>Liabilities</b>		
Accounts Payable	27,143	27,143
Accrued Expenses	1,157,097	243,893
<b>Total Liabilities</b>	<b>1,184,240</b>	<b>271,036</b>
<b>Equity</b>		
TMA Accumulated Surplus	34,024	355,684
TMA Surplus	4,693,201	4,693,306
<b>Total Equity</b>	<b>4,727,225</b>	<b>5,048,990</b>
<b>Total Equity and Liabilities</b>	<b>5,911,465</b>	<b>5,320,026</b>
<b>Assets</b>		
Cash at Bank	5,285,919	2,555,211
Accounts Receivable	-	2,114,178
Deposits, Deductions & Retention money	82,824	(52,784)
Inventory	542,722	703,121
<b>Total Assets</b>	<b>5,911,465</b>	<b>5,320,026</b>

## 40.5 Department of Energy Trust Fund Account

	2015 (\$)	2014 (\$)
Receipts	1,857,303	1,547,940
<b>Total Receipts</b>	<b>1,857,303</b>	<b>1,547,940</b>
Payments	1,564,500	809,889
<b>Total Payments</b>	<b>1,564,500</b>	<b>809,889</b>
<b>Net Surplus</b>	<b>292,801</b>	<b>738,052</b>
Opening Balance at 1 January	3,344,443	2,606,391
Closing Balance at 31 December	3,637,244	3,344,443

## PART B: AUDIT FINDINGS

### DEPARTMENT OF WORKS

#### 40.6 Trading and Manufacturing Account (Fund 4)

##### 40.6.1 TMA with no Cash at Bank Account

A separate bank account shall be maintained for each TMA operated by the Ministry. Any balance either credit or debit shall be correctly stated in the balance sheet.

The Ministry maintained only five bank accounts for the 17 TMA's that are in operation. However, audit noted that out of the 17 TMA's only five TMA's have Cash at Bank account in the Balance Sheet. The remaining 12 TMA's did not have Cash at Bank account in the Balance Sheet. Refer to Table 40.7 for details.

**Table 40.7: Details of No Bank Account or Nil Cash Balance**

Account	Remarks
Plumber Shop DECE	Nil Cash Balance in TMA Balance Sheet
Plumber Shop DEW	No Bank Account in TMA Balance Sheet
Plumber Shop DEN	No Bank Account in TMA Balance Sheet
Plant Hire DECE	No Bank Account in TMA Balance Sheet
Plant Hire DEW	Nil Cash Balance in TMA Balance Sheet
Plant Hire DEN	No Bank Account in TMA Balance Sheet
Fuel and Oil DECE	No Bank Account in TMA Balance Sheet
Fuel and Oil DEW	No Bank Account in TMA Balance Sheet
Fuel and Oil DEN	No Bank Account in TMA Balance Sheet
Joinery DEW	No Bank Account in TMA Balance Sheet
Joinery DEN	No Bank Account in TMA Balance Sheet
Block Shed DEN	No Bank Account in TMA Balance Sheet

The finding indicates lack of knowledge on the operation, preparation and presentation of the TMA accounts. As result, several TMA's are incorrectly presented in the Balance Sheet.



**Recommendations****The Ministry should:**

- maintain proper records of cash received and paid for every TMA;
- ensure that cash at Bank account is also updated and included in the TMA Balance Sheet for all TMA's; and
- take appropriate action to ensure that a correct set of accounts are presented for audit in future.

**Ministry's Comments**

*Maintaining separate bank accounts for individual TMA entities is not feasible. Ministry of Finance (FMIS) has setup only one General Ledger Cash at Bank Account since the inception of the TMA entities which records all the receipts and payments.*

**40.6.2 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.<sup>1</sup>

The Ministry stated cash at bank balance of \$5,285,919 in its consolidated TMA Balance Sheet as at 31/12/15. However, the consolidated cash at bank reconciliation had a balance of \$4,041,812 resulting in a variance of \$1,244,107 between the two records.

The variance was due to revenue receipts totalling \$1,160,221.39 and payments totalling \$2,404,238.76 were not posted into FMIS general ledger. Refer to Table 40.8 for details.

**Table 40.8: Details of Un-posted receipts and payments**

	Unposted Receipts (\$)	Unposted Payments (\$)	Variance (\$)
Buildings TMAs (Plumber shop/Joinery)	1,133,752.39	1,904,819.10	771,066.71
Mechanical TMAs	-	499,509.66	499,509.66
Divisional Engineer Western - Works	26,469.00	-	(26,469.00)
<b>Total</b>	<b>1,160,221.39</b>	<b>2,404,328.76</b>	<b>1,244,107.37</b>

The audit further noted that the receipts totalling \$309,419.54 and payments totalling \$174,861.95 were carried forward from prior years in the bank reconciliation without any corrective action taken by the Ministry.

Due to lack of supervisory checks by the Senior Accounts Officer the inaccuracy in the bank reconciliations were not detected by the Ministry. Failure to address the above anomalies would result in fraudulent activities not being detected on a timely basis.

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

**Recommendations**

**The Ministry should ensure that:**

- all reconciliations prepared are thoroughly checked by the Senior Accounts Officer; and
- variances are investigated and rectified.

**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; this had been explained as a note in the AFS after discussions with OAG. It was advised by them that disclosing it under the notes will eliminate the issue from qualification.*

**40.6.3 Variance between Accounts Receivable Schedule and FMIS General Ledger Balances**

Each agency operating a trading and manufacturing activity must prepare:

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

The profit and loss statement and the balance sheet must be prepared on an accrual basis.<sup>3</sup> 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.<sup>4</sup>

An audit review of the Accounts Receivable balance revealed the following anomalies:

- The Account Receivables Schedule should be reconciled with the FMIS general ledger balance on a monthly basis.

The Account Receivables Schedule total for all the TMA's was \$414,962.65 while the Ministry's FMIS general ledger balance for all TMA's had a NIL balance as at 31/12/15.

Refer to Table 40.9 for details.

**Table 40.9: Details of variances in accounts receivable**

TMA	Account Receivables balance as per GL (\$)	Account Receivables balance as per AR Schedules (\$)	Difference (\$)
DECE- Joinery	0.00	94,796.00	94,796.00
DEN – Joinery	0.00	0.00	0.00
DECE- Plumber shop	0.00	0.00	0.00
DEN- Plumber shop	0.00	0.00	0.00
DECE - Fuel and Oil	0.00	2,999.94	2,999.94
DEW - Fuel and Oil	0.00	0.00	0.00

<sup>2</sup> Finance Instructions 2010, Section 30 (1)

<sup>3</sup> Finance Instructions 2010, Section 30 (2)

<sup>4</sup> Finance Instructions 2010, Section 30 (3)

<b>TMA</b>	<b>Account Receivables balance as per GL (\$)</b>	<b>Account Receivables balance as per AR Schedules (\$)</b>	<b>Difference (\$)</b>
DEN - Fuel and Oil	0.00	0.00	0.00
DECE - Plant Hire	0.00	257,918.88	257,918.88
DEW - Plant Hire	0.00	12,480.75	12,480.75
DEN - Plant Hire	0.00	25,938.91	25,938.91
DECE- Workshop Wages	0.00	7,680.32	7,680.32
DEN - Workshop Wages	0.00	12,877.85	12,877.85
DECE – Lubrication	0.00	0.00	0.00
DEN – Block shed	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>414,692.65</b>	<b>414,692.65</b>

- Revenue should be recorded in the period it is earned.

However, plant hire charges totalling \$20,112.07 earned in 2015 by the Divisional Engineer Central Eastern (DECE) was receipted as revenue in the Plant Hire TMA for 2016. Plant hire charges totalling \$20,112.07 was not included in the Accounts Receivable schedule and the Plant Hire TMA for the year ending 31/12/15.

The findings indicate that finances were not properly managed and work of subordinates in the Accounts Section was not properly supervised. As a result, the audit could not ascertain the correctness of the Accounts Receivable balance of \$2,114,181 stated in consolidated TMA balance sheet as at 31/12/15.

### **Recommendations**

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

- ensure that accounts receivables schedules are updated and reconciled with the FMIS general ledger on a monthly basis;
- investigate the variance and take appropriate action to resolve it; and
- take appropriate action against officers responsible for poor record keeping .

### **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's 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.*

#### 40.6.4 Transfer of Operating Funds (Fund 1) to the Trading and Manufacturing Account (Fund 4)

If an amount appropriated by an Annual Appropriation Act for a financial year

- (a) has not been used in that financial year; or
- (b) is unlikely to be used in that financial year;

The Minister may authorize the carry over to the following year of all or part of the unused appropriation that relates to known liabilities as at a particular date and the amount authorised for carry over may be used accordingly in that following year, subject to such conditions as the Minister specifies in the authorisation.<sup>5</sup>

The Ministry withheld \$448,680 from the Department of Water and Sewerage 2015 budget allocation to undertake Eco Purification System projects in 2016. The funds were allocated in the Department of Water and Sewerage 2015 budget but was not utilised.

The audit noted that the Ministry transferred a sum of \$448,680 from the Department of Water and Sewerage Operating Fund Account (OFA) (i.e. Fund 1) to the DECE Plumber Shop TMA (Fund 4) on 31/12/15 without approval of the Minister. Refer to Table 40.10 for details

**Table 40.10: Details of OFA Funds Transferred to the TMA at Year End**

Village Name	Province	Division	Amount (\$)
Vunaniu	Serua	Central	37,810.00
Savu	Naitasiri		37,810.00
Nabaitavo	Naitasiri		37,810.00
Navutulevu	Serua		37,810.00
Waivaka	Namosi		37,810.00
Naveicovatu	Tailevu		37,810.00
Subtotal for Central/Eastern			226,860.00
Nalele	Nadroga	Western	36,647.00
Draubuta	Navosa		36,647.00
Vatukarasa	Nadroga		36,647.00
Subtotal for Western			109,941.00
Korotasere	Cakaudrove	Northern	37,293.00
Visogo	Macuata		37,293.00
Nawailevu	Bua		37,293.00
Subtotal for Northern			111,879.00
Total			448,680.00

The audit also noted that the amount transferred from Department of Water and Sewerage was recorded as Unearned Revenue for DECE Plumber Shop TMA balance sheet. However, the cash at bank account had a nil balance as at 31/12/15. Hence, the Ministry did not account for the sum of \$448,680 in the cash at bank account in the DECE Plumber Shop TMA balance sheet. The Ministry was not able to provide details of where the cash transferred was accounted for.

The Ministry did not follow proper procedures to hold back unused funds at the end of the year to be used in the following year. Hence the transfer of funds was unauthorised and improper. In addition, the DECE Plumber Shop for cash at bank as reflected in the TMA balance sheet has been understated.

<sup>5</sup>Financial Management Act 2004, Section 19(1)

**Recommendation**

**The Ministry of Economy should investigate the unauthorised retention of funds and take appropriate disciplinary action against those responsible.**

**Ministry's Comments**

*TMA activity operates as a normal commercial business and generates revenue from private and public entities. All jobs received by TMA entities, funds are required to expedite the works hence in this instance, the Department of Water and Sewerage needed the job to be done by experts who are well experienced in this field of work thus the Plumbershop – TMA Entity was engaged and payment made accordingly.*

*The Plumbershop TMA undertakes most of the ministries plumbing works for maintenance and new projects. Furthermore, the Plumbershop TMA had licensed and expert plumbers and like any other business, TMA receives funds from Government Ministries/Departments and other entities and records revenue accordingly.*

**40.6.5      Annual Stock Take Not Observed By the Auditors**

Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.<sup>6</sup>

A stock take must be undertaken each year to verify the existence and condition of inventories on hand.<sup>7</sup>

The Ministry did not invite the auditors to observe the annual stock take carried out for any of its three divisions towards the end of the year 2015.

In the absence of an independent stock take, the audit could not determine the correctness of the Closing Inventory balance of \$542,722 stated in the Consolidated TMA Balance Sheet as at 31/12/15.

**Recommendation**

**The Ministry should ensure independent annual stock take is undertaken in future.**

**Ministry's Comments**

*The stock take was carried out in a transparent manner as per the Ministry's Finance Manual. The Ministry maintains credibility of the independent BOS report carried out as per requirements by FPO.*

**40.6.6      TMA Sales Revenue Understated in VAT Returns**

The PAO, SAO, AO and AAO is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>8</sup>

The total sales amount for all TMA as per the FMIS general ledger as at 31/12/15 was \$9,070,829. However, the Ministry stated total sales of \$7,202,702.92 in its VAT return for the year 2015. The audit noted that the total sale amount was under stated by \$1,868,126 by the Ministry in its VAT

<sup>6</sup>Finance Instructions 2010, Section 49(2)

<sup>7</sup> Finance Instructions 2010, Section 38

<sup>8</sup>Ministry of Infrastructure and Transport Finance Manual, Part 16

Return for the year 2015. Refer to Table 40.11 for a summary of the variances. Further details are provided in Appendix 40.1.

**Table 40.11: Un-reconciled TMA Sales revenue as at 31/12/15**

Divisions	Sales as per VAT Returns (\$)	Sales as per GL (\$)	Difference (\$)
DECE	3,774,801.20	4,830,102.00	(1,055,300.80)
DEW	1,750,249.99	2,616,127.00	(865,877.01)
DEN	1,677,651.72	1,624,600.00	53,051.72
<b>Total for Divisions</b>	<b>7,202,702.92</b>	<b>9,070,829.00</b>	<b>(1,868,126.08)</b>

The finding shows that the Ministry did not disclose correct sales revenue in its VAT returns for the year 2015 to understate revenue by \$1,868,126 and pay less VAT to FRCA.

### **Recommendations**

**The Ministry should:**

- state correct sales revenue in its VAT returns to FRCA; and
- investigate this matter and take appropriate action to ensure correct VAT is paid to FRCA.

### **Ministry's Comments**

*No comments provided.*

### **40.6.7 Sales Recorded at VIP Amounts**

Subject to the provision of the VAT Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of fifteen percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.<sup>9</sup>

VAT payable and refundable will be determined by the balance sitting in natural account number 863201 at the end of the month.<sup>10</sup>

The audit of the TMA revenue receipts revealed that the sales revenue was recorded and posted into the FMIS general ledger at VAT inclusive prices (VIP). The VAT portion was not deducted nor was it posted to the VAT on Revenue allocation. Refer to Table 40.12 for details.

**Table 40.12: VIP Amount posted to Sales Revenue Allocation**

Date	Revenue Receipt Number	Amount as per Bank Statement/Receipt (\$)	Amount Posted to FMIS GL (\$)	VAT Amount (\$)	Allocation
07/09/15	EFT	58,720.00	58,720.00	7,659.13	4-40251-91011-240199
08/09/15	EFT	12,151.53	12,151.53	1,584.98	4-40252-91011-240199

<sup>9</sup>Value Added Tax Decree 1991, 4th Edition, Revised on 30/04/04, Section 15.1

<sup>10</sup>Ministry of Finance Circular No. 11/2012, Section 3.1

Date	Revenue Receipt Number	Amount as per Bank Statement/Receipt (\$)	Amount Posted to FMIS GL (\$)	VAT Amount (\$)	Allocation
06/01/15	774697	75,319.00	75,319.00	9,824.22	4-40251-91011-240199
26/01/15	774766	3,131.25	3,131.25	408.42	4-40251-91011-240199
30/01/15	774774	53,000.00	53,000.00	6,913.04	4-40252-91011-240199
27/01/15	631843	20.00	20.00	2.61	4-40258-91011-260201
27/01/15	631842	123,901.50	123,901.50	16,161.07	4-40262-91011-240202
27/01/15	631844	320.00	320.00	41.74	4-40262-91011-240202
03/12/15	632013	500.00	500.00	65.22	4-40262-91011-240202
<b>Total</b>				<b>42,660.43</b>	

The audit also noted that Revenue Receipt Number 774773 dated 30/01/15 amounting to \$64,500 was not posted to the FMIS general ledger.

Failure to properly account for VAT on revenue implies that the VAT payable to Fiji Revenue & Customs Authority is being understated by \$42,660.43 and sales revenue reflected in the financial statements was overstated by the same amount.

### **Recommendations**

**The Ministry should ensure that:**

- VAT is properly recorded in the FMIS general ledger under the VAT allocations; and
- monthly VAT reconciliation is carried out and checked by supervising officers for accuracy.

### **Ministry's Comments**

*No comments provided.*

### **40.6.8 Receipts and Payments not posted into FMIS General Ledger (Building and Mechanical TMA Bank accounts)**

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>11</sup>

Audit review of the TMA highlighted the following anomalies:

- Variances of \$367,523.40 existed between the revenue amounts as per the Buildings bank account (Joinery & Plumber Shop TMA) reconciliation and the amounts as per the actual receipts. Refer to Table 40.13 for details.

<sup>11</sup> Finance Instructions 2010, Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (6)

**Table 40.13: Variance in Receipt Amounts**

Date	Receipt Number	Amount as per Reconciliation (\$)	Amount as per Receipt/Bank Statement (\$)	Variance (\$)
30/12/15	546041	539.00	559.20	(20.20)
30/12/15	546044	51.46	151.46	(100.00)
31/12/15	546048	81,005.00	448,680.00	(367,675.00)
01/12/15	546024	3,203.77	3,500.00	(296.23)
08/09/15	EFT	12,721.26	12,153.23	568.03

- The bank reconciliation for Buildings bank account (Joinery & Plumber Shop TMA) with FMIS general ledger included receipts totalling \$1,133,752.39 which were not posted (Receipts Not Posted) into FMIS general ledger. However, receipts totalling \$309,419.54 included in the Receipts Not Posted listing were actually posted into the FMIS general ledger.

In addition the bank reconciliation for Buildings bank account (Joinery and Plumber shop TMA) also included payments totalling \$1,904,819.10 as Payments Not Posted into the FMIS general ledger. However, payments totalling \$174,861.95 included in the Payments Not Posted listing were actually posted into the FMIS general ledger.

The audit could not substantiate the correctness of these amounts as the Ministry did not have the breakdown of the amounts and records were with FICAC.

- The bank reconciliation for Mechanical bank account (Workshop Wages, Fuel and Oil, Plant Hire and Lube Bay) with FMIS general ledger included payments totalling \$499,509.66 as Payment Not Posted into FMIS general ledger.

However, the audit could not substantiate the correctness of these amounts as the Ministry did not have the breakdown of the amounts and records were with FICAC.

The findings indicate that the accounting officers at the Ministry lack basic accounting knowledge, especially in TMA.

### **Recommendations**

**The Ministry should ensure that:**

- necessary action is taken to rectify the anomalies;**
- appropriate disciplinary action is taken against the Assistant and Senior Accounts Officer for failing to carry out their duties diligently; and**
- adequate training is provided to accounting officers in TMA.**

### **Ministry's Comments**

*No comments provided.*



#### 40.6.9 Understated Cash Account balance

For every accounting transection there is a debit entry and a contra credit entry to balance the accounts.

The audit noted that a number of TMAs had Unearned Income in their respective balance sheet as at 31/12/15 for which there was nil balance in the cash at bank account in respective TMA's. Except for the Unearned Income balance of \$448,680 in Plumber Shop (DECE) TMA, the Ministry was not able provide details of the Unearned Income balance totalling \$185,255 noted in other TMA's. Refer to Table 40.14 for details.

**Table 40.14: Details of Unearned Income with Nil Cash**

TMA's	Unearned Income Balance (\$)	Cash at Bank Account Balance (\$)	Source of Fund
Plumber Shop DECE	448,680	Nil	Transfer from Fund 1 to Fund 4
Plumber Shop DEW	40,652	Nil	No explanation provided by the Ministry
Plumber Shop DEN	3,217	Nil	No explanation provided by the Ministry
Plant Hire DEW	60,980	Nil	No explanation provided by the Ministry
Joinery DEW	80,406	Nil	No explanation provided by the Ministry

The finding indicates that accounting staff lack competence and basic accounting knowledge in TMA. As a result, the audit could not substantiate the Unearned Income totalling \$185,255.

#### Recommendations

**The Ministry should:**

- ensure that a correct set of accounts is presented for audit;
- take appropriate action to rectify the anomalies highlighted above; and
- ensure that adequate training is provided in TMA accounting to accounting staff.

#### Ministry's Comments

*No comments provided.*

### 40.18 40.7 Trust Fund Accounts

#### 40.7.1 Main Trust Fund Account for Security and Retention Deposits

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". A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who must inform the bank of the agency officers authorised to operate with it.<sup>12</sup>

The audit noted that the Department of Water and Sewerage collected security deposits totalling \$1,161,883.81 from the contractors engaged by the Department for water and sewerage projects. The

<sup>12</sup> MOIT Finance Manual 2015, Part 15

security deposits were deposited into the Consolidated Fund account and recorded in the Operating Trust Fund account number 1-41201-85999-860101.

The audit also noted that the security deposits were still recorded under Head 41 (Water Authority of Fiji) although the Department of Water and Sewerage became part of the Ministry of Infrastructure and Transport (Head 40).

The audit further noted that the Ministry maintained retention sum for contractual projects totalling \$1,952,172.19 for other departments within the Ministry in the Fiji Procurement Office Main Trust Account. Refer to Table 40.15 for details of security deposit and retention sums held by the Ministry.

**Table 40.15: Details of Security Deposit/Retention Sum Held by the Ministry**

Department	Security/Retention Deposits (\$)
Department of Water and Sewerage	1,161,883.81
Department of Energy	1,492,852.51
Divisional Engineer Works – Western	92,732.17
Divisional Engineer Works – Central/Eastern	27,929.00
Government Shipping Services	255,737.75
Fiji Metrological Service	82,920.76
<b>Total</b>	<b>3,114,056.00</b>

The audit further noted that the Ministry did not maintain a separate Main Trust Fund bank account for the security deposits and retention sums received from the contractors and did not prepare a Main Trust account Statement of Receipts and Expenditure for the year ended 31 December 2015.

Failure to maintain a separate main trust fund bank account could result in trust monies being used for purposes other than what was intended.

### **Recommendations**

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

- liaise with Ministry of Economy to open up a Main Trust Fund account for receipt and payment of security deposits from contractors; and
- prepare a Trust Fund Account Statement of Receipts and Payments.

### **Ministry's Comments**

*The Ministry's special purpose financial statements did not include the Security Deposits collected by Department of Water & Sewerage i.e. Retention Security Deposits existed with Department of Water & Sewerage (DWS) when Water Rates Department (WRD) was still in existence before the transition towards the formation of Water Authority of Fiji (WAF). 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 transfer of assets and liabilities of WRD to WAF is still pending with government awaiting prior approval from Minister for Finance & Attorney General's Office.*

*On the same, the Ministry had submitted the request for transfer of credit balances from Operating Trust Account under Department of Water & Sewerage.*

*The retentions sum retained from the 2015 released projects funds amounting to \$1,952,172.79 which are held with Fiji Procurement Office Main Trust Fund account to avoid mastication of 2016 budgetary funds for the projects whose retentions sums are due in 2016.*

*The other operating revenues for the Ministry are captured under Consolidated Receipts and Payments account including for Department of Works, Government Shipping Services and Fiji Metrological Services.*

*The Ministry's Main Trust Receipts and Payments captured only receipts and payments of public funds only for Department of Energy as the Ministry has only one Main Trust Account.*

*As result a total trust fund balance of \$3,114,056 was captured appropriately under relevant accounts.*

#### **40.7.2 Variances in Main Trust Fund Cash at Bank and Liability Accounts (Department of Energy)**

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. Un-reconciled items must be investigated and resolved promptly.<sup>13</sup>

An unreconciled variance of \$889,161 existed between the Main Trust Fund account Statement of Receipts and Payments and the FMIS general ledger.

The audit also noted variances of \$276,122.22 between the total receipts as per the Main Trust Fund Liability FMIS general ledger in SLG 89 and the trust receipts database. Similarly, a variance of \$1,070,108.24 was noted between the total payments as per the Main Trust Fund liability general ledger in SLG 89 and the Trust payments cash book. Refer to Table 40.16 for details.

**Table 40.16: Details of Variances in Main Trust Fund Cash Book and Trust Fund Liability**

Item	Amount as per Receipt Database and Payment Cash Book (\$)	Amount as per SLG 89 (\$)	Variance (\$)
Receipts	1,581,181.23	1,857,303.45	276,122.22
Payments	494,391.81	1,564,500.05	1,070,108.24

The above variance has been carried forward from prior years without any corrective action taken by the Ministry. Despite the issue being raised in prior year audits for the Ministry to reconcile the differences before the submission of the Agency Financial Statements for audit, the variances still exist.

#### **Recommendations**

**The Ministry should ensure that:**

- proper monthly reconciliations between cash book, general ledger, and trust fund liability account are carried out; and
- variances are investigated and resolved accordingly.

<sup>13</sup> Ministry of Finance Instructions 2010, Section 58 (1- 4)

**Ministry's Comments**

*The unreconciled variance of \$889,161 had been reconciled and "Written Off" via approval of Minister for Finance in 2016. The revised Bank Reconciliation has been prepared for December 2015 where the Trust Fund revenue and bank account both reconciles.*

**40.7.3 Main Trust Reconciliations (Department of Energy)**

Within 5 days after the end of each month, the Clerical Officer (Trust) shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account. The Clerical Officer (Trust) shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents. The Clerical Officer (Trust) must submit the trust reconciliation to the PAO, SAO and AAO within 10 days after the end of the month. The Trust reconciliation shall be in accordance with the format provided in Schedule 9. A duplicate must also be submitted to PSIT and to the Ministry of Finance.<sup>14</sup>

The audit noted that the Main Trust Liability and Trust Bank account reconciliations were not prepared by the Department of Energy on a monthly basis for whole of 2015. However, an annual reconciliation was prepared by the Ministry of Finance.

