



OFFICE of the AUDITOR GENERAL  
Republic of Fiji

EXCELLENCE IN PUBLIC SECTOR AUDITING

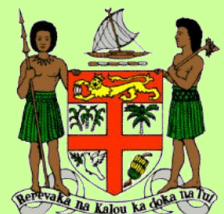
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# REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

## Volume 2

### Audit Report on the General Administration Sector

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PARLIAMENT OF FIJI  
PARLIAMENTARY PAPER NO. 59 OF 2017



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# OFFICE OF THE AUDITOR GENERAL

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 unrepresented 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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## Section 1

## Office of the President

### Roles and Responsibilities

The President is vested with Executive Authority of the State in accordance with Chapter 4:81(2) of the 2013 Constitution of the Republic of Fiji. As the Head of State, His Excellency the President is a unifying symbol for the entire nation and is above politics. The President represents Fiji on State visits to other nations that strengthen's Fiji's diplomatic relations and enhances Fiji's standing in the world.

The President is also the Commander in Chief of the Republic of Fiji Military Forces and is responsible for opening each annual of Parliament with an address outlining the policies and programs of the Government.

The Office of the President, in collaboration with the Office of the Prime Minister, ensures that all and any advice tendered to the President are consistent with the provisions, principles and spirit of the Constitution of the Republic of Fiji. At the operational level, the Office of the President is responsible for providing on a daily basis a timely and high standard of professional administrative, protocol and ancillary support services to the President to enable the successful fulfillment of all of the President's Constitutional, ceremonial and public duties.

The operating budget supports the President's Constitutional functions, State visits, and community engagements. It also covers the upkeep and maintenance of the Presidential properties in Suva, Deuba and Lautoka and the administration of the Fijian Honours and Awards system.

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## PART A: FINANCIAL STATEMENT

### 1.1 Audit Opinion

The audit of the 2015 accounts of the Office of the President resulted in the issue of a qualified audit report. Travel advances totalling \$776,850 was not reconciled and journalized to the relevant expenditure allocations during the year. Consequently, total expenditure is understated by \$776,850 in the Statements of Receipts and Expenditure.

Without further qualification to the opinion expressed above, attention is drawn to the following:

The board of survey report for the second half of the financial year was not completed by the Office of the President which may possibly impact the accuracy and completeness of the Statement of Losses submitted for the year ended 31 December 2015.

## 1.2 Statement of Receipts and Expenditure

The Office of the President incurred a total expenditure of \$3,827,803 in 2015. Refer Table 1.1 for details.

**Table 1.1: Statement of Receipts and Expenditures for 2015**

Description	2015 (\$)	2014 (\$)
<b>EXPENDITURES</b>		
<b>Operating</b>		
Established Staff	653,316	538,677
Unestablished Staff	194,920	200,508
Travel & Communications	370,396	725,218
Maintenance & Operations	519,975	256,071
Purchase of Goods & Services	172,270	144,581
<b>Total Operating Expenditure</b>	<b>1,910,877</b>	<b>1,865,055</b>
<b>Capital</b>		
Capital Construction	1,381,386	436,622
Capital Purchase	157,999	---
Capital Grants and Transfers	---	---
<b>Total Capital Expenditure</b>	<b>1,539,385</b>	<b>436,622</b>
Value Added Tax	377,541	262,420
<b>TOTAL EXPENDITURES</b>	<b>3,827,803</b>	<b>2,564,097</b>

Total expenditure increased by \$1,263,706 or 49.28% in 2015 compared to 2014 due to increase in Established Staff costs as a result of recruitment to fill vacant established posts in 2015. Additionally, Maintenance and Operations costs increased due to increase in fuel expenses due to inclusion of three new vehicles in the fleet in 2015.

Furthermore, capital construction costs increased due to commencement of three projects namely, Coronation Ground Drainage Phase 2, Upgrade of Government House Roofing and Disability Access at the State House. Similarly, Capital Purchases expenditure increased due to procurement of a new tractor and a trailer, protective clothing for landscape officers, purchase of ride on mowers brush cutters, chainsaws and other tools vital for the upkeep of the State House ground and office.

## 1.3 Appropriation Statement

The Office of the President incurred expenditure totalling \$3,827,803 in 2015 against the budget of \$4,202,825 resulting in a savings of \$375,022 or 8.92%. Details of expenditures against the budget estimates are provided in Table 1.2.

**Table 1.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	649,621	3,695	653,316	653,316	-
2	Unestablished Staff	230,604	(35,684)	194,920	194,920	-

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
3	Travel & Communication	311,900	58,497	370,397	370,396	1
4	Maintenance & Operations	483,400	36,581	519,981	519,975	6
5	Purchase of Goods & Services	157,400	14,874	172,274	172,270	4
	<b>Total Operating Expenditure</b>	<b>1,832,925</b>	<b>77,963</b>	<b>1,910,888</b>	<b>1,910,877</b>	<b>11</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	1,778,500	(77,963)	1,700,537	1,381,386	319,151
	Capital Purchases	158,000	-	158,000	157,999	1
	<b>Total Capital Expenditures</b>	<b>1,936,500</b>	<b>(77,963)</b>	<b>1,858,537</b>	<b>1,539,385</b>	<b>319,152</b>
13	Value Added Tax	433,400	---	433,400	377,541	55,859
	<b>TOTAL EXPENDITURE</b>	<b>4,202,825</b>	<b>---</b>	<b>4,202,825</b>	<b>3,827,803</b>	<b>375,022</b>

## PART B: AUDIT FINDINGS

### 1.4 Non – Clearance of Balances of Accountable Advances

Loans or advances may be provided to staff to assist in carrying out their official duties or as part of their approved remuneration. The repayment of these advances must be actively pursued to reduce the risk of losses from irrecoverable debts.<sup>1</sup>

A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents. If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel.<sup>2</sup>

Upon clearance of the advance, the Accounts Officer shall update the register, offset the advance account and debit the appropriate expenditure account.<sup>3</sup>

As at 31/12/15, the Office Accountable Advance had a balance of \$776,850. Refer to Table 1.3 for the balances over the last five years.

**Table 1.3: Advance Account Balance over the 5 Year Period**

Year	Amount (\$)
2011	288,115
2012	288,241
2013	(306,252)
2014	746,326
2015	776,850

The audit noted that advances mainly related to travel of \$776,850 incurred by the Office was not reconciled and journalized to the expenditure allocations during the year. As such, expenditure is understated in the Statement of Receipts and Expenditure. Refer [Appendix 1.1](#) for details.

The above shows that the Office failed to maintain, record, reconcile and journalize advances to the relevant expenditure allocations.

<sup>1</sup> Office of the President, Finance Manual 2015 – Part 10, Introductory Paragraph

<sup>2</sup> Office of the President, Finance Manual 2015 – Section 10.1.11 and 10.1.12

<sup>3</sup> Office of the President, Finance Manual 2015 – Section 10.1.16

Hence, expenditure in the Statement of Receipts and Expenditure are understated.

### **Recommendation**

**The Senior Assistant Secretary should ensure that the advance account balance is reconciled and immediate recovery instigated against officers who failed to retire advances.**

### **Management Comments**

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

*Retiring the Accountable Advances involves clearing the outstanding amount from the RFA allocation and debiting these to an Expense Allocation. These could not be completed in 2014 and 2015 because of the lack of knowledge, which was caused by a series of factors including the non-existence for over 16 years of a dedicated accounts position, the absence of an accounting section, and the consequential lack of capacity building. However, these have all been addressed through an organizational reform the Office completed in 2014 which resulted in the creation of a fully-fledged accounting section with three dedicated positions, and the recruitment of a qualified and experienced accountant to manage the section. The Office is most pleased to report that the RFA has been cleared as of 2016 as evidenced by the GL671 Report below. The remaining balance of \$3.25 is the unutilized RFA refund to the Government's Consolidated Fund Account at HFC. The Office is working with the Ministry of Economy to clear this balance.*

## **1.5 Incomplete Board of Survey**

Annual board of survey must be conducted by three officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.<sup>4</sup>

An annual losses statement shall be prepared by the Clerical Officer for inclusion in the agency's annual financial statement as and when required. The losses statement shall provide information on losses written-off during the financial year and the status of recoveries of losses.<sup>5</sup>

The audit noted that the Office failed to submit the Board of Survey report for second half of the financial year for audit verification as the survey is not complete.

The President's Office advised that items written off during the second half of the year will be included in the 2016 annual board of survey report.

Without a Board of Survey report for the second half of the year, the completeness to assertions in the Statement of Losses (Other than money) cannot be substantiated.

### **Recommendation**

**The Office should ensure that a Board of Survey is carried out annually in accordance with Section 49 of the Finance Instruction 2010.**

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<sup>4</sup> Finance Instruction 2010 – Section 49(2)

<sup>5</sup> Office of the President, Finance Manual 2015 – Section 14.1.7 and 14.1.8

## **Management Comments**

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

*The Office wishes to confirm that it has been conducting its Board of Survey annually since 2013, consistent with Section 49 of the Finance Instructions. However, it has strategically chosen to conduct the BOS in the first half of the year to coincide with the annual budget submission timelines. This essentially means that if any item in the BOS Report was written off, the Office could ensure that it included the request for replacement in the budget submission for the ensuing year. The 2015 BOS Report conducted on 24 June 2015 did not recommend any write-off.*

*The Office notes the recommendation by the Auditor-General and will continue to consider practical approaches to ensuring that the BOS exercise is meaningful in that it captures all the items on an annual basis in-line with the regulations and it also allows for the timely replacement of written-off items.*

### **1.6 Mispostings**

Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts<sup>6</sup>.

Audit review of the FMIS ledger revealed various mispostings for the Office totalling \$138,502.68. Refer to **Appendix 1.2** for details of mispostings.

The audit findings reflect that postings to the FMIS ledger were not promptly reviewed to ensure all transactions are posted to its correct allocations. This could result in under or overstatement of the respective expenditure allocations.

### **Recommendation**

**The Office should ensure that all transactions are posted to the correct allocations in the FMIS ledger. If there is unavailability of funds in allocations, the Office should ensure that funds are vired from savings in other allocations.**

## **Management Comments**

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

*The mis-postings for 2015 were caused by the significant readjustments to the Office's monthly cash flow to meet the President's increasing engagements. Most of these engagements were not predicted when the Office set its cash flow plan early in the year. This meant that the Office had to vire funds from within its various allocations. As a way forward, the Office will work on improving its planning processes and its cash flow management. In the event that funds need to be vired internally to meet unexpected expenses involving the President's official engagements, the Office will ensure that the relevant allocations are balanced by the end of the Financial Year.*

*From a broader management perspective, the Office wishes to highlight the fact that it had just established a fully-fledged Accounts Section in September 2014. It has also just recruited a qualified and experienced Accountant in addition to two Accounts Clerks. It has started to train the two clerks on the specific requirements of their responsibilities. The mis-postings would be progressively eliminated through continuous training of staff and closer monitoring of accounting practices in accordance with the Financial Management Act, Finance Instructions and the Office's Finance Manual.*

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<sup>6</sup> Finance Manual 2015 – Section 16.1.1

## 1.7 Utilization of Project Funds for payment of operating costs

The Senior Assistant Secretary, Principal Assistant Secretary or Official Secretary must not certify a payment as correct unless they are satisfied that:

- i. it is in accordance with an LPO, indent, contract, invoice, statement 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>7</sup>

It was noted that the Office utilised project funds allocated for the Maintenance and Upgrading of Vakatumuloa in the 2015 budget without actual implementation of the project. Whilst a sum of \$77,963 was vired to SEG 4 – Maintenance and Operations from the amount \$280,000 budgeted for the project, a sum of \$88,272 was utilised on payments that were not related to the project. Refer to Table 1.4 below for details.

**Table 1.4: Payments made from Capital Construction Project**

Date	Cheque EFT No.	Particulars	Amount (\$)	Approved by
22/12/15	339	Payment of account being official mobile phone and flash net charges for customer #: 901-002-551 for the month of October 2015	22,824.72	Senior Assistant Secretary
16/12/15	309	Payment of account being cleaning of carpets at the State House	2,652.17	Senior Assistant Secretary
18/12/15	324	Payment of account being purchase of materials for the plumbing works at the State House	4,216.53	Official Secretary
11/12/15	296	Payment of account being purchase of a laptop and hard drive for the EA to HE	2,621.74	Senior Assistant Secretary
29/12/15	360	Payment for overtime hours and overdue leave for 2015	4,000.00	Official Secretary

Failure of the Office to utilise funds for their intended purpose implies clear breach of Financial Regulations.

### **Recommendation**

**The Office should ensure that the funds are utilised for their intended purposes as set out in the budget and to avoid unnecessary over expenditures.**

### **Management Comments**

*The Office acknowledges the findings and recommendations with appreciation. The mis-postings for 2015 were caused by the significant readjustments to the Office's monthly cash flow to meet the President's increasing engagements. Most of these engagements were not predicted when the Office set its cash flow plan early in the year. This meant that the Office had to vire funds from within its various allocations. As a way forward, the Office will work on improving its planning processes and its cash flow management. In the event that funds need to be vired internally to meet unexpected expenses involving the President's official engagements, the Office will ensure that the relevant allocations are balanced by the end of the Financial Year.*

*From a broader management perspective, the Office wishes to highlight the fact that it had just established a fully-fledged Accounts Section in September 2014. It has also just recruited a qualified and experienced Accountant in addition to two Accounts Clerks. It has started to train the two clerks on the specific requirements*

<sup>7</sup> Office of the President – Finance Manual 2015, Section 2.8.4

of their responsibilities. The mis-postings would be progressively eliminated through continuous training of staff and closer monitoring of accounting practices in accordance with the Financial Management Act, Finance Instructions and the Office's Finance Manual.

## 1.8 Write-offs

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>8</sup>

Audit noted that in 2016, the Ministry of Finance approved adjustments to the Office's general ledger balances for the year ended 31/12/15. Refer to Table 1.5 for details.

**Table 1.5: Write-off approved by Ministry of Finance**

Asset	Allocation	Description	Amount (\$)
Accounts Receivable	1-01101-01101-560601	320 WESRAM FINANCE	648.62
	1-01101-01101-560611	PD EMPLOYEES FNPF	18,706.12
	1-01101-01101-560612	PD TAX ARREARS	1,141.52
	1-01101-01101-560613	PD CMLA	382.04
	1-01101-01101-560614	PD PUBLIC EMPLOYEES UNION	37.50
	1-01101-01999-560611	PD EMPLOYEES FNPF	16,830.09
	1-01101-01999-560612	PD TAX ARREARS	21.57
<b>Total</b>			<b>37,767.46</b>

The write-offs were made to clear the debit balances in Operating Trust Accounts which were a result of overpayments of mispostings. Write off of accounts receivables or assets constitute loss of public funds.

### **Recommendation**

**The Department should ensure that valid transactions are posted into the general ledger and proper reconciliations are carried out on a timely manner.**

### **Management Comments**

*The Office acknowledges the findings with appreciation. The \$37,767.46 debits in those payables (Trust) accounts are NOT overpayments or losses. The balance originated from error in posting (misposting). The misposting arose from the nature of the accounts. Previous years in the FMIS, those Trust accounts were NOT funded, thus excess debiting was frequent. The Office acknowledges the error of mispostings where payments were debited to the wrong accounts. For instance, on Pay 20/2013 wages deductions of \$100 on PAYE was credited to 1-01101-01101-861901 for payment, and the \$100 was debited to 1-01101-01999-861901 instead of the accounts the \$100 was credited to. The Office will consult the Ministry of Economy on the way forward on the misposted amount. It is imperative to also note that some changes have been implemented with the payables account in the FMIS in 2016. The account is now funded, therefore it can only accept the Debit entry of the amount initially Credited.*

<sup>8</sup> Financial Management Act 2004 – section 34(1)(a)

**APPENDIX 1.1: Details of Accountable Advance as at 31/12/2015**

Chq no.	Date	Add Debit	1	2	Jv	Balance	Remarks
	31/12/13	146,818.31				146,818.31	NO ADVANCE RETIRE
74275	28/02/14	40,000.00				40,000.00	NO ADVANCE RETIRE
74525	28/02/14	10,000.00				10,000.00	NO ADVANCE RETIRE
74722	28/02/14	20,000.00				20,000.00	NO ADVANCE RETIRE
74953	31/03/14	6,137.82				6,137.82	NO ADVANCE RETIRE
74954	31/03/14	6,137.82				6,137.82	NO ADVANCE RETIRE
74955	31/03/14	6,751.60				6,751.60	NO ADVANCE RETIRE
75113	31/03/14	3,837.56				3,837.56	NO ADVANCE RETIRE
75114	31/03/14	3,837.56				3,837.56	NO ADVANCE RETIRE
75115	31/03/14	3,837.56				3,837.56	NO ADVANCE RETIRE
75115	31/03/14	30,000.00				30,000.00	NO ADVANCE RETIRE
75645	30/04/14	171.00				171.00	NO ADVANCE RETIRE
75615	30/04/14	20,000.00				20,000.00	NO ADVANCE RETIRE
75616	30/04/14	6,007.83				6,007.83	NO ADVANCE RETIRE
75619	30/04/14	5,461.67				5,461.67	NO ADVANCE RETIRE
75620	30/04/14	5,461.67				5,461.67	NO ADVANCE RETIRE
75621	30/04/14	5,461.67				5,461.67	NO ADVANCE RETIRE
75618	30/04/14	378.00				378.00	NO ADVANCE RETIRE
75622	30/04/14	5,461.67				5,461.67	NO ADVANCE RETIRE
75623	30/04/14	5,461.67				5,461.67	NO ADVANCE RETIRE
75774	30/04/14	324.00				324.00	NO ADVANCE RETIRE
75855	30/04/14	216.00				216.00	NO ADVANCE RETIRE
75913	30/04/14	234.00				234.00	NO ADVANCE RETIRE
75459	30/04/14	1,677.00				1,677.00	NO ADVANCE RETIRE
76214	31/05/14	36.00				36.00	NO ADVANCE RETIRE
76405	31/05/14	90.00				90.00	NO ADVANCE RETIRE
76593	31/05/14	189.00				189.00	NO ADVANCE RETIRE
76151	31/05/14	10,000.00	1,023.99			8,976.01	R#68825 UNUTILIZED ADV
76148	31/05/14	5,256.63				5,256.63	NO ADVANCE RETIRE
76150	31/05/14	5,256.63				5,256.63	NO ADVANCE RETIRE
76149	31/05/14	5,256.63				5,256.63	NO ADVANCE RETIRE
76203	31/05/14	15,249.24				15,249.24	NO ADVANCE RETIRE
76204	31/05/14	15,249.24				15,249.24	NO ADVANCE RETIRE
76205	31/05/14	15,249.24				15,249.24	NO ADVANCE RETIRE
76206	31/05/14	15,249.24				15,249.24	NO ADVANCE RETIRE
76207	31/05/14	16,774.16				16,774.16	NO ADVANCE RETIRE
76208	31/05/14	15,249.24				15,249.24	NO ADVANCE RETIRE



Chq no.	Date	Add Debit	1	2	Jv	Balance	Remarks
76200	31/05/14	14,623.30				14,623.30	NO ADVANCE RETIRE
76201	31/05/14	13,293.91				13,293.91	NO ADVANCE RETIRE
76202	31/05/14	30,000.00				30,000.00	NO ADVANCE RETIRE
76836	30/06/14	36.00				36.00	NO ADVANCE RETIRE
76948	30/06/14	1,260.00				1,260.00	NO ADVANCE RETIRE
75759	30/06/14	180.00				180.00	NO ADVANCE RETIRE
76701	30/06/14	4,322.91				4,322.91	NO ADVANCE RETIRE
76702	30/06/14	4,322.91				4,322.91	NO ADVANCE RETIRE
76703	30/06/14	4,322.91				4,322.91	NO ADVANCE RETIRE
76704	30/06/14	4,755.20				4,755.20	NO ADVANCE RETIRE
76705	30/06/14	4,322.91				4,322.91	NO ADVANCE RETIRE
76707	30/06/14	15,000.00				15,000.00	NO ADVANCE RETIRE
76764	30/06/14	81.00				81.00	NO ADVANCE RETIRE
77681	31/07/14	1,000.00	767.55			232.45	R#68828 UNUTILIZED ADV
77679	31/07/14	198.00				198.00	NO ADVANCE RETIRE
77817	31/07/14	30,000.00				30,000.00	NO ADVANCE RETIRE
77272	31/07/14	864.00				864.00	NO ADVANCE RETIRE
77514	31/07/14	162.00				162.00	NO ADVANCE RETIRE
77515	31/07/14	30,000.00	1,030.00			28,970.00	R#68913 (JV03/03/15)
77516	31/07/14	13,320.31				13,320.31	NO ADVANCE RETIRE
77517	31/07/14	5,561.64				5,561.64	NO ADVANCE RETIRE
77518	31/07/14	15,945.26				15,945.26	NO ADVANCE RETIRE
77519	31/07/14	15,945.26				15,945.26	NO ADVANCE RETIRE
77520	31/07/14	17,539.77				17,539.77	NO ADVANCE RETIRE
77521	31/07/14	15,945.26				15,945.26	NO ADVANCE RETIRE
77522	31/07/14	171.00				171.00	NO ADVANCE RETIRE
78195	31/08/14	1,504.00	520.20			983.80	R#68829 UNUTILIZED ADV
77907	31/08/14	1,159.56				1,159.56	NO ADVANCE RETIRE
77905	31/08/14	10,000.00	3,290.00			6,710.00	R#68824 UNUTILIZED ADV
77903	31/08/14	5,797.82				5,797.82	NO ADVANCE RETIRE
77904	31/08/14	5,797.82				5,797.82	NO ADVANCE RETIRE
77917	31/08/14	162.00				162.00	NO ADVANCE RETIRE
77940	31/08/14	10,000.00	7,534.95			2,465.05	R#68823 UNUTILIZED ADV
77941	31/08/14	2,527.14				2,527.14	NO ADVANCE RETIRE
77942	31/08/14	2,527.14				2,527.14	NO ADVANCE RETIRE
77943	31/08/14	2,527.14				2,527.14	NO ADVANCE RETIRE
77944	31/08/14	2,779.85				2,779.85	NO ADVANCE RETIRE
77945	31/08/14	2,527.14				2,527.14	NO ADVANCE RETIRE
77976	31/08/14	189.00				189.00	NO ADVANCE RETIRE

Chq no.	Date	Add Debit	1	2	Jv	Balance	Remarks
78005	31/08/14	225.00				225.00	NO ADVANCE RETIRE
78053	31/08/14	144.00				144.00	NO ADVANCE RETIRE
78054	31/08/14	90.00				90.00	NO ADVANCE RETIRE
78138	31/08/14	126.00				126.00	NO ADVANCE RETIRE
78350	30/09/14	891.00				891.00	NO ADVANCE RETIRE
78720	30/09/14	324.00				324.00	NO ADVANCE RETIRE
78815	31/10/14	459.00	81.00			378.00	RETIRE UNUTILIZED ADV
79013	31/10/14	711.00	54.00			657.00	RETIRE UNUTILIZED ADV
79403	30/11/14	252.00				252.00	NO ADVANCE RETIRE
79468	30/11/14	756.00	9.00	36.00		711.00	R#68827 UNUTILIZED ADV
79483	30/11/14	126.00				126.00	NO ADVANCE RETIRE
79513	30/11/14	45.00				45.00	NO ADVANCE RETIRE
79612	30/11/14	432.00				432.00	NO ADVANCE RETIRE
79294	30/11/14	684.00	54.00			630.00	R#68826 UNUTILIZED ADV
	30/11/14	9,107.90				9,107.90	PM'S ACCOUNTS ADJUSTMENT
79916	31/12/14	810.00	72.00			738.00	RETIRE UNUTILIZED ADV
79689	31/12/14	585.00				585.00	NO ADVANCE RETIRE
79762	31/12/14	540.00				540.00	NO ADVANCE RETIRE
79771	31/12/14	18.00				18.00	NO ADVANCE RETIRE
79825	31/12/14	54.00				54.00	NO ADVANCE RETIRE
81080	08/03/15	100.00				100.00	R # 69194 at PM's Office on JAN
80935	05/03/15	21,084.04			19,587.90	1,496.14	JV 28/15 & R # 69194 at PM's Office on JAN
81790	16/06/15	500.00				500.00	R # 69194 at PM's Office on JAN
81886	30/06/15	5,000.00			3,831.38	1,168.62	JV 37/15 & R # 69194 at PM's Office on JAN
52	24/08/15	10,000.00			1,775.00	8,225.00	JV 38/15 & R # 69194 at PM's Office on JAN
55	26/08/15	1,500.00				1,500.00	R # 69194 at PM's Office on JAN
30	03/08/15	500.00			8.00	492.00	JV 38/15 & R # 69194 at PM's Office on JAN
105	18/09/15	1,000.00			915.70	84.30	JV 39/15 & R # 69194 at PM's Office on JAN
142	15/10/15	40,000.00			28,134.72	11,865.28	JV 01/16 on Jan & JV 41/15

Chq no.	Date	Add Debit	1	2	Jv	Balance	Remarks
341	23/12/15	2,545.89				2,545.89	RETIRED ON JAN, 2016
342	23/12/15	509.16				509.16	RETIRED ON JAN, 2016
343	23/12/15	2,545.89				2,545.89	RETIRED ON JAN, 2016
352	24/12/15	522.00				522.00	RETIRED ON JAN, 2016
						776,913.31	
						(63.00)	
						776,850.31	

## APPENDIX 1.2: Mispostings

Date	Cheque /EFT No	Particulars	Correct Allocation	Utilised Allocation	Amount (\$)
22/12/15	339	Payment of account being official mobile phone and flash net charges for customer #: 901-002-551 for the month of October 2015	Telecommunication – SEG 3	Maintenance & upgrading of Vakaturunuloa (SEG 8)	22,824.72
24/12/15	351	Payment of account being Meal Claims for all staff and HE's security personnel	Allowance (SEG 1) Allowance(SEG 2)	Disability Access at State House (SEG 8)	7,236.00
16/12/15	309	Payment of account being cleaning of carpets at the State House	Upkeep of Government House and Office (SEG 4)	Maintenance and Upgrading of Vakaturunuloa (SEG 8)	2,652.17
18/12/15	324	Payment of account being purchase of materials for the plumbing works at the State House	Upkeep of Government House and Office (SEG 4)	Maintenance and Upgrading of Vakaturunuloa (SEG 8)	4,216.53
22/12/15	335	Payment of account being service and installation of the air con unit at the State House	Upkeep of Government House and Office (SEG 4)	Maintenance and Upgrading of Vakaturunuloa (SEG 8)	8,855.65
11/12/15	296	Payment of account being purchase of a laptop and hard drive for the EA to HE	Minor Equipment (SEG 5)	Maintenance and Upgrading of Vakaturunuloa (SEG 8)	2,621.74
23/09/15	113	Payment of charter costs during HE's school visit to Rotuma on 25/09/2015	Travel (SEG 3)	Fuel & Oil (SEG 4)	5,304.63
16/10/15	2647	Payment for catering services for 400 persons for the Fiji Day Reception at State House on 09/10/2015	Ceremonial & Hospitality Expense (SEG 5)	Fuel & Oil (SEG 4)	2,089.54

Date	Cheque /EFT No	Particulars	Correct Allocation	Utilised Allocation	Amount (\$)
20/10/15	149	Payment for purchase of White and Red wine for Fiji Day reception held at State House on 09/10/2015	Ceremonial & Hospitality Expense (SEG 5)	Fuel & Oil (SEG 4)	3,283.80
20/10/15	152	Being payment for purchase of floral arrangement Fiji Day reception held at State House on 09/10/2015	Ceremonial & Hospitality Expense (SEG 5)	Fuel & Oil (SEG 4)	1,334.78
28/10/15	2749	Payment for purchase of drinks for Fiji Day Reception held at State House on 09/10/2015	Ceremonial & Hospitality Expense (SEG 5)	Fuel & Oil (SEG 4)	1,341.91
23/11/15	221	Payment for the purchase of work stations for administration office	Soft Furnishing (SEG 5)	Fuel & Oil, Water (SEG 4)	1,739.14
				Sewerage and Fire Services (SEG 4)	1,317.38
29/12/15	360	Payment for overtime hours and overdue leaves for 2015	Personal Emoluments (SEG 1) Wages (SEG 2)	Disability Access at State House (SEG 8) Maintenance and	7,000.00
				Upgrade of Vakaturunulua (SEG 8)	4,000.00
				Coronation Ground Drainage (SEG 8)	1,000.00
				Water Sewage and Fire Services (SEG 4)	1,458.83
19/11/15	2933	Payment for accommodation provided to First lady (12/10/15) and staffs (20/10/15)	Travel (SEG 3)	Power Supply (SEG 4)	1,372.16
10/12/15	279	Payment for accommodation provided to HE's personnel securities from 29/10/2015 – 01/11/2015 to await arrival at Nadi International Airport	Travel (SEG 3)	Power Supply (SEG 4)	2,152.17
10/11/15	197	Payment for the purchase of 2 x 50 litres of Fiji Bitter kegs with the beer unit and hire of 2 bar men during HE's farewell reception on 11/11/2015.	Ceremonial & Hospitality Expense (SEG 5)	Power Supply (SEG 4)	977.56
23/12/15	340	Payment for per diem allowance for HE travel to Hong Kong to accompany Fiji Airways new fleet of aircraft; Island of Rotuma.	Overseas Travel (SEG 3)	Upkeep of Government House Grounds (SEG 4)	1,663.77

Date	Cheque /EFT No	Particulars	Correct Allocation	Utilised Allocation	Amount (\$)
23/12/15	344	Payment for airfare of Mr Masima and Mr Komaitai for accompanying HE for the Hong Kong trip for periods 26/12/15 – 29/12/15.	Travel (SEG 3)	Upkeep of Government House Grounds (SEG 4)	3,670.61
23/12/15	345	Payment for accommodation on 25/12/16 & 26/12/16 and 28/12/16 & 29/12/16 for HE, the first lady and security personnel on departure and arrival of HE's team for Hong Kong trip.	Travel (SEG 3)	Upkeep of Government House Grounds (SEG 4)	4,312.17
23/12/15	346	Payment for refund to HE for expenses incurred during visitation by Vanua of Kubuna at the State House on 18/12/2015	Ceremonial & Hospitality Expense (SEG 5)	Upkeep of Government House Grounds (SEG 4)	1,323.13
05/11/15	187	Payment of Accommodation for HE and security personnel for the period 14/10/15 – 19/10/15	Travel (SEG 3)	Upkeep of Government House (SEG 9)	7,166.41
26/11/15	249	Payment for hire of marquees and portable toilets for the farewell and swearing in of HE on 11/11/15 and 12/11/15	Ceremonial & Hospitality Expense (SEG 5)	Upkeep of Government House (SEG 9) Accountable Advance (SEG 57)	1,652.17 28,817.39
04/12/15	262	Payment for purchase of White and Red wine for farewell reception held at State House on 11/11/2015	Ceremonial & Hospitality Expense (SEG 5)	Upkeep of Government House (SEG 9)	6,631.20
19/01/15	80533	Payment of account being purchase of one desktop computer (Dell OptiPlex) for the receptionist /Clerk	Minor Equipment SEG 5	Upkeep of Government House SEG 4	1,825.00
21/01/15	80536	Payment of purchase of one Laptop HP 15 for the Capital Project unit	Minor Equipment SEG 5	Upkeep of Government House SEG 4	1,811.00
03/03/15	80897	Payment of account being Tuition Fees for Mrs Rasari for attending courses (Professional Diploma Business Management) at USP from Feb to June 2015.	Training SEG 5	Upkeep of government House SEG 4	521.73
				<b>TOTAL</b>	<b>138,502.68</b>

## Section 2

# Office of the Prime Minister

### Roles and Responsibilities

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

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

The Office of the Prime Minister [OPM] provides policy advice and administrative support to the Prime Minister and the Cabinet. It coordinates and consults extensively with Government’s Ministries and Departments to provide the Prime Minister with an overview of all Government activities.

Under the Prime Minister’s guidance, the OPM’s work includes oversight of national policies and projects of particular priority for Government, such as rural and outer island development, small grant projects and the development of the mahogany industry.

The General Administration is responsible for the administration of the Prime Minister’s Executive Office, his Private Office, the Policy Division, the Development and Cooperation Facilitation Division, and the Corporate Services Division.

The Policy Division provides policy advice to the Prime Minister on important national issues. The Development and Cooperation Facilitation Division coordinates with donor nations and also manages the Office’s development projects.

The former Strategic Framework for Change and Coordinating Office is now the Implementation Coordinating Office [ICO]. The Office ensures that Government’s core principles and priorities are translated into the activities and planning of all Ministries and Departments. Specifically, the Office mainstreams Government’s National Strategic Development Plan and ensures that it is incorporated into strategic plans and annual corporate plans.

The Office also monitors the implementation of critical programs and projects and provides the Prime Minister with quarterly reports on each Ministry’s performance.

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## PART A: FINANCIAL STATEMENT

### 2.1 Audit Opinion

The audit of the 2015 accounts of the Office of the Prime Minister resulted in the issue of an unqualified audit report.

### 2.2 Statement of Receipts and Expenditure

The Office of the Prime Minister recorded revenue totalling \$954,654 and incurred a total expenditure of \$12,553,160 in 2015.

**Table 2.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Agency Revenue	954,654	581,814
<b>TOTAL REVENUE</b>	<b>954,654</b>	<b>581,814</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	2,939,578	2,940,569
Government Wage Earners	439,630	436,999
Travel & Communications	979,868	1,103,198
Maintenance & Operations	733,648	956,095
Purchase of Goods & Services	387,878	431,645
Operating Grants & Transfers	663,550	706,294
Special Expenditures	154,038	570,837
<b>Total Operating Expenditure</b>	<b>6,298,190</b>	<b>7,145,637</b>
<b>Capital Expenditure</b>		
Construction	-	-
Purchase	-	-
Grants & Transfers	6,039,927	4,164,688
<b>Total Capital Expenditure</b>	<b>6,039,927</b>	<b>4,164,688</b>
Value Added Tax	215,043	278,470
<b>TOTAL EXPENDITURE</b>	<b>12,553,160</b>	<b>11,588,795</b>

Total revenue increased by \$372,840 or 64% in 2015 compared to 2014. This was due to the reimbursement of funds from the Chinese Trust Fund Account to the Operating Fund Account.

Total Expenditure increased by \$964,365 or 8% in 2015 due to the increase in small grant projects funded by the Office in 2015.

### 2.3 Appropriation Statement

The Office of the Prime Minister incurred expenditure totalling \$12,553,160 in 2015 against the revised budget of \$14,305,045 resulting in a savings of \$1,751,885. Details of expenditure against the budget estimates are provided in Table 2.2.

**Table 2.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,137,050	(46,000)	3,091,050	2,939,578	151,472
2	Government Wage Earners	457,275	5,000	462,275	439,630	22,645
3	Travel & Communication	1,147,720	(100,000)	1,047,720	979,868	67,852
4	Maintenance & Operations	658,700	125,000	783,700	733,648	50,052
5	Purchase of Goods & Services	417,400	7,000	424,400	387,878	36,522
6	Operating Grants & Transfers	714,000	0	714,000	663,550	50,450
7	Special Expenditure	208,100	9,000	217,100	154,038	63,062
	<b>Total Operating Costs</b>	<b>6,740,245</b>	<b>0</b>	<b>6,740,245</b>	<b>6,298,190</b>	<b>442,055</b>
	<b>Capital Expenditure</b>					
8	Construction	---	---	---	---	---
9	Purchase	---	---	---	---	---
10	Capital Grants & Transfers	7,200,000	0	7,200,000	6,039,927	1,160,073
	<b>Total Capital Expenditure</b>	<b>7,200,000</b>	<b>0</b>	<b>7,200,000</b>	<b>6,039,927</b>	<b>1,160,073</b>
13	Value Added Tax	364,800		364,800	215,043	149,757
	<b>TOTAL EXPENDITURE</b>	<b>14,305,045</b>	<b>0</b>	<b>14,305,045</b>	<b>12,553,160</b>	<b>1,751,885</b>

## 2.4 Trust Fund Account Statement of Receipts and Payments

In 2015, amounts totalling \$1,642,186 were spent from the Chinese Grant Trust Fund account to fund various projects selected by the Office of the Prime Minister. Refer to [Appendix 2.1](#) for details

Additionally, the Office utilized \$289,687 from the Taiwan Grant Trust Fund account on various projects selected by the Office. Refer to [Appendix 2.2](#) for details.

Furthermore, the Office of the Prime Minister utilized \$205 from the Retention Fund Account for the payment of bank fees and resident withholding tax. Refer to [Appendix 2.3](#) for details.

Moreover, the Office of the Prime Minister utilized \$365 from the Mahogany Industry Council Fund for the payment of bank fees and resident withholding tax. Refer to [Appendix 2.4](#) for details.

## PART B: AUDIT FINDINGS

### 2.5 Anomalies in the Payment Process

The quotation process is intended to ensure that the agencies receive value for money based on fair competition and ethical dealing.<sup>1</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>2</sup>

The Principal Accounts Officer or Senior 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 authorization<sup>3</sup> and there is documentation that the goods, services or works have been received.<sup>4</sup>

<sup>1</sup> Fiji Procurement Regulation – Guide to procurement process for purchases below \$50,000 – Section 4.0.

<sup>2</sup> Procurement Amendment Regulations 2012, Section 29(1)

<sup>3</sup> Office of the Prime Minister Finance Manual 2014 – Section 2.8.4 (i)

<sup>4</sup> Office of the Prime Minister Finance Manual 2014 – Section 2.8.4 (ii)



Review of payment vouchers for the Office of the Prime Minister revealed that the Office failed to obtain competitive quotes and delivery dockets as required under the procurement regulations and its Finance Manual. Refer to **Appendix 2.5** for examples.

The finding indicates proper procurement procedures were not followed. In the absence of competitive quotations, goods and services may not have been obtained from the most economical source whilst the absence of delivery dockets increases the risk of fraud.

Deviating from established internal control procedures for procurement and payments increases the risk of loss of public funds through uneconomical procurements and mismanagement of public funds.

### **Recommendations**

- **The Office should obtain competitive quotes for procurements above \$1,000 and less than \$50,000 as required under the amended procurement regulations.**
- **The Office must ensure to verify the deliveries from the invoices to ascertain that all items that have been paid for is received.**

### **Management Comments**

- *Office has noted the audit recommendation*
- *The Office is currently verifying the delivery dockets and invoice before facilitating the payments. For the payments done in 2015 the Office is following up with the vendors on the delivery docket.*

*Refer to **Appendix 2.5** for specific comments to examples of breaches to procurement and payments requirements.*

## **2.6 Anomalies in Capital Projects Undertaken by the RFMF - Small Grants Scheme**

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

The ultimate aim of the Scheme is to empower the beneficiaries to be self-sustainable through working in partnership with Government and ultimately taking full ownership of projects that actually originated from them. The Small Grants Scheme has largely assisted communities in education, Integrated Village Development, Youth Development, Women's groups and Minority groups settlement development.<sup>5</sup>

In 2015, the actual expenditure for the Prime Minister's Small Grant Scheme was \$5,839,927 which increased by \$3,258,859 when compared to 2014 (2014: \$2,581,068).

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

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<sup>5</sup> Office of the Prime Minister official website, <http://www.pmooffice.gov.fj/index.php/projects/prime-minister-s-small-grants-scheme>  
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- Inspect and submit Monthly work progress report to the Permanent Secretary, Office of the Prime Minister on the 5th working day of the new month.
- Submit a final report on the substantial completion of the project within two weeks after the completion of the project.
- Submit a financial acquittal report to the Permanent Secretary, Office of the Prime Minister within 30 days of the substantial completion of the project on the funds allocated and utilised on the project by the Republic of Fiji Military Forces Engineers Regiment.
- Any unutilized funds allocated for the project shall be reimbursed to the Office of the Prime Minister by the RFMF Engineers Regiment within 30 days of the substantial completion of the project.<sup>6</sup>

As applicable in the case of construction of building and structures, necessary building plan with a bill of quantity, land/lease title/consent and other requirements as per the SGS checklist must be accompanied with the request. The SGS checklist requires amongst other things submission of building plan to be approved by the Rural Local Authority.<sup>7</sup>

The audit noted the following anomalies in the capital projects undertaken by the RFMF that was funded under the Small Grant Scheme: Refer to [Appendix 2.6](#) for details.

- MOU did not indicate the commencement dates of the projects;
- Monthly progress reports were not submitted;
- Building Plan not approved by the Rural Local Authority;
- Although projects were completed financial acquittals were not submitted ;
- Final report on the completion of the projects were not submitted; and
- Engineering certificate on the building constructed not provided

Failure of the MOU to clearly indicate the project timelines may result in prolonged delays in implementation and completion of projects whilst the absence of acquittals and progress reports indicates a lack of transparency on the utilisation of funds and impedes on the effective monitoring of project implementation.

Failure to obtain approvals for building plans questions the structural integrity of the building and compromises the safety of users. Additionally, given huge amounts of public funds are invested by Government on these projects there is a risk of substantial loss of funds when structural damages are incurred during tropical cyclones attributed to non-conformance to acceptable building designs criteria.

## **Recommendations**

### **The Office should:**

- **be more stringent and require that RFMF to submit acquittals for the usage of funds stipulated in the Memorandum of Agreement;**
- **assist the RFMF in preparing acquittals by outlining the format and information required in the acquittals.**
- **Ensure that future MOU's developed and endorsed between the RFMF and Office specifies the timelines required for the completion of the project.**

<sup>6</sup> Memorandum of Understanding between the Permanent Secretary, Office of the Prime Minister and the Commanding Officer, Republic of Fiji Military Forces Engineers Regiments on the construction of various capital projects under the Small Grants Scheme, Article 1

<sup>7</sup> 2015 Standard Operating Procedures office of the Prime Minister, Revised 17th August 2015, Section 15

- **Consistently monitor the implementation of projects implemented by the RFMF and require that progress reports are submitted upon completion of specific phases of the project.**
- **Ensure that building plan approvals are obtained from the relevant authorities for construction of new buildings and engineering certificates are obtained upon completion of construction work.**

### **Management Comments**

- *The Office has noted the audit recommendation.*
- *RFMF has assigned an officer in 2016 to work on the acquittals of projects. Project officers are working closely with the RFMF team in compilation of acquittals and the requirements.*
- *MOA will be signed between RFMF and Office of the Prime Minister instead of MOU. Works will be paid according to phases that require invoices, progress reports and Local Authority Report.*
- *In 2016, MOA will be signed with specific timeline instead of duration of works in days. Duration of works in days was stipulated in the MOU because of the RFMF nature of works in the international peacekeeping ad national duties.*
- *In 2016, all construction projects now have the approval of Local Authority and Certificate of Completion and occupation.*

Refer to **Appendix 2.6** for specific comments to anomalies in capital projects undertaken by the RFMF under the Small Grant Scheme.

**APPENDIX 2.1: Trust Fund Account for 2015 - Chinese Grant**

<b>Account</b>	<b>2015 (\$)</b>	<b>2014 (\$)</b>
<b>RECEIPTS</b>		
Interest	1,370	3,773
Refunds	8,210	11,270
<b>Total Receipts</b>	<b>9,580</b>	<b>15,043</b>
<b>PAYMENTS</b>		
Assistance to Schools	119,260	1,559,216
Assistance to Village Settlements	9,877	495,124
Assistance to Other Integrated Projects	494,862	875,257
Netball Fiji Sponsorship	80,000	-
Withholding Tax	274	755
Cheque Book Fees	-	16
Transfer to Retention Fund Account	937,873	-
Withdrawal Transfer – Bank Fees	40	-
<b>Total Payments</b>	<b>1,642,186</b>	<b>2,930,368</b>
Net Deficit	(1,632,606)	(2,915,325)
Adjustment of Foreign Cheque	8,400	-
Balance as at 1 January	1,976,068	4,891,393
<b>Closing Balance as at 31 December</b>	<b>351,862</b>	<b>1,976,068</b>

**APPENDIX 2.2: Trust Fund Account for 2015 – Taiwan Grant**

<b>Account</b>	<b>2015 (\$)</b>	<b>2014 (\$)</b>
<b>RECEIPTS</b>		
Interest Received	119	91
Other receipts	-	5,000
Taiwan Cash Grant	211,893	-
<b>Total Receipts</b>	<b>212,012</b>	<b>5,091</b>
<b>PAYMENTS</b>		
Assistance to Community Projects	113,900	-
Assistance to Schools	170,787	16,746
Transfer to Retention Fund Account	5,000	-
<b>Total Payments</b>	<b>289,687</b>	<b>16,746</b>
Net Deficit	(77,675)	(11,655)
Balance as at 1 January	85,928	97,583
<b>Closing Balance as at 31 December</b>	<b>8,253</b>	<b>85,928</b>

**APPENDIX 2.3: Trust Fund Account for 2015 – Retention Fund**

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

**APPENDIX 2.4: Trust Fund Account for 2015 – Mahogany Industry Council**

<b>Account</b>	<b>For the period from 17/07/15 to 31/12/15 (\$)</b>
<b>RECEIPTS</b>	
Interest	1,628
Transfer from Ministry of Finance	321,451
License Fees	583,490
<b>Total Receipts</b>	<b>906,569</b>
<b>PAYMENTS</b>	
Bank chargers	39
Withholding Tax	326
<b>Total Payments</b>	<b>365</b>
Net Surplus	906,204
Opening Balance as at 17/07/15	-
<b>Closing Balance as at 31 December 2015</b>	<b>906,204</b>

## APPENDIX 2.5: Examples of breaches of procurement and payment requirements

Date	Cheque No.	Particulars	Amount (\$)	Anomalies	Management Comments
16/10/15	002614B	Supply of renovation materials to Ratu Luke Primary School	21,246.36	<ul style="list-style-type: none"> <li>Delivery dockets not produced for audit purposes as items have not been delivered.</li> </ul>	<ul style="list-style-type: none"> <li>Project will start next week. The RFMF engineers have just completed renovation to Ratu Luke Secondary School. Furthermore, the engineers were redeployed to cyclone affected areas that also caused the delay in the implementation of this project</li> <li>Delivery docket will be supplied once the materials are delivered.</li> </ul>
16/10/15	002614C	Supply of camp set up materials to Ratu Luke Primary School	3,248.00	<ul style="list-style-type: none"> <li>Delivery dockets not produced for audit purposes as items have not been delivered.</li> </ul>	<ul style="list-style-type: none"> <li>Project will start next week. Delivery docket will be issued after the delivery of hardware materials</li> </ul>
30/12/15	3455	Payment for camp set up materials for Holy Family Primary School	4,923.78	<ul style="list-style-type: none"> <li>Quotation obtained from a supplier however procurement made from another supplier</li> <li>Delivery dockets not produced for audit purposes as items have not been delivered.</li> </ul>	<ul style="list-style-type: none"> <li>Buildex Marketing was recommended by RFMFER in their cost summary to supply the camp set up.</li> <li>Project is on-going at 22%. Started on 6<sup>th</sup> June 2016.</li> <li>Delay in implementation was due to the delay in the approval of RFMF Engineers plan on the 1 X 4 classroom block by Labasa Town Council. This matter has been sorted out.</li> <li>Delivery docket will be forwarded to accounts section once it is received.</li> </ul>
30/12/15	3450	Payment for Renovation materials for Holy Family Primary School	8,330.73	<ul style="list-style-type: none"> <li>Delivery dockets not produced for audit purposes as items have not been delivered.</li> </ul>	<ul style="list-style-type: none"> <li>Project is on-going. Started on 6<sup>th</sup> June 2016.</li> <li>Delay was due to the non-approval of RFMF plan from the Labasa Town Council. This matter has been sorted out and the engineers are committed to completing this project.</li> <li>Delivery dockets will be submitted by RFMF once all materials are supplied and delivered.</li> </ul>
30/12/15	3475	Payment for Building Materials for Holy Family Primary School	24,310.08	<ul style="list-style-type: none"> <li>Delivery dockets not produced for</li> </ul>	<ul style="list-style-type: none"> <li>Project is on-going. Started on 6<sup>th</sup> June 2016.</li> <li>Delay was due to the non-approval of</li> </ul>