In addition the posting of main trust receipts for 2015 were done in batches in the FMIS general ledger.

In the absence of monthly reconciliations and transaction details in the FMIS general ledger there is a risk of misstatement of trust funds.

**Recommendations**

**The Ministry should ensure that:**

- **trust fund reconciliations are prepared monthly by the Department;**
- **the posting of main trust receipts are done at transaction level and not in bulk amounts; and**
- **appropriate disciplinary action is taken against staffs responsible for monthly preparation of reconciliations and timely positing of receipts.**

**Ministry's Comments**

*No comments provided.*

**40.8 Underline Accounts****40.8.1 Underline Account Anomalies**

The Clerical Officer (Ledgers) must ensure to reconcile the ledger balances to the General Ledger Reports and prepare a Ledger Reconciliation Statement within 5 days of receiving the monthly general ledger reports from the Ministry of Finance.<sup>15</sup> Any misallocations or outstanding balances from the

<sup>14</sup> 2015 MOIT Finance Manual, Section 15.4 (1-4)

<sup>15</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 16.3.3

previous month have been dealt with.<sup>16</sup> Write-offs losses in excess of \$50,000 must be referred to the Minister for Finance.<sup>17</sup>

Audit review of the Ministry's underline accounts revealed the following anomalies:

- The Department reconciliation balance must match the FMIS general ledger balance.

However, variance existed between the FMIS general ledger and the respective Department's reconciliations for the underline accounts as at 31/12/15. Refer to Table 40.17 for details.

**Table 40.17: Variances in Underline Accounts**

Underline Account	Department	FMIS General Ledger Balance (\$)	Department Balance (\$)	Variance (\$)
Drawings	Meteorological Services	(728,884)	(795,256)	66,372
Drawings	Transport	(90,710)	(91,682)	972
Drawings	Government Shipping Services	-	(342,875)	(342,875)
Drawings	Energy	(1,714,838)	(1,717,090)	2,251
Drawings	Water & Sewerage	(553,079)	(553,118)	39
Operating Trust	DEWN	(13,046)	(14,336)	1,290
SLG 84	HQ Works	(930,953)	-	(930,953)
SLG 84	DEWW	(303,440)	-	(303,440)
SLG 84	DE\WCE	297,497	-	297,497

- 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.<sup>18</sup>

Several underline account reconciliations for the year 2015 were not provided by the Ministry for audit review. Refer to Table 40.18 for details.

**Table 40.18: Reconciliations Not Provided For Audit**

Department	Underline Account	Monthly Reconciliations not Provided
HQ Works	SLG 84	January
Divisional Engineer Works Central Eastern	Drawings	April
	Operating Trust	February, September and December
	SLG84 (95214)	February, June, July and November
	SLG84 (95991)	January, February, March and September
Transport	Operating Trust	July
Government Shipping Services	Drawings	April
Meteorological Services	Drawings	January, February, March, June and July
	Operating Trust	March, May, November and December
Energy	Drawings	August
	IDC	November
	True Trust	August
	Operating Trust	June

<sup>16</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 16.3.7

<sup>17</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 14.2.12

<sup>18</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 17.2

Department	Underline Account	Monthly Reconciliations not Provided
	SLG84	March, May and June and July to December
Water	Drawings	January to May
	Operating Trust	March

- For several underline account reconciliations the closing balance from the last month's reconciliation was not carried forward as opening balance for the next month's reconciliation. Refer to Table 40.19 for details.

**Table 40.19: Variances between Closing and Opening Balances**

Department	Underline Account	Details	Amount (\$)
DEWW	Drawings	Balance as at 31/10/15	40,944.89
		Balance as at 01/11/15	33,274.73
		<b>Variance</b>	<b>7,670.16</b>
		Balance as at 31/11/15	108,153.89
		Balance as at 01/12/15	107,238.93
		<b>Variance</b>	<b>914.96</b>
DEWCE	Drawings	Balance as at 31/09/15	208,192.59
		Balance as at 01/10/15	192,475.35
		<b>Variance</b>	<b>15,717.24</b>
Water	RFA	Balance as at 31/08/15	51,935.75
		Balance as at 01/09/15	(100.00)
		<b>Variance</b>	<b>52,035.75</b>
		Balance as at 30/09/15	972.00
		Balance as at 01/10/15	812.00
		<b>Variance</b>	<b>160.00</b>
		Balance as at 31/10/15	652.00
		Balance as at 01/11/15	2,395.00
		<b>Variance</b>	<b>(1,743.00)</b>
		Balance as at 30/11/15	3,894.00
		Balance as at 01/12/15	1,947.00
		<b>Variance</b>	<b>1,947.00</b>
	Operating Trust	Balance as at 30/04/15	8,756.77
		Balance as at 01/05/15	(1,162,227.57)
		<b>Variance</b>	<b>1,170,984.34</b>
		Balance as at 31/05/15	1,153,238.15
		Balance as at 01/06/15	13,241.71
		<b>Variance</b>	<b>1,139,996.44</b>
DEWN	Operating Trust	Balance as at 31/07/15	556,891.78
		Balance as at 01/08/15	546,967.33
		<b>Variance</b>	<b>9,924.45</b>
		Balance as at 31/10/15	(23,028.48)
		Balance as at 01/11/15	(23,240.76)
		<b>Variance</b>	<b>212.28</b>
		Balance as at 30/11/15	(17,657.07)
		Balance as at 01/12/15	(26,479.62)
		<b>Variance</b>	<b>8,822.55</b>
Transport	Operating Trust	Balance as at 31/07/15	(9,699.52)
		Balance as at 01/08/15	(5,250.85)
		<b>Variance</b>	<b>(4,448.67)</b>
		Balance as at 31/10/15	(15,816.57)

Department	Underline Account	Details	Amount (\$)
		Balance as at 01/12/15	(15,784.07)
		<b>Variance</b>	<b>(32.50)</b>
Energy	Operating Trust	The December 2014 balance and the January 2015 balances could not be verified as the reconciliations were not provided	
		Balance as at 30/04/15	(15,350.41)
		Balance as at 01/05/15	(7,700.85)
		<b>Variance</b>	<b>(7,649.56)</b>
	True Trust 89	Balance as at 31/12/14	3,344,442.98
		Balance as at 01/01/15	-
		<b>Variance</b>	<b>3,344,442.98</b>
	True Trust 52	Balance as at 31/12/14	2,242,372.91
		Balance as at 01/01/15	-
		<b>Variance</b>	<b>2,242,372.91</b>
Meteorological	Operating Trust	The December 2014 balance and the January 2015 balances could not be verified as the reconciliations were not provided	
GSS	Operating Trust	Balance as at 31/12/14	2,607.91
		Balance as at 01/01/15	-
		<b>Variance</b>	<b>2,607.91</b>
Water	Operating Trust	Balance as at 31/12/14	(1,162,227.57)
		Balance as at 01/01/15	(1,161,883.81)
		<b>Variance</b>	<b>(2,324,111.38)</b>
Works HQ	SLG84	Balance as at 30/06/15	(101,439.96)
		Balance as at 01/07/15	(1,743,692.32)
		<b>Variance</b>	<b>1,642,252.36</b>
		Balance as at 31/08/15	(183,617.82)
		Balance as at 01/09/15	(160,159.96)
		<b>Variance</b>	<b>(23,457.86)</b>
		Balance as at 30/09/15	(347,725.42)
		Balance as at 01/10/15	(349,719.31)
		<b>Variance</b>	<b>1,993.89</b>
		Balance as at 31/10/15	(391,886.20)
		Balance as at 01/11/15	(346,991.42)
		<b>Variance</b>	<b>(44,894.78)</b>
		Balance as at 30/11/15	(306,034.02)
		Balance as at 01/12/15	(284,837.02)
		<b>Variance</b>	<b>(21,197.00)</b>
DEWCE 95214	SLG84	Balance as at 31/03/15	(67,346.00)
		Balance as at 01/04/15	(68,812.01)
		<b>Variance</b>	<b>1,466.01</b>
GSS	SLG84	Balance as at 30/11/15	(58,446.43)
		Balance as at 01/12/15	(57,888.43)
		<b>Variance</b>	<b>(558.00)</b>
Water	BLC	Balance as at 30/09/15	1,063.78
		Balance as at 01/10/15	-
		<b>Variance</b>	<b>1,063.78</b>
		Balance as at 31/10/15	1,072.93

Department	Underline Account	Details	Amount (\$)
		Balance as at 01/11/15	-
		Variance	1,072.93
		Balance as at 30/11/15	1,072.93
		Balance as at 01/12/15	-
		Variance	1,072.93

- The Ministry opened a Revolving Fund Account for the Department of Water without the approval from the Ministry of Economy. The Revolving Fund account had a closing balance of \$52,521.75 as at 31/12/15. However, the balance of \$52,521.75 was written off by the Ministry without the approval of the Ministry of Economy. As a result, the closing balance for Revolving Fund Account for the Department of Water was nil as at 31/12/15.

The anomalies highlighted showed that the Ministry's accounting officers were not vigilant in performing trust account reconciliations and identifying errors, omissions and variances and rectifying them. It further indicates the absence of adequate supervisory checks in the Accounts Section.

### **Recommendations**

**The Ministry should ensure that:**

- the respective Department reconciliation balances reconcile with the FMIS general ledger balance;
- all reconciliations are properly prepared and maintained up-to-date;
- the closing reconciliation balance is carried forward as opening balance for the next month; and
- all write offs above \$50,000 is approved by the Minister for Economy.

**The Ministry for Economy should investigate the write off of Revolving Fund account balance for the Department of Water and take appropriate disciplinary action.**

### **Ministry's Comments**

*No comments provided.*

## **40.9 Headquarters**

### **40.9.1 Delay in Award of Tender**

Proper planning for projects is to be carried out as soon as the Parliament approves the National Budget so that the funds allocated are effectively used within the fiscal year and that the objective of funds allocated is met.

A sum of \$1,379,283 was allocated in the Ministry's 2015 budget for the Rebuilding of the Plumbing Workshop and the Construction of the Office for the Divisional Engineer Western (DEW) at Lautoka Depot.



The Work Programme for the above construction works was as following.

- First Quarter – \$579,283 to be utilized for the completion of costing for material, labour, & plant schedules; procurement of materials for the rebuilding of plumbing workshop and office building DEW; engagement of labour workforce; and construction and monitoring of the new building.
- Second Quarter – \$800,000 to be utilized for procurement of materials; engagement of labour workforce; construction & monitoring; and practical completion of the project.

The audit noted a significant delay in the Rebuilding of the Plumbing Workshop and the Construction of the Office for the DEW at Lautoka Depot.

Although the project was supposed to be completed by end of June 2015, it was noted that the Ministry called for tenders on 1/8/15 and awarded the contract to CCLon 2/11/15. The actual construction works commenced on 2/11/15. As at 31/12/15, the physical progress was as follows.

- Rebuilding of the Plumbing Workshop - 50% portal frames erected including purlins and floor slab done,
- Construction of the Office - 20% paid and column to ground tie beam done

The delay in completion of the project indicates poor planning and monitoring of capital projects by the Ministry. The Ministry's 2015 capital works programme seems to be prepared only to facilitate the budget process.

Since the project was not completed in 2015, the Ministry paid \$927,522 in advance to Cope Construction to complete the project in 2016. Even though the advance payment was approved by the Ministry of Economy such practises should not be condoned.

### **Recommendations**

**The Ministry must ensure capital works programme is strictly followed to ensure that projects are completed within the financial year; and**

### **Management Comments**

*The Class A Estimate was prepared and submitted for the DEW's Office and New Plumber Shop. The estimates were provided to the Department of Works with the understanding that the Ministry had the capacity in-house to carry out these works and construct its own buildings. The Ministry therefore had opted to request a waiver of tender procedures to carry out these works. Upon the advice of the Ministry of Economy (formerly Finance), the Ministry advertised for tenders which further delayed the commencement of this project.*

### **40.9.2 Anomalies in Contract Agreement**

A written contract or agreement must be entered into with the approved bidder for the supply of the goods, services or works tendered. Legal advice from the Solicitor General's (SG) Office must be obtained on the contract or agreement document.<sup>19</sup>

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<sup>19</sup> Ministry of Infrastructure & Transport Agency Finance Manual 2015, Section 2.4.8

The audit review of the contract documents for both the Rebuilding of the Plumbing Workshop and the Construction of the Office for the Divisional Engineer Western highlighted the following anomalies:

- There was no evidence that the contract agreement was vetted by the Solicitor General's office.
- The start and completion dates were not specified in the contract.
- There was no Schedule of Works summary specified in the contract upon which the progress payments were to be made.

The audit also noted that the Ministry did not obtain approval from the Department of Town and Country Planning and the Lautoka City Council on the building plans for both the projects.

The finding indicates poor planning for capital works by the Ministry. Hence, the interest of government may not be fully protected and non-compliance to legislation relating to construction of buildings.

### **Recommendation**

**The Ministry must ensure that due diligence processes are properly followed at all times.**

### **Management Comments**

*All contract agreement is vetted by the Solicitor General's office. The start and completion date would be taken from the date it was signed in the contract and often the completion worked out from the duration agreed by the Government Tender Board.*

*Exemption would be if the mobilization to site was done later. The progress payment would be based on the Progressive Payments thus the reason why there was no schedule of works summary included.*

## **40.9.3     Diversion of Funds to Other Projects**

Proper planning for projects is to be carried out as soon as the Parliament approves the National Budget so that the funds allocated are effectively used within the fiscal year and that the objective of funds allocated is met.

A sum of \$3,000,000 was provided to the Ministry of Infrastructure and Transport in the 2015 budget to carry out the repairs, upgrade of public buildings and water and sewer lines. Details are as follows.

- Repair and Upgrading of Public Buildings - \$1,000,000
- Routine and Special Upgrading of Public Buildings - \$1,500,000
- Upgrading of Water Supply and Sewer Lines of Public Residential Buildings - \$500,000

A detailed listing of projects to be undertaken in 2015 was submitted by the Department of Works to the Ministry of Finance and Strategic Planning as per the three-year Public Sector Investment Programme (PSIP) for 2015.

The audit noted that total of \$1,033,478 or 34% of the total funds allocated for repairs and upgrade of public buildings and water and sewer lines were diverted to projects in other groups/areas which were not in the Ministry's PSIP submission for 2015. These projects were not approved by the Permanent Secretary for Infrastructure and Transport and the Ministry of Finance.

In addition, the diversion of funds was also not approved by the Permanent Secretary for Infrastructure and Transport. Refer to Table 40.20 for details.

**Table 40.20: Details of Diversion of Funds to Unplanned Projects**

Programme	Approved Projects	Budgeted Costs(\$)	Projects Diverted to	Funds	Amount Diverted(\$)
Repair and Upgrade of Public Buildings (Special Maintenance)	Nawaicoba Agricultural Station	100,000	Group 5M DEW Mechanical Yard Phase 2		50,518.82
	PA's Office Sigatoka	60,000	Group 5M DEW Mechanical Yard Phase 2 - Electrical Section		36,324.19
	Ono I Lau Met Office and Quarters	120,000			
Routine and Special Upgrade of Public Buildings	Group 4B, Namosau	192,667	Group 5 Nabouwalu		345,720.00
	Group 7C, Mua Coconut Research	55,946	DEN yard Group 3B-Phase II		113,035.55
	Group 3C, DEN yard	264,172	Group Joinery Maintenance Phase 2		44,687.64
	Group 13A Government Buildings and Environment	125,000	Group Maintenance at Plumber Shop		69,684.01
			Group Korovou MAFF		127,968.14
Water Supply and Sewer Line	Aldata Street, Natabua	68,883	Raman Nair Street Phase 1		49,110.00
	Mua Coconut Centre	46,810	Raman Nair Street Phase 2		17,172.80
			Nawaicoba Agricultural Station		64,500.00
			Lawaqa Phase 3		119,908.69
			Nabouwalu Group 5 Sewer line		216,200.00
<b>Total</b>		<b>1,033,478</b>			<b>1,254,829.84<sup>20</sup></b>

The finding shows poor planning for capital projects to be undertaken by the Ministry. As a result funds were not used for the projects it was approved in the 2015 Budget Estimates.

### **Recommendations**

- The Ministry of Infrastructure and Transport must ensure that funds provided are utilised for the purpose it is provided for in the budget; and
- The Ministry of Finance should investigate the diversion of funds and take appropriate action against Officers responsible for diversion of funds.

### **Management Comments**

*The audit recommendations are acknowledged, however as stated in earlier response that the projects highlighted by OAG were undertaken subsequent to the withdrawal of the allocated projects; the substitute projects undertaken were as follows:*

#### ***Repair and upgrading***

1. Joinery Shop (phase 2), DECE
2. Plumber shop, DECE

<sup>20</sup> Total of \$221,351.84 was used from other allocations

**Routine and Special upgrading**

1. Grp 30 – Mech Yard, DECE (phase1)
2. Grp 5M – Mech Yard, DEW (phase 3)
3. Grp 3B – DEN Yard, DEN (phase 2)

**Water and Sewer lines**

1. Ono-i-Lau – please note that this project was also carried out with the available materials from plumber shop; it was the wages component only that was allocated from Maintenance and Operations of Public Buildings.
2. Domain (phase 2 & 3)
3. Delainamasi (phase 2)
4. MRD

The Delainamasi (phase 2) and MRD projects were carried out to replace the project for Toorak area that was in the 2015 PSIP. There are only (2) projects under water and sewer lines that replaced the Toorak area project. These projects was prioritized due to the need at hand and since the PSIP is a (3) years project, we will consider the Toorak area in the next financial year.

**40.9.4 Construction of Light Houses**

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.<sup>21</sup>

The Ministry constructed several lighthouses around Fiji. The funds for the construction of these lighthouses were initially provided by the Maritime and Safety Authority of Fiji (MSAF) to the Ministry.

However, the audit noted that two of the lighthouses constructed by the Ministry between 2013 and 2014 collapsed while another two were leaning to one side and were about to collapse. For the two collapsed light houses, the Ministry diverted funds from Repairs and Upgrading of Public Buildings (SEG 8) allocations to reconstruct the lighthouse. Refer to Table 40.21 for details of constructing light houses.

**Table 40.21: Details of the Lighthouse Constructed by the Ministry**

Lighthouse	Estimated Cost (\$)	Actual Cost (\$)	Anomalies
Cakaumomo	182,191	<p>2012 – \$169,564</p> <p>2013 – no ledger maintained by the Department and hence cost cannot be determined</p> <p>2015 – \$60,995 worth of materials purchased for the reconstruction in 2016.</p>	<ul style="list-style-type: none"> <li>Construction work started in 2012. The Ministry spent total of \$169,564 but could not complete the light house due to extreme weather conditions.</li> <li>In 2013 DECE constructed a single culvert tower structure. The DECE did not maintain proper records of the cost of this light house, hence the actual cost of construction was not provided to Audit. However the lighthouse collapsed later.</li> <li>In 2015 the Ministry diverted funds from Repairs and Upgrading of Public Buildings (SEG 8) allocation totalling \$199,215 to reconstruct the lighthouse. The</li> </ul>

<sup>21</sup> Ministry of Infrastructure and Transport Finance Manual 2015, Part 2 Expenditure

Lighthouse	Estimated Cost (\$)	Actual Cost (\$)	Anomalies
		Total - \$230,559	<p>DECE purchased materials costing \$60,995 for the reconstruction of light house. However the Ministry later called for tenders for the construction of the light house. The Ministry is not certain whether to outsource or DECE to reconstruct the lighthouse.</p> <ul style="list-style-type: none"> <li>The materials purchased are stored at the shipping and mechanical yard.</li> </ul>
Curacoa	165,035	2011 – \$99,407 2012 – \$47,824 2013 – \$193,607  Total - \$340,838	<ul style="list-style-type: none"> <li>The construction work began on 21/11/11. A total of \$99,407 was utilised as at 31/12/11. An additional \$47,824 was used in 2012.</li> </ul> <p>However the structure collapsed after cyclone Evans in 2012.</p> <ul style="list-style-type: none"> <li>The Ministry reconstructed the lighthouse in 2013 with a total cost of \$193,607. However funds were diverted from Repairs and Upgrading of Public Buildings (SEG 8) allocation.</li> </ul>
Mali Passage East	250,557	\$225,859.01	<ul style="list-style-type: none"> <li>The light house was initially designed for a tripod structure with estimated cost of \$250,557. The materials were purchased for the tripod structure. However the Ministry built a single pile structure in 2013 without any structural design. Total of \$225,859 was used to construct this lighthouse.</li> </ul>
Narara Island	197,607	193,607	<ul style="list-style-type: none"> <li>A single pile structure lighthouse was constructed in 2014 costing \$193,607. However the lighthouse collapsed in February 2015.</li> </ul>
Vomo Island South Reef	197,607	193,607	<ul style="list-style-type: none"> <li>The lighthouse was designed for a single pile structure. However a tripod structure lighthouse was built and handed over to MSAAF on 17/12/14. The Department did not prepare the design for tripod structure.</li> </ul>
Tivoa Island	197,607	193,607	<ul style="list-style-type: none"> <li>A single pile structure light was constructed in 2014 with a total cost of \$193,607. However as at the date of audit the lighthouse was leaning to one side and is about to collapse.</li> </ul>
<b>Total</b>	<b>1,190,604</b>	<b>1,378,077</b>	

For the sample of 16 lighthouses reviewed by audit, the total budgeted cost of construction was \$3,080,899. However, the actual cost of construction or reconstruction of these the lighthouses was \$3,722,888.88 which was \$726,279 or 24% more than the budgeted amount.

The findings indicate poor quality of work performed by the Ministry in constructing the lighthouses. As a result, funds provided by MSAF were not properly utilised and the Ministry incurred additional expenditure to reconstruct the light houses.

## **Recommendations**

### **The Ministry should:**

- **ensure that all factors are considered to minimize risks during the construction phase;**
- **ensure that all future designs and plans are formally approved by the Permanent Secretary of Infrastructure and Transport; and**
- **appoint an independent committee to investigate all the light house that collapsed or are leaning and about to collapse and submit a report to the Ministry of Economy for appropriate disciplinary action for poor performance and loss of funds through reconstructions.**

## **Management Comments**

### **Cakaumomo lighthouse**

*Cakaumomo is regarded as the most unfavorable site out of the three lighthouses constructed due to extreme weather conditions and strong sea currents. Twice during construction, the workers had to retrieve the barge back to the original position, as the rope snapped and allowed the barge to drift. The vessel itself needed to move out from the reef before night falls thus restricting the team to maximize the opportunity of any good weather conditions.*

*Due to reasons mentioned above particularly in the difficulty faced in constructing a tripod, a single pile structure was recommended. The Department received the allocation of \$57,164. In addition \$50,266.66 was transferred to TC Evans Rehabilitation works.*

*Funds to rehabilitate Cakaumomo Light house were sourced from Repair and Upgrading of Public Buildings (SEG 8). A sum of \$199,215 was approved by MoE for the rehabilitation works. Initially, the Ministry has sought for waiver of the tender to the Ministry of Finance to carry out this project in-house. This was not approved hence the tender was called for outsourcing.*

*DEWCE bids with the total cost of \$377,954 which was awarded to the Division as they were the only bidder. Currently a team from DECE is reconstructing the light house on site. Some of the materials are stored at the shipping yard for safe keeping and culverts at the mechanical yard. Currently a team from DECE is reconstructing the light house on site.*

### **Curacoa**

*Due to destruction of all project records in a fire at DEW in 2014, the audit query cannot be substantiated.*

### **Mali Passage East**

*Due to extreme weather conditions and strong sea currents at the location, Management recommended that another location within the vicinity of the initial be identified and which would meet the conditions for a single pile structure.*

### **Narara Island**

*During the course of construction, the team was instructed to report back to Lautoka due to the drought experienced in the Yasawas.*

*The vessel was requested by the Commissioner Western to cart water. The abandoned incomplete structure was exposed to extreme conditions and sea water hence compromising on the structural integrity. This may have caused the structure to collapse.*

Vomo Island South reef

*A suitable location within the vicinity of the initial was identified which had the required depth and met the conditions for the construction of a tripod structure.*

Tivoa Island

*The site had been determined by MSAF however when the team mobilized to the site there were further changes made by MSAF.*

*Please note that the Ministry had carried out its investigations and submitted the report with recommendations to Ministry of Economy (formerly MoF).*

## **40.10 Divisional Engineer Western**

### **40.10.1 Weaknesses in Control of Stores**

Materials purchased for different projects are received at the Transit Stores (DEW Depot) before they are delivered by the Ministry to the respective project sites. At the project sites, the Site Storeman should record all items received and return leftover items to the Transit Stores when a project is completed.

The audit noted the following anomalies in the stores maintained at the Western Division.

- The Storeman or the Officer in Charge of inventory shall keep a tally card for each inventory item to determine the value of items. Each card must provide the following details:
  - i. Date and description of each item purchased;
  - ii. Quantity purchased and cost price;
  - iii. Quantity sold and at which price;
  - iv. Quantity remaining and price.<sup>22</sup>

However, the Storeman did not maintain tally cards at the Transit Stores in the Divisional Engineer Western Depot for hardware stores purchased for various projects.

- The Storeman must ensure that the records are properly maintained and up to date.<sup>23</sup>

The Purchase Order Register maintained at the Transit Stores was not updated with the delivery numbers for the materials delivered to various projects sites. Refer to Table 40.22 for details.

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<sup>22</sup>Ministry of Infrastructure & Transport Agency Finance Manual 2015, Section 8.1.6

<sup>23</sup>Ministry of Infrastructure & Transport Agency Finance Manual 2015, Section 6.33 (iii)

**Table 40.22: Purchase Order Registers with Deliveries not updated**

Project	Project Details
Ecological Purification System	This project was undertaken in 14 villages where Ecological Purification System was constructed in the Western Division at a total cost of \$620,725.
Water and Sewer Relining	This project was undertaken in Tabua Road Natabua, Raman Nair Street and Vomo Street at a total cost of \$272,943.

- Hardware inventory items stored in the Transit Stores should be segregated into buildings, plumbing and joinery items.

Hardware items stored in the transit stores were all mixed together and not separated as required.

- Materials delivered to project sites should be taken on charge by the site Storeman and recorded in the tally card.

The Department purchased and supplied materials costing \$7,199 and \$80,000 for Neilawa Ecological Purification System project and Buildings Yard Fencing, respectively at the Divisional Engineer Western Depot. However, no tally cards were maintained for the materials delivered to project sites from the transit stores. In addition, a few delivery dockets were also missing.

Hence, no records were maintained for the materials received and issued and materials in stock at Transit Stores. Refer to Table 40.23 for details.

**Table 40.23: Anomalies for Stores at the Sites**

Project	Anomalies
Neilawa Ecological Purification System	No tally card on site The Storeman does not have copies of the following delivery dockets on site: <ul style="list-style-type: none"> <li>• Delivery 731492 – 16/11/15</li> <li>• Delivery 731493 – 16/11/15</li> </ul>
Buildings Yard Fencing	No tally card on site
Vatubalavu Infant School	The following items were not updated in the tally card on site: Delivery 718553 – 25/10/15 <ul style="list-style-type: none"> <li>• Cement 50kg – 15</li> <li>• 6" St Block – 26</li> <li>• Fine sand – 20 bags</li> </ul>
St Francis College	The following items were not updated in the tally card on site. Delivery 718582 – 3/11/15 <ul style="list-style-type: none"> <li>• Fine sand – 20 bags</li> <li>• Loose timber – 20 L/M</li> <li>• 8 blade louver frame wind – 59 pairs</li> <li>• 610x152x5mm louver blade – 472</li> </ul>

- On the completion of a project, leftover materials should be returned to the transit stores for safe keeping.



Although items were returned from various project sites to the Transit Stores upon completion of projects, the Store man based in Transit Stores did not maintain any record of the returned items.

Refer to **Appendix 40.1** for details

The findings show poor control over hardware stores at the Divisional Engineer Western Office. There is a high risk of theft and misappropriation of hardware materials.

### **Recommendations**

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

- **ensure that all hardware items are appropriately recorded upon receipt of items from the supplier, delivery of items to the project site and the return of leftover items to the transit stores when the project is completed; and**
- **take appropriate disciplinary action against the Storeman and the Construction Engineer at the depot for not performing their duties diligently.**

### **Management Comments**

*The present transit stores were temporarily built to accommodate the operational needs of the Department after the fire. The construction of a new building is in progress which will accommodate Plumber shop and Transit stores thus it will eliminate the current problems faced by the storeman.*

*Currently one Established Storeman is looking after both Building Transit Stores and TMA Plumber shop (EPS and Sewer Riling) for the Division.*

*Due to cost cutting measures, no Store man/Clerks were engaged since the foreman and the Supervisors were responsible for their stores. Although the tally cards were issued to various projects, due to other assigned responsibilities the technical officers had failed to maintain and update the tally cards. The Ministry will conduct spot checks to ensure that proper stock records are maintained in all stores.*

#### **40.10.2      *Anomalies in Project Records***

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.<sup>24</sup>

The PAO/SAO/AO/AAO must make sure the following checks are done before authorising any payment:

- i. Review vendor invoices for accuracy by comparing charges to purchase order;
- ii. Verify that the goods and services purchased have been received;
- iii. Perform monthly reconciliation of operating ledgers to ensure accuracy and timeliness of expenses;

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<sup>24</sup>Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 6.2.3

- iv. Make sure that the expense accounts used have enough funds and are correct;
- v. Make sure that invoices are paid in a timely manner.<sup>25</sup>

Audit review of the project records maintained by the Divisional Engineer Western Office revealed that project records were not properly maintained. The following anomalies were noted.

- Out of 14 projects reviewed by the audit, 7 projects had variance in project cost compared with the project job record sheet and the project cost in the Western Division.
- For some projects such as Fencing of Mechanical Yard, Fencing of Building Yard, Group 5M (DEW Yard) Phase1 and Group 4A Varadoli, the commitment ledgers were not up to date. Hence the total amount committed for the projects was not known.
- Two job record sheets had same job number indicating two job sheets were maintained for one job.
- The total cost for Group 4A Varadoli projects were more than the budgeted cost. Hence the DEW incurred over expenditure for this project.

Refer to **Appendix 40.2** for details.

The above findings indicate poor project management by the DEW. There is a high risk of misappropriation of public funds and project cost overruns.

### **Recommendations**

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

- **ensure that project records are properly maintained; and**
- **investigate and take appropriate disciplinary action against officers for poor record keeping.**

### **Management Comments**

*The mentioned statement on the over expenditure is incorrect as expenditure incurred were due to Management's advice to undertake additional works whilst the team was carrying out programmed maintenance work in the area, even though this was not factored in the initial estimate/scope. It should be noted that funds are being controlled by the Work Study Unit and released according to stages of works as was done in this case.*

*Upon receipt of materials, store man updates the records and forwards the invoices for ledger update, verification by inspection team and payment purposes. Due to non-receipt of all items as ordered, the store man withhold the invoices in anticipation of full delivery, hence there are delays in updating ledgers.*

*The issues raised by the auditors in regards to JRS and commitment ledger have been noted and the division has strengthened the inadequacies by implementing proper procedures and monitoring to ensure that financial records are updated regularly.*

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<sup>25</sup>Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 17.2.4

## 40.11 Divisional Engineer Northern

### 40.11.1 Surplus Materials upon Completion of Project

Storage of inventories shall be the responsibility of the storeman or the Officer in Charge of inventory. The store man or the Officer in Charge of inventory must ensure that quantity of stock is closely monitored to avoid excess holdings or shortages.<sup>26</sup>

Inventory purchasing, storage and recording should be efficiently managed to ensure that there is sufficient level of inventories when needed, while minimising the cost of holding inventory and the risk of stock becoming obsolete or damaged.

The DEN implemented several projects in the Northern Division. The audit reviewed a sample of projects that were completed or near completion<sup>27</sup> as at the date of audit on 3/12/15.

The audit noted that large quantities of materials purchased for these projects were not used. This indicated that excessive materials were purchased by the DEN for these projects. Refer to Table 40.24 below.

**Table 40.24: Materials Purchased in Excess of Requirement**

Items	Quantity On Site as per Handing Over Statement	Cost of Excess Materials(\$)
<b>Nabouwalu Group Maintenance</b>		
Acrylic undercoat white paint	193 cans	6,793.60
Enamel gloss white paint	30 cans	1,126.72
Acrylic white H/G paint	61 cans	2,525.40
H/G pearl lustre paint	38 cans	2,042.50
H/G Berge	21 cans	831.06
Red oxide	75 cans	2,160.53
Grey green acrylic	60 cans	2,354.40
Clear vanish	16 cans	497.90
Enamel undercoat	49 cans	1,676.70
Rubber tiles	20 cartons	900.00
C.T.F	55 bags	1,320.00
12ft galvanized roofing iron – 3.6576m	13 sheets	592.02
10ft galvanised roofing iron – 3.0480m	11 sheets	417.45
9ft galvanised roofing iron – 2.7432m	16 sheets	546.40
Galvo one metal primer	24 cans	609.90
Gauze wire – (cycemrald)	3 coils	1,260.00
Hand gloves (Leather)	8 pairs	38.40
<b>Nabouwalu Group Upgrade of Water and Sewer lines</b>		
15mm PVC pressure pipe	28 lengths	119.28
40mm PVC waste pipe	13 lengths	155.74
12mm deformed bars	26 lengths	304.20
150*150mm white glaze tile	6 cartons	52.14
300*200mm white glaze tiles	78 sheets	76.44
<b>Dama Research Station Upgrade of Water and Sewer lines</b>		
Chain link	1 coil	191.50
Binding wire	1 coil	29.99
Barricuda	1 coil	88.00

<sup>26</sup>Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 8.2.1

<sup>27</sup>Kavula/Banikea and Wainunu Infant School were just nearing completion as at the date of audit on 3/12/15

Items	Quantity On Site as per Handing Over Statement	Cost of Excess Materials(\$)
<b>Total</b>		<b>26,710.27</b>

The unused excess materials were recorded in the handing over statement at the site before they were returned to the Stores at the DEN depot. The audit noted that several items returned to the DEN depot for Nabouwalu Group maintenance were less than the items recorded in the handing over statement at the site. Refer to Table 40.25 below for the items short returned.

**Table 40.25: Items Short Returned (Nabouwalu Group Maintenance Only)**

Items	Quantity On Site As Per Handing Over Statement	Quantity Received At Stores	Materials not Received at Stores(\$)	Cost of Materials not Received at Stores(\$)
Enamel gloss white paint	30 cans	28 cans	2 cans	80.48
H/G Berge	21 cans	19 cans	2 cans	87.48
Red oxide	75 cans	71 cans	4 cans	121.72
Clear vanish	16 cans	13 cans	3 cans	114.90
Enamel undercoat	49 cans	45 cans	4 cans	149.04
Galvo one metal primer	24 cans	19 cans	5 cans	160.50
Gauze wire – (cycemrald)	3 coils	0	3 coils	1,260.00
Hand gloves (Leather)	8 pairs	0	8 pairs	38.40
<b>Totals</b>				<b>2,012.52</b>

The finding shows that the Estimation section overstated the quantity of materials required for these projects. As a result public funds were tied up in the surplus materials which could have been better utilised in other projects. In addition, some excess stores were also missing and unaccounted hence resulting in loss of public funds.

### **Recommendations**

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

- ensure that bill of quantities are properly prepared to avoid unnecessary purchase of materials;
- investigate purchase of excessive materials and take appropriate disciplinary action against officers responsible; and
- investigate the missing items and take appropriate disciplinary action against the stores Officer.

### **Management Comments**

*The audit recommendations are noted and investigations will be carried out to ascertain anomalies as reported and appropriate disciplinary actions will be undertaken.*

*Upon completion of projects DEN will ensure that proper handing over and accounting of surplus will be undertaken.*

*Initial estimate was done for 10 buildings but only seven buildings were maintained under the Group. The other three buildings were not maintained since there were occupied by FRA contractors and were not in a position to vacate. All materials purchased for the project was delivered to the site on supervisor authority including*

*materials purchased for the 3 excluded Buildings. Un-used materials for the three excluded buildings were returned to Depot stores after completion of Nabouwalu Group Project.*

*The audit comments are noted and investigations will be carried out to ascertain anomalies as reported and appropriate disciplinary actions will be undertaken. Upon completion of projects DEN will ensure that proper handing over and accounting of surplus will be undertaken.*

#### **40.11.2 Store cards not properly maintained**

Storage of inventories shall be the responsibility of the Storeman or the Officer in Charge of inventory. The Storeman or the Officer in Charge of inventory must ensure that quantity of stock is closely monitored to avoid excess holdings or shortages.<sup>28</sup>

The audit noted that the site stock cards were maintained by the Leading Hand on the site and not the site Storeman. The audit also noted that the items received and issued from the site stores were not always recorded in the stock cards by the Leading Hand. Hence the Leading Hand did not properly maintain the store cards.

The irregularity indicates poor supervision in the Stores at the Wainunu Infant School and Kavula/Banikea Infant School project sites. In absence of up to date stock cards, there is a risk of pilferage of stores.

#### **Recommendations**

**The Ministry should ensure that:**

- **stocks are properly recorded when received or issued;**
- **stock cards are maintained up to date at all times; and**
- **appropriate disciplinary action is taken against the supervisor for poor supervision and the Leading Hand for not updating the stock cards.**

#### **Management Comments**

*The audit recommendations are noted and DEN will ensure that random checks are carried out at all project sites to ensure that physical stocks are correctly accounted with tally cards. Supervisors and Project Foremen will be tasked to ensure that appropriate site stock records are maintained at all times.*

#### **40.11.3 Items Not Taken On Charge at the Project Site**

The Storeman or the Officer in Charge of inventory shall keep a tally card for each inventory item to determine the value of items. Each card must provide the following details:

- i. Date and description of each item purchased;
- ii. Quantity purchased and cost price;
- iii. Quantity sold and at which price;
- iv. Quantity remaining and price.<sup>29</sup>

<sup>28</sup>Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 8.2.1

<sup>29</sup>Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 8.1.6

Construction of Wainunu Infant School and Kavula/Banikea Infant School commenced in 2014 and was completed in 2015.

The review<sup>30</sup> of the records of building materials at the project sites for Wainunu Infant School and Kavula/Banikea Infant School revealed several anomalies. Refer to Table 40.26 for details.

**Table 40.26: Details of Anomalies Noted in Stores**

Projects	Anomalies Noted
Wainunu Infant School.	<ul style="list-style-type: none"> <li>Tally cards for all the materials at the job site were not updated while in some instances, tally cards were not maintained at all. This includes tally cards for materials such as cement, treated pine posts, glaze tiles and diesel.</li> <li>Carbon (pink) copies of the delivery books were not signed by the person receiving the materials on the site, however, the materials were received by the driver or leading hand from the Divisional Engineer Northern depot (loading point).</li> <li>The 2014 tally cards were not provided by the Divisional Engineer Northern, hence the carried forward opening balance of materials in 2015 cannot be verified.</li> </ul>
Kavula/ Banikea Infant School.	<ul style="list-style-type: none"> <li>Tally cards for all the materials kept at the job site were not maintained at all. The cards were only delivered to the site on 1/12/15 for the Leading Hand to update.</li> <li>Although, items were taken on charge in a register, the issuance of items from the store room was not properly updated.</li> <li>Carbon (pink) copies of the delivery books were not maintained at the site, and were still attached in the delivery books held at the main depot building stores.</li> <li>The 2014 tally cards were not provided by the Divisional Engineer Northern nor were there was any stock take done to verify the quantity of materials on site when workers pulled out in 2014. Hence the correctness of the carried forward opening balance of materials in 2015 could not be determined.</li> </ul>

There is lack of control over the management of materials at DEN Stores and project sites. There is a high risk of materials being stolen.

### **Recommendations**

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

- ensure that a site Clerk/Storeman is appointed at all major project sites;
- ensure that copies of delivery books are signed at the project site when materials are delivered;
- ensure that tally cards are maintained and updated regularly; and
- take appropriate disciplinary action against the Storeman for not updating the stock cards.

<sup>30</sup>3/12/15

**Management Comments**

*The audit recommendations are noted and DEN will ensure that random checks are carried out at all project sites to ensure that physical stocks are correctly accounted with tally cards. Supervisors and Project Foremen will be tasked to ensure that appropriate site stock records are maintained at all times*

**40.11.4 Delay in Supply of Hardware Items By Approved Contracted Suppliers**

The Government Tender Board (GTB) in its meeting no. 16/2013 held on 21/8/13 approved the tender for the supply of hardware items for Whole of Government to various companies.

In addition, the contract for supply of timber was also awarded to hardware Company C as a first choice supplier. The second choice supplier was only to be used if hardware Company C provided in writing that they are not able to supply the timber. The hardware Company C was to supply hardware items to the Northern Division within 2 – 3 days and 4 – 5 days as per the approved tender 86/2013.

The audit noted that hardware Company C was not able to provide building materials to DEN on several occasions within the agreed time frame of 2 – 3 days and 4 – 5 days. Significant delays were noted for supply of building materials to the DEN by hardware Company C.

The delay was recurring throughout the year and in most cases, it took the contractor more than 10 days to supply the materials ordered. Refer to Appendix 40.3 for details.

The audit also noted that the DEN did not advise Fiji Procurement Office about the delays in supply of materials by hardware Company C.

The delay in the supply of materials delayed several projects undertaken by the DEN.

**Recommendations**

**The Ministry should:**

- **discuss the matter with Fiji Procurement Office to ensure materials are supplied on time; and**
- **seek approval from FPO to purchase materials from second choice supplier, where the first choice supplier is unable to provide them.**

**Management Comments**

*Delay in the supply of materials by the contracted suppliers has been addressed with FPO and upon advice materials have been procured accordingly.*

**40.11.5 Highly Overstated Project Cost Estimates**

An estimate is a computation or calculation of the quantities required and expenditure likely to be incurred in the construction of a work. The estimate is the probable cost of a work and is determined theoretically by mathematical calculation based on the plans and drawing and current rates. The approved estimates are basis upon which funds are released by the client Ministries to Ministry of Infrastructure and Transport to carry out the construction works.

The Ministry was provided funds totalling \$3m under SEG 8 in the 2015 Budget Estimates. The DEN was to implement eight projects in the Northern Division as per the Ministry's three-year PSIP submission to the Ministry for Economy from these funds.<sup>31</sup> The projects to be implemented using funds provided under SEG 8 were as following.

#### **Repair and Upgrading of Public Building - Northern**

Buildings 48A & B	\$90,000
Building 52	\$60,000
Buildings 53A & B	\$90,000

#### **Routine & Special Upgrading of Public Buildings - Northern**

Group 7C Mua Coconut Research	\$55,946
Group 3B, DEN yard	\$264,172

#### **Upgrading of Water Supply and Sewer lines of Public Residential Buildings**

Dama Research station	\$35,000
Building 93 & 94 Vaturekuka	\$46,810
Mua Coconut Centre	\$18,190

The audit noted that the DEN did not implement two of these projects, namely Group 7C Mua Coconut Research and Mua Coconut Centre in 2015 with budget estimates of \$55,946 and \$18,190, respectively. These projects were not implemented because they were located far from Taveuni and due to time constraints were placed last to be carried out in 2015.

The audit also noted significant savings in actual cost of implementing four out of the eight projects compared to the project cost estimates. The savings were as high as 48%. This shows that project costs estimates were not properly prepared and were highly overstated. Refer to Table 40.27 below for details.

**Table 40.27: Details of Variances**

Project	Estimate (PSIP) (\$)	Actual Expenditure (\$)	Saving (\$)	%
Group 01 Township area, Qtrs. 53A & B special maintenance	92,927	71,818	21,109	23
Group 01 Township area, Qtrs. 48A & B special maintenance	99,757	90,272	9,485	10
Group 3B DEN yard (depot) routine maintenance	327,206	229,873	97,333	30
Group 5 Nabouwalu routine maintenance	416,564	216,200	200,364	48
<b>Total Savings (Sample Only)</b>	<b>936,454</b>	<b>608,163</b>	<b>328,291</b>	<b>35</b>

The audit further noted that the cost estimates and the building materials schedules for each project was not verified and approved by the Acting Divisional Engineer Northern.

The findings show that incorrect project estimates resulted in significant savings which could have been utilised for other critical projects.

<sup>31</sup>Ministry of Infrastructure and Transport Agency PSIP Submission (2015 – 2017)



**Recommendations****The Ministry should:**

- ensure that project cost estimates are reasonable and not highly overstated;
- ensure that all project cost estimates and materials are reviewed and approved by the DEN; and
- investigate and take appropriate disciplinary action for poor cost estimates.

**Management Comments**

*The audit recommendations are noted and appropriate actions will be implemented by DEN. Estimates are prepared as a guide to ensure that expenditure is within the ambits. Funds are released according to the implementation stages of the project to ensure that expenditure is prudently maintained. Other means of saving that is achieved through reduction in the number of workmen engaged on the project.*

**40.12 Divisional Engineer Central Eastern****40.12.1 Non Compliance to Project Implementation Schedule**

Agencies should prepare their budget submissions in accordance with the Finance Circulars issued by the Permanent Secretary for Finance from time to time<sup>32</sup>, separately showing operating and capital expenditure.<sup>33</sup> All capital expenditure submissions must be done through the Public Sector Investment Program process.<sup>34</sup>

The capital budget for each year is drawn from the Public Sector Investment Program (PSIP) and Ministries and Departments are required to clearly identify the cost components of all capital works programs and projects to be undertaken.

A total of seven projects were identified to be carried out under the PSIP in 2015 by the Divisional Engineer Central/Eastern. Out of these, four projects were for Routine and Special Upgrading of Public Buildings and three were for the Repair and Upgrading of Public Buildings. Refer to Table 40.28 for details.

**Table 40.28: Details of Projects Identified Under PSIP**

<b>Projects</b>	<b>Cost (\$)</b>	<b>Implementation Schedule as per PSIP for 2015</b>
<b>Routine and Special Upgrading of Public Buildings</b>		
Group 5 Koronivia Research Station ( Phase 5)	72,665	1 <sup>st</sup> quarter
Group 25B Geological Survey	208,766	2 <sup>nd</sup> quarter
Group 20B Mechanical Yard	251,789	4 <sup>th</sup> quarter
Group 13A Government Buildings and Environment	125,000	3 <sup>rd</sup> quarter
<b>Repair and Upgrading of Public Buildings</b>		
MAFF Yard and Korovou Court House	100,000	3 <sup>rd</sup> quarter

<sup>32</sup> Finance Instructions 2010, Section 6(2)<sup>33</sup> Finance Instructions 2010, Section 6(3)<sup>34</sup> Finance Instructions 2010, Section 6(5)

Projects	Cost (\$)	Implementation Schedule as per PSIP for 2015
Joinery Shop and Plumber Shop in DECE yard	185,000	1 <sup>st</sup> and 2 <sup>nd</sup> quarter
Ono-i-Lau Met Office and Quarters	120,000	4 <sup>th</sup> quarter

The audit noted that a project for Routine and Special Upgrading of Public Buildings was not implemented in 2015. It was also noted that the remaining six projects were completed but after significant delays compared to the completion timeline as per the PSIP schedule for the year 2015. Refer to Table 40.29 for delays in project completion.

**Table 40.29: Details of Projects Not Completed On Time**

Projects	Implementation Schedule as per PSIP	Actual Date Projects Implemented	Date Projects Completed	Projects Delayed By
<b>Routine and Special Upgrading of Public Buildings</b>				
Group 5 Koronivia Research Station (Phase 5)	1 <sup>st</sup> quarter	19/3/15	18/6/15	77 days
Group 25B Geological Survey	2 <sup>nd</sup> quarter	25/3/15	24/6/15	31 days
Group 20B Mechanical Yard	4 <sup>th</sup> quarter	8/10/15	16/12/15	69 days
Group 13A Government Buildings and Environment	3 <sup>rd</sup> quarter	not implemented		
<b>Repair and Upgrading of Public Buildings Projects</b>				
Joinery Shop	1 <sup>st</sup> quarter	22/10/15	16/12/15	294 days
Plumber Shop	2 <sup>nd</sup> quarter	08/10/15	16/12/15	190 days
MAFF Yard	3 <sup>rd</sup> quarter	2/7/15	1/10/15	91 days
Korovou Court House	3 <sup>rd</sup> quarter	9/3/15	29/4/15	51 days
Ono-Lau Met Office and Quarters	4 <sup>th</sup> quarter	22/8/15	16/12/15	116 days

The projects were delayed due to delays in receiving funds from the Ministry for Economy when requested.

As a result these projects were not implemented as planned.

### **Recommendation**

**The Ministry should apply for release of funds from Ministry for Economy in advance to ensure that projects are implemented and completed in accordance with the PSIP schedule.**

### **Ministry's Comments**

*The compilation of PSIP schedule is compiled by DBGA and his team (Work-study Section) acted upon the allocation of funds submitted by the Work-study Section. Commencement of all specified projects according to PSIP depends on the allocation of funds from HQ that is upon the approval from Ministry of Finance. Request for release of funds from Ministry of Finance are to be submitted well before time so funds can be available for commencement of projects as according to PSIP schedule.*

*Also even when DEWCE managed to receive funds in time another obstacle that we also faced is that the 3 months' time period contract given for all the project workers. Once their term are expired so there is also a standstill of all the half completion projects as there is no man power to continue the work. Completion of jobs would only continue once appointments of project workers are received. We agree with the audit team on the*

total of (7) projects that were supposed to be implemented under the Maintenance and Operations of Public Buildings vote.

*In response to the audit comments on the non-implementation of (1) project namely Grp 13A – Government Buildings and Environment. Please be advised that the subject project was not being implemented after funds were stalled for a period of time.*

*In response to the audit team's comments on the significant delays to complete project refers. Please be advised that the delay in carrying out projects was due to the following challenges:*

- Delay in supply of materials from contracted suppliers
- Delay in the process of releasing approval for contracted items to request for (3) quotations
- Delay in engagement process and approval

*It should also be noted that the implementation schedules may differ because projects to be carried out are again prioritized in terms of the need at hand. Audit's comment is noted and we will work on improving the implementation process.*

## GOVERNMENT SHIPPING SERVICES

### 40.13 Non Payroll

#### 40.13.1 Progress Reports Not Prepared

A representative of the Department should be present to supervise the works that are carried out by the Contractors. This would ensure that Contractors carry out work according to the project design and use materials as specified in the design<sup>35</sup>.