Date	Cheque No.	Particulars	Amount (\$)	Anomalies	Management Comments
				audit purposes as items have not been delivered.	<p><i>RFMF plan from the Labasa Town Council. This matter has been sorted out and the engineers are committed to completing this project.</i></p> <ul style="list-style-type: none"> <li>• <i>Delivery dockets will be submitted by RFMF once all materials are supplied and delivered.</i></li> </ul>
22/10/15	2696	Building materials for Batirilagi primary School	12,997.82	<ul style="list-style-type: none"> <li>• Delivery dockets not produced for audit purposes as items have not been delivered.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Project is on-going, 75% completion rate.</i></li> <li>• <i>Delay was due to manpower shortage and redeployment of engineers to TC Winston affected areas.</i></li> <li>• <i>RFMF engineers is committed to get this project completed</i></li> <li>• <i>Delivery dockets will be forwarded by RFMF Engineers once materials are supplied.</i></li> </ul>
9/11/15	2833	Supply of classroom materials to Batirilagi Primary School.	2,312.15	<ul style="list-style-type: none"> <li>• Delivery dockets not produced for audit purposes</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Project is on-going at 75% completion rate. Delay was due to shortage in manpower and re-deployment of officers to TC Winston affected areas.</i></li> <li>• <i>Delivery dockets will be supplied by RFMF once materials are supplied and delivered.</i></li> </ul>
30/12/15	3456E	Supply of assorted hardware items to Naivacula Dist School.	25,193.18	<ul style="list-style-type: none"> <li>• Delivery dockets not produced for audit purposes</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Carpenters Hardware has provided delivery docket for \$677.61 as Annex 5.</i></li> <li>• <i>Mr. Iqbal of Carpenters Hardware has confirmed that those materials have not been delivered awaiting confirmation from the RFMFER on the site.</i></li> </ul>
30/12/15	3466A	Supply of camp setup and assorted contracted hardware materials to Naivacula District School.	789.30	<ul style="list-style-type: none"> <li>• Delivery dockets not produced for audit purposes</li> </ul>	<ul style="list-style-type: none"> <li>• <i>RFMF will advise upon discussion with Vinod Patel on the delivery dockets amounting to \$789.30</i></li> </ul>
30/12/15	3451C	Supply of building materials to Holy Family Primary School.	31,781.94	<ul style="list-style-type: none"> <li>• Delivery dockets not produced for audit purposes</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Delivery dockets worth \$21,833.20 have been received.</i></li> <li>• <i>Commanding Officer RFMF Engineers has assured us that this project is in progress, they will advise once they complete the work.</i></li> <li>• <i>RFMF will revert on the balance since the project is still on-going.</i></li> </ul>

**APPENDIX 2.6: Anomalies in Capital Projects undertaken by the RFMF - Small Grant Scheme**

Project Name, Location	Assistance	Actual Expenditure as at 31/12/15 (\$)	Remarks	Management Comments
Holy Family Primary School – Macuata, Vanua Levu	Construction of 1 X 4 Classroom Block & Renovation to school buildings for Holy Family Primary School	118,707.61	<ul style="list-style-type: none"> <li>MOU did not indicate the commencement dates of the projects although MOU was endorsed on the 07/08/15 with project duration of 90 days;</li> <li>Project cost as per MOU is \$145,675.76 and as at 31/12/15 a total of 81.5% of the project costs had been incurred. Site visit in April 2016 noted that the project was on hold;</li> <li>Monthly progress reports were not submitted; and</li> <li>Building Plan not approved by the Rural Local Authority.</li> </ul>	<ul style="list-style-type: none"> <li>MOU &amp; Implementation came into effect after signing on 07/08/15</li> <li>The delay in implementation was due to the RFMFER Plan being put on hold by Labasa Town Council. This has been sorted out.</li> <li>Meeting was held on 19/07/16 with CO RFMFER whereby advice was given by CO RFMFER that his team will look into this to verify these costs since this project has just started on 06/06/16.</li> <li>CO RFMFER has taken note of this matter during our meeting on 19/07/16 and assured us that this is an area that they need to improve on from now onwards.</li> <li>RFMFER has stated that they are using AQEP (Access to Quality Education Program) Plan.</li> </ul>
Voivoi Kindergarten – Legalega, Nadi	Completion of the partly constructed Voivoi Kindergarten Building	56,560.75	<ul style="list-style-type: none"> <li>Monthly progress reports were not submitted to the Office;</li> <li>Project is completed however no financial acquittals submitted;</li> <li>Final report on the completion of the project not submitted; and</li> <li>Engineering certificate on the building constructed not provided</li> </ul>	<ul style="list-style-type: none"> <li>Meeting was held on 19/07/16 with CO RFMFER who has advised that his team is currently working on the financial acquittal and project final report for submission to OPM.</li> <li>School management has been requested to furnish this as RFMFER was engaged mid-way for completion works only</li> <li>Project completed and commissioned by the Hon. Prime Minister in February 2016</li> </ul>
Ba Methodist High School - Ba	Renovation works to female barracks and mess hall at Ba Methodist High School	50,519.16	<ul style="list-style-type: none"> <li>MOU did not indicate the commencement dates of the projects; MOU was endorsed on the 27/07/15 with project duration of 120</li> </ul>	<ul style="list-style-type: none"> <li>Project is ongoing as further defects were noted in the ceiling during renovation therefore the RFMFER was compelled to deviate from the initial scope of work.</li> <li>Project continued in 2016 but troops</li> </ul>



Project Name, Location	Assistance	Actual Expenditure as at 31/12/15 (\$)	Remarks	Management Comments
			day; <ul style="list-style-type: none"> <li>Project cost as per MOU is \$101,205.71 and as at 31/12/15 a total of 50% of the project costs was paid out. However the project is still ongoing;</li> <li>Monthly progress reports were not submitted; and</li> <li>Building Plan not approved by the Rural Local Authority.</li> </ul>	<ul style="list-style-type: none"> <li>were deployed on post TC Winston assessment exercise. Project has now recommenced.</li> <li>Meeting was held on 19/07/16 with CO RFMFER, who has advised that his team will submit a progress report to OPM.</li> <li>The RFMF is working on the scope of work drawn during the initial assessment of the renovation tasking, therefore there is no building plan since it concerns renovation works only.</li> </ul>
Naivula District School - Tailevu	Renovation of school building and construction 1X2 bedroom teachers quarters at Naivula District School	156,812.00	<ul style="list-style-type: none"> <li>MOU did not indicate the commencement dates of the projects; however MOU was endorsed on the 27/07/15 with project duration of 105 days;</li> <li>Project cost as per MOU is \$157,467.90 and as at 31/12/15 a total of 99.58% of the project costs had been paid out however as at 31/01/16 the project is still ongoing;</li> <li>Monthly progress reports were not submitted; and</li> <li>Building Plan not approved by the Rural Local Authority.</li> </ul>	<ul style="list-style-type: none"> <li>Work did not commence after MOU was signed due to the deployment of troops back to the camp.</li> <li>Project is in progress, yet to be completed.</li> <li>Meeting was held on 19/07/16 with CO RFMFER, who has advised that his team will submit a progress report to OPM.</li> <li>RFMFER has stated that they are using AQEP (Access to Quality Education Program) Plan.</li> </ul>
Batirilagi Primary School – Macuata, VanuaLevu	Construction of 1X2 teachers quarters and 1X4 classroom block for Batirilagi Primary School	247,804.57	<ul style="list-style-type: none"> <li>MOU did not indicate the commencement dates of the projects; MOU was endorsed on the 03/07/15 with project duration of 144 days;</li> <li>Project cost as per MOU is \$257,818.84;</li> <li>As at 31/12/15 a total of 96.12% of the</li> </ul>	<ul style="list-style-type: none"> <li>Work did not proceed as scheduled due to shortage of manpower and deployment of troops back to affected areas caused by TC Winston.</li> <li>Meeting was held on 19/07/16 with CO RFMFER whereby advice was given by CO RFMFER that his team is committed to complete the project.</li> <li>CO RFMFER in our meeting with him on 19/07/16 has noted the monthly report and assured us that he will</li> </ul>

Project Name, Location	Assistance	Actual Expenditure as at 31/12/15 (\$)	Remarks	Management Comments
			<p>project costs had been paid out however as at 31/01/16 the project was still ongoing;</p> <ul style="list-style-type: none"> <li>• Monthly progress reports were not submitted; and</li> <li>• Building Plan not approved by the Rural Local Authority.</li> </ul>	<p><i>discuss this matter with his officers.</i></p> <ul style="list-style-type: none"> <li>• <i>RFMFER has stated that they are using AQEP (Access to Quality Education Program) Plan.</i></li> </ul>
Ratu Luke Primary School - Bua	Renovation of Ratu Luke Primary School	99,388.96	<ul style="list-style-type: none"> <li>• MOU did not indicate the commencement dates of the projects; however MOU was endorsed on the 17/07/15 with project duration of 120 days;</li> <li>• Project cost as per MOU is \$108,376.76;</li> <li>• As at 31/12/15 a total of 91.7% of the project costs had been paid out however as at 31/01/16 the project is still ongoing; and</li> <li>• Monthly progress reports were not submitted.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Work did not commence after MOU was signed due to the deployment of troops back to the camp.</i></li> <li>• <i>The focus was to complete the renovation of the Ratu Luke Secondary School facilities.</i></li> <li>• <i>CO RFMFER has confirmed that some of the materials have been purchased and awaiting for the implementation of the project</i></li> <li>• <i>Project yet to be implemented.</i></li> </ul>
Nailagotabua Primary School – Naloto, Verata, Tailevu	Nailagotabua Primary School involved the renovation of five school building and five teachers quarters.	80,871.40	<ul style="list-style-type: none"> <li>• No MOU prepared and endorsed for the project. Discussion with the responsible officer revealed that the project was an ad-hoc one committed by the Hon. PM that had to be completed in a short timeframe; and</li> <li>• Project has been completed however no financial acquittals have been provided to the Office.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>This was a directive by Hon. PM while in Taveuni on official duty and he directed for the project to be implemented as soon as possible.</i></li> <li>• <i>Meeting was held on 19/07/16 with CO RFMFER whereby advice was given by CO RFMFER that his team is currently working on the financial acquittal and project final report for submission to OPM.</i></li> </ul>
Annesly Primary School - Toorak, Suva	Construction of a 1 X 5 Classroom at Annesly Primary School	158,923.85	<ul style="list-style-type: none"> <li>• MOU did not indicate the commencement dates of the projects; MOU was endorsed on</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Meeting was held on 19/07/16 with CO RFMFER whereby advice was given by CO RFMFER that his team is currently working on the financial</i></li> </ul>

Project Name, Location	Assistance	Actual Expenditure as at 31/12/15 (\$)	Remarks	Management Comments
			the 17/07/15 with project duration of 90 days; <ul style="list-style-type: none"> <li>Project cost as per MOU is \$158,923.85 and as at 31/12/15 full payment had been made however as at 31/01/16 the project was still ongoing;</li> <li>Monthly progress reports were not submitted; and</li> <li>Building Plan not approved by the Rural Local Authority.</li> </ul>	acquittal and project final report for submission to OPM. <ul style="list-style-type: none"> <li>Project is completed and is awaiting commissioning by Hon. Prime Minister.</li> <li>CO RFMFER in the meeting held on 19/07/16 has noted the issue of monthly report</li> <li>RFMFER has stated that they are using AQEP (Access to Quality Education Program) Plan.</li> </ul>
Napuka Cakaudrove, Vanualevu	Napuka - Construction of 1 x 3 concrete classroom block and 1 x 2 Bedroom Teacher Quarters	\$147,808.55	<ul style="list-style-type: none"> <li>MOU was endorsed on the 14/04/14;</li> <li>Monthly progress reports were not submitted by the RFMF;</li> <li>Project is completed. No financial acquittals submitted;</li> <li>Final report on the completion of the project not submitted; and</li> <li>Building Plan not approved by the Rural Local Authority.</li> </ul>	<ul style="list-style-type: none"> <li>Meeting was held on 19/07/16 with CO RFMFER whereby advice was given by CO RFMFER that his team is currently working on the financial acquittals and project final report for submission to OPM.</li> </ul>
Vugalei District School - Tailevu	Renovation of School Building	209,774.43	<ul style="list-style-type: none"> <li>MOU did not indicate the commencement dates of the projects; MOU was endorsed on the 07/08/15 with project duration of 206 days;</li> <li>Project cost as per MOU is \$255,935.08 as at 31/12/15 a total of \$209,774.43 or 82% of the project costs had been paid out and as at 31/01/16 the project</li> </ul>	<ul style="list-style-type: none"> <li>Work did not commence after MOU was signed due to the deployment of troops back to the camp.</li> <li>Project is in progress yet to be completed.</li> <li>Meeting was held on 19/07/16 with CO RFMFER whereby advice was given by CO RFMFER that his team is currently working on the financial acquittal for submission to OPM.</li> </ul>

Project Name, Location	Assistance	Actual Expenditure as at 31/12/15 (\$)	Remarks	Management Comments
			was still ongoing; and <ul style="list-style-type: none"> <li>• Monthly progress reports were not submitted.</li> </ul>	
Rt Filimoni Memorial School – Sorokoba, Ba	Rt Filimoni Memorial School - Construction of Walkway, Fencing and Renovation Works	58,188.93	<ul style="list-style-type: none"> <li>• Monthly progress reports were not submitted;</li> <li>• Project is Completed however no financial acquittals submitted; and</li> <li>• Final report on the completion of the project not submitted.</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting was held on 19/07/16 with CO RFMFER whereby advice was given by CO RFMFER that his team is currently working on the financial acquittal and project final report for submission to OPM.</li> <li>• Project was completed in January 2016 and commissioned by the Hon. Prime Minister in February 2016.</li> </ul>

## Section 3 **Office of the Attorney General**

### **Roles and Responsibilities**

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

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

The Chambers is therefore responsible for:

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

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

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

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## **PART A: FINANCIAL STATEMENT**

### **3.1 Audit Opinion**

The audit of the 2015 financial statement of the Office of the Attorney General resulted in the issue of an unqualified audit report.

### **3.2 Statement of Receipts and Expenditure**

The Office of the Attorney General collected revenue totalling \$394,251 and incurred total expenditure of \$13,755,679 in 2015. Refer to Table 3.1 for details.

**Table 3.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Hotel License	246,100	71,651
Trademark and Patent Registration	35,958	43,162
Liquor License	---	1,304
Civil Aviation Licence	7,960	6,304
Miscellaneous Fees	12,812	11,035
Other	78,821	35,210
<b>Total State Revenue</b>	<b>381,651</b>	<b>168,666</b>
<b>Agency Revenue</b>		
Miscellaneous	12,600	7,757
<b>TOTAL REVENUE</b>	<b>394,251</b>	<b>176,423</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	2,566,198	2,254,445
Government Wage Earners	302,002	204,487
Travel & Communications	152,231	290,529
Maintenance & Operations	358,483	385,032
Purchase of Goods & Services	1,567,950	588,873
Operating Grants & Transfers	7,845,683	8,506,930
Special Expenditures	655,454	386,042
<b>Total Operating Expenditure</b>	<b>13,448,001</b>	<b>12,616,338</b>
<b>Capital Expenditure</b>		
Capital Grants and Transfers	10,140	741,740
<b>Total Capital Expenditure</b>	<b>10,140</b>	<b>741,740</b>
Value Added Tax	297,538	243,187
<b>TOTAL EXPENDITURE</b>	<b>13,755,679</b>	<b>13,601,265</b>

Total revenue increased by \$217,828 or 123% in 2015 compared to 2014 as a result of new hotel licenses issued, advance renewal of hotel licence, fees charged for change in licensee and other license collection.

Funds allocated for the preparatory works for Rotuma Airstrip and Other Rural Airstrips under the Capital Grants and Transfer could not be fully utilised due to the focus of Airports Fiji Limited on the Nadi International Airport modernisation project.

### 3.3 Appropriation Statement

The Office of the Attorney General incurred expenditure totalling \$13,755,679 in 2015 against a revised budget of \$17,181,186 resulting in a savings of \$3,425,507 or 20%.

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

**Table 3.2: Appropriation Statement for 2015**

<b>SEG</b>	<b>Item</b>	<b>Budget Estimate (\$)</b>	<b>Changes (\$)</b>	<b>Revised Estimate (\$) a</b>	<b>Actual Expenditure (\$) b</b>	<b>Lapsed Appropriation (\$) (a-b)</b>
1	Established Staff	3,829,134	(161,575)	3,667,559	2,566,198	1,101,361
2	Government Wage Earners	157,129	161,575	318,704	302,002	16,702
3	Travel & Communications	155,450	(2,791)	152,659	152,231	428
4	Maintenance & Operations	308,300	69,598	377,898	358,483	19,415
5	Purchase of Goods & Services	1,328,373	942,513	2,270,886	1,567,950	702,936
6	Operating Grants & Transfers	9,558,700	(909,320)	8,649,380	7,845,683	803,697
7	Special Expenditures	935,000	(100,000)	835,000	655,454	179,546
	<b>Total Operating Expenditure</b>	<b>16,272,086</b>	<b>---</b>	<b>16,272,086</b>	<b>13,448,001</b>	<b>2,824,085</b>
	<b>Capital Expenditure</b>					
10	Capital Grants & Transfers	500,000	---	500,000	10,140	489,860
	<b>Total Capital Expenditure</b>	<b>500,000</b>	<b>---</b>	<b>500,000</b>	<b>10,140</b>	<b>489,860</b>
13	Value Added Tax	409,100	---	409,100	297,538	111,562
	<b>TOTAL EXPENDITURE</b>	<b>17,181,186</b>	<b>---</b>	<b>17,181,186</b>	<b>13,755,679</b>	<b>3,425,507</b>

## Section 4 **Ministry of Finance**

### **Role and Responsibilities**

The Ministry of Finance is the critical link between the decisions Government leaders make and the actions Government officials take to turn those decisions into reality for the people of Fiji.

The Ministry of Finance manages the economy: it collects the funds necessary to provide Government services, make sure those funds are distributed properly to the institutions that provide those services, and ensure that the people’s money is used as its elected leaders intend and that all spending adheres to Fijian law.

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

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

As part of its long-term plan, the Ministry will continue to spearhead the financial management reform within the public sector that will help Government improve its service delivery to the Fijian people.

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**PART A: FINANCIAL STATEMENT****4.1 Audit Opinion**

The audit of the 2015 accounts of the Ministry of Finance resulted in the issue of an unqualified audit report.

**4.2 Head 4, 50, 51, 52, 10, 12 and 13- Statement of Receipts and Expenditure**

The Ministry of Finance budget is appropriated as Head 4 in the 2015 Budget Appropriation Act with Fiji Procurement Office (FPO).

As at 31/12/15, the consolidated revenue for the Ministry totalled \$3,762,443,296 with an additional \$114,106,619 of borrowed funds were paid directly to contractors by third party. Consolidated expenditure for the ministry amounted to \$77,480,472.

**Table 4.1: Head 4 – Consolidated Statement of Receipts and Expenditure in 2015**

Description	2015 (\$)	Payment by Third Party (\$)	2014 (Restated) (\$)	Payment by Third Party (\$)
<b>RECEIPTS</b>				
<b>State Revenue</b>				
Operating Revenue	2,476,039,436		2,229,462,017	
Investing Revenue	255,403,229		80,553,647	
Borrowing Revenue	1,020,258,083	114,106,619	540,289,179	120,241,251
<b>Total State Revenue</b>	<b>3,751,700,748</b>	<b>114,106,619</b>	<b>2,850,304,843</b>	<b>120,241,251</b>
<b>Agency Revenue</b>				
Board Member Fee	97,815		123,724	
Miscellaneous Revenue	10,641,500		6,004,743	
Sales of Publications	3,233		11,792	
<b>Total Agency Revenue</b>	<b>10,742,548</b>		<b>6,140,259</b>	
<b>TOTAL REVENUE</b>	<b>3,762,443,296</b>	<b>114,106,619</b>	<b>2,856,445,102</b>	<b>120,241,251</b>
<b>EXPENDITURE</b>				
<b>Operating</b>				
Established Staff	10,813,339		11,214,481	
Government Wage Earners	571,272		503,133	
Travel and Communication	426,173		673,990	
Maintenance and Operations	1,034,469		1,282,953	
Purchase of Goods and Services	1,741,595		2,076,236	
Operating Grants and Transfers	54,094,244		50,599,145	
Special Expenditure	1,694,662		2,194,295	
<b>Total Operating Expenditure</b>	<b>70,375,754</b>		<b>68,544,233</b>	
<b>Capital Expenditure</b>				
Capital Construction	---		---	
Capital Purchases	---		213,141	
Capital Grants and Transfers	6,500,000		1,774,319	
<b>Total Capital Expenditure</b>	<b>6,500,000</b>		<b>1,987,460</b>	
Value Added Tax	604,718		842,302	
<b>TOTAL EXPENDITURE</b>	<b>77,480,472</b>		<b>71,373,995</b>	

Total revenue increased by \$905,998,194 or 32% in 2015 due to the increase in operating revenue including tax collections by \$246,577,419 or 11%, investing revenue by 174,849,582 or 217% and borrowing revenue by \$479,968,904 or 89%. Payments made by third party decreased by \$76,060,122 or 63%.

Total expenditure increased by \$6,106,477 or 9% due to the increase in operating and capital grants and transfers by \$3,495,099 (7%) and \$4,725,681(266%), respectively.

The Ministry incurred expenditure of \$176,576,116 in 2015 from Head 50. Refer to Table 4.2 for detail.

**Table 4.2: Head 50 - Statement of Receipts and Expenditure in 2015**

Description	2015 (\$)	2014 (\$)
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	26,411,569	3,083,580
Travel & Communications	2,037,874	1,620,907
Purchase of goods & services	2,435,752	3,463,416
Operating grants & transfers	4,926,002	13,276,791
Special expenditures	14,647,415	9,004,227
<b>Total Operating Costs</b>	<b>50,458,612</b>	<b>30,448,921</b>
<b>Capital Expenditure</b>		
Capital Construction	---	---
Capital Purchases	11,522,820	9,401,667
Capital Grants & Transfers	111,267,080	98,149,112
<b>Total Capital Expenditure</b>	<b>122,789,900</b>	<b>107,550,779</b>
Value Added Tax	3,327,604	4,008,749
<b>TOTAL EXPENDITURE</b>	<b>176,576,116</b>	<b>142,008,449</b>

Total expenditure under Head 50 increased by \$34,567,667 or 24% in 2015 compared to 2014. This was due to the increase in SEG 1 mainly attributed to the payment of the Job Evaluation Exercise (JEE) arrears for the Fiji Police Force.

Total expenditure under Head 51 increased by \$2,092,966 or 6% in 2015 compared to 2014. This was due to the increase in pension payments by \$2,199,451 or 8%, and gratuities by \$195,642 or 15%. Refer to Table 4.3 for details.

**Table 4.3: Head 51 - Statement of Receipts and Expenditure in 2015**

Description	2015 (\$)	2014 (\$)
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Pensions	30,554,331	28,354,880
Gratuities	1,528,107	1,332,465
Compassionate Allowance	6,795,881	7,098,008
<b>Total Operating Costs</b>	<b>38,878,319</b>	<b>36,785,353</b>
<b>TOTAL EXPENDITURE</b>	<b>38,878,319</b>	<b>36,785,353</b>

Finance Charges on Public Debt – Miscellaneous Payment in 2015 increased by \$6,516,420 or 622% compared to 2014 and finance charges on public debt for overseas loans increased by \$556,248,886 or 701%. This was mainly due to the repayment of the overseas global bond. Finance charges on public debt for domestic loans decreased by \$56,563,163 or 15%. Details are shown in Table 4.4.

**Table 4.4: Head 52 - Statement of Receipts and Expenditure in 2015**

Description	2015 (\$)	2014 (\$)
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Finance Charges on Public debt – Miscellaneous Payment	7,564,667	1,048,247
Finance Charges on Public debt – Overseas Loans	635,574,674	79,325,788
Finance Charges on Public debt – Domestic Loans	329,538,664	386,101,827
<b>TOTAL EXPENDITURE</b>	<b>972,678,005</b>	<b>466,475,862</b>

### 4.3 Appropriation Statement

The Ministry incurred expenditure totalling \$77,480,472 in Head 4 in 2015 against a revised budget of \$80,803,224 resulting in a saving of \$3,322,752 or 4%. Refer to Table 4.5 for details:

**Table 4.5: Head 4 - Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	11,994,602	(255,344)	11,739,258	10,813,339	925,919
2	Unestablished Staff	465,301	141,461	606,762	571,272	35,490
3	Travel & Communication	543,475	32,870	576,345	426,173	150,172
4	Maintenance & Operations	1,149,400	88,391	1,237,791	1,034,469	203,322
5	Purchase of Goods & Services	1,835,680	(7,378)	1,828,302	1,741,595	86,707
6	Operating Grants & Transfers	54,094,249	---	54,094,249	54,094,244	5
7	Special Expenditure	3,239,302	---	3,239,302	1,694,662	1,544,640
	<b>Total Operating Costs</b>	<b>73,322,009</b>	<b>---</b>	<b>73,322,009</b>	<b>70,375,754</b>	<b>2,946,255</b>
9	Capital Purchases	---	---	---	---	---
10	Capital Grants and Transfers	6,500,000	---	6,500,000	6,500,000	---
	<b>Total Capital Expenditure</b>	<b>6,500,000</b>	<b>---</b>	<b>6,500,000</b>	<b>6,500,000</b>	<b>---</b>
13	Value Added Tax	981,215	---	981,215	604,718	376,497
	<b>TOTAL</b>	<b>80,803,224</b>	<b>---</b>	<b>80,803,224</b>	<b>77,480,472</b>	<b>3,322,752</b>

The Ministry incurred expenditure totalling \$176,576,116 in Head 50 in 2015 against a revised budget of \$218,073,007 resulting in savings of \$41,496,891 or 19%. Refer to Table 4.6 for details:

**Table 4.6: Head 50 - Appropriation Statement for 2015**

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

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	34,052,458	(5,472,005)	28,580,453	26,411,569	2,168,884

<sup>1</sup>2015 Budget

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
3	Travel & Communication	2,500,000	300,000	2,800,000	2,037,874	762,126
5	Purchase of Goods & Services	4,602,800	(580,608)	4,022,192	2,435,752	1,586,440
6	Operating Grants & Transfers	4,695,000	317,696	5,012,696	4,926,002	86,694
7	Special Expenditure	9,060,000	7,728,604	16,788,604	14,647,415	2,141,189
	<b>Total Operating Costs</b>	<b>54,910,258</b>	<b>2,293,687</b>	<b>57,203,945</b>	<b>50,458,612</b>	<b>6,745,333</b>
9	Capital Purchases	16,491,642	---	16,491,642	11,522,820	4,968,822
10	Capital Grants and Transfers	141,772,941	(2,293,687)	139,479,254	111,267,080	28,212,174
	<b>Total Capital Expenditure</b>	<b>158,164,583</b>	<b>(2,293,687)</b>	<b>155,970,896</b>	<b>122,789,900</b>	<b>33,180,996</b>
13	Value Added Tax	4,898,166	---	4,898,166	3,327,604	1,570,562
	<b>TOTAL</b>	<b>218,073,007</b>	<b>---</b>	<b>218,073,007</b>	<b>176,576,116</b>	<b>41,496,891</b>

The Ministry incurred expenditure totalling \$38,878,319 in Head 51 in 2015 against a revised budget of \$42,343,400 resulting in a savings of \$3,645,081 or 8%. Refer Table 4.7 for details:

**Table 4.7: Head 51 - Appropriation Statement for 2015**

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

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
11	Pensions, Gratuities and Compassionate allowance	42,343,400	---	42,343,400	38,878,319	3,465,081
	<b>TOTAL</b>	<b>42,343,400</b>	<b>---</b>	<b>42,343,400</b>	<b>38,878,319</b>	<b>3,465,081</b>

The Ministry incurred expenditure totalling \$972,678,005 in Head 52 in 2015 against a revised budget of \$974,662,732 resulting in a savings of \$1,984,727 or 0.2%. Refer to Table 4.8 for details:

**Table 4.8: Head 52 - Appropriation Statement for 2015**

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

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
12	Finance Charges on Public Debt	430,718,958	543,943,774	974,662,732	972,678,005	1,984,727
	<b>TOTAL</b>	<b>430,718,958</b>	<b>543,943,774</b>	<b>974,662,732</b>	<b>972,678,005</b>	<b>1,984,727</b>

#### 4.4 Statement of Losses

The Ministry of Finance recorded no loss of cash or revenue in 2015. However, items worth \$276,643 were written off following the Ministry's Board of Survey conducted in 2015. In addition, amounts totalling \$564,200 for accounts which are asset in nature were also written off as part of the clearing of previous years postings which were not substantiated.

#### 4.5 Profit & Loss Statement – Trading & Manufacturing Activity

The Fiji Procurement Office (FPO) Trading and Manufacturing Account (TMA) was inherited from the former Government Supplies Department, which was initially set up as a retail arm for the Government. The TMA includes the sale of Fiji flags as the only semi-commercial making activity for the Ministry of Finance. The flags are sold at minimal profit.

The Profit & Loss Statement – Trading & Manufacturing Activity showed a net profit of \$998,624 as at 31/12/15 compared to \$752,961 in 2014.

Total expense for 2015 was \$93,432 with the major components of expenses being incurred on maintenance and operations and other expenses. Refer Table 4.9 for details:

**Table 4.9: Profit & Loss Statement - Fiji Procurement Office**

Description	31 December 2015 (\$)	31 December 2014 (Restated) (\$)
<b>Income</b>		
Sales	1,112,931	1,009,143
Cost of Finished Goods Sold	20,875	40,234
Gross Profit	<b>1,092,056</b>	<b>968,909</b>
<b>Expenses</b>		
Direct Labour	4,117	106,664
Maintenance & Operations	53,064	28,232
Other Expenses	36,251	81,052
<b>Total Expenses</b>	<b>93,432</b>	<b>215,948</b>
<b>Net Profit</b>	<b>998,624</b>	<b>752,961</b>

#### 4.6 Balance Sheet – Consolidated Trading & Manufacturing Activity

The net assets of the Ministry in 2015 totalled \$1.4 million which declined by \$0.8 million (36%) from 2014. This was attributed to a reduction in Accounts Receivable by \$212,938 (100%) through a write off exercise undertaken in 2015. Refer Table 4.10 for details:

**Table 4.10: Balance Sheet**

Description	31 December 2015 (\$)	31 December 2014 (Restated) (\$)
Deposits & Deductions	(49,293)	(15,821)
Accounts Payable	---	27,329
<b>Total Liabilities</b>	<b>(49,293)</b>	<b>11,508</b>
<b>Equities</b>		
TMA Surplus Capital Returned to Consolidated Fund	5,211,660	6,081,727
TMA Accumulated Deficit	(4,762,420)	(4,679,613)
Net Profit / (Loss)	998,624	752,961
<b>Total Equity</b>	<b>1,447,864</b>	<b>2,155,075</b>

Description	31 December 2015 (\$)	31 December 2014 (Restated) (\$)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,398,571</b>	<b>2,166,583</b>
<b>Current Assets</b>		
Cash at Bank	1,303,509	1,935,495
Finished Goods	95,062	18,150
Accounts Receivable	---	212,938
<b>TOTAL ASSETS</b>	<b>1,398,571</b>	<b>2,166,583</b>

#### 4.7 Consolidated Trust Account Statement

Total trust funds for the Ministry increased by \$2,242,525 or 22% in 2015 compared to 2014. The increase was due to the increase in receipts of performance bond & Mahogany licenses fees by \$2,141,931 or 65%. Refer Table 4.11 for details:

**Table 4.11: Trust Account**

Description	31 December 2015 (\$)	31 December 2014 (Restated) (\$)
<b>Opening Balance 1 January</b>	<b>10,216,898</b>	<b>8,932,224</b>
<b>Receipts</b>		
Receipts from Performance Bond & Mahogany licenses fees	5,445,583	3,303,652
<b>Total Receipts</b>	<b>5,445,583</b>	<b>3,303,652</b>
<b>Payments</b>		
Payments of Performance Bond & Mahogany licenses fees	3,203,058	2,018,978
<b>Total Payments</b>	<b>3,203,058</b>	<b>2,018,978</b>
<b>Closing Balance</b>	<b>12,459,423</b>	<b>10,216,898</b>

## MINISTRY OF FINANCE

#### 4.8 Write Offs

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>2</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>3</sup>

<sup>2</sup>Financial Management Act 2004 – section 34(1)(a)

<sup>3</sup>Financial Management Act 2004 – section 35

Audit noted that assets totalling \$12,461,333 were written off in the 2015 accounts as approved by the Minister of Finance.

The write off of assets accounts for Ministry of Finance and Election Office resulted in a loss to the Ministry and to government as a whole.

**Table 4.12: Write Off for Ministry of Finance**

Ministry/ Department	Asset	Allocation	Description	Amounts (\$)
Finance	Cash	1-04102-04351-530195	Drawings Inland Revenue	6,862,071.53
		1-04102-04251-530201	FRCA Drawings	4,985,366.00
	Prepayments & Accrued Income	1-04601-63999-570301	Advances	329,723.59
	TMA Accounts Receivable	4-04351-65999-560401	GL Trade Debtors Open Items	212,764.82
	Term Loan Receivable	1-04102-04201-610101	Mr J.B.	16,756.75
1-04102-04201-610101		Mr N. S.	4,955.00	
Elections	Accounts Receivable	1-10101-10999-560611	PD Employees FNPF	49,681.91
		1-10101-10999-560302	GL Employee Advances Open Item	13.04
<b>Total</b>				<b>12,461,332.64</b>

Poor control and review of general ledger posting has resulted with posting errors and unreconciled variances for which the Ministry has sought the write off for the above stated accounts. The risk of fraud and error exists with these accounts.

### **Recommendation**

**The Ministry should ensure that ledger postings are checked and reconciliation of account balances are performed thoroughly and efficiently to ensure account balances are substantiated.**

### **Ministry's Comments**

*Technically the exercise on write-off was undertaken to clear all the mispostings which has accumulated over the past decade. A very exhaustive and robust assessment was undertaken prior to formalizing the request for write-off. In fact, OAG had also noted some of these redundant data in the FMIS which needed to be validated and rectified.*

*Moreover, bulk of the anomalies was inherited during the migration roll out of the FMIS, initially underpinned mainly by incorrect mapping between the automated and manual environment.*

## **REGULARITY AUDIT - HEAD 50 MISCELLANEOUS SERVICES**

### **4.9 Over adjustment in SEG 1**

The Salary Adjustment budget is set aside to meet any unbudgeted salary commitments that may arise during the year as a result of creation of new ministries or shortfalls in the budget that needs to be corrected.<sup>4</sup>

Within 3 days of receiving the monthly general ledger reports from FMIS, CO Ledgers shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>5</sup> Any

<sup>4</sup>Republic of Fiji Budget Estimates 2015 – p. 333

errors or misallocations must be immediately adjusted by way of journal vouchers with the approval of AO (B), SAO (B & E), PAO (T) and CA (T) only.<sup>6</sup>

Audit noted that Salary Adjustment expenditure in FMIS general ledger (1-50101-50999-019901) has a credit balance of \$60,985.

The above is a result of over adjustment carried out in SEG 1 of Appropriation Head 50 to reverse Ministers' salaries that were wrongly posted to this Head which could not be rectified by Ministry of Finance.

### **Recommendations**

#### **The Ministry of Finance should:**

- **properly control and monitor the Head 50 expenditures; and**
- **ensure that reconciliations are carried out in accordance with the Finance Manual.**

### **Ministry's Comments**

*This was an inadvertent error which was rectified. In essence, from the period June to December, the employer's contribution of FNPF for Ministers was paid from this vote. However, when journals were raised to pass charges to respective Ministries and Departments, the full 18% was charged instead of 8% resulting in this account being over-credited.*

*There was no financial loss to the state. It was just a mere mispoting between agencies. The screenshot below confirms the same.*

## **4.10 Monitoring of Funds released from Head 50**

The Miscellaneous Services are administered by the Ministry of Finance. The funding provided under Head 50 includes the contingency funding and other common central pool of funds that are available to the whole of Government. It also includes funding for activities that require scrutiny and monitoring by the Ministry of Finance. These allocations are disbursed under the authority of the Permanent Secretary for Finance.<sup>7</sup>

The Budget Section shall monitor and scrutinise all acquittals received, to ensure that funds are being used for its intended purpose and that projects are implemented according to plan and set timelines.<sup>8</sup> Non-compliance of the necessary requirements shall result in the non-release of funds regardless of it being part of the agency's budget appropriation.<sup>9</sup>

The Grant Agreement shall outline terms and conditions under which the grant is given. The following minimum information must be provided in any agreement:

- i. purpose of the grant and performance to be achieved;
- ii. term of agreement;
- iii. responsibility of recipients in keeping proper records;
- iv. approved funding and payment conditions;

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<sup>5</sup>Ministry of Finance - Finance Manual 2014 Section 16.3.3

<sup>6</sup>Ministry of Finance - Finance Manual 2014 Section 16.3.4

<sup>7</sup> Republic of Fiji Budget Estimates 2015 – p. 331

<sup>8</sup> SLG 84 Reporting Guide, Section 6.2

<sup>9</sup> SLG 84 Reporting Guide, Section 6.3



- v. conditions for monitoring expenditure of the grant;
- vi. acquittal reporting requirements <sup>10</sup>

The audit of Head 50 funds released to the Ministries/Department revealed the following anomalies:

- 1) The Ministry released \$57,132,087.85 to Tertiary Scholarship and Loans Board (TSLB) in accordance with the agreement dated 13/05/15. The audit noted that the agreement between Ministry of Finance and TSLB does not have a provision for TSLB to submit the audited financial statements to the Ministry within an agreed specified time for monitoring. This issue was also highlighted in the 2014 Audit Report but is yet to be addressed.
- 2) The Ministry gave a loan worth \$9.7million to South Pacific Fertilizer Limited (SPFL) on 14/09/15. Audit noted that this agreement covers a period of 25 years and there was no clause on the actual utilisation of fund. In addition, there was no provision on the annual submission of audited SPFL financial statements for monitoring purposes.

Failure of the Ministry to capture all essential information in the agreement for the use, monitoring and acquittals of funds and as well as lack of monitoring from Ministry of Finance, increases the risk of abuse and misappropriation.

### **Recommendations**

- **The Ministry of Finance Budget section as administrator of funds for Head 50 should ensure that proper monitoring is done for the funds released to Ministries and Departments and other agencies; and**
- **The Budget Section shall monitor and scrutinise all acquittals received in relation to Head 50 expenditure to ensure that funds are being used for its intended purpose.**

### **Ministry's Comments**

1. *The verification of works is closely undertaken by the SG's Office before payments are done.*
2. *The 2016-2017 agreement has now included clauses (Section 10 paragraph 10.3) on the provision of audited report to the Ministry of Economy.*
3. *The monitoring of SPFL is usually undertaken by the line Ministry – Ministry of Sugar and FSC. In addition MoE usually undertakes the verification process before the grant is released.*

## **4.11 SLG 84 Reconciliations not submitted to FMIS Division**

At the end of each month, agencies are to monitor and reconcile all SLG 84 funds.<sup>11</sup>

Receiving agencies are to submit their monthly reports within one week at the end of each month to the paying agency.<sup>12</sup>

All SLG 84 monthly reconciliation shall be submitted to the paying agencies/Budget Section/FMIS Unit of the Ministry of Finance (whichever applicable).<sup>13</sup>

The following anomalies were noted on the SLG 84 reconciliations:

<sup>10</sup> Ministry of Finance Manual – Part 3.1.14

<sup>11</sup> SLG84 Reporting Guide, section 9.1

<sup>12</sup> SLG84 Reporting Guide, section 9.2

<sup>13</sup> SLG84 Reporting Guide, section 9.4

- (i) The following Ministries/Department did not submit their SLG 84 December 2015 reconciliation as required under SLG 84 Reporting Guide, section 9.2:
- a) Bureau of Statistics;
  - b) Ministry of Foreign Affairs;
  - c) Fijian Elections Office;
  - d) Judiciary Department;
  - e) Public Service Commission;
  - f) Ministry of Women, Children & Poverty Alleviation;
  - g) Ministry of Fisheries & Forests;
  - h) Ministry of Lands and Mineral Resources;
  - i) Ministry of Industry, Trade and Tourism;
  - j) Ministry of Sugar;
  - k) Ministry of Infrastructure & Transport;
  - l) Ministry of Local Government, Housing & Environment; and
  - m) Ministry of Health and Medical Services.
- (ii) The Ministry of Women, Children & Poverty Alleviation; Ministry of Fisheries & Forests; Ministry of Industry, Trade and Tourism; and Ministry of Infrastructure & Transport showed negative general ledger balances and audit was not able to establish the correctness of these balances which indicate lack of monitoring and supervision. Refer Table 4.13 below for details.

**Table 4.13: Negative balances in SLG 84**

Ministry/ Department	Allocation	GL Balance as at 31/12/15 (\$)
SOCIAL WELFARE	12430175999840602	(248.25)
FORESTRY & FISHERIES	13210132999840602	(5,831.79)
INDUSTRY & TRADE	13410134101840602	(33.75)
ENERGY	14060141999840602	(499.50)

The above indicates poor monitoring and checking to ensure that funds disbursed from Head 50 via SLG 84 accounts are reconciled on a timely manner.

### **Recommendation**

**The Ministry should ensure that reconciliation for funds transferred from Head 50 are prepared by the receiving Ministries/Departments and are submitted to the Ministry of Finance. Negative ending balances identified should be investigated and rectified.**

### **Ministry's Comments**

*The MOE fully concurs with the recommendation. To assist in the reconciliation, MOE had designed a reconciliation template to assist Ministries in compiling, constructing and substantiating balance sheet amounts. On a positive note, our verification shows that all SLG84 reconciliation raised has zero balances as at the end of December 2015, which confirms that any unused amounts has been remitted to relevant agencies.*

## REGULARITY AUDIT - HEAD 4

### 4.12 FNPF Reconciliations not up to date

The Accounting Head must ensure that payroll reconciliations are carried out fortnightly for salaries and weekly for wages.<sup>14</sup>

As at date of audit<sup>15</sup>, it was noted that FNPF reconciliations were not being carried by the Ministry. January and February reconciliations for 2015 were performed in 2016 while April to December 2015 reconciliations were outstanding.

Trust account reconciliations is an important internal control mechanism. In the absence of such reconciliation process the Ministry may fail to detect and rectify errors and omissions on a timely basis.

#### Recommendations

**The Ministry should ensure:**

- **that FNPF reconciliations are performed on a fortnightly/weekly basis; and**
- **that the reconciliation statements are thoroughly checked by the Senior Accounts Officer Salaries to minimise or avoid incorrect payments of salaries and wages.**

#### Ministry's Comments

*It should be noted that all Salaries and Wages reconciliations for 2015 were done in the same year.*

*There were some delays as the Salaries Team was directly involved with updating incorrect TINs and FNPF numbers on the payroll system. FNPF had given us a strict timeline for correction of FNPF numbers for the Whole of Government as they were in the process of implementing their new FNPF portal. Incorrect FNPF numbers would have resulted in FNPF CS files being rejected in totality. This would have resulted in members' accounts not being credited with their FNPF contributions.*

*To avoid this scenario, priority was given to this exercise!*

*All salaries and wages reconciliations are now up-to-date and are being done before each pay day. FNPF reconciliations are being done on a monthly basis. Copies of reconciliations can be obtained from the Salaries Unit for your verification.*

### 4.13 Monthly Reconciliations of Underline Accounts not verified at FMIS Section

All Permanent Secretaries and Head of Departments are required to submit monthly reconciliations to the Ministry of Finance by the 15th of each month. Reconciliations verify the validity of the accounting practices and correctness of financial reports.<sup>16</sup>

<sup>14</sup> Finance instruction 2010 Section 17(7)

<sup>15</sup> 22/03/16

<sup>16</sup> Finance Circular No. 02/2013

The audit noted that the underline accounts reconciliations were not submitted to Ministry on Finance on time. It was further noted that there were no evidence that the reconciliations were reviewed by the Head of Department at FMIS to ensure that the reconciliations submitted were correct and free from errors and omissions. The monthly reconciliations were submitted after two to four months had elapsed. Refer to Appendix 4.1 and Appendix 4.2 for examples.

Reconciliation is an important internal control mechanism and when not checked for accuracy may result in the failure to detect, on a timely basis, possible irregularities in the different account areas.

### **Recommendations**

- **The Ministry should ensure that reconciliations submitted by the respective ministries are reviewed by the Head of FMIS.**
- **The Ministry should follow up with the respective Permanent Secretaries if reconciliations are not submitted on time.**

### **Ministry's Comments**

*The recommendation is noted. MOE has taken a two prong approach:*

1. *The initial focus is to ensure the reconciliation done by line agencies are thorough and is error free*
2. *On the same note the ministry is working with line agencies to ensure timely submission of reconciliations.*

**APPENDIX 4.1: Monthly Reconciliations Submitted after 2 to 4 months**

Reconciliation	Ministry
Drawings	<ul style="list-style-type: none"> <li>• Department of Lands</li> <li>• Fiji Police Force</li> </ul>
Bank Clearing Lodgement	<ul style="list-style-type: none"> <li>• Department of Lands</li> <li>• Fiji Police Force</li> </ul>
SLG 84	<ul style="list-style-type: none"> <li>• Department of Lands</li> <li>• Fiji Police Force</li> </ul>
IDC	<ul style="list-style-type: none"> <li>• Department of Lands</li> <li>• Fiji Police Force</li> </ul>
RFA	<ul style="list-style-type: none"> <li>• Department of Lands</li> <li>• Fiji Police Force</li> </ul>
Operating Trust	<ul style="list-style-type: none"> <li>• Department of Lands</li> <li>• Fiji Police Force</li> </ul>
True Trust	<ul style="list-style-type: none"> <li>• Department of Lands</li> <li>• Fiji Police Force</li> </ul>

**APPENDIX 4.2: Monthly Reconciliations Submitted after 2 to 4**

Department of Lands													
Reconciliation	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec	
Drawings	Reconciliations received in Dec												
Bank Clearing Lodgement	Reconciliations received in Nov									Feb 2016	Feb 2016	Feb 2016	
SLG 84	Reconciliations not submitted				Dec	Dec	Dec	Dec	Jan	Jan	Jan	Reconciliation not submitted	
IDC	April	April	May	May	June	July	Aug	Sept	Oct	Nov	Jan	Reconciliation not submitted	
RFA	June	July	July	July	Reconciliations not submitted								
Operating Trust	July	July	July	Sept	Oct	Oct	Oct	Reconciliations not submitted					
True Trust	April	April	Aug	Aug	Aug	Aug	Aug	Sept	Oct	Reconciliation not submitted		Dec	Reconciliation not submitted

## Section 5

# Ministry of *i*-Taukei Affairs

### Role and Responsibilities

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

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

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

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## PART A: FINANCIAL STATEMENT

### 5.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of *i*-Taukei Affairs resulted in the issue of an unqualified audit report.