The audit noted instances where the works carried out by the Contractor was not reviewed or supervised by a representative of the Department either on a daily, weekly or fortnightly basis. The Department reviewed the progress of works after receiving claims from the Contractor for payments. The claims were endorsed by the Acting Director Buildings and Government Architect (DBGA). Apart from the project reports for the payments, the Department did not prepare any periodic progress reports on the progress of works carried out by the Contractors. Refer to Table 40.30 for details.

**Table 40.30: Projects not reviewed or Supervised by the Department**

Project Name	Contractor	Contract Sum (\$)
Construction of New Offices and Workshops	Contractor A	3,663,715.00
Jetty Refurbishment at GSS Walu Bay	Contractor B	4,169,330.58
Dredging of Walu Bay Jetty (Phase 1)	Contractor B	412,248.07
Dredging of Walu Bay Jetty (Phase 2 and 3)	Contractor B	286,225.80
<b>Total (Sample Only)</b>		<b>8,531,519.45</b>

The findings indicate lack of monitoring and supervision by the Department. Failure by the Department to review and supervise the works carried out by Contractors may result in non-compliance to the project designs and material specifications.

<sup>35</sup>General conditions of Contract, Section 6(1).

**Recommendations**

**The Department should ensure that:**

- all projects are supervised by the Department on a regular basis; and
- periodic progress reports are prepared by the Department for all the projects.

**Department's Comments**

*The works on site have been regularly monitored by the nominated representative of DBGA's office which usually from the Architect Section. As a monitoring mechanism, photographs are taken by the DBGA Architect throughout the duration of the projects. These photographs are maintained at DBGA's office for assessment of project progress purposes.*

**40.13.2 Non Compliance with GTB Approval**

The GTB approved that a Clerk of Works is to be assigned to monitor and endorse the satisfactory completion of construction stages prior to release of payments.<sup>36</sup>

The Department did not appoint a Clerk of Works to be based at the project sites to monitor the progress of the capital works undertaken by the Contractors. Instead, the Acting DBGA from the Ministry of Infrastructure and Transport who was not based at the site verified the work completed for release of payments. Refer to Table 40.31 for details of projects for which no Clerk of Works was appointed.

**Table 40.31: Details of Projects with No Clerk of Works**

Project Name	GTB Approval Date	Contract Sum (\$)
Construction of New Offices and Workshops	18/6/15	3,663,715.00
Jetty Refurbishment at GSS Walu Bay	4/8/15	3,790,300.53

The finding shows poor project management and supervision and non-compliance to GTB directives by the Department. This may result in use of substandard materials and poor quality of workmanship.

**Recommendations**

**The Department should:**

- comply with GTB approval at all times; and
- ensure that Clerk of Works is appointed at the commencement of the project until the project is completed.

**Department's Comments**

*The GTB had recommended for the need of having a Clerk Of Works on site however it was not budgeted for thus there was no allowance made for it. The Department will ensure that this is provided for in future projects.*

**40.13.3 Anomalies in Purchase of Generators**

GTB in its meeting on 25/11/15 awarded the contract for the Purchase of 1 Mirrlees Blackstone Main Engines, 1 Mirrless Blackstone Gearbox and 2 Cummins Generators to Supplier A at the cost of GBP 125,900, GBP 73,187 and USD 50,100 respectively.<sup>37</sup>

Review of the contract documents and project files revealed the following anomalies.

- The GTB required the Supplier to provide a surety of FJD76, 109.66 as performance bond within 14 days of being notified prior to signing of contract.<sup>38</sup>

The contract agreement between the Department and the Supplier was signed on 7/12/15 and concluded on 31/5/16. The Department did not obtain the performance bond amounting to \$76,109.66 from the Supplier.

The Department did not comply with the GTB's directive and no surety was held against the Supplier.

- The terms and conditions in the contract should specify the delivery timeframe for the supply of goods and services.

The contract agreement between the Department and Supplier did not state the expected delivery timeframe for the supply of 1 Mirrlees Blackstone Main Engines, one Mirrless Blackstone Gearbox and two Cummins Generators from the Supplier.

As at the date of audit on 20/4/16, only the 2 Cummins Generators ordered were received by the Department. The two Cummins Generators were received by the Department on 28/4/16. The Department is yet to receive the Mirrlees Blackstone Main Engine and Gearbox.

- A second payment of 60% of the total sum of GBP199, 087 will be made upon the successful inspection test conducted by the purchasers' engineer in the United Kingdom for the Mirrlees Blackstone Marine Main Engine ESL6 MK2 and Gearbox MN3 and a second payment of 45% of the total sum of USD50,100 which is a sum of USD22,545 will be made upon the successful inspection test conducted by the purchaser's engineer in Malaysia for the two Marine Cummins Generator 6BT5.9D(M).<sup>39</sup>

The Department on 31/12/15 paid 60% of the total sum of GBP199,087 amounting to FJD380,804.83 and 45% of the total sum of USD50,100 amounting to FJD48,327.26 to the Supplier.

The audit noted that the Department made the payment to the Supplier without carrying out the inspection test for the Mirrlees Blackstone Main Engine and Gearbox.

In addition, the inspection for the two Marine Cummins Generator was carried out on 27/1/16 in Malaysia after a lapse of 27 days of making the advance payment.

The Department made advance payments to the Supplier amounting to FJD429, 132.09 to utilise the funds at the close of the financial year 2015. However, the payments were made without carrying out the inspection test as required under the contract.

<sup>37</sup> GTB Letter Dated 26/11/15

<sup>38</sup> GTB Letter Dated 26/11/15

<sup>39</sup> Contract Agreement between the Department and Supplier A, Section 3.21(ii) and Section 3.22(ii)

The Department did not follow proper procurement procedures.

### **Recommendations**

**The Department should:**

- **comply with GTB approval at all times;**
- **ensure that the performance bond is obtained from the Suppliers in future;**
- **include the delivery timeframe in all supply contracts;**
- **comply with the contract clauses at all times; and**
- **take appropriate disciplinary actions against those responsible for not following proper procurement procedures.**

### **Department's Comments**

*The OAG auditor was clarified of this issue during audit that as per Ministry of Finance Memorandum Ref: Fin 60/13 dated 29/12/2015, the Chief Accountant (Treasury) had approved the waiver of advance payment security as per the Advance Payment Policy (paragraph 6.2).*

*The Ministry had retained the sum of \$38,293.15 and transferred this to FPO Trust Fund Account on 31/12/2015. The Ministry also reiterates that due to very limited suppliers of particular make and model of engines and parts, few suppliers resort to 'strong-arm tactics' to dictate their terms and conditions to their customers.*

*The Contractor performed its duties like an indent agent hence it was not feasible to ascertain definite delivery dates of the ship engines. It should be noted that the Mirrlees Blackstone engine was been built specially for GSS after Generators Direct Ltd. (GDL) had received the advance payment. The Cummins generators were been procured from Malaysia by the Contractor (GDL), hence definite delivery time could not be confirmed.*

#### **40.13.4 Delay in Supply of Used Straight Steel Tramline Rails**

GTB in its meeting on 22/4/15 approved to award the contract for the supply of 173 pieces of used straight steel tramline rails for beacon piles to Supplier B. Ltd at a cost of \$198,950 VIP. The delivery time was 5 – 7 weeks. Supplier B was required to submit a surety of \$4,468.50 as performance bond.<sup>40</sup>

The review of the contract documents and project files revealed the following anomalies.

- In order to safeguard the interests of the Purchaser, the agreement should include penalties for any delay by the Supplier in supplying the goods after the specified date of delivery in the agreement.

The Department ordered the tramline rails on 29/6/15. The tramlines were expected to be delivered between 3/8/15 to 17/8/15. However the tramlines were received by the Department on 1/10/15 after a delay of 45 days. The contract agreement did not include any penalties for delays in the delivery of tramlines and hence the Department did not take any actions against the Supplier for not adhering to the agreed timelines.

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<sup>40</sup>GTB Award Letter Dated 23/4/15

- Materials purchased by the Department need to be used within a reasonable time to ensure that value for money is obtained on a timely basis.

The beacon piles were to be used for major beaconing works in the main and secondary ports, reef passages and sea routes that are vital for domestic and international shipping. As of the date of audit on 13/5/16, none of the tramline rails purchased were used. The tramline rails were stored in the Department's Mechanical workshop at Walu Bay, Suva.

The findings indicate disregard by the Department on the directives given by the GTB. As a result, the agreed timelines for delivery were not met. In addition, the Department did not plan the procurement of the tramlines as a result the tramlines were lying idle resulting value for money not being realised from public funds.

### **Recommendations**

**The Department should ensure that:**

- **penalties for delay in supply are included in the contract and charge delay damages for any delay in supply of goods and services; and**
- **projects and procurements are properly planned so that materials purchased are used within a reasonable timeframe.**

### **Department's Comments**

*The delay was in the process of payments as the contractor needed the Ministry to make an advance payment to confirm on the order. Later it was then approved and agreed after several correspondences via email, as per table below, that the Ministry will only make full payment upon delivery of goods.*

*This was approved and formalized after a month upon signing of the contract between the Ministry and the contractor RC Manubhai Company Limited. Another added factor was the delay in shipment of the materials into the country.*

#### **40.13.5      *Advance Payment for Fuel and Lubricants***

The payment to the Supplier will be made by the client within 30 days after receipt of goods in compliance with the prices which is directed by the Fiji Commerce Commission during the contract period.<sup>41</sup>

In circumstances where it is necessary to make an advance payment for goods received through shipment from overseas, and for contractual agreements if stated as such, approval must be sought from the Chief Accountant.<sup>42</sup>

The audit noted that the Department made advance payments totalling \$367,913 to Supplier C for the supply of fuel and lubricants without obtaining approval from the Chief Accountant. Refer to the Table 40.32 below for details.

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<sup>41</sup> Contract Agreement between the Government of Fiji and Supplier C, Appendix C, Payment Schedule

<sup>42</sup> Finance Instructions 2010, Section 14 (8)

**Table 40.32: Details of Advance Payment for Fuel and Lubricants**

EFT Number	EFT Date	Voucher Description	Amount (\$)
4248	23/12/15	Payment for fuel and oil for all vessels as per PO 40401-000931	206,242.26
4210	9/12/15	Payment of Gas Oil 500 PPM for Sigavou as per PO 40401-000903	161,671.21
<b>Total Payment (Sample Only)</b>			<b>367,913.47</b>

In addition, the Department overpaid \$9,654 to Supplier C by paying VAT at 15% instead of 9% and using the old fuel and lubricants price and not the new rate in 2016. The invoice was issued in 2015 and 2016 and fuel and lubricants was fully supplied by 11/2/16. Refer to Table 40.33 for details.

**Table 40.33: Overpayment Details**

Invoice Date	Invoice Number	Amount (\$)
10/12/15	4019247192	29,235.30
21/12/15	4019248184	6,078.56
29/12/15	4019248744	43,852.95
30/12/15	4019248939	46,045.60
08/01/16	4019250674	11,418.51
14/01/16	4019249782	13,244.92
29/01/16	4019251271	7,919.07
29/01/16	4019251232	27,864.18
11/02/16	4019252219	20,176.42
04/01/16	4019250913	51,926.01
23/11/15	4019245698	57,593.54
24/11/15	4019246393	14,617.65
22/12/15	4019248354	44,822.40
22/12/15	4019248382	29,881.50
24/12/15	4019248530	58,866.75
29/12/15	4019248745	2,241.12
<b>Total Invoice</b>		<b>465,784.48</b>
<b>Total Payment</b>		<b>475,438.52</b>
<b>Overpayment</b>		<b>9,654.04</b>

The Director confirmed that the Department wanted to utilize the funds available in the fuel and oil allocation for the year 2015. The findings indicate laxity of the Accounting Officers when making payments for purchase of goods and services.

### **Recommendations**

**The Department should ensure that:**

- advance payments are made only with the approvals of the Chief Accountant;
- the department comply with the contract clauses;
- responsible officers should monitor and reconcile the invoices to avoid overpayment; and
- investigate the overpayment and take appropriate action.



**Department's Comments**

*The bulk purchase of fuel was made in December to cater for the vessels till end of the year as this is one of the busiest periods whereby vessels are in high demand. Fuel is also stored for emergency use during the cyclone season which is from November to April.*

*Fuel had been supplied to GSS on piecemeal basis because the fuel tank at GSS could only accommodate 55,000 litres and fuel cannot be supplied directly from the fuel truck to the vessels. Total Fiji Ltd's fuel truck had the capacity to deliver only 33,000 litres of fuel per delivery thus the reason for piecemeal supply. The audit recommendations are noted and the Ministry will ensure that officers will reconcile the invoices against the purchase orders to avoid the risk of any overpayments.*

**40.13.6 Significant Loss in Drum Deposit**

In the event that fuel is purchased in packed/drums, a drum deposit of \$50 VEP is charged and refunded upon the return of drums in good conditions. Additionally, if the lubricants drums, 200, 205, 208 litres is refunded to Supplier C in good condition, a credit note of \$20 VEP will be issued to the Government of Fiji.<sup>43</sup>

The Department paid drum deposit of \$22,885 during 2015 to Supplier C for the fuel and lubricants it purchased. The Department was eligible for drum deposit refund of \$19,090 for 2015 if the drums were returned in good condition.

However, the audit noted that no drum deposit was refunded to the Department as drums provided by the Department for refund were rejected by Supplier C since they were not in a good condition. Refer to the Table 40.34 for details of drum deposits paid.

**Table 40.34: Drum Deposit for the Year 2015**

Fuel/Lubricants	Number of Drums	Rate (VIP)/Drum (\$)	Total Drum Deposit Paid (\$)	Refund Rate (VIP)/Drum (\$)	Deposit Refundable (VIP) (\$)
Unleaded	84	57.50	4,830.00	57.50	4,830.00
Premix	204	57.50	11,730.00	57.50	11,730.00
Rubia S30	66	57.50	3,795.00	23.00	1,518.00
Rubia S40	4	57.50	230.00	23.00	92.00
Azolla 46	11	57.50	632.50	23.00	253.00
Azolla 2568	28	57.50	1,610.00	23.00	644.00
Super out board oil	1	57.50	57.50	23.00	23.00
<b>Total</b>	<b>398</b>		<b>22,885.00</b>		<b>19,090.00</b>

The above finding indicates laxity by the Department in ensuring that drums were returned in good condition. As a result, public funds totalling \$19,090 were lost due to Department's negligence and improper handling of drums.

**Recommendations**

**The Department should ensure that:**

- the empty drums are handled with care and kept in good condition; and

<sup>43</sup> Contract Agreement between the Government of Fiji and Supplier C

- **Officers responsible for improper handling of drums are surcharged the amount of refund.**

#### **Department's Comments**

*Since the drums are flammable they are stored on the ford deck exposed to various conditions therefore these cannot be stored in any other compartment on the vessel. When vessels returns from trips, the empty drums are assessed on shore by Total Fiji Ltd. whereby most drums get rejected due to corrosion caused by exposure to marine conditions.*

#### **40.13.7      *Anomalies in Maintenance of Tally Cards***

Inventory purchasing, storage and recording should be efficiently managed to ensure that there is a sufficient level of inventories when needed, while minimising the cost of holding inventory and the risk of stock becoming obsolete or damaged.<sup>44</sup>

The Department keeps four different types of stores which comprise of Office Supplies, Fuel and Lubricants, Repair and Maintenance materials and Docking and Maintenance materials.

The Department did not maintain tally cards for Office Supplies and Repair and Maintenance materials during 2015. The Department started maintaining the tally cards for these stores from 2016. However, it was noted that the tally cards for Office Supplies, Fuel and Lubricants, Repair and Maintenance materials stores were not updated by the storeman as of the date of audit on 31/3/16.

The finding shows laxity in proper record keeping indicating a high risk of theft and misappropriation of stores.

#### **Recommendations**

**The Department should ensure that:**

- **tally cards are updated regularly to record movement of stores; and**
- **appropriate disciplinary action is taken against those responsible for not performing their duties diligently.**

#### **Department's Comments**

*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.*

#### **40.13.8      *Anomalies in Payment***

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.<sup>45</sup>

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<sup>44</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Part 8

<sup>45</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Part 2

The clerical officer preparing a payment voucher must ensure that all information required under Finance Instruction 14-(1) has been included on the payment voucher or attached to it, before passing it to the PAO, SAO, AO, AAO for certification.<sup>46</sup>

The PAO, SAO, AO, AAO must not certify a payment as correct unless they are satisfied that:

- i. It is in accordance with a PO, contract, invoice, statement or other authorization;
- ii. There is documentation that the goods, services or works have been received;
- iii. Sufficient uncommitted funds are available for payment of the account;
- iv. The account is not fraudulent and has not been previously paid;
- v. The expenditure account it is charged to is correct;
- vi. The delivery docket/invoice must be verified by the receiving officers.<sup>47</sup>

The audit noted several instances of local purchase orders issued by the Department after invoices were received. Purchase orders were issued by the Department just to regularise the procurement process. In addition, several payments made by the Department were not supported with delivery dockets. Refer to Appendix 40.5 for details.

The findings indicate that proper procurement procedures were not followed lack of supervision by Senior Officers and disregard to accounting procedures.

Purchase of goods and services without issuing purchase orders may result in fraudulent purchases. In the absence of delivery dockets it would be difficult to substantiate whether the items ordered were received by the Department.

### **Recommendations**

**The Department should ensure that:**

- **local purchase orders are issued for purchases of all goods and services;**
- **delivery dockets are obtained for all items purchased;**
- **supervisors carry out their duties vigilantly; and**
- **take appropriate disciplinary action against responsible officers for not issuing purchase orders and obtaining delivery dockets when acquiring goods and services.**

### **Department's Comments**

*The audit recommendations are noted. Some suppliers cannot estimate the cost of the repairs and services beforehand therefore they carry out the services first then they issue the invoices based on the cost of the services rendered and once the department receives the invoice then the purchase order is generated to regularize the procurement process. For Government Shipping Services, the delivery dockets are obtained for all items and maintained by the Storeman and only submitted to accounts upon request.*

*The department will ensure that delivery dockets are obtained and submitted together with invoices to accounts.*

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<sup>46</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 2.8.3

<sup>47</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 2.8.4

## FIJI METEOROLOGICAL SERVICES

### 40.14 Non Payroll

#### 40.14.1 Anomalies in Construction of Archive Facility

The Department was allocated \$950,000 in the 2015 budget for the construction of the Archive facility in Nadi. The Government Tender Board (GTB) in its Meeting No. 17/2015 held on 28/9/15 approved to award the contract for the construction of the new archive facility to a Contractor for a sum of \$866,898.90 (VIP) including retention sum of \$86,689.89 and excluding contingency sum of \$86,689.89. Thus, the total contract sum inclusive of contingency and retention sum was \$953,588.79 (VIP).

Audit review of the construction of the archive facility revealed the following anomalies.

- GTB's endorsement is to be sought prior to the utilization of any portion of the contingency sum.<sup>48</sup>

The Department paid a total of \$858,229.35 to the Contractor which included contingency sum of \$78,020.34 as at 31 December 2015. However, no variations to the initial scope of work were noted as at 31 December 2015. As a result, the Department overpaid the contractor by \$78,020.34 as at 31 December 2015. Refer to Table 40.35 for details.

**Table 40.35: Overpayment Details for Construction of the Archive Facility**

Details	Amount (\$)
Total Contract Sum (VIP)	866,898.90
Less: 10% Retention (VIP)	86,689.89
<b>Total Payment to be made to the Contractor (VIP)</b>	<b>780,209.01</b>
Less: Total Payment made to the Contractor:	
Cheque Number: 21768	268,152.86
Cheque Number: 21807	51,963.87
Cheque Number: 21821 (Advance Payment)	538,112.62
<b>Total Payment Made to the Contractor</b>	<b>858,229.35</b>
<b>Total amount overpayment</b>	<b>78,020.34</b>

In addition, no approval was sought from the GTB for the utilization of the contingency sum.

- Upon it becoming reasonably apparent that the progress of the works is delayed, the Contractor shall forthwith, give written notice of the cause of the delay to the Architect/Supervising Officer. The Architect/Supervising Officer shall so soon as he is able to estimate the length of the delay beyond the date or time aforesaid make in writing a fair and reasonable extension of time for completion of the works.<sup>49</sup>

The tender for the construction of archive facility was awarded to the Contractor for a period of 15 weeks. The GTB on 29/9/15 also wrote to the Contractor that the Company has been awarded the tender for a period of 15 weeks.

However, the Contract Agreement dated 2/10/15 between the Contractor and the Ministry of Infrastructure and Transport stated the project commencement date of 2/10/15 and project

<sup>48</sup>GTB Letter dated 28/9/15 for the Construction of new Archive Building to FCL

<sup>49</sup>Contract Agreement Between Ministry of Infrastructure and Transport and FCL for the Construction of Archive Facility, Clause 23

completion date of 25/3/16. Hence the project completion period in the agreement was 25 weeks and not 15 weeks as approved by GTB.

The Department did not obtain approval from the GTB for increasing the project completion period from 15 weeks to 25 weeks.

- If the Contractor fails to complete the Works by the Date for Completion stated in the Appendix to these conditions or within any extended time fixed under Clause 23 of these conditions and the Architect/Supervising Officer certifies in writing that in his opinion the same ought reasonably so to have been completed then the Contractor shall pay or allow to the Employer a sum calculated at the rate stated in the said Appendix as Liquidated and Ascertained Damages for the period during which the Works shall so remain or have remained incomplete, and the Employer may deduct such sum from any monies due or become due to the Contractor under this contract.<sup>50</sup> The rate of liquidated damages is \$1,000 per day as per the Appendix to the contract agreement.

Despite the contractor was allowed 25 weeks to complete the project it was not completed as at the date<sup>51</sup> of audit, the Department did not take any action against the Contractor for the delay in completing the project.

The above finding indicates poor financial and project management by the Department.

### **Recommendations**

**The Department should ensure that:**

- **the overpayment made to the Contractor is recovered;**
- **proper monitoring of the projects are done at all times to ensure its timely completion; and**
- **the contract clause such as delay damages are applied for the failure on the part of the Contractor.**

### **Department's Comments**

*The audit recommendations are acknowledged and the Ministry had formally requested the contractor via letter dated 29th July 2016 to refund the Contingency Sum of \$78,020.34. The General Manager for the Contractor in a meeting with DBGA had agreed to issue a refund cheque on 2nd August 2016.*

*The Ministry ensures that as per audit recommendations, proper monitoring of projects will be done at all times to ensure timely completion and contract clause such as delay damages will be applied for failure on the part of the contractor.*

#### **40.14.2 Upgrading of Outer Island Works Not Properly Planned**

Proper planning for projects is to be carried out as soon as the Parliament approves the National Budget so that the funds allocated are effectively used within the fiscal year and that the objective of funds allocated is met.

<sup>50</sup>Contract Agreement between Ministry of Infrastructure and Transport and FCL for the Construction of Archives Facility, Clause 21

<sup>51</sup> 06/05/15

As per the Department's Public Sector Investment Programme (PSIP) for capital upgrading works, the Department was allocated \$150,000 to carry out seven upgrading project activities at outer island Meteorology Station during the year 2015. Refer to Table 40.36 for details.

**Table 40.36: Capital Upgrading Works to be Carried Out in 2015**

Capital Upgrading Works at Meteorology Station	Amount (\$)
Scoping Works	10,000
Fencing / footpath works at Ono-i-lau	20,000
Fencing / footpath works at Yasawa	20,000
Fencing / footpath works at Viwa	20,000
Fencing / footpath works at Vanuabalavu	20,000
Fencing / footpath works at Matuku	20,000
Fencing / footpath works at Vunisea	20,000
Fencing / footpath works at Udu point	20,000
<b>Total</b>	<b>150,000</b>

However, the audit noted that a sum of \$147,431 or 98% of the total budget for Capital Upgrading Works was utilised for the construction of footpath and fencing works at Ono-I-Lau Meteorology Station only. The tender process was waived and works were carried out by the Ministry of Infrastructure and Transport.

Since majority of funds made available in the 2015 Budget Estimates were used for Ono-I-Lau Meteorology Station, fencing and footpath works for other stations were not undertaken during the year.

The above finding indicates that the Department did not carry out proper cost estimates for capital works before submitting its budget request to the Ministry of Finance. As such, the Department failed to achieve its stated objectives due to poor planning and budgeting.

### **Recommendation**

**The Department should ensure that the project cost estimates are properly carried out and funds are properly managed to ensure projects are completed within the approved budget.**

### **Department's Comments**

*The breakdown of the \$150,000.00 was not submitted by DBGA's office to FMS thus the breakdown cannot be used as a basis of project cost with the estimate from DBGA's office. The improvements at Ono-i-Lau itself exhausted the available funds, thus not allowing for other stations to be undertaken within the allocated funds. Since then the funding has been utilized at each of the stations.*

*The \$147,431.00 was the estimate for Ono-i-Lau alone which covered the total breakdown i.e. only material cost was estimated excluding cartage, labour, geographical location, transportation, etc. The Department ensures that projects cost estimates are now properly carried out and have a realistic cost that includes labour, transportation and other logistics to account for the remote locations of the stations.*

**40.14.3 Building Works Carried Out Without Any Agreement**

A Memorandum of Agreement (MOA) must be in place between the Department and the Contractor in absence of any other form of agreements. A MOA is a formal agreement between two or more parties. It expresses a convergence of will between the two parties indicating an intended common line of action. It helps to keep track on what the two parties have agreed on.