## 5.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$33,246 and incurred expenditure totalling \$9,717,730 in 2015.

**Table 5.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
State Revenue	31,260	173,342
Agency Revenue	1,986	7,122
<b>TOTAL REVENUE</b>	<b>33,246</b>	<b>180,464</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	2,342,137	2,258,380
Government Wage Earners	155,618	119,482
Travel & Communications	71,452	69,175
Maintenance & Operations	275,045	234,773
Purchase of Goods & Services	80,763	69,324
Operating Grants & Transfers	5,589,394	4,122,000
Special Expenditures	666,587	609,933
<b>Total Operating Expenditure</b>	<b>9,180,996</b>	<b>7,483,067</b>
<b>Capital Expenditure</b>		
Capital Grants & Transfers	426,838	356,409
<b>Total Capital Expenditure</b>	<b>426,838</b>	<b>356,409</b>
Value Added Tax	109,896	93,664
<b>TOTAL EXPENDITURE</b>	<b>9,717,730</b>	<b>7,933,140</b>

Total expenditure increased by \$1,784,590 or 22% in 2015 compared to 2014 due to increase in rate for employers FNPF contributions from 8% to 10%, increase in funds allocated for iTaukei Affairs Board and increase in monthly allowance rate for both the Mata ni Tikina and Turaga ni Koro.

## 5.3 Appropriation Statement

The Ministry of *i*-Taukei Affairs incurred expenditure totalling \$9,717,730 against the revised budget of \$10,283,017 resulting in a savings of \$565,287 or 5%.

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

**Table 5.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) (a)	Actual Expenditure (\$) (b)	Lapsed Appropriation (\$) (a-b)
1	Established Staff	2,671,946	(189,385)	2,482,561	2,342,137	140,424
2	Government Wage Earners	114,400	54,385	168,785	155,618	13,167
3	Travel & Communications	65,812	10,000	75,812	71,452	4,360
4	Maintenance & Operations	260,500	105,000	365,500	275,045	90,455
5	Purchase of Goods & Services	70,000	20,000	90,000	80,763	9,237

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) (a)	Actual Expenditure (\$) (b)	Lapsed Appropriation (\$) (a-b)
6	Operating Grants & Transfers	5,590,594	---	5,590,594	5,589,394	1,200
7	Special Expenditures	766,479	---	766,479	666,587	99,892
	<b>Total Operating Expenditure</b>	<b>9,539,731</b>	<b>---</b>	<b>9,539,731</b>	<b>9,180,996</b>	<b>358,735</b>
	<b>Capital Expenditure</b>					
10	Capital Grants & Transfers	572,586	---	572,586	426,838	145,748
	<b>Total Capital Expenditure</b>	<b>572,586</b>	<b>---</b>	<b>572,586</b>	<b>426,838</b>	<b>145,748</b>
13	Value Added Tax	170,700	---	170,700	109,896	60,804
	<b>TOTAL EXPENDITURE</b>	<b>10,283,017</b>	<b>---</b>	<b>10,283,017</b>	<b>9,717,730</b>	<b>565,287</b>

## PART B: AUDIT FINDINGS

### 5.4 Scholarship Bond Recovery Balances

The Tertiary Scholarships and Loans Decree 2014 established the Tertiary Scholarships and Loans Board (TSLB) for the Administration of Tertiary Scholarships in Fiji effective from 18 December 2013. All administration of Scholarships is to be handled by TSLB from 2014.

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

The audit noted that the scholarship recipient balances were still reflected in the Ministry's general ledger despite the transfer of the administration of scholarships to the TSLB from 2014. Refer to Table 5.3 below for details.

**Table 5.3: Scholarship Bond Recovery Account Balances**

Account Type	Account Description	2015 (\$)	2014 (\$)
<b>Domestic Bank Balances</b>			
1-05101-05101-520415	BSP/CNB-Indigenous Affairs Scholarship	600,330.73	575,549.97
<b>Term Loans Receivable -Clearing Account</b>			
1-05101-05101-391206	Pay Loan-FAB	24,820.76	169,295.19

In addition the Ministry's state revenue included loans recovered from the students in 2015 amounting to \$24,820.76 whilst the scholarship administration has been transferred to the Tertiary Scholarships and Loans Board in 2014.

According to the Ministry, the Scholarship Unit administrating the loan recovery was reorganized after the transfer of the scholarship administration to the TSLB and the officers are no longer available to provide or update the bond recovery records.

Failure to transfer the bond recovery balances to the TSLB has resulted in the Ministry's recording revenue which it is no longer required to collect.



**Recommendations****The Ministry should liaise:**

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

**Ministry's Comments**

*Attempts to transfer the bond recovery are underway. The Ministry had consulted with the former Chief Accountant and continuous reminders have been sent through email to Ministry of Finance on the urgency of our request to transfer the Bond recovery to TSLB. As at today nothing is forthcoming from MOE. Another approach used was the request made for the Permanent Secretaries of the 2 Ministries to consult at their level, which PSTA has agreed to, a date to be drawn for this meeting.*

**5.5 Grants provided to i-Taukei Affairs Board**

Administering agencies must review each grant scheme each year to determine whether it is achieving its specified outcomes as efficiently and effectively as possible and, where it is not, must take action necessary to improve its efficiency and effectiveness.<sup>1</sup>

The Ministry disbursed a sum of \$5,589,394 to iTaukei Affairs Board (Board) during the year 2015. This sum comprised of payments for the operation of the Board, Provincial Councils and allowances for Turaga ni Koro and Mata ni Tikina. Refer to Table 5.4 for details.

**Table 5.4: Allocation of Funds to the Board**

<b>Recipient</b>	<b>Amount (\$)</b>
iTaukei Affairs Board	3,037,794
Provincial Councils	1,000,000
Na Mata	50,000
Turaga ni koro Allowance	1,073,000
Mata ni Tikina Allowance	428,600
<b>Total</b>	<b>5,589,394</b>

However, the Ministry received the acquittal from the Board in an “Excel worksheet” format only. The Board did not provide supporting documents such as payment vouchers and invoices for the expenses.

The last audited account submitted by the Board to the Ministry was for the year ending 31/12/02. While the Board has submitted its draft financial statements for years 2003 to 2007 to the Office of the Auditor General for audit in December 2014, draft accounts for years 2008 to 2015 are yet to be submitted for audit. Refer to Table 5.5 for details.

<sup>1</sup> Finance Instructions 2010 – Section 16 (6)

**Table 5.5: Details of Draft Financial Statements Pending from the Board**

Year	Grant Amount (\$)	Latest update on Pending Audited Financial Statement from the Board
2008	14,547,214	Yet to be submitted to OAG for audit.
2009	15,751,046	
2010	16,448,918	
2011	14,612,936	
2012	13,393,168	
2013	11,938,243	
2014	4,122,000	
2015	5,589,394	
<b>Total</b>	<b>96,402,919</b>	

In the absence of audited financial statements, the Ministry cannot evaluate whether funds provided to the Board was properly utilised for its intended purpose.

### **Recommendations**

#### **The Permanent Secretary should:**

- **follow up with the Board for the submission of outstanding draft financial statements for audit; and**
- **ensure that in absence of the audited financial account, the acquittal report provided by the Board are thoroughly verified by the Senior Accountant of the Ministry for assurance that funds were utilised for its intended purpose.**

### **Ministry's Comments**

*The excel worksheet mentioned herein is only the summary of the individual payments done. This is further detailed out in the General ledger listings that are normally attached with the whole acquittal report submitted to SAO –MAT by PAO –TAB for verification. The copies of the 2015 payment vouchers for each disbursement stated in the acquittals are available for verification. Going forward, copies of the payment vouchers will also be attached with the GL listings.*

*The backlog in the audit of the financial statements was inherited from past management. The delay in the submission was also driven by the following:*

- *The manual system at the Provincial offices*
- *Non- availability of relevant records*
- *No migration audit conducted during system migration*

*Strategies now put in place by the Board to fast track preparation and submission of the financial statements:*

- *Management's current focus is on getting the audit up to date by 2018 for the Board and 2019 for the Provincial Councils.*
- *Manual system at the Provincial office has been reduced due to the introduction of FEC system.*
- *Taskforce is formed and allocated a special room to focus on the preparation on the annual accounts.*
- *The Board is processing the purchase of a new financial system as the current system (WINBIZ provided by Pro systems) is giving us a difficult time in ensuring timely production of financial statements.*

## Section 6 Ministry of Defence, National Security and Immigration

### Roles and Responsibilities

The Ministry manages the nation's security (a prerequisite to stability and peace) and delivers this through the formulation and implementation of policy initiatives, programmes and projects on matters of national security and public order, man-made national crises and emergencies, defence, aerial surveillance, search and rescue operations, national day and other celebrations.

The Ministry is also responsible for immigration matters that include citizenship, detention and deportation, passports, visa, permit, border control, combat trafficking in person, refugee status determination and migration. It also provides a coordinating role through the Defence and Security Forces Liaison Unit on policy matters for the two disciplined services in the Fiji police Force and Republic of Fiji Military Forces.

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## PART A: FINANCIAL STATEMENTS

### 6.1 Audit Opinion

The audit of the 2015 financial statement of the Ministry of Defence, National Security and Immigration resulted in the issue of an unqualified audit report.

### 6.2 Statement of Receipts and Expenditure

The Ministry collected revenue amounting to \$11,221,401 and incurred expenditure totalling \$7,128,405 in 2015. Refer Table 6.1 for details.

**Table 6.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
State Revenue	11,174,929	10,118,787
Agency Revenue	46,472	51,396
<b>TOTAL REVENUE</b>	<b>11,221,401</b>	<b>10,170,183</b>
<b>EXPENDITURE</b>		
<b>Operating</b>		
Established Staff	4,178,502	3,531,603
Government Wage Earners	308,732	245,411
Travel and Communications	321,520	408,247
Maintenance and Operations	549,157	625,649
Purchase of Goods and Services	1,077,042	1,178,012
Operating Grants and Transfers	30,826	29,934
Special Expenditures	348,933	344,362
<b>Total Operating Expenditure</b>	<b>6,814,712</b>	<b>6,363,218</b>
<b>Capital Expenditure</b>		
Capital Construction	---	626,851
Capital Purchases	---	---
<b>Total Capital Expenditure</b>	<b>---</b>	<b>626,851</b>
Value Added Tax	313,693	379,456
<b>TOTAL EXPENDITURE</b>	<b>7,128,405</b>	<b>7,369,525</b>

Total revenue increased by \$1,051,218 or 10.3% in 2015 compared to 2014. The increase is attributed to the increase in demand for Fiji passports.

Total expenditure decreased by \$241,120 or 3.3% in 2015 compared to 2014. This was mainly due to reduction in cost related to travelling, communication, monitoring and control in purchases of fuel and oil, spare parts, maintenance of vehicles, stationery and printing.

### 6.3 Appropriation Statement

The Ministry incurred expenditures totalling \$7,128,405 against the revised budget of \$7,152,924 resulting in a savings of \$24,519. Details of expenditures against the budget estimates are provided in Table 6.2.

**Table 6.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	4,503,482	(320,491)	4,182,991	4,178,502	4,489
2	Government Wage Earners	243,842	66,811	310,653	308,732	1,921
3	Travel & Communications	180,930	143,558	324,488	321,520	2,968
4	Maintenance & Operations	466,837	87,727	554,564	549,157	5,407
5	Purchase of Goods & Services	1,020,872	52,843	1,073,715	1,077,042	(3,327)
6	Operating Grants & Transfers	34,200	---	34,200	30,826	3,374
7	Special Expenditures	394,061	(35,483)	358,578	348,933	9,645
	<b>Total Operating Costs</b>	<b>6,844,224</b>	<b>(5,035)</b>	<b>6,839,189</b>	<b>6,814,712</b>	<b>24,477</b>
	<b>Capital Expenditure</b>					
8	Construction	---	---	---	---	---
9	Purchase	---	---	---	---	---

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>Total Capital Expenditure</b>	---	---	---	---	---
13	Value Added Tax	308,700	5,035	313,735	313,693	42
	<b>TOTAL EXPENDITURE</b>	<b>7,152,924</b>	---	<b>7,152,924</b>	<b>7,128,405</b>	<b>24,519</b>

#### 6.4 Trust Fund Account Statement of Receipts and Payments

The Immigration Trust Fund Account records immigration bond received from permit holders. Refer Table 6.3 for receipts and payments for the year ended 31/12/15.

**Table 6.3: Trust Account Statement of Receipts & Payments for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Immigration Bond Received	6,610,082	6,475,962
<b>TOTAL RECEIPTS</b>	<b>6,610,082</b>	<b>6,475,962</b>
<b>PAYMENTS</b>		
Immigration Bond Payment	2,975,123	3,093,201
<b>TOTAL PAYMENTS</b>	<b>2,975,123</b>	<b>3,093,201</b>
<b>Net Surplus</b>	<b>3,634,959</b>	<b>3,382,761</b>
Opening Balance as at 1 January	14,048,348	10,665,587
<b>Closing Balance as at 31 December</b>	<b>17,683,307</b>	<b>14,048,348</b>

Net surplus increased by \$252,198 or 7% in 2015 compared to 2014 as a result of increase in bond receipts during the year.

## PART B: AUDIT FINDINGS

### MINISTRY OF DEFENCE

#### 6.5 Expenditure Not Budgeted For

Section 2.1.2 of the Ministry of Defence Finance Manual 2011 provides that no officer may incur expenditure, which results in the agency's appropriation being exceeded without the authorization of the Ministry of Finance, pending approval by Cabinet.

The Ministry on 9/4/15 paid a sum of \$ 9,615 to Naidu Building Works for painting works at the National War Memorial Museum at Nasese, Suva from its special expenditure allocation number 1-06101-06101-070104. However this expenditure was not allocated for in the Ministry's budgetary allocation for the year 2015.

As a result the Ministry diverted funds without the approval of the Ministry of Finance as required under the Ministry's Finance Manual.

**Recommendations**

**The Ministry should ensure that funds allocated are utilised for the intended purpose only and any transfer of funds by virement is approved by the Ministry of Finance.**

**Ministry's Comments**

*The Ministry acknowledges the findings of the Audit Team and the recommendation of the Auditor General as a way forward. We do confirm that the amount mentioned above was sourced from the Remembrance Day Expenditure vote instead of the capital project funds under RIE.*

*We have noted the consequence of the oversight and assure that we shall vire funds from a saving account to the right allocation whereby expenditures can be incurred as suggested by the OAG. Further, we shall incorporate this as an opportunity for improvement in the SOP that we anticipate to develop.*

*As part of planning, the Ministry shall also incorporate such processes into the IWP's of the Accounts Officer and processing subordinates within the accounts section.*

**DEPARTMENT OF IMMIGRATION****6.6 Anomalies in Passport Records**

Reconciliation is a fundamental accounting process that confirms and documents that account balances are in agreement. The total number of passports applications received shall equal to the total number of passport issued plus pending passport applications in process.

It was noted from the number of applications received, passports issued and damaged passports as recorded in IBMS system in 2015 that Department's monthly report and TARDIS system were not in agreement. Refer to Table 6.4 for details:

**Table 6.4: Reconciliation of Passports**

Activities	IBMS	Monthly Reports	TARDIS
Number of Application Received	34,361	35,303	0
Number of Passports Issued	31,744	38,141	38,307
Damaged/Missing Passports	0	317	317
Variance	2,617	(2,521)	0

The findings indicate that the Passports section was not properly reconciling, monitoring and investigating variances of passports received and issued.

**Recommendations**

**The Department should:**

- **implement adequate controls in its Passport section to ensure that passport records are properly maintained;**
- **ensure that number of passport applications receive is reconciled with the number of passports issued on a monthly basis; and**

- **investigate the variance between these application systems regarding the number passport application received and number of passport issued. Appropriate action taken against the officers responsible to ensure these records reconciled.**

**Department’s Comments**

*The Department acknowledges and concurs with OAG’s comments and recommendations.*

- *The Department has setup a control system whereby a register has been opened to maintain all applications received for all stations on daily basis.*
- *The Department is taking all necessary measures in reconciling the passports issued periodically.*
- *Yet again, in conjunction with ITC and Informatics, the Department is working on acquiring and implementing a software solution (one platform – from vetting to printing). Once this solution is implemented, the reports will be generated by the system and all stages of passport processing will be captured.*

*The Passport section did another count and determined the following for 2015:*

<i>Applications received</i>	<i>36,600</i>
<i>Less: Passports issued</i>	<i><u>38,258</u></i>
<i>Difference</i>	<i>1,658</i>

***The 1,658 comprise of:***

<i>Pending applications</i>	<i>1,506</i>
<i>Damaged Books</i>	<i>76 (mechanical fault)</i>
<i>Replacements</i>	<i><u>76</u></i>
<b><i>Total Difference</i></b>	<b><i>1,658</i></b>

- *Pending applications are applications that were received in the previous year and issued in the current year and applications received in the current year and issued in the coming year. An advertisement was placed in the details for applicants to collect their passports and the response has been very encouraging.*
- *The damaged books are due to mechanical failure and the damaged books are to be replaced hence the extra 76 books.*

**6.7 Poor File Management System– Registry Office**

The Senior Accounts Officer is responsible for the effective design and operation of internal control of the agency.<sup>1</sup> The Director Immigration must ensure that the agency internal control system is reviewed on a regular basis to ensure that they are meeting the intended purposes.<sup>2</sup>

Audit noted the following anomalies in relation to records maintained by the Department.

- (i) The Departments Registry did not have adequate space for all visa related files as files for student permit, extension of permit applications and citizenship applications were kept with the Processing Officers around their workstations. Refer to Figures 6.1 - 6.6 for illustration.

<sup>1</sup>Immigration Finance Manual 2013, Section 17.1.1

<sup>2</sup>Immigration Finance Manual 2013, Section 17.3.1

**Figures 6.1 – 6.6: Evidence of how files are maintained by the Department.**



Since the files stacked beside the workstations of the processing officers are accessible to all staffs, there is risk of files or documents and confidential information in the files being tampered with, misplaced or leaked.

**Recommendations**

**The Department should ensure that:**

- **appropriate spacing is allocated for safekeeping and maintenance of files**
- **files are stored in a secure location and accessible to authorized officers only**
- **an effective and efficient filing system is designed and implemented for registry**
- **Registry controls are strengthened for proper recording of file movements.**

**Department's Comments**

*The Department acknowledges and concurs with OAG's comments and recommendations and below are explanations provided as follows:*

- *The Department has taken proactive measures to minimize the problem of misplacement and lost files in the conduct of the overtime from 18/5/16 to 31/5/16 to improve the current system. The files have been placed in alphabetical order for easy accessibility.*
- *The Department is focusing on an effective and efficient system for easy accessibility and safety in storage for files at a proper location within the Office.*



## 6.8 Delay in Bond Refunds

The processing and endorsement/approval of all bond refund applications should not exceed two (2) weeks from the date the request is received.<sup>3</sup>

The Ministry collects bonds from foreigners who enter the country to work on work permit. It was noted that the Ministry was not able to refund the bond within 2 weeks on several instances. For several applicants the bond amounts were refunded after 2 weeks or 14 days. Refer to Table 6.5 for details.

**Table 6.5: Delays in Processing of Bond Refunds**

Name	Date of Application for Bond Refund	Date Bond Refunded	Total Turnaround Time (days)	Delay in Bond Refund (Days)
PSFS1301634	23/10/15	29/12/15	68	54
PWLN1301822	17/11/15	30/12/15	47	33
PWLS1301246	17/11/15	30/12/15	47	33
PWLN1301820	27/11/15	30/12/15	33	19
PWLN1503650	2/11/15	4/12/15	32	18

The delay in processing was attributed to difficulty in locating and retrieving files from Registry with a lot of time taken and eventually impacted the turnaround time in processing applications by the Department.

### **Recommendation**

**The Department should ensure that its turnaround times are within the set timelines.**

### **Department's Comments**

*The Department acknowledges and agrees with OAG's comments and will improve in the following areas;*

- *Efforts have been made to process bond refunds within the set timelines. The Registry is also clearing the inactive files to accommodate for the active files.*
- *The Department is implementing better vetting procedures so that all the required documents are collected at the time of lodgement for refund.*

<sup>3</sup> Bond Refund Processes, Section 6

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

### Role and Responsibilities

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

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

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

The significant increase in funding for the Ministry will support a number of new initiatives, which include a payment to Christmas Island veterans, more funding for workman's compensation and the National Employment Centre, and the launch of a new Foreign Employment Service

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## PART A: FINANCIAL STATEMENT

### 7.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Employment, Productivity and Industrial Relations resulted in the issue of a qualified audit report. Refer to the qualifications below.

#### **Statement of Receipts & Expenditures**

There were unauthorized credit entries totalling \$685,735 in the Established Staff expenditure (SEG 1) where funds were transferred from VAT (SEG 13). In addition, the Ministry did not refund unutilized trust fund monies credited into SEG 1 totalling \$96,432. Hence, the Established Staff expenditure is understated by \$782,167 and VAT expenditure is overstated by \$685,735 for the year ended 31 December 2015. Similarly, various trust fund accounts have been understated by \$96,432 as at 31 December 2015.

#### **National Occupational Health & Safety (OHS) Education and Accident Prevention Trust Fund Account – Statement of Receipts and Payments**

Contrary to section 31 of the Occupational Health & Safety Act, payments totalling \$360,491 were paid from the OHS Trust Fund Account for payment of salaries for staffs processing workmen's compensation staff. Thus, the closing balance of the OHS Trust Fund account is understated by \$360,491.

### 7.2 Statement of Receipts and Expenditure

The Ministry of Employment, Productivity and Industrial Relations collected revenue totalling \$30 and incurred expenditure totalling \$15,305,909 in 2015.

**Table 7.1: Statement of Receipts and Expenditure for 2015**

Descriptions	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Commission	30	1,100
<b>Total State Revenue</b>	<b>30</b>	<b>1,100</b>
<b>Total Revenue</b>	<b>30</b>	<b>1,100</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	4,081,620	3,663,443
Government Wage Earners	199,965	194,183
Travel & Communications	307,370	337,984
Maintenance & Operations	349,949	346,085
Purchase of Goods & Services	775,654	886,506
Operating Grants & Transfers	30,384	27,984
Special Expenditures	8,082,537	3,756,107
<b>Total Operating Expenditure</b>	<b>13,827,479</b>	<b>9,212,292</b>
Value Added Tax	1,478,430	770,786
<b>TOTAL EXPENDITURE</b>	<b>15,305,909</b>	<b>9,983,078</b>

The total expenditure increased by \$5,322,831 or 53% in 2015 compared to 2014 mainly due to increase in Established Staff cost and Special Expenditure.

The increase in Established Staff expenditure was due to the transfer of salary and FNPF of the Minister to the Ministry of Employment, Productivity and Industrial Relations and increase in Employers FNPF contribution from 8% to 10%.

Major increase was also noted for Special Expenditure due to increase in the 2015 budget for National Employment Centre (NEC) by \$176,722, FORES by \$520,150, Christmas Island Veteran by \$2,950,000 and Workmen compensation by \$1,000,000.

### 7.3 Trust Statement of Receipts and Expenditure

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

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

#### 7.3.1 Occupational Health and Safety Trust Statement of Receipts and Expenditure

The National Occupational Health & Safety Education and Accident Prevention Trust Account collected revenue totalling \$1,925,298 and incurred expenditure totalling \$1,409,169 in 2015.

**Table 7.2: OHS Education and Accident Prevention Trust Statement of Receipts and Expenditure for 2015**

Descriptions	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
OHS Trust Fund	1,925,298	1,583,962
<b>Total Receipts</b>	<b>1,925,298</b>	<b>1,583,962</b>
<b>PAYMENTS</b>		
OHS Trust Fund	1,409,169	1,619,511
<b>Total Payments</b>	<b>1,409,169</b>	<b>1,619,511</b>
<b>Net Surplus/ (deficit)</b>	<b>516,129</b>	<b>(35,549)</b>
Balance as at 1 January	4,725,808	4,761,357
<b>Closing Balance as at 31/12/15</b>	<b>5,241,937</b>	<b>4,725,808</b>

The total expenditure decreased \$210,342 or 13% in 2015 compared to 2014 mainly due to decrease in expenses for the operation of the Occupational Health and Safety Trust within the Ministry. These include health and safety education or training or research; and ensuring or promoting the health safety of persons at workplaces.

#### 7.3.2 Child Labour Unit Trust Statement of Receipts and Expenditure

The Child Labour Unit Trust Account collected revenue totalling \$10,995 and incurred expenditure totalling \$4,566 in 2015.

**Table 7.3: CLU Trust Statement of Receipts and Expenditure for 2015**

Descriptions	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
CLU Trust Fund	10,995	51,276
<b>Total Receipts</b>	<b>10,995</b>	<b>51,276</b>
<b>PAYMENTS</b>		
CLU Trust Fund	4,566	30,399
<b>Total Payments</b>	<b>4,566</b>	<b>30,399</b>
<b>Net Surplus</b>	<b>6,429</b>	<b>20,877</b>
Balance as at 1 January	977	(19,900)
<b>Closing Balance as at 31/12/15</b>	<b>7,406</b>	<b>977</b>

The total expenditure decreased by \$25,833 or 85% in 2015 compared to 2014 mainly due to the decrease in expenses for the operation of the Child Labour Unit within the Ministry.

### **7.3.3 Employment Relations Agency Trust Statement of Receipts and Expenditure**

The Employment Relations Agency Trust Account collected revenue totalling \$231,702 and incurred expenditure totalling \$3,448 in 2015.

**Table 7.4: ERT Trust Statement of Receipts and Expenditure for 2015**

Descriptions	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
ERT Trust Fund	231,702	148,992
<b>Total Receipts</b>	<b>231,702</b>	<b>148,992</b>
<b>PAYMENTS</b>		
ERT Trust Fund	3,448	216,835
<b>Total Payments</b>	<b>3,448</b>	<b>216,835</b>
<b>Net Surplus</b>	<b>228,254</b>	<b>(67,843)</b>
Balance as at 1 January	107,611	175,454
<b>Closing Balance as at 31/12/15</b>	<b>335,865</b>	<b>107,611</b>

The total expenditure decreased by \$213,387 or 98% in 2015 compared to 2014 mainly due to the decrease in expenses for the operation of the Employment Relations Agency within the Ministry.

### **7.3.4 National Employment Centre Trust Statement of Receipts and Expenditure**

The National Employment Centre Trust Account collected revenue totalling \$47,307 and incurred expenditure totalling \$353,425 in 2015.

**Table 7.5: NEC Trust Statement of Receipts and Expenditure for 2015**

Descriptions	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
NEC Trust Fund	47,307	33,649
<b>Total Receipts</b>	<b>47,307</b>	<b>33,649</b>
<b>PAYMENTS</b>		
NEC Trust Fund	353,425	22,958
<b>Total Payments</b>	<b>353,425</b>	<b>22,958</b>
<b>Net (Deficit)/Surplus</b>	<b>(306,118)</b>	<b>10,691</b>
Balance as at 1 January	501,475	490,784
<b>Closing Balance as at 31/12/15</b>	<b>195,357</b>	<b>501,475</b>

The total expenditure increased by \$330,467 or 1,439% in 2015 compared to 2014 mainly due to use of \$350,000 to cater for salary and FNPf contribution for staffs working in Foreign Employment Services (FORES) .

### **7.3.5 OHS Consultancy Services, Workmen's Compensation and Wages Dispute Trust (WBC) Statement of Receipts and Expenditure**

This account comprises of Wages Disputes, Workmen's Compensation and OHS Consultancy. The WBC Trust Account collected revenue totalling \$6,179,023 and incurred expenditure totalling \$5,808,446 in 2015.

**Table 7.6: WBC Trust Statement of Receipts and Expenditure for 2015**

Descriptions	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Workmen's Compensation	4,189,213	3,332,077
Wages Dispute	562,328	825,166
OHS Consultancy	1,427,482	1,882,484
<b>Total Receipts</b>	<b>6,179,023</b>	<b>6,039,727</b>
<b>PAYMENTS</b>		
Workmen's Compensation	3,963,750	3,161,788
Wages Dispute	644,541	690,059
OHS Consultancy	1,200,155	1,993,836
<b>Total Payments</b>	<b>5,808,446</b>	<b>5,845,683</b>
<b>Net Surplus</b>	<b>370,577</b>	<b>194,044</b>
Balance as at 1 January	954,218	760,174
<b>Closing Balance as at 31/12/14</b>	<b>1,324,795</b>	<b>954,218</b>

The total expenditure decreased by \$37,237 or 0.6% in 2015 compared to 2014. Expenses incurred were mainly for workmen's compensation, wages dispute and OHS Consultancy services.

- Workmen’s compensation – compensation that is paid to workmen and their dependents are deposited in the trust account before it is paid to them.
- Wages dispute – relates to arrears of wages owed by employers to employees. Monies paid by employers are deposited in the trust account before it is paid out to claimants.
- OHS consultancy – Overtimes and allowances paid by employers (other entities inspected) are deposited into the trust account and is later paid out to OHS officers.

## 7.4 Appropriation Statement

The Ministry of Labour, Industrial Relations and Employment incurred expenditure totalling \$15,305,909 in 2015 against the revised budget of \$15,734,709 resulting in a savings of \$428,800.

Details of expenditures against the budget estimates are provided in Table 7.7.

**Table 7.7: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	4,120,737	(20,000)	4,100,737	4,081,620	19,117
2	Government Wage Earners	199,971	---	199,971	199,965	6
3	Travel & Communications	272,450	53,858	326,308	307,370	18,938
4	Maintenance & Operations	317,300	36,057	353,357	349,949	3,408
5	Purchase of Goods & Services	849,900	(5,190)	844,710	775,654	69,056
6	Operating Grants & Transfers	55,000	(24,615)	30,385	30,384	1
7	Special Expenditures	8,437,651	(40,110)	8,397,541	8,082,537	315,004
	<b>Total Operating Expenditure</b>	<b>14,253,009</b>	<b>---</b>	<b>14,253,009</b>	<b>13,827,479</b>	<b>425,530</b>
13	Value Added Tax	1,481,700	---	1,481,700	1,478,430	3,270
	<b>TOTAL EXPENDITURE</b>	<b>15,734,709</b>	<b>---</b>	<b>15,734,709</b>	<b>15,305,909</b>	<b>428,800</b>

## PART B: AUDIT FINDINGS

### 7.5 Understated Established Staff Expenditure

Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts.<sup>1</sup>

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. No officer may incur expenditure, which results in the Agency’s appropriation being exceeded without the proper authorization of the Ministry of Finance, pending approval by Cabinet.<sup>2</sup>

The Permanent Secretaries of agencies may authorise the transfer of budgeted funds as follows -(a) out from SEG 1 or 2 (Established and Unestablished Staff) but shall not transfer funds into SEG 1 or 2<sup>3</sup>.

It was noted that during the year, the Ministry transferred funds totalling \$685,735 from VAT SEG 13, and utilised Trust Fund monies transferred into SEG 1 totalling \$96,432.09. Refer to tables below and [Appendix 7.1](#) for details of transfer.

<sup>1</sup>Ministry of Labour, Industrial Relation & Productivity Finance Manual 2013 Section 15.1.1

<sup>2</sup>Finance Instructions 2010 section 7

<sup>3</sup>Financial Instruction 2010, Section 10(1)a

**Table 7.8: Transfer of funds from SEG 13 to SEG 1**

Journal voucher	Amount (\$)	Funds transferred from (VAT) SEG 13 expenditure	Expenditure account credited (Established Staff)	Journal Voucher narration
JV 84/12	17,590.00	1-07102-91011-130101	1-07102-91011-010101	Being adjustment of overspending in SEG 1
	20,138.00	1-07103-91011-130101	1-07102-91011-010101	
JV 89/12	484,715.00	1-07101-07101-130101	1-07102-91011-010101	
JV 88/12	163,292.00	1-07102-07101-130101	1-07102-91011-010201	Adjustment of overspending in Activity 2
<b>Total</b>	<b>685,735.00</b>			

**Table 7.9: Trust Fund Account Monies used to Pay Established Staff Costs**

Allocation Description	Amount Unutilised (\$)	Comments
Occupational Health and Safety (OHS) Consultancy Services	6,876.53	Surplus of funds paid into SEG 1 expenditure but was not retired back to the Trust at the end of the year.
National Occupational Health and Safety Education and Accident Prevention Trust Fund	(11,327.38)	
National Employment Centre (NEC) Trust Fund	100,882.94	Surplus of funds paid into SEG 1 expenditure but was not retired back to the Trust at the end of the year.
<b>Total</b>	<b>96,432.09</b>	

Transferring of funds from Trust Fund account and VAT expenditure have understated the Established Staff expenditure by \$782,167.09 for the year ended 31/12/15.

### **Recommendations**

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

- **ensure to comply with its Finance Manual Section 15.1.1 at all times.**
- **further investigate this matter and take appropriate action.**

### **Management Comments**

*We will strictly abide by your recommendation in the future. VAT allocation will not to be used to cover for salary.*

*Secondly, all unutilised funds transferred to SEG 1 will be return to the appropriate account.*

*In addition please note that this is not the first time the Ministry have journalised from Vat allocation. Auditors in the past have not raised this issue during the audit.*

*Furthermore in 2014, the Ministry of Employment Productivity and Industrial Relations has an unqualified report from Office of the Auditor General however \$202,830 was transfer from VAT to Personal Emoluments.*

*However, we will strictly follow your recommendation in the future.*

*Senior Accounts officer to be investigated*



## 7.6 Unauthorized Use of Main Trust Fund Monies

The National Occupational Health and Safety Service were responsible for the promotion of OHS and enforcement of the Health and Safety at Work Act 1996 and its subsidiary legislations and the Workmen's Compensation Act (Cap. 94).<sup>4</sup>

The funding approved by the National OHS Board was to serve the purpose of the project only and the Ministry should not deviate to use fund to pay acting allowances to project officers identified to act on established line posts. Further, the Ministry should be aware that if established posts continue to remain unfunded, then it should only wait until funding is approved and the posts are filled procedurally.<sup>5</sup>

The Commission at its meeting held on 16/12/11 approved the creation of ten (10) new project positions for the Workers Compensation Service, with effect from 16/12/2011 to 31/12/2012. The project is granted on the understanding that funding for the project would be met from the OHS Trust Fund.<sup>6</sup>

The money standing to the credit of the Fund may be applied by the Minister, on the advice of the Board for the purposes of-

- a) Health and safety education or training or research ; and
- b) Ensuring or promoting the health safety of persons at work places.<sup>7</sup>

The audit noted that the Ministry transferred amount totalling \$360,490.92 from National Occupational Health and Safety Education and Accident Prevention Trust fund to pay salaries for staffs working for Workmen Compensation Unit contrary to Health and Safety Act at Work Act Section 1996 section 31. Refer to Table 7.10 below for details:

**Table 7.10: Unauthorized Use of Trust Fund Account to Pay Workmen Compensation Staff Salaries**

Receipt Number	Transferred from	Transferred to	Amount (\$)	Comments
860877	OHS Trust (9-07101-07006-895030)	SEG 1 (1-07103-91011-010101)	75,653.00	Transfer for Doctors pay employed by Workmen compensation Unit for 2nd year contract.
	OHS Trust (9-07101-07006-895030)	SEG 1 (1-07103-91011-010201)	7,565.30	
861148	OHS Trust (9-07101-07006-895030)	SEG 1 (1-07103-91011-010101)	34,523.05	Upgrade of Salary for the 14 Labour Inspectors from Work Compensation as from \$13,191 to \$16,134.
	OHS Trust (9-07101-07006-895030)	SEG 1 (1-07103-91011-010201)	3,452.30	
861145	OHS Trust (9-07101-07006-895030)	SEG 1 (1-07103-91011-010101)	217,542.97	Transfer funds from National Occupational Health and Safety Education and Accident Prevention Trust Fund to SEG 1 cater for salary and FNPF contribution for 5 Assistant Labour Officers and 10 Labour Inspectors from Workmen Compensation to clear backlog cases.
		SEG 1 (1-07103-91011-010201)	21,754.30	
		<b>Total</b>	<b>360,490.92</b>	

<sup>4</sup> Annual Corporate Plan 2015 – Page 12

<sup>5</sup> PSC Letter dated 01/05/2007, reference 29/77-05

<sup>6</sup> PSC Letter dated 20/12/2011- Reference: 29/299/64

<sup>7</sup> Section 31 of Health and Safety at Work Act 1996

The use of OHS Trust Fund money to pay for Workmen Compensation indicates unauthorized use of OHS Trust Fund account monies.

### **Recommendations**

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

- **ensure that OHS Trust Funds are used for its intended purpose only.**
- **ensure that Trust Funds expenses are met from its own Trust Fund instead of using funds from other Trust Fund account to meet operational expenditures.**

### **Management Comments**

#### ***Brief Background***

*Section 31 of the Health and Safety at Work Act of 1996 stated the money standing to the credit of the Fund may be applied by the Minister, on the advice of the Board, for the purpose of:*

- a) Health and safety education or training or research; and*
- b) ensuring or promoting the health and safety of person at workplaces.*

*Section (b) of the OHS Act 1996 stipulates that the purpose of the fund is to ensure the health and safety of a person at workplaces. When workplace health and safety are breached resulting in injuries or death to workers, the Workman Compensation staff normally comes in to ensure social justice is provided to workers and their dependents.*

*The approval to use OHS Trust Account for the payment of Workman Compensation staff was approved back in 2010 by Public Service Commission.*

*The National Occupational Health and Safety Advisory Board (NOHSAB) the governing body for all OHS Policy, Administrative & Finance issued had approved that the salaries of the Workman Compensation staff with the endorsement of the Minister.*

*The Ministry's National Occupational Health and Safety Service (NOHSS) is responsible for the enforcement of the Health and Safety at Work Act 1996 and its subsidiary legislation and the Workman Compensation Act (Cap 98). The activities of the NOHSS are based on the 'duty of care' principles and facilitate the promotion of a proactive OHS risk management culture which emphasised the creed that those who create the risk in the work place and those who work with them have the primary responsibility to solve them.*

*NOHSS has comprised the following five (5) specialised units:*

- I. Training, Accreditation, Chemical and Hygiene (TACH)*
- II. Capital project and Information Technology (CPIT)*
- III. Risk Engineering (RE)*
- IV. Field Operation (FO)*
- V. Workers Compensation (WC)*

#### ***Way Forward.***

*Due to the concerns raised regularly by NOHSAB members on the utilization of the OHS Trust Fund to pay for salaries, another submission was made to the Ministry of Finance on the proposal to regularize all Project positions including doctor's position into line-posts in the 2016-2017 budget submission. This was approved. Please note that Workers compensation does not have a Trust Account to meet the operation cost of recruiting Project officers.*

## 7.7 Pending Workmen's Compensation Cases

The Workmen's Compensation Act (Cap. 94) places on employers the legal responsibility to compensate workers who sustain injuries and contract diseases out of or in the course of their employment. The actual compensation is through monetary payments and medical care provisions for the workers. In cases involving the death of workers, compensation is paid to the dependents of the deceased.<sup>[1]</sup>

The Workmen's Compensation Unit of the Ministry is tasked with facilitating the above requirement. As at 31/08/16, a total of 1,734 compensation claims registered with the Workers Compensation Unit were yet to be resolved. Of these unsettled claims, 14 claims were registered during the period 2001 to 2009 whilst 1,104 claims were registered during the period 2010 to 2014 and 616 cases relating to 2015 onwards. Altogether there are 1,734 cases pending with the Workers Compensation Unit. Refer to Table 7.11 below for details.

**Table 7.11: Death and Injury Pending Cases**

Year	Death Cases	Injury Cases	Total Cases	Cases with ERT	Total Cases Pending with Worker's Compensation Section
2001-2009	5	9	14	14	14
2010-2014	276	860	1,136	32	1,104
2015 on wards	71	602	673	57	616
<b>Total</b>	<b>352</b>	<b>1,471</b>	<b>1,823</b>	<b>103</b>	<b>1,734</b>

Delays in the settlement of cases are attributed to the length of time taken in concluding findings for the various stages of the resolution process. Deliberations at each stage of the process are dependent on various circumstances such as the ability to investigate a claim, determining compensability, availability of information (i.e. witnesses may no longer be available or key evidence may not be preserved), court decisions, insolvent employers, etc.

In addition, audit noted that with the length of time taken to process or finalise claims, some claimants have lost out on compensation as employers/companies have wound up and ceased their operations.

Having an efficient resolution process ensures that workers or their dependents are fairly compensated for any loss of working capacity arising from injury, disability, work related disease, or death in a timely manner.

### **Recommendations**

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

- **make efforts in resolving compensatory claims at the earliest;**
- **review its claims and settlement processes to facilitate the accomplishment of substantial justice in all cases expeditiously; and**
- **create awareness amongst employers and the workforce regarding the importance of reporting /submitting claims promptly.**

### **Management Comments**

*To continually improve its service delivery, the Ministry has implemented the following strategies:*

<sup>[1]</sup> MLIRE ACP 2013 – National Occupational Health & Safety Service (NOHSS) – Section iv  
Ministry of Employment, Productivity and Industrial Relations

*The Unit has documented all its systems and processes and has been ISO 9001: 2008 certified in July 2015, where processing of cases are clearly indicated in the relevant Standard Operating Procedures' for officers to follow, together with the timeframes.*

*A full time medical assessor is now based with the Ministry to carry out final assessment for injured workers and providing medical opinions for death cases. In addition, approximately 130 medical doctors have been trained on Impairment Assessment; Employers' are being prosecuted in the Employment Relations Tribunal for failing to pay compensation to injured workers and dependants of deceased workers.*

*The Unit is collaborating with the Training Accreditation Chemical & Hygiene (TACH) Unit in conducting workers compensation awareness sessions as part of the OHS Trainings for both the private and public sectors, On the three cases highlighted in the report following their winding up orders, these are some of the challenges currently faced when working with this out-dated piece of legislation. To address the issue, the Ministry is consulting with the tripartite partners on the need to complete the labour reforms and introduce a modern legislation that will be conducive towards quick resolution of cases.*

## 7.8 Unauthorised Transfer of Funds from VAT Allocation

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without the proper authorization of the Ministry of Finance, pending approval by Cabinet.<sup>8</sup>

The audit noted that on 15/01/15, the Ministry transferred amount totalling \$21,433.47 from SEG 13 VAT to OHS Consultancy Trust Account to reimburse allowances paid to National Employment Centre in 2014 from OHS Consultancy Main Trust Fund Account<sup>9</sup>. Refer to Table 7.12 below for details:

**Table 7.12: VAT Funds Used To Reimburse OHS Consultancy**

Date	Cheque Number	Trust Fund Receipt Number	Transfer from VAT	Transfer to OHS Consultancy Trust Account	Amount (\$)
15/01/15	37436	443402	1-07101-07101-130101	9-07101-07005-895004	21,433.47

Transferring of funds from SEG 13 to Trust Fund and Established Staff expenditure for the payment of salaries has overstated VAT expenditure for the year ended 31/12/15.

### **Recommendation**

**The Ministry must ensure that funds are used for the purpose it is intended for.**

### **Management Comments**

*A payment was made from National Employment Centre budgetary allocation amounting to \$164,323.30 on 22<sup>nd</sup> January 2015 to refund the amount that was used to facilitate payment for NEC allowances when the budgetary allocation was inadequate towards the end of 2014.*

*This is a normal payment from the Operating funds (SEG 7) and it is our understanding that VAT should be charged accordingly.*

*We will seek Ministry of Economy clarification in future in this scenario arises again.*

<sup>8</sup>Finance Instructions 2010 section 7

<sup>9</sup>Minute dated 18/01/16 – Reimbursement for Payment

## **7.9 Payment of VAT from Workmen’s Compensation Claims**

The supplies of goods and services listed in this schedule shall be exempt from tax. The supply of financial services, where that supply is not a zero-rated supply in terms of the Second Schedule to this Decree consisting of indemnity payments of insurance against loss of earnings, being earnings within the meaning of the Workmen’s Compensation Act (Cap.94).<sup>10</sup>

Contrary to VAT Decree 1991, first schedule, exempt supplies section 1(b) (iii), the audit noted that the Ministry made VAT payments totalling \$236,136.69 for payment of workmen’s compensation claim. Refer to the Appendix 7.2 for details.

The above findings indicate breach of VAT Decree first schedule, exempt supplies section 1(b) (iii).