The audit noted that a few building works were carried out without any formal agreement between the Department and the Contractor. Refer to Table 40.37 for building works carried out without any agreement in place.

**Table 40.37: Building Works without Any Memorandum of Agreement**

Project	Project Cost (\$)
Cleaning and Painting of Nausori Radar Tower	36,981.80
Fencing of automatic weather station at Saqani	9,340.50
Fencing of automatic weather station at Wainikoro	7,840.50
Fencing of automatic weather station at Kabulau	9,840.50

Without the MOA, important aspects of the agreements between the Department and the contractor such as scope of work, the duration of the work, project cost, dispute resolution procedure and roles, responsibilities and obligations of both parties are not clearly specified and agreed.

Hence the Department's interest is not protected and the Contractor may not fulfil its obligation as expected resulting in delays and disputes.

**Recommendation**

**The Department should ensure that at a MOA is signed with the Contractor for all works valued less than \$50,000.**

**Department's Comments**

*The Department will ensure that MOA is signed with the Contractor(s) for all works valued less than \$50,000 and more than \$5,000.*

**40.14.4 Journal Vouchers Not Adequately Supported**

The Clerical Officer (Ledgers) must ensure that the Journal Vouchers are numbered in sequential order with all supporting documents attached to the voucher.<sup>52</sup>

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; and
- iii. the correct allocations have been debited and credited.<sup>53</sup>

<sup>52</sup>Department's Agency Finance Manual 2015, Section 16.1.2

<sup>53</sup>Department's Agency Finance Manual 2015, Section 16.1.3

The audit noted that the Department raised several journal vouchers to make accounting adjustments. However, the journal vouchers lacked adequate supporting documents. Refer to Table 40.38 for examples.

**Table 40.38: Examples of Journal Vouchers without Adequate Supporting Documents**

JV Number	Amount (\$)	JV Approved by
403384	15,182.23	AO
403377	35,163	AO
403403	8,619.13	AO
403337	13,778.00	AAO
403339	3,3470.17	AAO
403352	2,193.95	AAO
403353	4,924.00	AAO
403363	1,502.85	AAO
403368	6,000.00	AAO
403378	3,375.00	AAO
403387	130,434.87	AAO
403888	950.00	AAO
403389	1,141.64	AAO
403390	8,173.92	AAO
403427	2,777.39	JV not approved
403429	5,554.78	AAO

The above finding indicates poor supervision in the Accounts Section. In the absence of adequate supporting documents, the authenticity of the adjustments could not be determined during audit.

### **Recommendation**

**The Department should ensure that journal vouchers have adequate supporting documents.**

### **Department's Comments**

*The Department certifies that the transactions were correctly journalized however, there was an oversight to attach the supporting documents as evidence. The oversight is attributed to lack of monitoring and also lack of appropriate staff.*

*There is a need for a ledger clerk at FMS and this will be further explored with management. In the meantime, the work has been delegated to the newly transferred in AAO from HQ who is an experienced officer who will ensure the proper recording of process with supporting documents as required.*

## **DEPARTMENT OF WATER AND SEWERAGE**

### **40.15 Non Payroll**

#### **40.15.1 Refurbishment of Office (Water and Sewerage Department)**

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.<sup>54</sup>

<sup>54</sup> Ministry of Infrastructure and Transport Finance Manual 2015, Part 2 Expenditure



The Water and Sewerage Department was relocated from Richards Road, Domain to Gaunavou House at Ratu Mara Road, Samabula in December 2014. The Department paid a total \$43,086.45 on 30/12/14 for the refurbishment of the office and network cabling at Gaunavou House. Refer to Table 40.39 for details.

**Table 40.39: Details of Payments for the Refurbishment of the Office and Network Cabling At Gaunavou House**

Date	Cheque Number	Payee	Amount (\$)	Purpose
30/12/14	740401	TFL	13,086.45	Network Cabling at Gaunavou House
30/12/14	740404	DECE	30,000.00	Office Refurbishment at Gaunavou House
<b>Total</b>			<b>43,086.45</b>	

The refurbishment and network cabling works at the Gaunavou House commenced on 23/2/15 and included installation of workstations, electrical and telephone cabling.

In October 2015, the Water and Sewerage Department vacated the Office at Gaunavou House and moved to Nasilivata House. The Department once again paid a total \$44,005 to the Divisional Engineer Central/Eastern (DEC/E) for the refurbishment and electrical works at Nasilivata House.

Therefore expenses totalling \$43,086.45 incurred to refurbish the Office space at Gaunavou House was a waste of public funds as the Department occupied the Office for only 10 months before moving to Nasilivata House.

The finding indicates that the decision to relocate the Department of Water and Sewerage from Richards Road, Domain to a new Office was not properly considered resulting in the wastage of public funds.

### **Recommendations**

- **The Department should properly plan the relocation of office to avoid wastage of public funds in future; and**
- **Ministry of Economy should investigate the waste of public fund and consider surcharge action against those responsible.**

### **Department's Comments**

*The DWS was first relocated from Richards Road in Domain to Gaunavou House upon the mandatory directive from PSC. Later on the Department was relocated to Nasilivata House as a cost cutting measure whereby in doing so the government had saved monthly rentals and the department had saved on expenditure on hired security services and utility bills.*

*Furthermore it should be noted that upon refurbishment works at Level 3, Nasilivata House, more unutilised office space was created for which rental was being paid. In view of the above, the Department was relocated to Nasilivata House; hence the savings outweighed the cost involved in the relocation.*

### **40.15.2 Construction of Portable Lab**

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.<sup>55</sup> Divisional Engineer Central Eastern (DECE) shall complete the project within 7 weeks from the date of signing the agreement.<sup>56</sup>

The Water and Sewerage Department, in 2014, engaged DECE for the conversion of a 40 feet container to a portable Water Laboratory with the approval of the Ministry of Finance. The initial cost quoted by DECE in 2014 was \$70,000. The Department on 10/4/15 received a revised estimate of \$88,720 from DECE to construct the portable lab.

The audit noted that following anomalies:

- DECE initially constructed the base for the portable water laboratory behind DECE office at Walu Bay at a cost of \$2,717. However, the location of the lab was later changed to another place within the DECE'S compound. Hence \$2,717 used for constructing the lab base was wasted due to relocating the lab site.
- The construction of the laboratory was supposed to be completed in seven weeks on 5/10/15. However the project was completed after a delay of 85 days on 29/12/15.
- Some of the equipment purchased for the laboratory costing \$19,829.95 were not installed and were still packed in cartons stored at the DECEs. Hence the lab was not fully used and the Department did not obtain value for money from public monies spent.

The findings indicate that the construction of the portable lab was not properly planned and proper procurement procedures were not followed resulting in waste of public funds.

### **Recommendation**

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

- **call for tenders to select the most economical and efficient contractor for any project to be completed on time and within the approved contract sum;**
- **ensure that lab is used to obtain value for money; and**
- **take appropriate disciplinary action against responsible officers for additional costs incurred.**

### **Department's Comments**

*The initial location identified (which had been unoccupied upon vacation by DNR) for construction of portable lab was ideal since it was in isolation and enough space around it. Later on whilst base was being casted it was established that due to movement of heavy vehicles, vibrations were experienced which would have distorted the test results. It was then decided to relocate and construct the lab on a more stable and firm foundation.*

*This is in line with the Ministry of Finance Circular on the Engagement of Government Agencies for Work (FIN 21/2/6). The delay in completion of the project was due to time taken to identify a new suitable site for relocation.*

*The field equipment from the purchase have been used by staff, however the bench equipment required a laboratory setup and these are now in use (after the completion of the laboratory at DECE, Walu Bay). Note, all equipment are in use except for spare stock such as glass wares and chemicals which are kept in the original cartons for safe storage till the lab shelves are constructed by Joinery shop in the coming weeks.*

<sup>55</sup> Ministry of Infrastructure and Transport Finance Manual 2015, Part 2 Expenditure

<sup>56</sup> Agreement between Department of Water and Sewerage and DECE, Terms and Conditions, Section 4.0

**40.15.3      *Items not received for Payments made in Advance***

It is the responsibility of the Procuring or Contracting Agency to ensure that goods, services or works are delivered or completed according to plan and set timelines.<sup>57</sup>

The Department of Water and Sewerage made an advance payment of \$19,829.95 on 29/12/15 to a supplier for the purchase of laboratory items. The suppliers estimated delivery date was by mid to late February 2016. It was noted that the laboratory items were not supplied as at the date of audit<sup>58</sup>.

Furthermore, the Department paid \$9,900 to a supplier on 29/12/15 for purchase of 9 x 1000 litres portable septic tanks. However as at the date of audit<sup>59</sup> only 4 portable septic tanks were received by the Department.

It was noted that the Department made advance payment to the supplier without approval of Ministry for Finance.

The findings indicate that the Department did not follow proper procedures for advance payment.

**Recommendations****The Department should:**

- **follow up with the suppliers for not supplying the items ordered;**
- **take disciplinary action against Officers responsible for advance payment without following proper procedures;**
- **consider surcharge action against officers responsible for advance payment for items not delivered.**

**Department's Comments**

*The department has received all the items that were ordered except for the two items which needs to clear as it is listed under dangerous goods and the supplier is awaiting Belgium Customs to approve the freight. Listed below are the two chemicals that we have not received as yet. The supplier is regularly updating the Department on the status of the chemicals;*

- *Hydrogen Sulphide Kit*
- *N.N DiphenylDiamine*

**40.15.4      *Installation of Ecological Purification System (EPS) in Rural Areas***

To provide safe water to the rural communities and healthy environment, the Ministry through the Department of Water and Sewerage (DWS) under its monitoring and regulatory roles in the Rural Water and Sanitation Policy of 2012 proposed the implementation of this policy provisions in line with the provisions the 2013 Constitution that all rural water schemes supply safe and clean water to the people of Fiji. The construction of EPS water treatment plant appropriate for rural vulnerable villages was for the reduction of water borne diseases, meet National Drinking Water Quality Standards and to meet the national policies set up by Government.

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<sup>57</sup> Advance Payment Policy, Section 7.1(vii)

<sup>58</sup> 8/3/16

<sup>59</sup> 8/3/16

A budget of \$2,000,000 was provided under the Capital Construction allocation for the Installation of EPS which was later revised to \$1,953,233.07. The audit of the EPS projects revealed the following anomalies.

#### **40.15.4.1 Actual Costs of Projects exceeding estimated costs**

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.<sup>60</sup>

The Department implemented 28 EPS projects in 10 Provinces. The audit noted that actual cost for all the EPS projects exceeded the estimated cost prepared by the Divisional Engineers. Although the total estimated cost for 28 projects was \$981,030, the actual cost of implementation was \$1,228,031.27. The Department incurred over expenditure of \$247,001.27 compared to the total estimated cost. Refer to Table 40.40 for details of cost overrun.

**Table 40.40: Details of actual Costs in Excess of Estimated Cost**

Divisions	Province	Name of Village	Cost as per Estimation (\$)	Actual Cost of Completed Projects (\$)	Actuals in Excess of Estimated Costs (\$)
Divisional Engineer Works Central/Eastern	Naitasiri	Naqali	32,513.00	40,149.00	7,636.00
		Navolau	32,513.00	40,149.00	7,636.00
		Nadakuni	32,513.00	40,149.00	7,636.00
		Nakorosule	32,513.00	37,810.00	5,297.00
	Tailevu	Nasautoka	32,513.00	40,149.00	7,636.00
		Savu	32,513.00	40,149.00	7,636.00
		Sote	32,513.00	37,810.00	5,297.00
	Serua	Namaqumaqua	32,513.00	40,149.00	7,636.00
	Namosi	Namosi Koro	32,513.00	40,149.00	7,636.00
		Nakavu	32,513.00	37,810.00	5,297.00
	Lomaiviti	Toki	32,513.00	55,005.00	22,492.00
		Lovoni	32,513.00	55,005.00	22,492.00
Divisional Engineer Works Northern	Macuata	Nabavatu	37,293.00	40,899.26	3,606.26
	Bua	Nasawana	37,293.00	40,899.27	3,606.27
		Batinivurewai	37,293.00	40,899.27	3,606.27
		Banikea	37,293.00	40,899.27	3,606.27
	Cakaudrove	Vivili	37,293.00	40,899.27	3,606.27
		Nagigi	37,293.00	40,899.27	3,606.27
		Bagasau	37,293.00	40,663.00	3,370.00
Divisional Engineer Works, Western	Ba	Bukuya	36,647.00	53,383.14	16,736.14
		Koroboya	36,647.00	41,453.14	4,806.14
		Nadelei	36,647.00	40,798.14	4,151.14
		Natawa	36,647.00	46,173.14	9,526.14
	Ra	Nabalabala	36,647.00	66,415.00	29,768.00
		Nalidi	36,647.00	54,857.00	18,210.00
		Naiserelagi	36,647.00	42,308.10	5,661.10
	Nadroga	Komave	36,647.00	46,066.00	9,419.00
	Navosa	Nalebaleba	36,647.00	46,036.00	9,389.00
<b>Total</b>			<b>981,030</b>	<b>1,228,031.27</b>	<b>247,001.27</b>

<sup>60</sup>Ministry of Infrastructure and Transport Finance Manual 2015, Part 2 Expenditure

The finding indicates poor financial management by the department resulting in cost overruns.

### **Recommendation**

**The Department should investigate the cost overruns and take appropriate action to complete the projects within the estimated cost.**

### **Department's Comments**

*In order to make the EPS projects operate more efficiently and provide better quality and safe drinking water for rural populations, design of the systems had to be reviewed by JICA counterparts taking into consideration the quality of water source, environment and the community need. The JICA counterpart also joined the Department whilst the EPS projects were underway and thus the original designs had to be amended based on his expertise. In view of these, the designs were amended for successful operations of the EPS projects, hence additional costs were incurred.*

*It is to be further noted that the actual costs for implementation were based on cost estimates for initial designs submitted by the respective Divisional Engineers.*

#### **40.15.4.2 Additional Cost Incurred on Changes to the Design of the EPS 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.<sup>61</sup>

The audit noted that for the Northern Division changes were made to the design of the project by the EPS expert (JICA). The change in project design led to additional expenses incurred by the Department totalling \$48,581.88. Refer to Table 40.41 for details.

**Table 40.41: Details of Additional Expenses Incurred**

<b>Name of Village</b>	<b>Additional Cost (\$)</b>
Nabavatu Village	6,315.84
Banikea Village	6,315.84
Nasawana Village	6,315.84
Batinivurewai	6,315.84
Nagigi Village	6,315.84
Bagasau Village	6,315.84
Vivili Village	6,315.84
VAT	4,371.00
<b>Total</b>	<b>48,581.88</b>

The funds were paid through SLG84 under the Northern Division. The additional expenses were incurred for purchase of additional materials, installation works and more time was required to complete the projects.

The finding shows lack of consultations during the planning stage with other stakeholders resulting in additional costs incurred for the projects.

<sup>61</sup>Ministry of Infrastructure and Transport Finance Manual 2015, Part 2 Expenditure

**Recommendation**

**The Department should ensure that interested stakeholders are consulted during project planning phase to avoid additional costs.**

**Department's Comments**

*Management has noted the recommendations made and will ensure stakeholders are consulted during project planning phase to avoid additional costs.*

*Management also advises that since EPS is a relatively new technology that has been trialled for the first time for rural communities in Fiji as compared to anywhere else in the world, review of designs are necessary to ensure systems operate effectively and efficiently and best designs and practices are able to be replicated in other countries elsewhere.*

**DEPARTMENT OF ENERGY****40.16 Rural Electrification Unit****40.16.1 Anomalies in Community Contribution**

Every year Government allocates an amount in its annual national budget for the rural electrification programme. Thus for the major electricity provider projects in which the total costs are equal to or less than the maximum provision of \$6,000/customer, the Government contributes 95% and the customers pay 5%.

The Naiyala to Nayavu grid extension project was completed by a major electricity provider in February 2015 at a total cost of \$1,381,713. The Department's contribution was 95% or \$1,312,627.35 while the community contribution was 5% or \$69,085.65 and an additional \$7,493.60 was for deposit required by the electricity provider.

However, the audit noted that the community only contributed \$66,865.86 or 88% of the total required contribution.

The Department paid the community contribution of \$69,085.65 which was to be recovered later. The project was completed in February 2015. However, as of the date<sup>62</sup> of audit, the community still owe a sum of \$9,713 to the Department \$9,713 for its contribution. Refer to Table 40.42 for details.

**Table 40.42: Details of Contribution owed by the Community**

Project Name	Total Cost on Completion (\$)	Department Contribution (\$)	Community Contribution Due (\$)	Contribution paid by the Community (\$)	Amount Owed by the Community (\$)
Naiyala to Nayavu Grid Extension	1,381,713	1,312,627.35	76,579.25	66,865.86	9,713.39

The finding indicates that government's interest was not fully protected by the Department. This could result in write off of the arrears if efforts are not made to collect the remaining community contribution.

<sup>62</sup> 23/02/16

## **Recommendations**

**The Department should ensure that:**

- **community contributions are received in full before projects are implemented;**
- **concerted efforts are made to recover the outstanding contributions from the community to avoid write offs; and**
- **investigate and recover the outstanding community contribution from the Officers responsible for allowing this project to commence without collecting the full community contribution.**

## **Department's Comments**

*This was a Prime Minister's initiative project and we were instructed verbally to commence all project processes and receive the contribution simultaneously as we were to provide power to the community before Christmas of 2014. We managed to supply Nayavu Village by the Christmas time and the other communities from Wailotua thereafter.*

*The Total Required Community Contribution is \$76,579.25, which is the contribution for 232 consumer houses. We have managed to recover all these contribution in 2015. There were additional houses which we had assisted during the implementation of these projects; to date the total amount collected from the project is \$81,584.22.*

*The community contribution has been fully paid and there is no basis to recover from the project officers.*

### **40.16.2 Additional Expenses Incurred Due to Delay in Formulating Contract**

Every year the Government allocates funds to the Department of Energy in its annual budget for the rural electrification programme. Under this programme the DOE contributes 95% while the community contributes 5% as a cost-sharing scheme.

The major electricity provider provided its first quotation for the grid extension to Vatubalavu Village and nearby settlements on 17/12/13 of \$399,651. Out of this, a sum of \$379,668.45 was the Government's contribution while the balance of \$26,766.55 was through community contribution. The quotation was valid for a year. Refer to the Table 40.43 for DOE offer for the contribution amount.

**Table 40.43: DOE Offer for Contribution**

<b>Description</b>	<b>Amount (\$)</b>
Number of Customers	210
Major electricity provider Extension- Scheme Number SG11/13	231,651.00
Estimate of House Wiring works	168,000.00
<b>Total Capital Cost</b>	<b>399,651.00</b>
Government's Contribution – 95%	379,668.45
Community's Contribution – 5%	19,982.55
Estimate for major electricity provider Consumer Deposit and Connection Fee	6,783.00
<b>Total Contribution Required by Village Communities</b>	<b>26,766.55</b>

The total community contribution of \$26,766 was paid to the major electricity provider within the timeframe by 17/12/14. However, the DOE did not pay its contribution of \$379,668.45 to the electricity provider due to delay by the Department in finalising the contract with the provider which led to the expiry of the quotation.

The major electricity provider submitted a revised quotation of \$958,845.90 on 26/2/15. Under the revised quote the 5% community contribution increased to \$47,942.29 and the DOE 95% increase to \$910,903.61.

As a result of delay in finalising the contract with the major electricity provider, the Department incurred additional cost of \$559,194.90 compared to the initial quote of \$399,651. This included additional community contribution of \$21,176.29 which was also paid by the Department.

The finding indicates laxity by the Department in timely finalisation of the contract which resulted in the Department incurring additional expenses.

### **Recommendations**

**The Department should ensure that when community contributions are fully received:**

- **contract is finalised and appropriate approvals are obtained without delay;**
- **payments are made without delay to avoid extra costs; and**
- **appropriate disciplinary action is taken against responsible officers for delays which resulted in additional cost for the government.**

### **Department's Comments**

*The Vatubalavu FEA Grid Extension project was quoted in the 4th Quarter of 2013. The community contribution was fully paid by the community on 17/12/2014 the same day the FEA quotation expired. This was also the Christmas period where most staff from all agencies took their annual leave. The FEA quotation was revised in February 2015 and the request for approval sent to the Government Tender Board. The GTB sent their approval and then the draft contract is sent to the Solicitor General's office for vetting. The appropriate approvals were obtained in due course and the contract was finalized.*

*The extra cost to the project was incurred because the contribution was paid in full on the same day as the FEA quotation expired. We do not have any time to process for payment approval but to get a revised quotation first. In 2015 we had asked all our project communities to pay us in full six months before the expiry date of quotation to give us ample time to process for payment approvals.*

#### **40.16.3      *Anomalies in Contractual Agreement***

Every year Government allocates an amount in its annual national budget for the rural electrification projects. Hence even though the 95%:5% part of the policy is widely advertised and is popular, there are constraints and other considerations to reflect on. The Department is tasked with the responsibility to ensure that:

- (i) the funds are put to optimum use, and
- (ii) the maximum number of customers are served and provided with electricity under the annual budget allocation for rural electrification.



The following anomalies were noted in the audit of contract documents of different projects:

- Contract agreements should clearly state the Date of Commencement and the Date of Completion of the project.

Contract agreements signed between Department and the contractors for the Rural Electrification Projects did not state the project commencement dates. Refer to Table 40.44 for examples.

**Table 40.44 Examples of Project Commencement Dates not Stated in Contracts**

Contracts	Contracted Amount (\$)
CTN 68/2013 – Contract for Kadavu and Koro Hydro Overhead Grid Construction	48,543.20
CTN 51/2013 – Contract for Mauna Hydro Overhead Grid Line Construction	510,416.00
CTN 51/2015 – Agreement for the Designing and Formulation of Construction Works for Nukuloa Micro Hydro Project	80,000.00

- Contract agreements for procurement of equipment should state the delivery timelines.

The contract agreement signed between the Department and supplier for the supply and installation of 23KW Hydro Turbine for the Kadavu and Koro Hydro Project costing \$337,593.35 did not state the delivery timeline. In addition the contract for supply and installation of 23KW Hydro Turbine expired on 29/02/16 however as at audit date<sup>63</sup> the Turbine was not received by the Department. The Department had already paid a sum of \$236,315.34 to the supplier.

The findings indicate laxity on the part of the Department. In the absence of an agreed timeline, the Department would not be able to hold the contractor liable for delays in the project, non-delivery and non-performance.

### **Recommendations**

**The Department should ensure that:**

- **contract agreements clearly state the project commencement and completion dates with delivery timelines; and**
- **projects are properly planned and monitored to avoid delays.**

### **Department's Comments**

*The audit recommendation is acknowledged. Clause 1.0 H clearly defines the duration of the contract; "Duration of Contract" shall be when the Agreement commences on the \_\_\_\_\_ and expire on \_\_\_\_\_ unless varied by agreement in writing between the parties or unless terminated in accordance with this Agreement by the Ministry. The auditor comment is noted.*

*The project has been successfully completed pending commissioning.*

<sup>63</sup> 10/03/2016

#### **40.16.4 Delay in Project Completion Due To Non Supply of Materials by the Approved Supplier**

All Government contracts must be prepared by the organization and should be vetted by the Solicitor General.<sup>64</sup> The contract must clearly outline all the necessary terms and conditions of the agreement.

The GTB in its meeting no. 13/2015 held on 05/08/15 approved the purchase of overhead transmission line and transformer materials for the Muana Hydro Project from the major electricity provider at a cost of \$118,456.04 (VIP) on sole-supplier basis. The Department paid a sum of \$118,456.04(VIP) to the supplier in advance on 02/09/15. The advance payment was approved by Ministry of Economy.

The audit noted that as at the date of audit on 19/02/16, the major electricity provider did not supply the overhead transmission line and transformer materials to the contractor. The project was only 50% complete and the Contractor was awaiting the materials from the supplier in order to complete the project.

The audit further noted that the Department did not have a written contract agreement with the supplier for the purchase of overhead transmission line and transformer materials for the Muana Hydro Project.

The finding indicates laxity by the Department. In the absence of a contract agreement, the Department may not be able to take any action against the supplier for delays in the delivery of the items.

#### **Recommendation**

**The Department should ensure that an agreement is entered into with the suppliers of materials in future.**

#### **Department's Comments**

*FEA is the sole supplier of this material, ordering these materials from other agents result in the supply of materials with different specifications. Paying in advance confirms the supply of materials especially when it is a sole supplier. The payment was done to FEA on 02/09/15; please note that FEA orders their materials overseas and by the date of audit (17 days after payment) the materials were not supplied which should be the case in this scenario.*

*The materials have been supplied and project completed on the Muana Transmission lines.*

#### **40.16.5 No Delay Damages Charged for Delay in Project Completion**

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 a contractor for \$53,543.20 and \$510,416, respectively.

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<sup>65</sup> and 31/07/14<sup>66</sup> 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.<sup>67</sup>

<sup>64</sup> PSC Circular No 23/2001

<sup>65</sup> Contract Agreement, Kadavu Koro Hydro Project, Kadavu, section 2.1

<sup>66</sup> Contract Agreement, Muana Hydro Project, Tunuloa Cakaudrove, section 2.1

<sup>67</sup> Contract Agreement, Kadavu Koro Hydro Project, Kadavu, section 8.1

The audit noted that as per the inspection report after the completion date, the works were still in progress. Refer to Table 40.45 for details.

**Table 40.45: Details of Delays in Project Completion**

Contract	Completion Date as per Contract	Inspection Date	Delay in Completion	Outstanding Works
CTN 68/2013 – Contract for Kadavu, Koro Hydro Overhead Grid Construction	31/08/14	17/03/15	198 days	The completion of the construction of the Power House and the installation of aerial main from Grid line to households
CTN 51/2013 – Contract for Mauna Hydro Overhead Grid Line Construction	31/07/14	22/11/15	478 days	Joint testing of the systems to be conducted once DOE completes its turbine and penstock repairs.

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 by both contractors.

The findings show laxity by the Department in project management. As a result, both projects were delayed.

### **Recommendations**

**The Department should ensure that:**

- capital projects are properly planned and reviewed to avoid delays;
- delay damages are claimed from the contractors for works not completed as per the contract; and
- terms and conditions of the contract are complied with at all times.

### **Department's Comments**

*The audit recommendation is acknowledged. The delay is mainly for the late supply of materials from FEA who is a sole supplier. 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.*

## **40.19 Solar Home System Scheme**

### **40.16.6 Items Not Taken on Charge**

The contract CTN 167/2014 for the supply of 3,200 solar home systems equipment valued at \$10,803,113.88 was awarded to the following companies with the quantity for each company to supply.

- I. Supply of 1,000 solar home systems equipment to CBSPS;
- II. Supply of 1,000 solar home systems equipment to OECL; and
- III. Supply of 1,200 solar home systems equipment to PGCL.

- The Storeman or the officer in charge of inventory shall maintain the inventory register to record the incoming and outgoing inventories. The inventory register shall provide the following information:
  - i. Date of acquisition and order number reference;
  - ii. Number of items received and cost price;
  - iii. Supplier details;
  - iv. Date of issue of inventory and nature of issue (for example, transfer or for processing);
  - v. Issue reference (authority such as requisition order);
  - vi. Quantity issued;
  - vii. Serial number of item.<sup>68</sup>

It was noted that the 3,200 solar home system equipment costing \$10,803,113.88 received by the Department on 22/10/15 were not taken on charge in the Department's inventory ledger or the tally cards.

As at the date of audit on 19/02/16 all the items were yet to be installed as the contract for the installation of equipment was yet to be finalized.

- Storage of inventories shall be the responsibility of the Storeman or the Officer in Charge of Inventory must ensure that:
  - i. Adequate storage space is available for incoming stock as and when required;
  - ii. Storage facilities are properly secured;
  - iii. Stocks are kept in an orderly manner allowing for safe access;
  - iv. Stocks are handled with care and well stored so as to reduce the risk of damage;
  - v. Quantity of stock is closely monitored to avoid excess holdings or shortages.<sup>69</sup>

The items received from the three companies were stored at the Department's warehouse at Walu Bay. Some of the items received from PGCL and CBSPS were stored at the FRA premises at Walu Bay.

Furthermore, the site visit by audit<sup>70</sup> revealed that items delivered by OECL were still stored at the company's warehouse in Nakasi which was not fenced, therefore not properly secured. Some of the items were lying outside exposed to extreme weather conditions. Refer to Figure 40.1 for illustration.

**Figure 40.1: Solar House System Items Lying Outside**



<sup>68</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 8.1.2

<sup>69</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Section 8.2.1

<sup>70</sup> 19/02/16



- The PAO, SAO, AO, AAO must not certify a payment as correct unless they are satisfied that:
  - i. it is in accordance with a PO, contract, invoice, statement or other authorisation;
  - ii. there is documentation that the goods, services or works have been received<sup>71</sup>

However, variances were noted between the solar home systems equipment ordered and received by the Department. Refer to Table 40.46 for details.

**Table 40.46: Details of Items with Variances in Quantities**

Item	Delivery Book Quantity	Company Confirmation Quantity	Contract List Quantity	Remarks
Aluminium Post (sleeves & non-sleeves)	583	583	582	Over supply by 1
MC3 Plug	1000	1000	-	The items delivered not stated in the contract
Three Direct Links	1000	1000	-	
Grease/ Petroleum Jelly	800	800	2000 Oz	Under supply by 1200
2.5mm TPS cables	50,000mtr	50,000mtr	10,000mtr	Over supply by 40,000
1.5mm TPS cables	1,0000mtr	1,0000mtr	-	The items delivered not stated in the contract
6.0mm 2 core cables	50,000mtr	2,000mtr	2,000mtr	Over supply by 48,000
6" cable ties	20,000	20,000	-	The items delivered not stated in the contract
12" cable ties	10,000	10,000	-	
pine poles	1,000	-	-	
5/32 machine screw	25,000	-	28,000	Under supply of 3,000

The above finding shows unavailability of adequate space for the storage of the solar home system equipment. Even though the items stored at the company's warehouse were at no extra cost to the Department, these were stored outside and were exposed to extreme weather conditions and which may further deteriorate the condition of the equipment.

There is a high risk of the inventory items being misplaced, damaged or stolen.

<sup>71</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Part 2

## **Recommendations**

**The Department must ensure that:**

- all equipment purchased are updated in the inventory ledger and or tally cards to avoid losses;
- there is proper and adequate storage space for inventory items;
- items purchased are received and securely stored at the Department's own storage facilities; and
- That all items ordered are received.

## **Department's Comments**

*The audit recommendation is acknowledged. DoE has requested for the use of FRA and the supplying contractors yards for storage spaces due to limited space at DoE warehouse. Even though the containers are not in DoE yard, the keys to the container lock are with DoE Storeman. Nobody has access to this container except the Storeman.*

*All items ordered are received by our storeman; as for the 3200 SHS the equipment's are verified in the containers and locked for safekeeping by storeman.*

### **40.16.7 Significant Delays in Renewal of Solar Home System Maintenance Contracts**

The GTB awarded tender number CTN 48/2013 'Contract for Maintenance of 4,610 Solar Home Systems' to CBSPS and PFL for sum of \$268,359.40 and \$185,646.63, respectively. As per the GTB approval, the tender was for three years and was subject early renewal based on the performance of the contractors. The performance review shall be submitted to the GTB at the end of the contract.

The audit noted significant delays in the approval for the renewal of contracts from the date of submission of the performance review to GTB after the contracts were vetted by the Solicitor General's Office. Refer to Table 40.47 for examples.

**Table 40.47: Examples of Significant Delays in Renewal of Contracts**

Service Area	Contract Expiry Date	Date Performance Review Submitted to GTB	Date GTB Approved for Renewal	Date Contract sent for Vetting	Date Contract Vetted	Date Contract Renewed	Delay in Submitting Performance Review	Delay in Submission of Contract for Vetting after GTB Approval	Delay in Signing on Contracts after Vetting
Area 1 - CBSPS	20/08/14	09/02/15	02/03/15	14/05/15	22/05/15	26/08/15	173 days	73 days	96 days
Area 2 - CBSPS	20/08/14	09/02/15	02/03/15	14/05/15	22/05/15	26/08/15	173 days	73 days	96 days
Area 3 - PFL	05/09/14	09/02/15	02/03/15	14/05/15	22/05/15	29/07/15	157 days	73 days	68 days
Area 4 - CBSPS	20/08/14	09/02/15	02/03/15	14/05/15	22/05/15	26/08/15	173 days	73 days	96 days
Area 5 -	20/08/14	09/02/15	02/03/15	14/05/15	22/05/15	26/08/15	173 days	73 days	96 days

Service Area	Contract Expiry Date	Date Performance Review Submitted to GTB	Date GTB Approved for Renewal	Date Contract sent for Vetting	Date Contract Vetted	Date Contract Renewed	Delay in Submitting Performance Review	Delay in Submission of Contract for Vetting after GTB Approval	Delay in Signing on Contracts after Vetting
CBSPS									
Area 6 - PFL	05/09/14	09/02/15	02/03/15	14/05/15	22/05/15	29/07/15	157 days	73 days	68 days

As per the GTB approval the Department was supposed to submit the performance review to GTB at the end of the contract period. However, the Department submitted the performance review after lapse of more than five months from the date the contracts expired. Furthermore, the Department took more than two months to submit the contracts for vetting and more than two months for signing the contracts after vetting by the Solicitor General's Office.

Due to laxity on the part of the Department, the overall renewal of the contract took more than a year for service areas 1, 2, 3 and 5 while it took almost a year for Service Areas 2 and 6. Hence, no maintenance was carried out on the solar photovoltaic systems in 2015 and the whole project was delayed.

Delays in renewal of maintenance contracts led to delays in service delivery to the customers hence deprived the Department of potential revenue.

### **Recommendations**

**The Department should ensure that:**

- **performance review of contractors are properly planned to avoid delays in service delivery; and**
- **contracts are submitted on a timely basis for vetting by the Solicitor General's Office after GTB approval is obtained.**

### **Department's Comments**

*The audit recommendation is acknowledged. The Department is improving on the working relations and timelines with the Office of the Solicitor General which is anticipated to improve the turnaround time for vetting of contracts.*

## **40.16.8 Revenue Arrears for Solar Home System Scheme**

Participants of the Solar Home System program are required to pay a monthly fee of \$14 for Type 1 photovoltaic systems and \$18 for Type 2 photovoltaic systems.

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 revenue for the Solar Home System Scheme as at 30/6/15 was \$548,124. Refer to Table 40.48 for details.

**Table 40.48: Arrears of Revenue for Solar Home System as at 30/6/15**

Area	Arrears as at 30/06/15	Arrears Recovered as at 31/01/16	Balance of Arrears
Ba and Yasawa	60,302.00	13,516.00	46,786.00
Lomaiviti	67,951.00	10,552.00	57,399.00
Kadavu	81,479.00	6,558.00	74,921.00
Rewa	1,188.00	1,188.00	-
Lau	40,880.00	4,428.00	36,452.00
Vanua Levu	237,104.00	87,880.75	149,223.25
Rotuma	59,220.00	31,325.05	27,894.95
<b>Total</b>	<b>548,124.00</b>	<b>155,447.80</b>	<b>392,676.20</b>

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. The balance of \$392,676.20 or 72% of the total arrears of \$548,124 was yet to be recovered by the Department.

The findings indicate ineffective debt recovery procedures adopted by the Department. Debts may become irrecoverable if not collected on a timely basis.

### **Recommendations**

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

- update its arrears records on a monthly basis to fairly represent arrears of revenue; and
- ensure that concerted effort is made to recover the arrears to avoid write offs.

### **Department's Comments**

*The audit recommendation is acknowledged. The Department is working on improving the processes of collecting the monthly bills.*

*Most of the forecasted arrears were based on 100% operational of the SHS projects although some of the systems were not fully operating due to faulty lights, batteries, panels, controllers or inverters hence these were the main reasons customers were not willing to pay their monthly bills.*

*The SHS projects are Government owned and customers were advised to pay their bills on a 6 monthly basis when systems were operational. Most of the arrears accumulated were when systems were down and this did not warrant DoE to collect these bills.*

*Recommendation was made to write off these arrears.*



## 40.20 FEA Grid Extension projects

### 40.20.1 Missed out Schemes/Tee offs (Seaqaqa/Dreketi Grid Extension Projects)

Prior to finalizing and signing contracts, government agencies shall ensure that mandatory requirements for due diligence are satisfied. This is to ensure that governments interest are protected and that tenders awarded to Suppliers by the Government Tender Board are financially and legally sound<sup>72</sup>

Implementation of the project means that the major electricity provider will:

- 1) need to construct the extensions of its overhead power lines to the project sites
- 2) commission the power lines; and
- 3) connect the customers' homes to its low voltage lines.

The Department and the major electricity provider agreed to connect 640 household to the major electricity providers grid under Seaqaqa/Dreketi grid extension project. The Department was to pay 50% or \$7,150,000 of the grid extension cost while the other 50% cost was to be borne by the major electricity provider. The Department paid its 50% or \$7,150,000 to the major electricity provider.

The audit noted that although the Department completed the electrical wiring for 634 households, only 549 household were connected to the power grid. The remaining 91 households were not connected to the grid because they were located far from the major electricity providers grid. Refer to Table 40.49 for details.

**Table 40.49: Details of Missed out Schemes**

Village / Settlement	Number of Households Missed	Pending Scope of Works
Vesidrua village	2	String 8 span LV conductor, Route length – 758metres
Vesidrua village (Vuditoka)	4	Install 5Kva transformer, String 1 span HV, String 11 span LV, Route length – 956m
Valoca settlement	2	Install 5Kva transformer, String 1 span HV, String 4 span LV, Route Length – 329m
Naua settlement	1	String 3 span LV, Route length – 250m
Naua settlement	1	String 1 span HV, Install 5Kva transformer, Route length – 250m
Basikalave settlement	9	String 9 span LV, Route length – 641m
Balabala settlement - Vunicagi	11	String 7 span LV, Route length – 631m
Vunicagi settlement – main road	5	String 3 span LV, Route length – 285m
Dogiyaga settlement	22	String 7 span LV, Route length – 563m
Namatakutu settlement	5	String 1 span HV and 11 span LV, Install 5Kva transformer, Route Length – 902m
Nasigasiga subdivision	4	String 4 span LV, Route Length – 300m
Naqaraniqoli settlement	2	String 1 span HV and 6 span LV, Install 5Kva transformer, Route Length – 700m
Malawai Settlement	1	String 1 span LV, Route Length – 100m
Malawai Settlement	5	String 2 span LV, Route Length – 158m
Malawai Settlement	6	String 2 span LV, Route Length – 165m
Malawai Central	3	String 2 span LV, Route Length – 180m
Muanidevo settlement	1	String 1 span LV, Route Length – 100m
Muanidevo settlement	5	String 2 span LV, Route Length – 150m

<sup>72</sup>Finance Circular 8/2013

Village / Settlement	Number of Households Missed	Pending Scope of Works
Muanidevo settlement	2	String 2 span LV, Route Length – 200m
<b>Total number of households</b>	<b>91</b>	

The finding indicates that the grid extension works carried out by the major electricity provider was not properly monitored by the Department. As a result value for money, was not obtained by the Department as the intended services were not provided to the communities funded by the government.

### **Recommendations**

**The Department should ensure that:**

- **all grid extension work is carried out in consultation with the electricity supplier;**
- **the grid extension drawings and cost estimates are agreed by both parties before the contract agreement is signed; and**
- **actual construction works by electricity supplier are closely monitored to ensure that the grids are constructed according to the approved drawings.**

### **Department's Comments**

*The usual procedures for application of rural electrification schemes were applied in the Seaqaqa/Dreketi project. This is also one of the projects which the Department was instructed verbally to get it commissioned as soon as possible.*

*The project officer migrated to New Zealand halfway through the project without proper hand over of scope of work and responsibilities.*

*The electricity provider commences actual works including drawings after receiving the payment and nothing is agreed before that.*

*The project implementation was closely monitored however unfortunately the electricity supplier had exhausted all funding for this work with pending poles to be constructed. Moving forward, the supplier has submitted quotation for additional poles which the Department will fund in year 2016.*

#### **40.20.2      *Flaws in Grid Extension Payments***

Prior to finalizing and signing contracts, government agencies shall ensure that mandatory requirements for due diligence are satisfied. This is to ensure that governments interest are protected and that tenders awarded to Suppliers by the Government Tender Board are financially and legally sound<sup>73</sup>

The Department in 2015 paid a total of \$5,913,499.28 to the major electricity provider to carry out various grid extension projects.

Audit review of payments made during the year to the major electricity provider for grid extensions revealed the following anomalies.

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<sup>73</sup>Finance Circular 8/2013

- Contract prices for the various individual grid extension projects were determined on the strength of the quotations submitted by the major electricity provider together with the attached household listing. However, the major electricity provider can always make amendments to project scope and price without consulting the Department.

For instance, the Department and the major electricity provider agreed to connect 640 household to the major electricity providers grid under Seaqaqa/Dreketi grid extension project. However only 549 household were connected to the power grid by the major electricity provider. The other 91 households were not connected to the grid at all despite it was part of the initial contract.

Similarly the Department paid \$1,530,628.85 to the major electricity provider on 31/12/14 for 17 grid extension projects. However the Department paid additional \$514,272.05 to the major electricity provider in 2015 as variation costs for 15 out of the 17 projects submitted by the major electricity provider.

- The approved grid extension drawings were not provided by the major electricity provider to the Department before signing the contract. In absence of the approved grid extension drawings, there is risk of amendments to the scope of the works and design without the knowledge of the Department.
- The major electricity provider was solely responsible for the inspection of construction works including necessary preliminary ground works.<sup>74</sup> Therefore the Department did not have any control over the grid extension project works despite significant financial contribution to fund the project.

The findings indicate that the Department does not have full control over electricity projects contracted to the major electricity provider. As a result, there is overreliance on project cost and completion timelines on the major electricity provider.

### **Recommendations**

**The Department should ensure that:**

- **approved drawings and cost estimate details are jointly approved by both parties before contracts are signed;**
- **mandatory requirements for due diligence are satisfied to ensure that the interests of government is protected at all times; and**
- **inspection of construction work is carried out regularly by the Department.**

### **Department's Comments**

*Drawings are done when the payment is made to FEA and this is after contract is signed. No drawing is prepared without payment. In this case the 1 year quotation validity period is critical as it will ensure all proper approvals are acquired before quotations expire.*

*A submission had been sent to FEA Board to increase the validity period of quotations to two years. This will ensure the processing of payments without the need for revised quotations.*

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<sup>74</sup>Clause 4.0 of the contract

*The Department is working closely with the Office of the Solicitor General in improving all requirements in the draft contract. The vetted contracts for FEA Grid Extension are being improved by the SG's Office to safeguard government's interest.*

*FEA has its own team to inspect the transmission and distribution lines to comply with standards outlined in the Overhead Materials Construction Manual. This was an isolated case whereby funds had been exhausted before completion of the project. The department does not have a mandate under the Electricity Act to inspect these grid lines while they are in construction however DOE receives physical progress updates from FEA every month.*

## **40.21 Renewable Energy Development Projects**

### **40.21.1 Bidder Engaging Officers of the Ministry in Preparing the Tender Document**

An employee must disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with employment in the public service.<sup>75</sup>

The tender for the Designing and Formulation of Construction Works for Nukuloa Micro Hydro Electric Power Project (Tender no. 51/2015) closed on 29 April 2015. Upon the closing of the tender, bids were received from two companies.

Audit review of the bid documents submitted by both companies revealed that one of the companies indicated in the bid document that it will engage three of the Ministry's staff who works in the Technical Section, if awarded the tender.

The three officers will be assisting in the dam and powerhouse drawings, material schedule and work program and project supervision, electro mechanical, and other associated works. The audit also noted that these officers did not inform the Ministry about their involvement with one of the bidding companies.

The findings indicate breach of the Public Service Code of Conduct and there is a high risk that officers are not working in the best interest of the government.

### **Recommendation**

**The Department should investigate the matter and take appropriate action.**

### **Department's Comments**

*The audit recommendation is acknowledged.*

*The Ministry will refer the issue to the Ministry's Discipline Unit for investigation and recommendation based on the findings.*

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<sup>75</sup>Public Service Code of Conduct, section 7

**40.21.2 Losses Incurred on Installation of Wind Monitoring Systems (WMS)**

Prior to finalizing and signing contracts, government agencies shall ensure that mandatory requirements for due diligence are satisfied. This is to ensure that governments interest are protected and that tenders awarded to Suppliers by the Government Tender Board are financially and legally sound<sup>76</sup>

The initial contract for the supply and installation of 15 x 34 metres WMS was signed by the Department of Energy with CEL on 1/12/2011 at a total cost of \$282,625. Payment was made to CEL in 2011.

Audit review of the Wind Monitoring Systems project noted the following anomalies.

- The contractor imported the 34m tower materials from RNRGS (USA) after contract for the project was signed by Department and contractor. However, the Department later decided to install a 50m tower rather than a 34metres tower as approved by the Government Tender Board in its Meeting no 06/2012 on 20/03/12.

As a result, the Department incurred an additional \$83,852 in 2015 to return 15 x 34m complete sets of Automated/Telemetry Wind Monitoring Systems.

- The GTB withdrew the award for the supply and installation of the 15 x 34m WMS from the contractor to replace it with the 50m systems. A new contract for \$832,947 was signed on 12/4/2013 by the Department and the company which was awarded the initial contract.

The project cost in the new contract was \$550,322 or 195% higher than the original contract price. However, the Department did not call for fresh tenders despite significant change in project cost and specification.

The above anomalies show poor project planning and implementation by the Department. As a result, the Department had to incur additional costs and it took over 5 years (2011 – 2015) to complete the project.

**Recommendations**

**The Department should:**

- **ensure that all project ground work is sorted prior to calling of tenders for capital projects; and**
- **ensure mandatory requirements for due diligence are satisfied to ensure that governments interest are protected.**

**Department's Comments**

*The audit recommendation is acknowledged.*

*The requirements for banks concerning the funding of renewable energy projects for project developers are constantly reviewed. As such the requirements for World Bank and other donor agencies had been revised for such feasible studies. Upon realisation of the World Bank requirements, the Ministry had made the submission for the 50m wind Telemetry Systems to be effective and viable for data collection and collaboration.*

<sup>76</sup>Finance Circular 8/2013

*The Ministry is now ensuring that all relevant information required by the Donor Agencies is collated before any such project submission is made.*

*Furthermore, the payment for the shipping cost of \$83,852 was paid to Clay Engineering Ltd upon the GTB approval dated 4/1/2013.*

## 40.22 Biofuel Implementation Programme

### 40.22.1 Failure of biofuel mills operations in outer islands

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.<sup>77</sup>

The government invested \$7,910,316.22 from 2010 – 2015 for purchase of bio fuel equipment, construction of bio fuel mill shed in several outer islands and establishment of the biofuel laboratory at the University of the South Pacific. Refer to table 40.50 for details.

**Table 40.50: Details of Capital Investments in Biofuel Setup**

Year	Project	Biofuel Equipment	Biofuel Mill Shed	Start-up Capital	Total Project Cost
2010	Koro	267,650.00	52,453.26	23,000.00	343,103.26
2011	Rotuma	229,900.00	208,292.00	30,000.00	468,192.00
2011	Cicia	229,900.00	208,292.00	30,000.00	468,192.00
2013	Gau	85,690.73	296,152.00	30,000.00	411,842.73
2013	Rabi	260,768.88	305,595.00	30,000.00	596,363.88
2013	Lakeba	260,768.88	307,484.00	30,000.00	598,252.88
2013	Vanuabalavu	260,768.88	325,232.70	30,000.00	616,001.58
2014	Moala	201,058.04	584,782.68	-	785,840.72
2014	Matuku	201,058.04	685,611.82	-	886,669.86
<b>Biofuel mills</b>					<b>5,174,458.91</b>
<b>Variation for biofuel mills construction</b>					<b>100,366.50</b>
<b>Establishment of biofuel laboratory (USP)</b>					<b>2,635,490.81</b>
<b>Total</b>					<b>7,910,316.22</b>

Despite the huge capital investment made by government over the years in biofuel production in the outer islands, the audit noted that the 5 out of the 9 biofuel mills were not operational as at the date of audit on 11/02/16. The total funds spent on these bio fuel mills as at 31/12/15 were \$3,298,607.77 or 42% of the total investment over the past 5 years. Refer to Table 40.51 for details.

**Table 40.51: Details of Biofuel Mills not in Operation**

Biofuel Mill Location	Remarks	Cost (\$)
Vanuabalavu	Mill not in operation in 2015 due to land lease issues.	616,001.58
Lakeba	Mill not in operation from June 2015 due to Control Board failure. Discussion with the officer responsible noted that the defective component (VLT Drive) is available overseas only.  Moreover, the manager is no longer managing the mill operations and is currently	598,252.88

<sup>77</sup> Ministry of Infrastructure and Transport Agency Finance Manual 2015, Part 2

Biofuel Mill Location	Remarks	Cost (\$)
	working for another company.	
Gau	Non operation from November 2015 due to the absence of a manager to manage the mill operations.	411,842.73
Moala	No start-up capital to commence operation	785,840.72
Matuku	No start-up capital to commence operation	886,669.86
<b>Total</b>		<b>3,298,607.77</b>

The audit also noted that the biofuel mills in Koro, Cicia, Rabi and Rotuma were in operation. However, minimum sales were recorded due to lack of demand for biofuel in the islands.

The audit further noted that the submission of the monthly financial reports by the biofuel mill managers to the Department of Energy was very poor. Most of the mill managers did not submit the reports at all and those that were submitted were received very late. Refer to [Appendix 40.6](#) for monthly financial reports received by the Biofuel Development Unit in 2015.

### **Recommendations**

**The Department must ensure that:**

- the mill's financial reports are submitted by mill managers on a timely basis; and
- a review of the biofuel mill operations is conducted immediately to evaluate its viability and take appropriate action.

### **Department's Comments**

*The audit recommendation is acknowledged.*

*Mill Managers have been constantly reminded to submit reports on time regardless of issues faced on the islands, such as logistical cost to post offices, fax the reports and communication issues. The Department will work on improving the submission of financial reports by further training, awareness and disciplinary actions where necessary in the future.*

*The Department with the funding assistance of Global Green Growth Institute (GGGI) funding and Ministry of Economy is currently working on the engagement of a consultant (August to December 2016) to review the whole biofuel programme and recommend actions to be taken.*

#### **40.22.2 Demolition and Reconstruction of the Moala and Matuku Biofuel Mills**

The GTB awarded the contract for the construction of two wooden biofuel sheds in Moala, Lau for \$219,507.04 and in Matuku, Lau for \$220,972.04 to FBCL on 18/09/12.