### **Recommendation**

**The Ministry should ensure that payment of workmen’s compensation claims does not include VAT.**

### **Management Comments**

*VAT was charged to Workers Compensation payment since the budget was provided by Ministry of Finance in the 2015 Budget Estimate.*

*The Ministry has sought clarification with FRCA Officials and have been advised accordingly.*

*Your recommendation will be strictly followed.*

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<sup>10</sup>VAT Decree 1991 First Schedule 1 (b) (iii)-page 113

**APPENDIX 7.1: Details on Funds Transferred, Utilised and Unutilised**

Allocation Transferred from	Allocation Number	Particulars	Amount Transferred (\$)	Plus Salary Upgrade (\$)	Total Amount Transferred to SEG 1 (\$)	Amount Paid Out (\$)	Amount Unutilised (\$)	Comments
<b>Occupational Health and Safety (OHS) Consultancy Services</b>								
Occupational Health and Safety (OHS) Consultancy Services	9-07101-07005-895004	Transfer funds from OHS Consultancy Services Trust Fund to SEG 1 and FNPF contribution cater for salary for 6 project officers from Workmen Compensation unit.	87,060.60	-	87,060.60	103,336.40	(16,275.80)	\$6,876.53 is the surplus of the funds paid into SEG 1 as at 31/12/15. From the total of \$419,663.71 paid from the OHS Consultancy Services Trust Fund, only \$412,787.18 was used to pay its project staff. The surplus of \$6,876.53 paid into SEG 1 expenditure should have retired back to the OHS Consultancy Services Trust Fund at the end of the year but there were insufficient funds available in SEG 1 to facilitate the transfer.
		Transfer funds from OHS Consultancy Services Trust Fund to SEG 1 cater for salary and FNPF contribution for 17 OHS project officer's salaries.	332,603.11	-	332,603.11	309,450.78	23,152.33	
		<b>Total</b>	<b>419,663.71</b>		<b>419,663.71</b>	<b>412,787.18</b>	<b>6,876.53</b>	
<b>National Occupational Health and Safety Education and Accident Prevention Trust Fund</b>								
National Occupational Health and Safety Education and Accident Prevention Trust Fund	9-07101-07006-895030	Transfer funds from National Occupational Health and Safety Education and Accident Prevention Trust Fund to SEG 1 cater for salary and FNPF contribution for 5 Assistant Labour Officers and 10 Labour Inspectors from Workmen Compensation to clear backlog cases.	239,297.27		239,297.27	253,335.84	(14,038.57)	From the total of \$277,272.62 paid from National Occupational Health and Safety Education and Accident Prevention Trust Fund, \$37,975.35 was used to pay increment of Trust Fund project officers pay and \$253,335.84 for Workmen Compensation project staffs. <b>Additional funds from SEG 1 Budget was utilised to meet the shortfall.</b>
		Transfer funds from National Occupational Health and Safety Education and Accident Prevention Trust Fund to SEG 1 to upgrade salary and FNPF contribution for 14 Workmen Compensation staff from \$13,191 to \$16,134 backdated till 01/03/15.	-	37,975.35	37,975.35	35,264.16	2,711.19	
		<b>Total</b>	<b>239,297.27</b>	<b>37,975.35</b>	<b>277,272.62</b>	<b>288,600.00</b>	<b>(11,327.38)</b>	
<b>National Employment Centre (NEC) Trust Fund</b>								
National Employment Centre (NEC) Trust Fund	9-07101-07009-895040	Transfer funds from NEC Trust Fund to SEG 1 cater for salary and FNPF contribution for 18 NEC Foreign employment services.	350,000.00	-	350,000.00	249,117.06	100,882.94	\$350,000 was received and credited into SEG1 expenditure from National Employment Centre (NEC) Trust Fund. After the payment of NEC project staffs salaried amounting to \$249,117.06 the surplus fund of \$100,882.94 was not retired back to the National Employment Centre (NEC) Trust
		<b>Total</b>	<b>1,008,960.98</b>	<b>37,975.35</b>	<b>1,046,936.33</b>	<b>950,504.24</b>	<b>96,432.09</b>	

**APPENDIX 7.2: Payment of VAT for Workmen's Compensation**

Date	Payment Voucher	VAT Amount Paid (\$)
16/01/2015	43711	2,397.18
23/01/2015	43805	3,130.44
26/01/2015	43839	3,130.44
03/02/2015	43992	3,130.44
03/02/2015	44000	3,130.44
03/02/2015	44018	3,130.44
03/02/2015	43994	3,130.44
03/02/2015	43996	3,130.44
03/02/2015	43982	3,130.44
03/02/2015	43985	3,130.44
03/02/2015	43990	3,130.44
03/02/2015	44002	3,130.44
03/02/2015	44004	3,130.44
03/02/2015	44006	3,130.44
03/02/2015	44008	3,130.44
03/02/2015	44014	3,130.44
03/02/2015	43988	3,130.44
03/02/2015	44016	3,130.44
03/02/2015	43984	3,130.44
03/02/2015	44012	3,130.44
03/02/2015	43998	3,130.44
03/02/2015	44010	3,130.44
03/02/2015	44020	3,130.44
10/02/2015	44125	3,130.44
12/03/2015	44695	3,130.44
25/03/2015	44942	5,217.39
25/03/2015	44953	3,130.44
25/03/2015	44959	3,130.44
25/03/2015	44965	3,130.44
25/03/2015	44949	3,130.44
25/03/2015	44951	3,130.44
25/03/2015	44955	3,130.44
25/03/2015	44957	3,130.44
25/03/2015	44961	3,130.44
25/03/2015	44946	3,130.44
25/03/2015	44944	3,130.44
25/03/2015	44963	3,130.44
31/03/2015	45089	3,130.44
29/06/2015	47210	3,130.44
29/06/2015	47165	3,130.44
29/06/2015	47212	3,130.44
29/06/2015	47163	3,130.44
07/07/2015	47358	3,130.44
07/07/2015	47360	3,130.44
07/07/2015	47350	3,130.44
07/07/2015	47354	3,130.44
07/07/2015	47356	3,130.44
07/07/2015	47352	3,130.44
07/07/2015	47362	3,130.44
07/07/2015	47364	3,130.44
07/08/2015	48017	3,130.44
07/08/2015	48019	3,130.44

Date	Payment Voucher	VAT Amount Paid (\$)
07/08/2015	48021	3,130.44
07/08/2015	48023	3,130.44
07/08/2015	48025	3,130.44
14/09/2015	48565	3,130.44
14/09/2015	48561	3,130.44
14/09/2015	48563	3,130.44
14/09/2015	48569	3,130.44
14/09/2015	48573	3,130.44
14/09/2015	48571	3,130.44
14/09/2015	48557	3,130.44
14/09/2015	48559	3,130.44
14/09/2015	48566	3,130.44
11/10/2015	48982	3,130.44
11/10/2015	48984	3,130.44
11/10/2015	48986	3,130.44
11/10/2015	48978	3,130.44
11/10/2015	48980	3,130.44
11/10/2015	48992	3,130.44
11/10/2015	48990	3,130.44
11/10/2015	48994	3,130.44
11/10/2015	48988	3,130.44
17/10/2015	49174	3,130.44
17/10/2015	49187	3,130.44
<b>Total</b>		<b>236,136.69</b>



## Section 8 **Ministry of Foreign Affairs**

### Role and Responsibilities

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

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

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## **PART A: FINANCIAL STATEMENT**

### **8.1 Audit Opinion**

The audit of the 2015 accounts of the Ministry of Foreign Affairs resulted in the issue of a qualified audit report. The basis of qualification was as follows:

- The Ministry's Remittance between Chests (RBC) account to facilitate remittance to Fiji Overseas Mission showed a credit balance of \$1,394,547 as at 31 December 2015 without making necessary

adjustment to its expenditure and revenue allocation. As such the accuracy of the expenditure and revenue recorded cannot be ascertained.

- The board of survey for eleven (11) out of eighteen (18) Fiji Mission Overseas office were not carried out contrary to section 49 (1) of the Finance Instructions 2010.

## 8.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$60,342 and incurred expenditure totalling \$41,255,330 in 2015. Refer to Table 8.1 for details of revenue collected and expenditure incurred during the year.

**Table 8.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Operating Revenue	49,506	182,967
<b>Total State Revenue</b>	<b>49,506</b>	<b>182,967</b>
<b>Agency Revenue</b>		
Miscellaneous Revenue	10,836	333,355
<b>Total Agency Revenue</b>	<b>10,836</b>	<b>333,355</b>
<b>TOTAL REVENUE</b>	<b>60,342</b>	<b>516,322</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	12,714,226	11,347,421
Government Wage Earners	3,623,754	3,428,192
Travel & Communications	3,753,378	3,327,378
Maintenance & Operations	11,576,284	9,753,047
Purchase of Goods & Services	858,013	591,447
Operating Grants & Transfers	3,472,083	3,195,835
Special Expenditures	2,325,599	4,778,708
<b>Total Operating Expenditure</b>	<b>38,323,337</b>	<b>36,422,028</b>
<b>Capital Expenditure</b>		
Capital Construction	60,621	224,215
Capital Purchase	562,340	222,851
<b>Total Capital Expenditure</b>	<b>622,961</b>	<b>447,066</b>
Value Added Tax	2,309,032	2,501,434
<b>TOTAL EXPENDITURE</b>	<b>41,255,330</b>	<b>39,370,528</b>

Total expenditure increased by \$1,884,802 million or 5% in 2015 compared to 2014 mainly due to the following:

- Established Staff costs increased by \$1,366,805 or 12% compared to 2014. This was attributed to increase in the employer's FNPF contribution from 8% to 10%, filling of vacant positions and creation of new position;
- Travel & Communications expenditure increased by \$426,000 or 13% in 2015 compared to 2014 due to increase in travel and communication to expend and strengthen Fiji' diplomatic relations;
- Maintenance & Operations expenditure increased by \$1,823,237 or 19% in 2015 compared to 2014 due to increase in rental expenditure and operating expenses for Overseas Missions Offices;

- Capital Purchase expenditure increased by \$339,489 or 152% in 2015 compared to 2014 as a result of purchase of replacement furniture, electrical items and replacement vehicles for overseas missions.

### 8.3 Appropriation Statement

The Ministry incurred expenditure totalling \$41,255,330 in 2015 against the revised budget of \$41,779,536 resulting in a savings of \$524,206 or 1.2%. Details of expenditure against the budget estimates are provided in Table 8.2.

**Table 8.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	14,160,077	(1,357,941)	12,802,136	12,714,226	87,910
2	Government Wage Earners	3,966,625	(333,729)	3,632,896	3,623,754	9,142
3	Travel & Communications	2,415,014	1,389,743	3,804,757	3,753,378	51,379
4	Maintenance & Operations	11,270,027	320,555	11,590,582	11,576,284	14,298
5	Purchase of Goods & Services	912,510	(53,807)	858,703	858,013	690
6	Operating Grants & Transfers	3,344,523	262,997	3,607,520	3,472,083	135,437
7	Special Expenditures	2,385,900	70,960	2,456,860	2,325,599	131,261
	<b>Total Operating Expenditure</b>	<b>38,454,676</b>	<b>298,778</b>	<b>38,753,454</b>	<b>38,323,337</b>	<b>430,117</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	300,000	(163,552)	136,448	60,621	75,827
9	Capital Purchase	375,953	152,490	528,443	562,340	(33,897)
	<b>Total Capital Expenditure</b>	<b>675,953</b>	<b>(11,062)</b>	<b>664,891</b>	<b>622,961</b>	<b>41,930</b>
13	Value Added Tax	2,648,907	(287,716)	2,361,191	2,309,032	52,159
	<b>TOTAL EXPENDITURE</b>	<b>41,779,536</b>	<b>---</b>	<b>41,779,536</b>	<b>41,255,330</b>	<b>524,206</b>

## PART B: AUDIT FINDINGS

### 8.4 Unreconciled Variance in Overseas Mission Bank Account

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

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

The overseas mission's bank accounts facilitate the payment for mission expenditure and the transfer of monies from the consolidated fund account. At the end of the month, the expenditure is journalised to respective expenditure allocation.

As at 31 December 2015, cash held in overseas missions' bank accounts totalled \$8,215,131.89. However, an unreconciled variance of \$3,374,748.80 was noted between the FMIS general ledger

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

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

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

balance of \$8,215,131.89 and the bank reconciliation for various mission accounts totalling \$4,840,383.09. Refer to Table 8.3 for details.

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

Account Number	Missions	FMIS Balance as at 31/12/15	December Bank Reconciliation Balance	Variance
1-08103-80102-510106	Fiji Consulate General Sydney	695,066.60	666,923.91	28,142.69
1-08103-80101-510107	FHC Canberra	212,397.46	196,208.42	16,189.04
1-08103-81001-510202	FHC London	75,066.09	39,460.56	35,605.53
1-08103-80501-510401	Fiji Embassy Tokyo	1,277,504.15	769,890.89	507,613.26
1-08103-80701-510502	FHC Wellington	199,950.27	296,097.06	(96,146.79)
1-08103-80201-510504	FHC Beijing	466,335.47	10,192.09	456,143.38
1-08103-80301-510601	Fiji Mission Brussels	641,489.44	233,311.95	408,177.49
1-08103-81101-510801	FHC UN	(38,936.12)	(173,884.63)	134,948.51
1-08103-81102-510802	Washington	71,638.88	193,541.01	(121,902.13)
1-08103-80407-510808	FHC Geneva	403,391.96	309,696.87	93,695.09
1-08103-80405-510900	Fiji Embassy Abu Dhabi	715,073.25	479,682.24	235,391.01
1-08103-80406-510901	Fiji Embassy Korea	283,699.31	122,026.84	161,672.47
1-08103-80601-510901	Bank in Kular Lumpur	1,405,179.25	374,546.22	1,030,633.03
1-08103-80801-510902	Closing Balance for PNG	(104,115.54)	318,918.85	(423,034.39)
1-08103-80401-510903	FHC New Delhi	710,176.47	27,375.31	682,801.16
1-08103-80402-510905	Fiji Embassy Indonesia	364,808.61	150,080.01	214,728.60
1-08103-80403-510905	Fiji Embassy Brazil	721,370.60	540,857.09	180,513.51
1-08103-80404-510905	Fiji Embassy South Africa	115,035.74	285,458.40	(170,422.66)
<b>1-08000-00000-510000</b>	<b>Total Overseas Bank Balances</b>	<b>8,215,131.89</b>	<b>4,840,383.09</b>	<b>3,374,748.80</b>

In addition, it was noted that Fiji High Commission in United Nation and Papua New Guinea had an overdrawn bank balance in the general ledger of \$38,936.12 and \$104,115.54, respectively for which satisfactory explanations were not provided by the Ministry.

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

### Recommendations

**The Director Finance should ensure that:**

- **overseas missions bank balance is reconciled with the FMIS general ledger bank balance on a monthly basis and any foreign exchange gain or loss is adjusted immediately; and**
- **overdrawn accounts should be investigated and necessary corrective measures undertaken.**

### Ministry's Comments

*The Ministry has been working closely with FMIS Unit, MOE on these variances of General Ledger and bank reconciliations. These variances have been accumulated over the years and an initiative by the Ministry will be to change the format of posting transaction of Missions acquittals in the FMIS General Ledger. These new posting format will be effective from January 2016 which should see the demarcation of various missions Cash Accounts[seg 51] and aligning balances in bank reconciliations with General Ledger amounts.*

## 8.5 Reconciliations not prepared/provided for audit

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced. The Accounting Head must verify all the reconciliations before signing and submitting it to Ministry of Finance.<sup>4</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>5</sup>

The audit noted that the Ministry failed to prepare and submit its monthly reconciliations for various underline accounts for the year 2015. In some cases, reconciliations submitted were not properly certified or were incomplete Refer to Table 8.4 for details.

**Table 8.4: Underline Accounts Balances without Reconciliations**

Allocation	Description	FMIS Balance as at 31/12/15 (\$)	Audit Remarks
1-08000-00000-570301	RFA (Advance)	48,335.54	Reconciliations for July to December 2015 were not provided to audit.
1-08101-08101-536101	IDC	---	Reconciliation for December 2015 was not provided to audit.
1-08101-08101-530301	Drawings	(175,534.02)	Reconciliations for January to December 2015 were provided to audit without being certified by the Principal Accounts Officer and the Acting Permanent Secretary.
1-08103-80801-510902	Closing Balance for PNG	(104,115.54)	
1-08000-00000-860000	Operating Trust	(1,387,380.90)	Reconciliations for January to December 2015 were provided to audit without being certified by the Principal Accounts Officer and the Acting Permanent Secretary.  Also, the reconciliations for the months of September to December 2015 were not properly done as only the FMIS balances were reflected in the reconciliation.
1-08000-00000-840000	SLG 84 – Accounts Payable	---	Reconciliations for the months of August, September, October and December 2015 was not provided to audit.
1-08101-08101-538101	BLC	---	Reconciliations for January to March 2015 were not provided to audit.  However, the reconciliations from April to December 2015 provided were not certified by the Principal Accounts Officer.

The audit findings reflect laxity of the Accounts Officer responsible for preparing these reconciliations.

<sup>4</sup> Ministry's Finance Manual 2013, Section 13.2.5

<sup>5</sup> Finance Instructions 2010, Section 60 (1) (a)

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

### **Recommendation**

**The Director Finance should ensure that monthly reconciliations for the underline accounts are prepared, signed and submitted for Permanent Secretary's endorsement and submission to Ministry of Economy FMIS Unit on a timely manner.**

### **Ministry's Comments**

*The Ministry is currently undertaking a reshuffle of duties or job rotation as a means of internal control measures as well as the need to uplift standard of financial reporting for the Ministry, for this, a two senior officers has been assigned to carry out and strictly monitor reconciliations for all accounts including those accounts for the Missions. These initiatives are also monitored by the HOD [Director Finance] on weekly basis.*

## **8.6 Board of Survey Report not carried out**

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>6</sup>

The audit noted that the Ministry did not carry out the board of survey for the following missions and embassies for the year ended 31 December 2015.

- Fiji High Commission London;
- Fiji Embassy Tokyo;
- Fiji High Commission Wellington;
- Fiji High Commission United Nations;
- Fiji Embassy Washington;
- Fiji High Commission Geneva;
- Fiji Embassy Abu Dhabi
- Fiji Embassy Korea;
- Fiji High Commission Kuala Lumpur;
- Fiji High Commission Papua New Guinea; and
- Fiji High Commission New Delhi.

In addition, according to the Ministry, it carried out the board of survey for headquarters and there was no write offs. However, audit was not provided with a copy of the board of survey report for Headquarters.

In the absence of board of surveys being carried out, it was not possible to determine that items purchased from public funds were in good physical condition and were being used for intended purpose. In addition, the correctness of Statement of Losses (other than money) cannot be substantiated.

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<sup>6</sup> Finance Instructions 2010, Section 49 (1)

**Recommendation**

**The Ministry should ensure that annual board of survey is properly planned and conducted each year.**

**Ministry's Comments**

*The Ministry is currently introducing an Asset Register System which is viewed not only for Headquarters but also in all Missions office across the globe. On this new system, sections, divisions and missions should be able to record, update and prepare assets kept and further easily prepare Board of Survey report for a particular financial year. A newly established section that comes under our Finance division is the Asset Management. The section [Asset Management] will monitor and evaluate all assets under our ministry and will also work closely with our IT division in terms of accessing the new system. The mentioned initiative is anticipated to alleviate queries on BOS.*

**8.7 Non Clearance of Remittance between Chests Balance**

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

A monthly reconciliation is to be prepared and forwarded to the Ministry of Economy. At the end of the financial year, the RBC accounts should be cleared to allow the new postings in the next financial year.<sup>7</sup>

The audit noted that SAG 52 (RBC) account had a credit balance of \$1,394,546.79 as at 31 December 2015 as the Ministry did not clear the RBC account balances on a monthly basis into those respective expenditure and revenue allocations.

The Ministry submitted a journal voucher on 26/4/16 to clear the above outstanding balance through audit adjustment. However, the adjustments could not be passed as relevant supporting documents were not provided by the Ministry as at the date<sup>8</sup> of audit.

Alternatively, the Ministry of Economy in consultation with the Ministry cleared the credit balance of \$1,394,546.79 to the Equity Account instead of the respective revenue or expenditure allocations.

As a result, expenditures and revenues recorded in the Statement of Receipts and Expenditure for the Ministry for 2015 have been understated by \$1,394,546.79.

**Recommendations**

**The Ministry should ensure that:**

- **the RBC reconciliation is performed on a monthly basis and the balances are cleared to respective expenditure allocations; and**
- **journal voucher adjustments are fully supported with necessary supporting and relevant documents.**

<sup>7</sup> Ministry of Finance Circular No. 21/13, Section 3.5

<sup>8</sup> 13/05/16

**Ministry's Comments**

*This RBC balance of \$1.3million was not cleared due to format of General Ledger Posting format used. However with the introduction of new format of posting as alluded in above should see the clearance of RBC account as payment is remitted to overseas accounts.*

*Note that this issue is also been resolved with Ministry of Economy through Journal Voucher entry and the account is now been zerorised for year 2015 through the Audit Adjustment period.*

**8.8 Representation Allowance Claims Not Adequately Supported**

“Representation allowance” is the costs to cover direct and necessary expenditures on official entertainment. Officers other than the Head of Mission must account for two third of their representative allowance.<sup>9</sup>

The Officers other than the Head of Mission for Korea and Brazil Embassies claimed representation allowance on several occasions.

The audit noted that while all the claims were supported with receipts and invoices for the official lunch and dinners hosted, the Officers claiming the representation allowances failed to provide the reasons and the details of the person or the group that was hosted. Refer to **Appendix 8.1** for details.

The above indicates weak payment verification process both at the Missions and at the Headquarters which could result in misappropriation of public funds through fraudulent claims.

**Recommendations**

**The Ministry must ensure that:**

- **all representation allowance claims are adequately supported with the relevant details of the person entertained, purpose of the meeting, and other documents supporting the expenditures incurred; and**
- **supervisory controls and checks at the Missions and Headquarters are strengthened.**

**Ministry's Comments**

*The recommendations are fully supported.*

*The Mission is advised to make a formal template detailing claims of the representation allowance. This shall be endorsed by HOM or Senior Diplomat enclosing relevant documentations. The details of allowances must also entail the 1/3 and 2/3 category respectively.*

**8.9 Anomalies Noted in Allowance Paid to First Secretary for Brazil Mission**

The Heads of Missions and officers posted overseas are entitled to post allowances set out in the Schedule 2 of Public Service Diplomatic and Consular Services Regulations.<sup>10</sup>

<sup>9</sup> Public Service (Diplomatic and Consular Services) Regulations 2005 - Section 49

<sup>10</sup> Public Service (Diplomatic and Consular Services) Regulations 2005 – Section 50 (1)



Leave allowance is payable seven days before the qualifying date provided a written request is made to the Permanent Secretary for Finance through the respective Permanent Secretary or Head of Department at least three months immediately prior to the qualifying date. The provisions do not apply to Contracted Officers.<sup>11</sup>

Audit review of leave allowance paid to First Secretary for the Brazil Mission revealed the following anomalies.

- The First Secretary was remunerated at a Counsellor's rate for 17 days from 12/2/15 – 28/2/15 without any acting appointment resulting in an overpayment of post allowance of \$410.23.
- The First Secretary was appointed in the Fiji Embassy in Brazil on three-year contract with effect from 28/7/11. Since the First Secretary was appointed on contract, he was not entitled to leave allowance.

However, it was noted that the First Secretary was paid leave allowance for two leave tours ending on 22/3/12 and 22/3/15 totaling \$1,760 in pay 7/2015.

- The Acting Permanent Secretary for Foreign Affairs in his letter dated 30/6/14 extended the First Secretary's term and reminded him to utilize all his leave during the extended period of his term as he was not to be compensated for leave earned.<sup>12</sup>

However, the First Secretary did not utilize his leave but instead wrote to the Acting Permanent Secretary on 16/1/15 requesting for a compensation of the 20 days of annual leave due to him.

The First Secretary was granted approval for leave compensation for 20 days by the Acting Permanent Secretary without consultation with the Head of Mission. However, he was compensated 31.5 days of annual leave by the Embassy amounting to \$4,724.49 instead of only 20 days which was approved.

The findings show lack of due diligence checks by headquarters which resulted in incorrect payment of allowances.

### **Recommendations**

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

- **recover overpaid post allowance, leave allowance and leave compensation from the officer concerned;**
- **ensure that the supervisory checks at the Commission and Headquarters are strengthened to avoid such discrepancies.**

### **Ministry's Comments**

*The compensation is in order and has been endorsed by A/PS. The Permanent Secretary has also encouraged all staff to take leave to ensure that there is no annual leave accumulated.*

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<sup>11</sup> General Order 2011 Section 707 (h)

<sup>12</sup> Letter from Head Quarters to Ambassador regarding "Extension of Posting for First Secretary" dated 30/6/14

## 8.10 Incorrect Remuneration Payment of Post Allowances

The Heads of Missions and officers posted overseas are entitled to post allowances set out in the Schedule 2 of Public Service Diplomatic and Consular Services Regulations.<sup>13</sup> The Fiji Embassy in Canberra has an authorized establishment of an Ambassador, a Counsellor in US04 salary grade, a First Secretary in salary grade SS01, a Second Secretary in salary grade SS02, a Second Secretary in salary grade SS03 grade and a Third Secretary.<sup>14</sup>

The location allowance, representation allowance and representation supplement allowance is to be disbursed at the rate for married officers only for periods during which his or her spouse is residing with him or her overseas.<sup>15</sup>

The following anomalies were noted in the payment of post allowances at Fiji High Commission in Canberra.