Prior to finalizing and signing contracts, government agencies shall ensure that mandatory requirements for due diligence are satisfied. This is to ensure that governments interest are protected and that tenders awarded to Suppliers by the Government Tender Board are financially and legally sound.<sup>78</sup>

A contract was signed by the Department and the contractor on 25/10/12 and the practical completion certificates were submitted by the contractor on 11/3/13 for both projects.

<sup>78</sup> Finance Circular 8/2013

However, at the time of installation of biofuel equipment at the project site on 4/4/13, several structural defects were noted by the Biofuel Development unit. The Department then engaged a structural engineer to inspect both projects. The engineer recommended that both buildings to be demolished and reconstructed.

The audit noted that the Department paid \$5,876.50 to the engineer for the project inspection and \$752,502 to DECE to demolish and reconstruct the biofuel sheds. Hence, the Department incurred \$758,378.50 additional expenses for the bio fuel projects at Moala and Matuku, Lau. Refer Table 40.52 for details

**Table 40.52: Breakdown of Costs Incurred for Moala/Matuku Mills**

Year	Project	Biofuel Equipment	Mill Shed Construction	Mill Shed Demolition and Reconstruction	Project Cost (\$)
2014	Moala	201,058.04	219,507.04	376,251.00	<b>826,816.08</b>
2014	Matuku	201,058.04	220,972.04	376,251.00	<b>828,281.08</b>
Cost of inspection					5,876.50
<b>Total</b>		<b>402,116.08</b>	<b>440,479.08</b>	<b>752,502.00</b>	<b>1,660,973.66</b>

The audit also noted that although both the bio fuel project was completed on 18/06/15, as at the date of audit, none of the mills were in operation.

The above findings indicate that the construction works carried out by the contractor was not properly monitored and supervised by the Department. Hence public funds totaling \$752,502 was wasted in reconstructing the sheds.

### **Recommendations**

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

- **Ensure that all capital works are properly planned, approved and supervised in future; and**
- **Seek assistance from relevant authorities when implementing such projects in future.**
- **Ministry of Finance should investigate the matter and take appropriate action against officers responsible for waste of public funds.**

### **Department's Comments**

*The audit recommendation is acknowledged.*

*The Department ensures that biofuel projects were properly planned, approved and supervised which saw the successful completion of the reconstruction works on the two sites in 2015.*

*The Department had sought the assistance of the Divisional Engineer Works - Central/Eastern for the reconstruction works hence the successful completion of the works.*

*The Ministry had terminated two officers in 2013 regarding the biofuel project issue from Moala and Matuku and the same is currently being handled by the Office of the Solicitor General in recovering funds from the Contractor.*



**40.22.3 Delay in Installation of Dual Fuel Kits and Power Converters**

The supplier must bear all costs involved in packing, storing and delivering the Equipment to delivery point within 14 weeks from the date of signing of the agreement.<sup>79</sup>

The Department purchased 40 sets of Vegetable Oil Dual Fuel Kit (DFKs) costing \$232,000 as per the GTB approval dated 16/04/14.

The Vegetable Oil Dual Fuel Kit sets were received by the Department on 21/11/14, after delay of seven weeks. In addition, as at the date of audit, only seven out of the 40 sets were installed by the Department at the various locations. Refer to Table 40.53 for details.

**Table 40.53: DFK Installation Progress**

Location	Quantity	Remarks
Mechanical Workshop	1	This is connected in a generator in the mechanical workshop used for testing.
Gau Biofuel Mill	1	Installed in the mill
Koro Biofuel Mill	1	Installed in the mill
Cicia Biofuel Mill	1	Installed in the mill
Rabi Biofuel Mill	2	1 Installed in the mill and one will be installed in the village generator
Vanuablavu Biofuel Mill	2	This was stored in the Mill for installation but the DFK was damaged and destroyed during hurricane Winston with the whole Mill.
Rotuma Biofuel Mill	5	1 is installed in the mill and 4 are in the mill awaiting installation in the village generators
Lakeba Biofuel Mill	6	1 installed in the mill and 5 are currently being installed in the villages in Lakeba.

The remaining 21 Vegetable Oil Dual Fuel Kit sets were stored at the Department's warehouse while 12 sets were taken to the Islands for storage. However the Department was not able to confirm as to when the remainder of the 19 Vegetable Oil Dual Fuel Kit sets would be installed.

In addition, 40 power convertors were also purchased by the Department costing \$30,000 via EFT no. 1132 of 23/12/15. However, as at the date of audit on 11/02/16 the items were yet to be installed.

The above denotes the laxity of the officers responsible in ensuring that the above items are installed at the identified sites.

**Recommendation**

**The Department should ensure that the above items are installed at the identified sites without any further delay.**

**Department's Comments**

*The audit recommendation is acknowledged. The Department is working towards 100% installation by July 2017.*

<sup>79</sup> Contract agreement, section 6.1

## 40.23 Major/Minor Electrical House Wiring Works

### 40.23.1 *Inconsistencies in Basis for Award of House Wiring Works through Expression of Interest*

For works or services that do not exceed \$50,000 in cost or value, the procuring ministry or department will be responsible for evaluating and selecting a bidder that best qualifies or is compliant with all requirements.<sup>80</sup>

Audit review of quotations and the TEC meeting minutes for house wiring electrical works obtained through EOI's from the GTB approved panel of contractors noted inconsistencies in the basis for awarding house wiring works. These inconsistencies were mainly most expensive bidders were selected compared to other bidders, 2<sup>nd</sup> most expensive bidders were selected, bidders with outstanding works were not selected and the cheapest bidder selected. Refer to [Appendix 40.7](#) for details.

In addition, in most cases, invitations for obtaining quotations were sent only two to four days before the closing date of the quotations and in some instances, these quotations were evaluated by the TEC within two to four weeks after the closing date of the quotations.

The audit further noted that all the members of the TEC for the House Wiring Works were officers from within the Department.

The Department did not follow proper process of calling of Expression of Interest for capital works. As a result, the selection and appointment of electrical contractors for various house wiring projects was not carried out in an open and transparent manner.

### Recommendations

**The Department must ensure that:**

- **the basis for awarding house wiring works is consistent;**
- **reasonable time is given for companies to submit their quotation before the closing date; and**
- **independent members of the TEC committee are appointed.**

### Department's Comments

*No comments provided.*

### 40.23.2 *Inspections on House Wiring Works not carried out*

Officers will also have to identify that the right quantum of work specified in the contract is satisfactorily done before vouching that a certain percentage of the job is complete, and that the appropriate payment as per the contract may be made.<sup>81</sup>

The audit noted instances where payments were made to house wiring electrical contractors for house wiring projects without inspection reports from Departments officials. Refer to Table 40.54 for examples of payment made without inspection reports.

<sup>80</sup>EOI Guide, Section 5.2.15

<sup>81</sup>Rural Electrification Unit Standard Operational Procedures, Section 5b(D)

**Table 40.54: Examples of Projects with no Inspection Reports**

EOI Number	Project	Purchase Order Number	Amount Paid (\$)
<b>Not provided</b>	Nayavu Village Wainibuka Housewiring	PO41999-001204	10,335.87
<b>15/05</b>	Housewiring-Vunimoli, Bucalevu, Vakativa, Tabia, Nasaqa	PO41999-001292	14,823.00
<b>15/07</b>	Housewiring at Nukubalavu/ Dreketi/ Nakama	PO41999-001322	5,415.20
<b>1 of 15</b>	Housewiring Kasavu Settlement – Rewa	PO41999-000902	6,311.50

The finding indicates that inspections were not carried out by the Department before payments were made to the contractors for work completed. Failure to inspect the projects may lead to payment for substandard work carried out by the contractors.

### **Recommendations**

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

- carry out inspections for house wiring projects to ensure that it has been carried out as per the contract;
- ensure that all payment for the projects are made on the basis of recommendations as per inspection reports; and
- inspection reports are produced for audit verification on request.

### **Department's Comments**

*The audit recommendation is acknowledged.*

## **40.24 Bukuya Hydro Scheme**

### **40.24.1 Anomalies in Awarding of Contract**

The Government Tender Board in its meeting held on 21/01/15 approved to award the Contract for house wiring for the Bukuya Hydro System in Ba at a cost of \$58,744.53 to AEL. The contract agreement was signed on 14/04/15.

Audit review of the project revealed the following anomalies.

- All tenders advertised must be evaluated and submitted to the Government Tender Board (GTB) for a decision within three (3) months from the tender closing date.<sup>82</sup> Agency should issue contracts to successful bidders two weeks after the GTB approval.

Significant delays were noted for the GTB in evaluating and approving the tenders. In addition, significant delays were also noted for the DOE in signing the contract from date the GTB approved the Contractor. Refer to Table 40.55 for examples.

<sup>82</sup> Finance Circular 21/2014 – section 3.1

**Table 40.55: Details of Delayed Capital Projects**

Project	Date Tender Awarded	Contract Amount (\$)	Remarks
Contract for house wiring for the Bukuya Hydro System in Ba	18/2/15	\$58,744.53	The tender submission closed on 5/11/14. The GTB selected and approved the contractor after 99 days on 12/2/15.  In the Department to signed the contract with the contractor on 14/4/15 which was 61 days after the GTB's selection and approval of the contractor on 18/2/15.
Designing and formulation of construction works for Nukuloa Hydro Project	04/08/15	80,000	The signing of the contract was delayed for five months despite the tender awarded to the HZDCL on 04/08/15.  The contract was signed on 06 January 2016 between the Ministry and contractor due to the delay in the vetting of the contract document by the Solicitor General's Office.  As of audit date (10/02/16), the design is yet to be completed Timeframe provided by the bidder to complete the work was 8 weeks.
Good Neighbour International Biogas Project	N/A	33,600	As per clause 3.3 of the contract, the timeline of the Biogas Project shall commence on the 12 day of October 2015 and shall terminate on the later of 10 day of November 2015.  However, as at audit date (17/02/16) or three months after the contract termination date, the biogas project for the Good Neighbour International was not undertaken despite funds were provided to the Divisional Engineer Central Eastern.

- In view of the substantial amount of Government funds involved in the procurement process, Ministries and Departments must ensure that:<sup>83</sup>
  - i. a draft contract is submitted to the Office of the Solicitor General for vetting simultaneously as the Request for Tender (RFT) is made to the Fiji Procurement Office;
  - ii. the contract is signed with the supplier of goods, services or works before any procurement commences; and
  - iii. a copy of the duly signed contract is submitted to the Fiji Procurement Office within three (3) days after execution.

The penalty sum was not correctly stated in the signed contract between the Department and the contractor. Although, the correct penalty sum was \$200, the signed contract stated the penalty sum of \$100.

In addition, 17 clauses in the Terms and Conditions were missing in the signed contract compared to a total of 32 clauses. This was due to the Department printing the draft copy of the contract and

<sup>83</sup>Finance Circular No. 3/2013, Section 4.

not the copy vetted by the Solicitor General's Office. Hence the officers responsible for finalising the contract were negligent.

- The contract agreement should clearly outline the Date of Commencement and the Date of Completion of the project. These dates should be in line with the time frame provided by the contractor in its bid.

The Tender Evaluation Committee meeting minutes revealed that the contractor was awarded the tender as it offered the lowest cost and minimum timeframe of two weeks. However, the contract agreement specified the Date of Commencement as 20/04/15 and Date of Completion as 31/12/15. Hence, the project completion period was 33 weeks which was not in line with the contractors tender bid in which the Contractor provided the completion period of only two weeks.

In addition, the contractor signed the contract on 14/04/15 and the Department on 02/07/15 which was 79 days or 11 weeks after the commencement date stated in the contract agreement. This compromised the fairness of the tender procurement process.

The above findings indicate laxity on the part of the Department in ensuring that proper project implementation procedures are followed.

### **Recommendations**

**The Department should ensure that:**

- **all tenders called are evaluated and awarded on a timely basis to avoid delays;**
- **Officers responsible for signing contracts are diligent in performing their duties;**
- **investigate and take appropriate disciplinary action against Officers for their negligence.**
- **the contract agreement clearly outlines the project commencement and completion date which is in line with the contractor's tender bid; and**
- **the contract is duly signed by both the parties on the same date or in few days' time.**

### **Department's Comments**

*The audit recommendation is acknowledged .The Ministry will refer the issue to the Ministry's Discipline Unit for investigation and recommendation based on the findings.*

## **40.25 Project Administration Issues**

### **40.25.1 Roll Over of Projects**

The GTB approval for any tender submission is only valid for the fiscal year in which it was given, as funding will also lapse at the end of that financial year.<sup>84</sup>

The audit noted that a total of \$8,617,980.41 or 30% of the total Capital Expenditure budgetary allocations in 2015 was utilized to pay for projects rolled over from prior years. Refer to Appendix 40.8 for examples. This resulted in burden on the 2015 capital expenditure budgetary allocations.

In addition, the GTB approvals obtained from the prior years were used to make payments from the 2015 capital expenditure allocations. In this regard, the Department failed to comply with the requirements of the Finance Circular 21/2014.

The findings indicate laxity and poor project planning on the part of the management of the Department in ensuring that projects are completed within the financial year. Moreover, funds allocated in the 2015 Budget Estimates were not utilized for the intended purpose. As a result, a number of capital projects planned for 2015 were either not implemented or not completed.

### **Recommendations**

**The Department should ensure that:**

- **all projects are properly planned for implementation within the financial year;**
- **current year budgetary allocations are not committed for prior year projects; and**
- **only valid or current years GTB approvals are used for payment purposes and funds allocated are utilized for the intended purpose.**

### **Department's Comments**

*The audit recommendation is acknowledged. All projects will be aligned with the Department's Annual Work Programme and monitored accordingly and in line with budget provisions. Payments will be made based on GTB approval and funds will be expended in line with the budget and AWP.*

### **40.25.2 Poor Project Record Keeping**

The Department Head is responsible for the safekeeping and proper maintenance of all records and documents.<sup>85</sup>

The audit noted that capital project records were not properly maintained by the Department. In most cases, project files were only kept on the workstations of the responsible officers and were not securely filed in cabinets.

In addition, records of capital projects that were in progress at the time of audit were not centrally maintained in the Department. Instead each unit maintained its own progress reports which in most instances were not up to date as at the date of audit<sup>86</sup>

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<sup>84</sup>Finance Circular 21/2014

<sup>85</sup>Ministry of Infrastructure and Transport Finance Manual 2015, Section 19.2

<sup>86</sup> 11/02/16

The above denotes the laxity of officers to ensure that proper records of capital projects are maintained and progress reports are centrally maintained and updated on a regular basis.

Project records not properly and securely maintained can lead to critical project information being lost or misplaced.

### **Recommendations**

**The Department should ensure that:**

- **All project records are properly filed, indexed and stored securely; and**
- **progress reports for each capital projects are centrally maintained and updated on a regular basis.**

### **Department's Comments**

*The audit recommendation is acknowledged. The Department now has new mobile compactors for filing of records.*

#### **40.25.3      *Composition of Tender Evaluation Committee (TEC)***

The Tender Evaluation Committee should comprise of representatives as follows:

- i. Directors and Divisional Heads (Chairperson);
- ii. Ministry's technical representative;
- iii. Ministry of Industry and Trade;
- iv. Fiji Procurement Office; and
- v. Secretary (Department/Division rep).<sup>87</sup>

Audit review of minutes of TEC meeting minutes revealed that most of the TEC meetings were not chaired by the Directors and Divisional Heads. Instead, the meetings were chaired by the Principal Technical Officer from Department of Energy.

The finding indicates laxity and non-commitment on the part of the Directors and the Divisional Heads to ensure compliance with Ministry's Finance Manual. Moreover, it indicates delegation of authority by the Directors and Divisional Heads without proper consideration and justification. As a result, deliberations and decisions made by the TEC may lack proper authority and commitment.

### **Recommendations**

**The Department should comply with the requirements of the Finance Manual at all times.**

### **Department's Comments**

*The audit recommendation is acknowledged. The Department ensures that Finance Manual requirements will be complied with at all times*

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<sup>87</sup>Ministry of Infrastructure and Transport Finance Manual 2015, Section 2.4.3

## APPENDIX 40.1 Details of Unreconciled TMA Sales Revenue for the Ministry In 2015

Division	Trading & Manufacturing Units	Sales as per VAT Return (\$)	Sales as per General Ledger System (\$)	Difference (\$)
<b>DECE</b>	Joinery	1,226,061.55	1,227,054.00	(992.45)
	Plumbershop	899,635.88	901,609.00	(1,973.12)
	Fuel & Oil	411,767.04	260,409.00	151,358.04
	Plant Hire	1,232,311.54	1,232,309.00	2.54
	Lubricant Bay	5,025.19	5,025.00	0.19
	Workshop Wages	0.00	1,203,696.00	(1,203,696.00)
<b>Total</b>		<b>3,774,801.20</b>	<b>4,830,102.00</b>	<b>(1,055,300.80)</b>
<b>DEW</b>	Joinery	352,797.40	318,963.00	33,834.40
	Plumbershop	645,231.60	1,077,159.00	(431,927.40)
	Fuel & Oil	110,593.46	166,416.00	(55,822.54)
	Plant Hire	641,627.53	693,415.00	(51,787.47)
	Lubricant Bay	0.00	0.00	0.00
	Workshop Wages	0.00	360,174.00	(360,174.00)
<b>Total</b>		<b>1,750,249.99</b>	<b>2,616,127.00</b>	<b>(865,877.01)</b>
<b>DEN</b>	Joinery	338,908.80	342,818.00	(3,909.20)
	Plumbershop	597,930.06	598,087.00	(156.94)
	Fuel & Oil	99,185.33	113,113.00	(13,927.67)
	Plant Hire	641,627.53	319,946.00	321,681.53
	Lubricant Bay	0	0	0.00
	Workshop Wages	0	210,425.00	(210,425.00)
	Blockshed	0	40,211.00	(40,211.00)
<b>Total</b>		<b>1,677,651.72</b>	<b>1,624,600.00</b>	<b>53,051.72</b>
<b>Overall Division Total</b>		<b>7,202,702.92</b>	<b>9,070,829.00</b>	<b>(1,868,126.08)</b>



**APPENDIX 40.2: Unaccounted Items**

Project	Materials	Quantity
Group 5M and Mechanical Fencing	<b>Painting</b>	24
	Enamel White	27
	Pearl Lustre	3
	Picnic Primer	18
	Enamel Beige	2
	Acrylic Undercoat White	18
	Clear Vanish	15
	Metal Rush Primer	38
	Acrylic White	1
	Paving Paint	6
	4" Brush	6
	3" Brush	6
	2" Brush	7
	9" Paint tray	3
	7" Paint tray	6
	9" Roller Frame	4
	7" Roller Frame	18
	9" Roller Sleeve	9
	7" Roller Sleeve	
	<b>Cooking Utensils</b>	1
	50KG Cylinder	1
	4 Ring Burner	2
	Cooking Pot	2
	Plastic Basin (Large)	1
	E/Urn 20 Ltr	
	<b>Power Tools</b>	2
	Circular Saw (Hitachi)	1
	Circular Saw (Small)	1
	Mitre Saw	1
	E/ Drop Saw	1
	Tile Cutter	1
	Chain Saw	1
	E/ Impact Drill	2
	Extension Cord (30mm)	
	<b>H/ Tools</b>	8
	Digging Spade	1
	Digging Fork	4
	L/H Shovel	3
	Crow Bar	2
	Galv Bucket	30
	Safety Helmet	11
	Gum Boot	13
	Safety Glass (Dark)	12
	Safety Glass (Clear)	1
	Hose Pipe 1/2 "	1
	Ext Ladder	4
	A Truss Ladder	19
	Rain Suit with Logo	17
	Reflector Vest with Logo	2
	Wheel Barrow	8
	Back Support Belt	

Project	Materials	Quantity
Buildings Yard Fencing	<b>Power Tools</b>	
	Lead Wire	2
	Circular Saw	1
	Drop Saw	1
	Power Board	1
	E/Drill (Hitachi)	1
	Welding Machine	1
	Chain Saw	1
	Electric Grinder (Hitachi)	1
	<b>H/ Tools</b>	
	L/H Shovel	4
	D/ Fork	2
	D/ Spade	3
	Wheel Barrow	2
	Crow Bar	2
	Industrial Rake	1
	Plastic Rake	1
	Mall Hammer	2
	Pick with Handle	1
	<b>Safety Equipment</b>	
	Safety Helmet	14
	Rain Coat	3
	Reflective Vest	5
	Back Support Belt	5
	Rain Suit	22
	Leather Hand Gloves	12
	Rubber Hand Gloves	6
	Cooking Pot	1
Ecological Purification System - Nalebaleba - Komave	Ring Pressure	12
	Cemestic	2
	Cement 50KG	2
	Galv Nail 3"	2
	Wheel Barrow	1
	D/ Fork	1
	Spade	3
	Shovel	3
	Back Strap	3
	50mm P/Pipe	7
	Valve Socket 50mm	12
	Paint Brush	3
	Tank Fitting	2
	Mattress 4" Single	14
	Boxing Timber	9
	Tool Box	6
	No 8 Wire	1
	Green House Netting	½
	Lead Wire	½
	Electric Drill	1
Ecological Purification System - Natawa - Nadelei	Mattress	8
	Wheel Barrow	1
	Wheel Tyre	1
	Cooking Pot	1
	Cooking Spoon	1
	Gum Boots	6
	Rain Suits	8

Project	Materials	Quantity
	Reflector Vest	8
	First Aid Kit	1
	Wooden Tool Box	1
	Digging Spade	3
	Digging Fork	3
	L/ Handle Shovel	3
	Crow Bar	2
	Empty Sacks	
	<b>Materials</b>	
	75mm Concrete Nail	2KG
	Barbed Wire	1 Coil
	No 8 Wire	15 Mtr
	2" PVC P/Pipe	16 Length
	6 x 1 Boxing Timber	15 Mtrs
	Pine Post	4
	Lockwood Padlock	7
	T Hinges Heavy Duty	4
Ecological Purification System	Generator	1
- Koroboya	Power Board	1
- Bukuya	4 ft Tubelight with wire	3
	Fork	3
	Spade	3
	Shovel	3
	Gum Boots	6
	Cooking Pot	2
	Cooking Spoon	1
	Crow Bar	2
	Rain Coat	8
	Reflector Vest	8
	Back Support Belt	8
	Electric Drill	1
	Ext Cord (White) 30 Mtrs	1
	Mattress 4" Single	10
	<b>Materials</b>	
	50 mm PVC P/Pipe	10
	Boxing Timber 6 x 1	30 L/M
	Green Netting	½ Roll
	No 8 Wire	½ Coil

**APPENDIX 40.3: Anomalies per Project**

Project	Budget Amount (\$)	Total As Per JRS (\$)	Total As Per Ledger (\$)	Over/Under Expenditure	Comments
Fencing to Mechanical Yard	118,634.00	42,202.30	118,634.00	-	<ul style="list-style-type: none"> <li>Variance of \$76,431.70 between the total JRS amount and the total expenditure</li> <li>Variance of \$76,431.70 between the total JRS and the total budget.</li> <li>Commitment ledger was not updated as of the date of audit on 4/12/15.</li> <li>The total expenditure incurred was \$118,634 but the commitment ledger was updated till 13/7/15 for commitments up to \$92,068.36</li> </ul>
Fencing to Building Yard	131,400.00	126,330.00	131,400.00	-	<ul style="list-style-type: none"> <li>Commitment ledger was updated till 30/09/15 as of 4/12/15.</li> <li>Total expenses in the ledger was \$131,400 but commitment ledger recorded commitments of \$108,358.41</li> </ul>
Group 5M DEW Yard (Mechanical Phase 1)	203,300.00	469,775.25	197,478.37	5,821.63	<ul style="list-style-type: none"> <li>There are two JRS with the same number but different amounts. JRS no. 052/15 of 14/04/15 was for \$60,087.50 whereas JRS no. 052/15 of 14/04/15 was for \$71,012.50</li> <li>Total JRS = 469,775.25</li> <li>Variance between the total JRS amount and the total expenditure.</li> <li>Commitment ledger not yet updated. Only updated till 21/07/15 – 144,762.31</li> </ul>
Group 4A Varadoli	240,438.00	250,262.50	260,161.80	(19,723.80)	<ul style="list-style-type: none"> <li>There are two JRS with the same number but different amounts</li> <li>JRS #: 051/15 JRS Date: 14/04/15 JRS Amount: \$54,625.00</li> <li>JRS #: 051/15 JRS Date: 14/04/15 JRS Amount: \$71,012.50</li> <li>Total JRS = 250,262.50</li> <li>Variance between the total JRS amount and the total expenditure</li> <li>Ledger not yet updated. Only updated till 12/08/15 – 201,363.31</li> <li>Over-expenditure</li> </ul>
Tabua Road - Natabua Water Supply & Sewer Line	95,200.00	90,440.00	30,569.00		<ul style="list-style-type: none"> <li>Variance between the total JRS amount and the total budget</li> </ul>

Project	Budget Amount (\$)	Total As Per JRS (\$)	Total As Per Ledger (\$)	Over/Under Expenditure	Comments
Raman Nair Street Lautoka Phase 1 - Water Supply & Sewer Line	123,076.50	124,477.91	123,076.50		• Variance between the total JRS amount and the total budget
Vomo Street (Sukanaivalu) - Water Supply & Sewer Line	68,750.00	65,312.50	30,767.00		• Variance between the total JRS amount and the total budget.

#### APPENDIX 40.4: Details of Procurement Made and Time Taken to Supply the Materials Ordered

Date	Cheque no.	Amount (\$)	LPO no.	LPO date	Invoice no.	Invoice Date	No. Of Days Taken To Supply The Materials Ordered
15/04/15	651632	2,245.43	97991-025118	20/2/15	3499419	9/3/15	17 days
					3492685	27/2/15	7 days
					3509832	23/3/15	31 days
			97991-025132	20/2/15	3492427	26/2/15	6 days
					3492427	26/2/15	6 days
			97991-025310	26/3/15	3515608	1/4/15	6 days
17/04/15	651651	4,339.03	97991-025124	20/2/15	3507848	19/3/15	27 days
					3495671	3/3/15	11 days
					3492653	27/2/15	7 days
					3492653	27/2/15	7 days
17/04/15	651653	15,048.65	97991-025164	27/2/15	3499788	9/3/15	10 days
17/04/15	651654	751.95	97991-025164	27/2/15	3512459	27/3/15	32 days
					3511162	25/3/15	30 days
					3509704	23/3/15	28 days
					3509709	23/3/15	28 days
					3510632	24/3/15	29 days
					3511145	25/3/15	30 days
					3509715	23/3/15	28 days
					3515857	1/4/2015	37 days
					3504719	16/3/15	21 days
05/05/15	651726	392.40	97991-025338	31/3/15	3519771	9/4/15	9 days
			97991-025362	15/4/15	3525709	17/4/15	2 days
05/05/15	651733	4,323.05	97991-025354	7/4/15	3523143	14/4/15	7 days

Date	Cheque no.	Amount (\$)	LPO no.	LPO date	Invoice no.	Invoice Date	No. Of Days Taken To Supply The Materials Ordered
					3523160	14/4/15	7 days
					3520733	10/4/15	3 days
05/05/15	651736	10,475.97	97991-025339	31/3/15	3524174	15/4/15	15 days
					3524190	15/4/15	15 days
					3521249	10/4/15	10 days
					3523180	14/4/15	14 days
					3520779	10/4/15	10 days
					3520726	10/4/15	10 days
					3520707	10/4/15	10 days
06/05/15	651742	7,914.85	97991-025115	16/2/15	3510620	24/3/15	36 days
					3512456	27/3/15	39 days
					3511142	25/3/15	37 days
					3488626	20/2/15	4 days
					3488779	21/2/15	5 days
					3519927	9/4/15	52 days
					3491797	26/2/15	10 days
					3490990	25/2/15	9 days
12/05/15	651761	464.19	97991-025387	15/4/15	3528453	21/4/15	6 days
			97991-025394	15/4/15	3528451	21/4/15	6 days
			97991-025405	22/4/15	3537392	4/5/2015	12 days
			97991-025416	23/4/15	3537380	4/5/2015	11 days
04/06/15	651869	587.85	97991-025381	15/4/15	3528456	21/4/15	6 days
			97991-025445	28/4/15	3538473	6/5/15	8 days
			97991-025451	28/4/15	3538477	6/5/15	8 days
			97991-025539	22/5/15	3552074	25/5/15	3 days
16/06/15	651919	8,556.96	97991-025199	05/3/15	3499447	9/3/15	4 days
					3499455	9/3/15	4 days
					3516284	1/4/15	27 days
			97991-025264	17/3/15	3515569	1/4/15	15 days
			97991-025419	23/4/15	3537437	4/5/15	11 days
					3553594	27/5/15	34 days
			97991-025428	23/4/15	3533046	28/4/15	5 days
19/06/15	651951	5,403.88	97991-025526	20/5/15	3554686	29/5/15	9 days
			97991-025588	8/6/15	3562822	10/6/15	2 days
			97991-025591	8/6/15	3566058	15/6/15	7 days
			97991-025597	8/6/15	3562799	10/6/15	2 days
			97991-025609	9/6/15	3562970	10/6/15	1 day
			97991-025618	11/6/15	3566775	16/6/15	5 days
24/06/15	651975	85.48	97991-025513	18/5/15	3568621	18/6/15	31 days
			97991-025603	9/6/15	3566079	15/6/15	6 days
			97991-025616	09/06/15	3566083	15/6/15	6 days

Date	Cheque no.	Amount (\$)	LPO no.	LPO date	Invoice no.	Invoice Date	No. Of Days Taken To Supply The Materials Ordered
07/07/15	652016	988.98	97991-025592	08/06/15	3570607	22/6/15	14 days
			97991-025628	12/6/15	3567650	17/6/15	5 days
			97991-025649	18/6/15	3573807	25/6/15	7 days
			97991-025653	18/6/15	3576726	1/7/15	13 days
			97991-025668	19/6/15	3574066	25/6/15	6 days
30/07/15	652125	3,752.20	97991-025683	25/6/15	3576448	30/6/15	5 days
			97991-025743	7/7/15	3588447	17/7/15	10 days
			97991-025793	22/7/15	3593667	24/7/15	2 days
05/08/15	652148	8,764.95	97991-025677	29/6/15	3578333	3/7/15	4 days
					3577639	2/7/15	3 days
					3580790	7/7/15	8 days
			97991-025776	16/7/15	3589871	20/7/15	4 days
10/08/15	652164	1,664.56	97991-025528	20/5/15	3552484	26/5/15	6 days
					3554672	29/5/15	9 days
			97991-025593	8/6/15	3589866	20/7/15	42 days
			97991-025662	18/6/15	3573822	25/6/15	7 days
			97991-025600	8/6/15	3568615	18/6/15	10 days
31/08/15	652225	4,068.85	97991-025816	30/7/15	3607408	13/8/15	14 days
			97991-025818	29/7/15	3598488	31/7/15	2 days
			97991-025861	12/8/15	3610014	18/8/15	6 days
08/09/15	652260	202.80	97991-025858	12/8/15	3619001	31/8/15	19 days
			97991-025869	24/8/15	3614774	25/8/15	1 day

**APPENDIX 40.5: Examples of Anomalies in Payment**

<b>Cheque/ EFT Number</b>	<b>Cheque/ EFT Date</b>	<b>Amount (\$)</b>	<b>Voucher Description</b>	<b>Anomalies</b>
4248	23/12/15	241,556.12	Being payment for fuel and oil for all vessels as per PO 40401-000931	Delivery docket not attached to payment voucher.
4210	9/12/15	233,882.40	Being Payment of Gas Oil 500 PPM for Sigavou as per PO 40401-000903	Delivery docket not attached to payment voucher.
4145	6/11/15	177,931.84	Being payment for fuel as per PO 40401-000699	Delivery docket not attached to payment voucher.
1445	18/9/15	97,098.39	Being payment of fuel as per PO 40401-000694 and Gasoil for Vunilagi / Rogovoka as per PO 40401-000570	Delivery docket not attached to payment voucher.
1800	27/11/15	73,088.26	Being payment of Gas Oil for Vunilagi / Rogovoka as per PO 40401-000570	Delivery docket not attached to payment voucher.
1592	12/10/15	47,968.80	Being payment of fuel for Rogovoka as per PO 40401-000772	Delivery docket not attached to payment voucher.
1830	1/12/15	16,272.82	Being payment of fuel for Rogovoka as per PO 40401-000772	Delivery docket not attached to payment voucher.
455	1/4/15	6,498.01	Being payment for instalment of Davit Winches for LCT Vunilagi&Sigavou as per PO 40401-000141 and Inv # 6170	Delivery docket not attached to payment voucher.
669	6/5/15	6,880.90	Being payment for supply of re-build compressor for Sigavou Reefer Container and replace shaft seal for lloilovatu as per PO 40401-000235 and Invoice no. 11598 and 11599.	Delivery docket not attached to payment voucher.
1013	2/7/15	6,244.50	Being payment of Life Jackets Lights for all vessels as per PO 40401-000442.	Delivery docket not attached to payment voucher.
1282	25/8/15	11,805.01	Being payment of supply and install covers for LCT Sigavou as per PO 40401-000568.	Delivery docket not attached to payment voucher.
286	26/2/15	14,984.33	Being payment of supply of Assorted Marine Paints for various govt. vessels as per PO 40401-000090 and Invoice no. IN0000000170448	Delivery docket not attached to payment voucher.
1425	11/9/15	5,620	Being payment of chemicals for all vessels as per PO 40401-000674	Delivery docket not attached to payment voucher.
1388	9/9/15	5,145.02	Being payment of chemicals for all vessels as per PO 40401-000614	Delivery docket not attached to payment voucher.
1922	14/12/15	14,890	Being payment replacement of both main engines silencers for Vunilagi as per the attached PO 40401-000979	Delivery docket not attached to payment voucher.
1038	6/5/15	4,140	Being Payment of 2 Cylinder Head for MV Rogovoka as per PO No. 40401-000403	Delivery docket not attached to payment voucher.
1108	24/7/15	11,485	Being payment for supply and installation of upholstery materials for MV Rogovoka as per the attached PO 40401-000485 and Inv 0328	Delivery docket not attached to payment voucher.



Cheque/ EFT Number	Cheque/ EFT Date	Amount (\$)	Voucher Description	Anomalies
1109	24/7/15	10,589.10	Being payment for supply of assorted Expandable items for Stores as per the attached PO 40401-000519 and Inv # PD2867	Delivery docket not attached to payment voucher.
1709	5/11/15	10,473.11	Being payment of Marine Paints for Iloilovatu as per PO NO. 40401-000829	Delivery docket not attached to payment voucher.
1989	17/12/15	8,175.82	Being payment of Paints for MLC VUNILAGI & MV CAGIVOU As per PO No. 40401-001 000	Delivery docket not attached to payment voucher.
4122	20/10/15	43,016.36	Being supply of Reverse Osmosis Water Maker for IVT & VLG as per the attached PO 40401-000809	<ul style="list-style-type: none"> <li>• Delivery docket not attached to payment voucher.</li> <li>• LPO raised after invoice</li> </ul>
3972	30/7/15	43,016.30	Being 50% advance payment for the supply of Reverse Osmosis Water Maker for IVT & VLG as per the attached PO 40401-000547 and Inv OWG 944	LPO raised after invoice
144	26/1/15	7,435.60	Being payment of service of 1 x 25 & 1*15 per 3ND Life-rafts for Sigavou and M Rogovoka as per PO 40401-000021 and Invoice no. 21501234 & 21501235.	LPO raised after invoice

## APPENDIX 40.6: Financial Reports Submitted to the Department of Energy In 2015

Biofuel Mill	Period	Sales (\$)	Expenditure (\$)
Cicia Biofuel Mill	02/03/15-06/03/15	186.00	83.30
	09/03/15-13/03/15	74.00	109.30
	16/03/15-20/03/15	190.00	73.30
	23/03/15-27/03/15	141.00	93.30
	30/03/15-03/04/15	60.00	111.30
	13/04/15-17/04/15	230.00	95.30
	20/04/15-24/04/15	136.00	110.30
	27/04/15-01/05/15	48.00	118.30
	04/05/15-08/05/15	48.00	118.30
	11/05/15-15/05/15	90.00	168.60
	18/05/15-22/05/15	96.00	93.30
	6/12/2015	45.00	83.30
	6/19/2015	261.00	116.60
	6/20/2015	240.00	116.00
	7/3/2015	188.00	136.95
	7/10/2015	200.00	76.00
	7/17/2015	130.00	204.00
	7/24/2015	220.00	128.30
	7/31/2015	195.00	103.30
	8/7/2015	402.00	79.30
	8/14/2015	289.00	170.25
	8/21/2015	151.00	87.64
	25/08/15-04/09/15	255.00	36.60
	23/10/15-27/11/15	0	19.80
<b>Total</b>		<b>3,875.00</b>	<b>2,532.64</b>
Koro Biofuel Mill	7/27/2015	10.00	-
	8/24/2015	-	-
	9/7/2015	-	70.00
	9/21/2015	3,516.50	313.50
	10/5/2015	606.00	-
	10/19/2015	118.00	148.40
	20/10/15-02/11/15	536.00	56.30
	03/11/15-16/11/15	6.50	-
	17/11/15-30/11/15	48.00	-
	01/12/15-14/12/15	510.00	-
	15/12/15-24/12/15	200.00	-
<b>Total</b>		<b>5,551.00</b>	<b>588.20</b>
Rabi Biofuel Mill	25/02/15-03/03/15	858.75	383.05
	04/03/15-10/03/15	317.20	291.50
	11/03/15-17/03/15	964.50	660.95
	18/03/15-24/03/15	438.80	942.40
	25/03/15-31/03/15	1,397.60	806.90
	06/04/15-10/04/15	5,521.00	610.30
	13/04/15-17/04/15	278.80	327.80
	20/04/15-24/04/15	4,536.20	426.35
	27/04/15-01/05/15	177.50	292.15
	11/05/15-15/05/15	3,472.40	2,366.85
	25/05/15-29/05/15	5,532.20	1,071.80

Biofuel Mill	Period	Sales (\$)	Expenditure (\$)
	01/06/15-05/06/15	12.50	645.35
	08/06/15-12/06/15	85.00	500.55
	15/06/15-19/06/15	4,694.50	1,477.95
	22/06/15-26/06/15	4,253.00	1,200.35
	29/06/15-03/07/15	-	1,114.55
	06/07/15-10/07/15	1,260.00	217.20
	13/07/15-17/07/15	1,170.00	1,051.60
	20/07/15-24/07/15	4,273.50	1,922.80
	27/07/15-31/07/15	177.95	-
	03/08/15-07/08/15	2,030.00	583.00
	10/08/15-14/08/15	70.00	167.00
	17/08/15-21/08/15	3,988.50	1,516.80
	24/08/15-28/08/15	-	85.00
	31/08/15-06/09/15	671.85	24.00
	07/09/15-11/09/15	3,982.50	1,960.10
	14/09/15-18/09/15	-	4.00
	19/09/15-25/09/15	3,049.50	1,173.60
	28/09/15-02/10/15	551.00	686.15
	05/10/15-09/10/15	45.00	86.95
<b>Total</b>		<b>53,809.75</b>	<b>22,597.00</b>
Gau Biofuel Mill	23/02/15-27/02/15	-	6.60
	02/03/15-06/03/15	29.00	95.75
	16/03/15-20/03/15	-	94.10
	23/03/15-27/03/15	-	219.35
	31/03/15-02/04/15	9.00	-
	07/04/15-10/04/15	-	124.10
	13/04/15-17/04/15	14.00	151.40
	20/04/15-24/04/15	58.00	151.20
	28/04/15-01/05/15	37.60	147.50
	04/05/15-08/05/15	2.00	121.20
	11/05/15-15/05/15	-	121.30
	18/05/15-22/05/15	55.60	121.30
<b>Total</b>		<b>205.20</b>	<b>1,353.80</b>
Lakeba Biofuel Mill	20/03/15-26/03/15	241.50	1,050.90
	13/04/15-21/05/15	411.00	120.00
	5/31/2015	-	1,418.90
	08/05/15-01/06/15	10.00	630.60
	02/06/15-23/07/15	779.50	578.80
<b>Total</b>		<b>1,442.00</b>	<b>3,799.20</b>

**APPENDIX 40.7: Details of Quotes Submitted Through EOIS**

EOI no.	Description	Bidders Name (Date Quotes Received)	Bid Amount	Basis for award	Remarks
15/11	Ba & Nadroga Housewiring	OECL-23/4/2015	3,186.50	To be awarded to OECL since it has no outstanding works with DOE.	OECLs' bid was the most expensive compared to the other two bidders.
		SES- 23/4/2015	2,984.70		
		PEL- 23/4/2015	2,783.60		
15/10	Serua-Tokotoko/ Dranikula/ Culanuku	OECL -23/4/2015	8,337.50	To be awarded to OECL since it has no outstanding works with DOE.	OECLs' bid was the most expensive compared to the other two bidders.
		SES - 23/4/2015	8,030.47		
		PEL - 23/4/2015	8,150.00		
15/06	Naitasiri 2-Wailoku, Sakoca, Drekwaila, Sarava, Serea	OECL.-23/4/2015	12,532.40	Chose OECL, though AES is the cheapest, they still have outstanding work with the department therefore Omega was the best option.	OECLs' bid was the second most expensive compared to the other three bidders.
		AES - 23/4/2015	12,502.50		
		SES - 23/4/2015	12,433.37		
		PEL - 23/4/2015	13,059.80		
Qtn 3/15	Sariyawa, Nadi	LL-9/2/2015	11,773.29	Awarded to LL because it has quoted for 13 houses, SES only quoted for 12 houses. AES has outstanding works with DOE.	Outstanding works is not a proper basis for not awarding as the company had expressed interest for the work, which indicates that they are able to complete the work as per specifications tendered at the given price.
		AES -9/2/2015	11,535.00		
		SES - 9/2/2015	10,974.00		
		OECL-9/2/2015	15,239.10		
	Baleinakula Settlement Nadi Housewiring	SES 15/7/2015	7,219.15	Awarded to LL since it was the cheapest bid	Awarded because it was the cheapest bid
		OEL- 14/7/2015	7,041.90		
		LL -13/7/2015	6,885.65		
		RE -13/7/2015			
15/08	Housewiring Tailevu 2- Waicoka/ Dravo/ Savu/ Naitalasese	SES -23/4/2015	22,082.96	TEC recommended SES since it was the cheapest, and they don't have outstanding works with DOE	Outstanding works is not a proper basis for not awarding as the company had expressed interest for the work, which indicates that they are able to complete the work as per specifications tendered at the given price.
		PEL - 23/4/2015	22,727.10		
		AES-23/4/2015	23,612.50		
		OECL-23/4/2015	23,736.80		
1 of 15	Housewiring Kasavu Settlement	SES - 28/1/15	6,311.50	Though PEL is the cheapest, they still	Outstanding works is not a proper basis for not

EOI no.	Description	Bidders Name (Date Quotes Received)	Bid Amount	Basis for award	Remarks
	ent –Rewa	PEL - 28/1/15	5,766.00	had outstanding works for DOE. Therefore SES was chosen	awarding as the company had expressed interest for the work, which indicates that they are able to complete the work as per specifications tendered at the given price.
		AEL - 28/1/15			
2 Of 15	HousewiringNaitasiri/ Tailevu/ Rewa/ Serua/ Ba	SES (03/02/2015)	15,621.00	Awarded to SES because they have no outstanding works	Outstanding works is not a proper basis for not awarding as the company had expressed interest for the work, which indicates that they are able to complete the work as per specifications tendered at the given price.
		LL (02/02/2015)	16,949.68		
		LMWS (02/02/2015)	19,811.00		

## APPENDIX 40.8: Examples of Payments Made Relating to Prior Years Projects

Date	Chq/EFT no.	Project	GTB Approval Year	Amount paid in 2015 (\$)
05/03/15	6	Supply of Ethanol Fuel	2014	64,500.00
18/09/15	1143	Being payment for 75% of Tender value on receipt and testing of Generator CTN 25/2014	2014	9,211.43
18/12/15	1098	Being stage 2 payment for installation of Ethanol Tank Dispenser - CTN 110/14	2014	47,699.98
23/12/15	1132	Being payment for supply of 40x12VC-DC Power Converter	2014	30,000.00
01/06/15	28870	Being payment for 30% Tender value - confirm placement of order - CTN 167/2014	2014	1,048,356.32
24/08/15	29216	Being payment for sighting of bill of lading for CTN167/14	2014	465,936.13
17/09/15	604	Being payment for 20% of Tender value upon sighting Bill of Landing - CTN 167/2014	2014	232,968.07
23/10/15	793	Being payment for 80% tender value for supply of replacement component CTN 190/14	2014	48,217.65
20/11/15	924	Being payment for 40% Tender Value for supply of 1000 SHS Equipment CTN 167/2014	2014	1,397,808.43
05/12/15	29510	Being payment of retention sum from DOE drawings into DOE main trust account - CTN167/14	2014	349,452.10
08/06/15	28856	Being payment for 30% tender value confirm placement of order - CTN 167/2014	2014	1,041,658.92
05/08/15	29058	Being payment for 10% house wiring work for Project 4 - CTN 46/14	2014	6,490.20
24/08/15	29217	Being payment for sighting of bill of lading for CTN167/14	2014	694,439.28
03/11/15	29435	Being payment for 40% tender value for supply of 1000 SHS equipment - CTN167/14	2014	1,388,878.56
05/12/15	29539	Being payment of retention sum from DOE drawings into DOE main trust account - CTN167/13	2013	347,219.64
15/07/15	28998	Being 70% payment for house wiring at Naitasiri - Project 9 (CTN 169/2014)	2014	36,214.24
04/08/15	407	Being 70% payment for Bukuya house wiring - CTN 160/14	2014	41,121.17
06/08/15	411	Being payment of 70% house wiring work at Nadi - CTN 169/14	2014	35,972.85
24/12/15	29618	Being payment for supply of materials for Muana Hydro	20	10,600.24
05/12/15	29540	Being payment for HV & LV Overhead Grid Construction work - CTN 51/13	2013	153,124.80

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Date	Chq/EFT no.	Project	GTB Approval Year	Amount paid in 2015 (\$)
				91,874.88
05/12/15	29512	Being payment of retention sum from DOE drawings into DOE main trust account - CTN51/13	2013	51,041.60
23/12/15	29616	Being payment for supply and installation of pipe joint for Muana Hydro	2013	21,300.00
25/11/15	907	Being payment for servicing of Transformers for Bukuya Hydro Project	2014	27,132.75
31/12/15	29665	Being payment for Bukuya overhead grid repair	2014	22,146.75
24/07/15	29024	Being payment for installation of Delaitagololi wind monitoring station	2011	8,329.47
07/08/15	29143	VAT payment for zero rated SHS UAE funded Project	2014	714,742.51
24/09/15	638	Being payment for 10% retention for supply & installation of 15 wind sites	2011	83,294.70
02/11/15	818	Being payment for 90% of Tender value on receipt of SHS replacement component - CTN 190/2014	2014	16,511.35
06/12/15	28880	Being payment for installation of Kaba Wind Monitoring Station	2011	8,329.47
06/12/15	28880	Being payment for installation of Tuvavatu and Narara Wind Monitoring Station	2011	16,658.94
18/06/15	28906	Being 90% payment for overhead grid extension work at Kadavu Hydro Project - CTN 68/13	2013	43,688.88
07/08/15	29144	Being payment of 70% house wiring work at Tuvu Village (CTN 101/13)	2013	20,525.89
26/08/15	29228	Being payment for 40% house wiring for CTN 160/2013	2013	42,533.21
<b>Total</b>				<b>8,617,980.41</b>

## Section 49 Peacekeeping Missions

### Roles and Responsibilities

The Fiji Military Forces and Fiji Police Force provides international peacekeeping operations for the United Nation (UN) sanctioned missions (UNDOF, UNAMI, MFO) in Syria, Iraq and Sinai.

Under the UN Security Council mandate for the deployment of UN security personnel in those war zones provide:

- maintaining or restoring international peace and security;
- disengaging the conflict parties;
- creating conditions for peaceful settlement of a conflict;
- monitoring ceasefire peace agreements; and
- rendering humanitarian assistance to civilian population in the area of deployment.

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## PART A: FINANCIAL STATEMENT

### 49.1 Audit Opinion

The audit of the 2015 special purpose financial statement of the Peacekeeping Mission resulted in the issue of an unqualified audit report.

### 49.2 Statement of Receipts and Expenditure

The Peacekeeping Mission incurred a total expenditure of \$68,611,388 in 2015. Refer Table 49.1 for details.

**Table 49.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	66,632,091	63,516,990
Government Wage Earners	-	-
Travel & Communications	159,635	97,802
Maintenance & Operations	38,152	111,178
Purchase of Goods & Services	1,109,406	2,820,699
Operating Grants & Transfers	-	-



Description	2015 (\$)	2014 (\$)
Special Expenditures	476,610	1,457,601
<b>Total Operating Expenditure</b>	<b>68,415,894</b>	<b>68,004,270</b>
<b>Capital Expenditure</b>		
Capital Construction	-	-
Capital Purchase	-	-
<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>
Value Added Tax	195,494	1,954,083
<b>TOTAL EXPENDITURE</b>	<b>68,611,388</b>	<b>69,958,353</b>

### 49.3 Appropriation Statement

The Peacekeeping Mission incurred expenditures totalling \$68,611,388 in 2015 against a revised budget of \$72,626,918 resulting in a savings of \$4,015,530 or 5.5%.

Details of expenditures against the budget estimates are provided in Table 49.2.

**Table 49.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	66,536,779	1,225,754	67,762,533	66,632,091	1,130,442
2	Government Wage Earners	-	-	-	-	-
3	Travel & Communications	122,758	65,000	187,758	159,635	28,123
4	Maintenance & Operations	117,250	(10,000)	107,250	38,152	69,098
5	Purchase of Goods & Services	3,205,631	(1,280,754)	1,924,877	1,109,406	815,471
7	Special Expenditures	1,850,200	-	1,850,200	476,610	1,373,590
	<b>Total Operating Expenditure</b>	<b>71,832,618</b>	<b>-</b>	<b>71,832,618</b>	<b>68,415,894</b>	<b>3,416,724</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	-	-	-	-	-
9	Capital Purchase	-	-	-	-	-
10	Capital Grants & Transfers	-	-	-	-	-
	<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13	Value Added Tax	794,300	-	794,300	195,494	598,806
	<b>TOTAL EXPENDITURE</b>	<b>72,626,918</b>	<b>-</b>	<b>72,626,918</b>	<b>68,611,388</b>	<b>4,015,530</b>