- The Counsellor's (EDP No. 61161) post allowance was \$1,911.76 per fortnight. However, she was paid post allowance at the High Commissioner's rate for pay 20/2015. Hence she was overpaid post allowance by \$155.34 for pay 20/2015.
- The First Secretary's (EDP No. 93741) post allowance was \$2,353.63 per fortnight. However, he was paid post allowance at Counsellor's rate for pays 13/2015 to pay 16/2015. The First Secretary was overpaid post allowance for that period by \$614.52.
- The Second Secretary's (EDP No. 64071) spouse resigned from her employment with effect from 18/3/15. He was entitled to claim post allowance at a married rate with effect from 18/3/15. However, he was paid post allowance on a single rate up to 25/3/15. Instead of paying the difference between married and single rate for the period 18/3/15 – 25/3/15, the Second Secretary was paid the full post allowance at married rate for the period. Hence, the Commission overpaid the Second Secretary post allowance by \$1,509.14.

The above indicates lack of supervisory checks at the Mission and headquarters which had resulted in overpayment of post allowances.

### Recommendations

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

- **recover overpaid post allowance from the respective Officers; and**
- **ensure that the supervisory checks at the Commission and Headquarters are strengthened to avoid such discrepancies.**

### Ministry's Comments

*The recommendation has been supported. It shall also be noted that strict monitoring process is undertaken by HQ as well as responsible staff at Mission in order to alleviate chances of any anomalies.*

<sup>13</sup> Public Service (Diplomatic and Consular Services) Regulations 2005 – Section 50 (1)

<sup>14</sup> Public Service (Diplomatic and Consular Services) Regulations 2005 – Post Allowance for Australia (Canberra)

<sup>15</sup> Public Service (Diplomatic and Consular Services) Regulations 2005 – Section 50 (3)

## 8.11 Manual Payments not Updated in the Payroll System

No manual payment of salary is permitted except on or upon written approval from the PS Economy.<sup>16</sup>

The AAO Payments shall record the manual payment on the appropriate input form. The form shall be used to update the payroll records in the automated payroll system to ensure that an employee's true earnings are reflected at the end of the year.<sup>17</sup>

Audit review of salaries and wages payments revealed that the Ministry made several manual payments of salaries and wages during the year. Out of the \$64,907.18 of manual payments reviewed during audit, a total of \$40,625.46 or 63% were not updated into the payroll system.

Refer to Appendix 8.2 for details.

The above indicates blatant disregard of the directive issued by the Ministry of Economy for approval of manual salary payments.

### Recommendations

**The Ministry should obtain approval of Ministry of Economy before processing any manual payment.**

### Ministry's Comments

*The recommendations are supported.*

*On way forward, an internal memo will be circulated within the agency reminding all staff that manual payments will be restricted ONLY to special cases. Other than that, manual payments of remunerations will not be entertained.*

*Strict monitoring of payroll processes will be carried out by senior accounting officers to avoid any chances of manual payments.*

## 8.12 Payroll Reconciliations not Up to Date

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>18</sup>

Audit noted that the Ministry's salaries and wages reconciliation for the financial year ending 31 December 2015 was not up to date. The Ministry did not prepare the salaries reconciliations from pay 17/2015 to 26/2015 and wages reconciliations from pay 11/2015 to 52/2015.

It was also noted that these reconciliations were not prepared in a timely manner and were delayed on average by 84 days. Refer to Table 8.5 for delays in preparing salaries reconciliations.

**Table 8.5: Delays in Preparing Salaries Reconciliations**

Pay No	Pay Periods	Pay Date	Reconciliation Date	Days Delayed
1	1/1/15 – 14/1/15	8/1/15	10/6/15	152

<sup>16</sup> Ministry's Finance Manual 2013, Section 3.5.2

<sup>17</sup> Ministry's Finance Manual 2013, Section 3.5.4

<sup>18</sup> Finance Instructions 2010 – Section 17 (7)

Pay No	Pay Periods	Pay Date	Reconciliation Date	Days Delayed
2	15/1/15 – 28/1/15	22/1/15	10/6/15	138
3	29/1/15 – 11/2/15	5/2/15	11/6/15	125
4	12/2/15 – 25/2/15	19/2/15	11/6/15	111
5	26/2/15 – 11/3/15	5/3/15	12/6/15	98
6	12/2/15 – 25/3/15	19/3/15	12/6/15	84
7	26/3/15 – 8/4/15	2/4/15	16/6/15	74
8	9/4/15 – 22/4/15	16/4/15	16/6/15	60
9	23/4/15 – 6/5/15	30/4/15	16/6/15	46
10	7/5/15 – 20/5/15	14/5/15	16/6/15	32
11	21/5/15 – 3/6/15	28/5/15	17/6/15	18
12	4/6/15 – 17/6/15	11/6/15	22/9/15	102
13	18/6/15 – 1/7/15	25/6/15	22/9/15	88
14	2/7/15 – 15/7/15	9/7/15	2/10/15	84
15	16/7/15 – 29/7/15	23/7/15	2/10/15	71
16	30/7/15 – 12/8/15	6/8/15	2/10/15	57

Payroll reconciliation is an important internal control mechanism and non-preparation of reconciliations will result in the Ministry failing to detect irregularities in the payment of salaries and wages.

### **Recommendations**

#### **The Ministry must:**

- ensure that payroll reconciliations are prepared in a timely manner; and
- the Principal Accounts Officer take full responsibilities to oversee that payroll reconciliations are prepared on timely basis.

### **Ministry's Comments**

*The recommendation is supported.*

*The Ministry will ensure that payroll reconciliations are submitted accurately and on time. Senior Accounting Officers to monitor the submissions prior to due dates.*

## **8.13 Anomalies in Overseas Travel**

Accounting Officers and all other officers responsible for expenditure shall at all times exercise proper economy in the expenditure of public funds and thereby ensure that proper value is obtained for all sums spent.

The PAO, SAO & AO must not certify a payment as correct unless they are satisfied that; it is in accordance with an LPO, indent, contract, invoice or other authorization.<sup>19</sup>

The calculation of the daily allowance of HE the President, Hon. Prime Minister, Ministers, shall include all days of travel *excluding* date of departure from Fiji and date of arrival into Fiji.<sup>20</sup>

<sup>19</sup> Ministry's Finance Manual 2013 - Section 2.8.4(i)

<sup>20</sup> Ministry Finance Circular 3/2015, dated 12/3/2015 – Per Diem Rates and Allowances for Overseas Travel, Section 1.4.

The review of the overseas travel by the Minister for Foreign Affairs revealed overpayment of per diem and travel allowances on number of instances. Refer to Table 8.6 for details.

**Table 8.6: Examples of Overpayment of Travel and Perdiem Allowance**

Cheque Number	Overpaid Allowance (\$)	Anomalies
32088 dated 19/1/15	500.00	<p>The Minister for Foreign Affairs departed on 20/1/15 to PNG to attend MSG meeting and arrived back on 28/1/15. His daily allowance include departure and arrival date.</p> <p>Hence, the Ministry overpaid the Minister daily allowance of \$500.</p>
32500 dated 10/4/15	14,081.64	<ul style="list-style-type: none"> <li>The Cabinet approved the Minister for Foreign Affairs travel to attend a Ministerial Meeting in Jakarta Indonesia from 20 – 23 April, 2015 and then the Minister will proceed to Shanghai, China for his medical check-up. The Minister was scheduled to depart Nadi for Jakarta on Wednesday 15/4/15 and arrive back in the country on Thursday 30/4/15.<sup>21</sup> However, the Minister returned to Fiji on 3/5/15.</li> </ul> <p>The Minister stayed in Seoul for 3 days from 16/04/15 – 17/04/15 and 02/05/16, Xiamen on 28/4/15 and Shenzhen on 29/4/15 in China, which was not approved by the Cabinet. In addition, the Minister was paid per diem allowance for the 5 days totalling \$7,093.27. The Ministers travel to Seoul Xiamen and Shenzhen and payment of per diem allowance was unauthorised.</p> <ul style="list-style-type: none"> <li>Also, the Ministry paid per diem allowance totalling \$6,988.37 to the Minister while he was on his private medical check-up in Shanghai China from 23/4/15 to 27/4/15. The Minister was not entitled to per diem allowance while on private medical treatment overseas.</li> </ul>
32350 dated 5/3/15	250.00	<p>Ministers are not entitled to daily allowance on the date of departure and date of arrival on official overseas travel.</p> <p>The Minister for Foreign Affairs departed on 9/3/15 to Morocco to attend Crans – Montana Forum and to Japan to attend World Conference on Disaster Risk Reduction. He arrived back on 23/3/15. However, he was paid daily allowance of \$250 for the date of arrival (23/3/15), thus resulting in overpayment of daily allowance by \$250.</p>
32867 dated 6/7/17	21,127.25	<ul style="list-style-type: none"> <li>The Cabinet approved the Minister for Foreign Affairs travel to attend an International Conference in Addis Ababa on 13 – 15 July, 2015 and then the Minister will proceed to Shanghai, China for his medical check-up.<sup>22</sup></li> </ul> <p>The Minister stayed in Seoul for 7 nights from 20/7/15 to 24/7/15, 28/7/15, 3/8/15 and New York for 4 nights from 29/7/15 – 1/8/15, which was not approved by the Cabinet. In addition, the Minister was paid per diem allowance for the 11 days totalling \$16,396.29. The Minister's travel to Seoul and New York and payment of per diem allowance was unauthorised.</p> <ul style="list-style-type: none"> <li>Also, the Ministry paid per diem allowance from 25/7/15 to 28/7/15 to the Minister for his private medical check-up in Shanghai China</li> </ul>

<sup>21</sup> Cabinet Decision dated, 31/3/15.

<sup>22</sup> Cabinet Decision dated, 24/6/15.

Cheque Number	Overpaid Allowance (\$)	Anomalies
		<p>totalling \$4,230.96. The Minister was not entitled to per diem allowance while on private medical treatment overseas.</p> <ul style="list-style-type: none"> <li>The Ministers are not entitled to daily allowance on the date of departure and date of arrival on official overseas travel.</li> </ul> <p>The Minister for Foreign Affairs departed on 9/7/15 to Sydney, Addis Ababa and New York and arrived back on 5/8/15. However, he was paid daily allowance for the date of departure and the date of arrival.</p> <p>Hence, the Ministry overpaid the Minister his daily allowance by \$500.</p>
33149 dated 3/9/15	500.00	<p>The Ministers are not entitled to daily allowance on the date of departure and date of arrival on official overseas travel.</p> <p>The Minister for Foreign Affairs departed on 6/9/15 to PNG to attend Pacific Islands Forum meeting and arrived back on 13/9/15. However he was paid daily allowance for the date of departure and the date of arrival.</p> <p>Hence, the Ministry overpaid the Minister for his daily allowance by \$500.</p>
33196 dated 15/9/15	2,993.00	<p>The Cabinet approved the Minister for Foreign Affairs travel to attend the 2015 United Nations General Assembly and associated meetings in New York from 22 September to 3 October, 2015.<sup>23</sup></p> <p>However, the Minister stayed in Seoul for 2 days from 4/10/15 – 5/10/15, which was not approved by the Cabinet. In addition, the Minister was paid per diem allowance for the 2 days totalling \$2,993. The Ministers travel to Seoul and payment of per diem allowance was unauthorised.</p>

The above indicates lack of supervisory checks at the headquarters which had resulted in incorrect travel allowance payment. In addition, acceptance of travel allowance by Minister for personal medical visit and failure to advice and seek formal approval from the Cabinet for the change in travel need reflects lack of proper accountability of public funds.

The overpayment of travel expenses resulted in a loss of public funds.

### **Recommendations**

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

- **Surcharge the Accounts Officer who have been making erroneous payment;**
- **verify and recover the over paid per diem allowances from the Minister; and**
- **ensure per diem allowance is paid to the Minister in accordance with the Cabinet approval.**

<sup>23</sup> Cabinet Decision dated, 17/8/15.

**Ministry's Comments**

*The payment of periderm for the Hon Minister was made in accordance with respective Cabinet approvals. However the extended days of travel were other official visits made in order to cut costs for government while the Minister is travelling along or near the same route.*

**8.14 Revenues Collected by Overseas Missions**

Operating Trust Fund Accounts facilitate transactions relating to the Ministry/Department's administrative role as an employer. These transactions include deductions from employees' salaries/wages with regards to contributions to the Fiji National Provident Fund, housing loan repayments, insurance premiums and other deductions for onward payment to the respective payees.

Fiji Mission's in overseas collects revenue on behalf of other government departments in Fiji. The Ministry instead of requesting the Missions to remit the revenues collected overseas required the Missions to deposit the revenues collected into their respective bank account.

The Ministry when submitting the monthly budget to the missions deducts the amount of revenue collected for the month. The revenues received from the Missions should be credited into the respective department's revenue allocation and debited into consolidated fund account.

Audit review of revenues collected by the overseas missions revealed the following anomalies.

- When monthly acquittal files from the overseas mission are received, the Ministry calculates the revenue collected for the month and credits the respective government department's revenue allocation. However, the Ministry did not bank the actual cash into the Consolidated Fund Account. In addition the revenues collected were also not posted into the Consolidated Fund Account.

The revenues collected from overseas missions were instead used by the Ministry of Foreign Affairs to meet its operational expenses. Refer to [Appendix 8.3](#) for examples of revenue collected by the Mission which were neither banked nor debited into Consolidated Fund Account.

- The overseas Missions charged administrative fees in addition to the prescribed fees and charges for the services provided. The administrative fees were charged without the approval of Ministry of Economy.
- The administrative fees collected by the overseas Missions were posted into the Operating Trust account instead of a revenue account. As at 31/12/15 the Ministry had a balance of \$846,548.08 in its Operating Trust account. However, the Operating Trust account only had book entries and no actual cash was held by the Ministry. Refer to Table 8.7 for the balances of administrative fees in FMIS Operating Trust account.

**Table 8.7: Balance As At 30/11/15 in Operating Trust Account**

Allocation	Description	Amount (\$)
1-08103-80101-863101	Admin Contributions Foreign Mission	(276,202.93)
1-08103-80102-863101	Admin Contributions Foreign Mission	(311,587.26)
1-08103-80201-863101	Admin Contributions Foreign Mission	(49,269.33)
1-08103-80401-863101	Admin Contributions Foreign Mission	(3,261.14)

Allocation	Description	Amount (\$)
1-08103-80701-863101	Admin Contributions Foreign Mission	(160,315.61)
1-08103-81001-863101	Admin Contributions Foreign Mission	(23,961.59)
1-08103-81102-863101	Admin Contributions Foreign Mission	(21,950.22)
<b>Total</b>		<b>(846,548.08)</b>

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

### **Recommendations**

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

- **ensure administrative fees levied by Ministry is approved by Ministry of Economy;**
- **ensure that all revenues collected from overseas missions are deposited into the consolidated fund account; and**
- **review the Operating Trust Fund account balance of \$846,548.08 and take appropriate action.**

### **Ministry's Comments**

- *The Ministry's Headquarters ONLY remit funds to Missions by Lessing amount of revenue been collected by Mission in the previous period.*
- *The Ministry can only reflect current years [2015] administration fees into the current period.*
- *If we need to clear past years administration fees collections then adjustments can only be done to Equity allocations.*
- *However, the new posting format been imposed in 2016 should reflect revenue collected into revenue allocation.*

## **8.15 Unbudgeted Expenditure – Head Quarters**

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without the authorization of the Ministry of Finance, pending approval by Cabinet.<sup>24</sup>

The Principal Accounts Officer, Senior Accounts Officer or Accounts Officer must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.<sup>25</sup>

On 8/7/15, the Ministry paid a sum of \$12,905 to Pearl Resort South Pacific to cater for the cost of accommodation and meals for Senior Officials Retreat.

However, the Ministry did not have any funds allocated for such meetings in its approved budget for the year. The audit noted that the Ministry diverted \$12,905 from MSG fund to cater for these expenses.

<sup>24</sup> Ministry's Finance Manual 2013 – Section (2.1.2)

<sup>25</sup> Ministry's Finance Manual 2013 – Section 2.9.5



The Ministry did not obtain the approval from the Ministry of Economy before diverting funds from MSG allocation (1-08101-08101-070201) to be used for purposes other than that approved in the budget.

The audit also noted that Pearl Resort South Pacific quoted \$11,845 and local purchase order was issued by the Ministry for the same amount. However the Ministry paid \$12,905 which was \$1,060 in excess of the quotation and the purchase order amounts.

The Ministry did not plan for the Senior Officials retreat in its budget. The expenses incurred were not appropriated for and was not approved by Ministry of Economy and hence unauthorised. Also, the Ministry did not contact the Solicitor General's Office for the use of their conference room which was fit for the purpose and at no cost.

The audit finding indicates that funds were not used for its intended purpose.

### **Recommendations**

**The Ministry should ensure that:**

- **funds are only utilized for the purpose it has been allocated for in the budget; and**
- **approval is obtained from the Ministry of Economy for any deviation of funds for an unbudgeted or unplanned activity.**

### **Ministry's Comments**

*The Retreat was a program allowing Senior Officials to participate in reviewing the Ministry's performance for the first 6 months of 2015 and plan the way forward in the formulation of the Ministry's strategic direction.*

*On way forward, the Ministry will seek prior approval from MOF for such expenditures not appropriated in budget before activities are undertaken.*

## **8.16 Significant Amount of Unretired Accountable Advance**

A travelling officer shall retire the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents.<sup>26</sup> If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel.<sup>27</sup>

Where the advance has not been acquitted within seven days of travel, the Accounting Head shall effect recovery through a salary deduction from the concerned officer's salary within six fortnights with an inclusion of 12% per annum interest.<sup>28</sup>

The Accountant must also record the travel advance in the Accountable Advance Register.<sup>29</sup> Any arrears of payments for an Accountable advance shall be repaid first before any other advance is allowed by the PSFA & IC.<sup>30</sup>

The Ministry had an outstanding Accountable Advance of \$29,830.52 as at 1/1/15. The total Accountable Advance paid by the Ministry during 2015 amounted to \$94,960.39.

<sup>26</sup> Ministry's Finance Manual 2013 – Section 6.1.10

<sup>27</sup> Ministry's Finance Manual 2013 – Section 6.1.11

<sup>28</sup> Ministry's Finance Manual 2013 – Section 6.1.13

<sup>29</sup> Ministry's Finance Manual 2013 – Section 6.1.10

<sup>30</sup> Ministry's Finance Manual 2013 – Section 6.1.6

It was noted that out of \$124,790.91 of Accountable Advance issued only \$60,902.47 or 49% was retired during 2015. The balance of \$63,888.44 or 51% was outstanding as at the date<sup>31</sup> of audit.

Out of the \$26,043.34 of Accountable Advance payments reviewed during audit, a total of \$23,060 or 88.5% of the Accountable Advance paid was neither recorded in the Advance Register nor retired. Refer to Table 8.8 for samples of outstanding Accountable Advances.

**Table 8.8: Example of Accountable Advance Not Retired in 2015**

Officers Name	Date	Cheque No.	Particulars	Amount (\$)	Audit Comments
Name withheld	26/8/15	33080	Advance to cater for PIDF ad hoc expenses during the PIDF Summit.	3,000.00	<ul style="list-style-type: none"> <li>Not retired</li> <li>Not recorded in the Advance register.</li> </ul>
92791	1/9/15	33115	Advance to cater for emergency purchase during official visit of Deputy PM Thailand.	3,000.00	<ul style="list-style-type: none"> <li>Not retired</li> <li>Not recorded in the Advance register.</li> </ul>
92464	2/9/15	33143 (A)	Climate Change Summit	2,940.00	<ul style="list-style-type: none"> <li>Not retired</li> <li>Not recorded in the advance register</li> </ul>
92464	2/9/15	33143 (B)	Climate Change Summit	12,980.00	<ul style="list-style-type: none"> <li>Not retired</li> <li>Not recorded in the advance register</li> </ul>
Name withheld	1/9/15	33141	Climate Change Summit	570.00	<ul style="list-style-type: none"> <li>Not retired</li> <li>Not recorded in the advance register</li> </ul>
Name withheld	1/9/15	33142	Climate Change Summit	570.00	<ul style="list-style-type: none"> <li>Not retired</li> <li>Not recorded in the advance register</li> </ul>
48863	10/1/15	32053	Advance for 5 <sup>th</sup> Irena Assembly, Abu Dhabi.	1,983.34	Not retired
90089	23/1/15	32117	Advance for Minister's travel to Port Moresby and Brisbane.	1,000.00	Not retired
<b>Total</b>				<b>26,043.34</b>	

It was also noted that the Assistant Director General – PIDF (EDP No. 48863) had an outstanding accountable advance of \$3,604.47 from prior years. However, the officer was issued additional Advance in 2015 even though previous advances were not cleared by him. The Ministry did not take any action to recover the outstanding Advances. Refer to Table 8.9 for details.

**Table 8.9: Failure to Retire Prior Years Advance**

EDP No.	Outstanding Advance	Transaction Date
48863	714.08	7/3/13
48863	2,890.39	21/3/13
<b>Total</b>	<b>3,604.47</b>	

The audit further noted that the Ministry had unretired Accountable Advances totalling \$36,490.69 as at 31/12/14 which were issued prior to 2015. However, the Ministry did not take any action to recover

<sup>31</sup> General Ledger (FMIS) verified on 20/1/16

the outstanding Advances which were still outstanding as at 31/12/15. Refer to Appendix 8.4 for details of the unretired prior year's advances.

The findings show that the Principal Accounts Officer did not perform her duties properly and diligently by not recovering the Accountable Advance in a timely manner. As a result public funds are held up as outstanding Accountable Advance and related expenditures have been understated.

### **Recommendations**

#### **The Ministry should;**

- **make direct deduction of salaries to recover all outstanding Accountable Advance including 12% interest;**
- **ensure that officers retire accountable advance within 7 days of completing a travel; and**
- **surcharge the Principal Accounts Officer for amounts of Accountable Advance not recoverable.**

### **Ministry's Comments**

*The recommendations are supported.*

*On way forward, all pending accountable advances have been processed and relevant recovery via salary deductions have been effective accordingly.*

*In addition, a new format of retirement has been introduced in the Ministry by MOF via the FMIS. This should alleviate any chances of outstanding advances in our books.*

**APPENDIX 8.1: Representation Allowance Claims Not Adequately Supported**

<b>Date</b>	<b>Cheque No.</b>	<b>Vendor</b>	<b>Description</b>	<b>Amount (\$)</b>
<b>Brazil</b>				
27/2/15	550	EDP No. 62662 – Second Secretary	Being re-imbusement of official expenses - Entertainment	570.04
27/2/15	551	EDP No. 49168 – First Secretary	Being re-imbusement of official expenses - Entertainment	924.60
6/1/15	466	EDP No. 62662 – Second Secretary	Being re-imbusement of official expenses - Entertainment	695.43
6/1/15	467	EDP No. 49168 – First Secretary	Being re-imbusement of official expenses - Entertainment	597.24
20/1/15	494	EDP No. 49168 – First Secretary	Being re-imbusement of official expenses - Entertainment	836.68
27/1/15	500	EDP No. 62662 – Second Secretary	Being re-imbusement of official expenses - Entertainment	205.03
<b>Korea</b>				
5/1/15	150105	EDP No. 93388 – First Secretary	Payment of representational allowance to First Secretary for hosting official engagement	358.82
12/1/15	150123	EDP No. 91447 – Third Secretary	Payment of representational allowance to Third Secretary for hosting official engagement	339.68
14/1/15	150130	EDP No. 90920 – Second Secretary	Payment of representational allowance to Second Secretary for hosting official engagement	824.35
23/1/15	150156	EDP No. 93388 – First Secretary	Reimbursement payment to First Secretary, for official hosting -Representational Allowance	567.49
4/2/15	150211	EDP No. 91447 – Third Secretary	Payment of representational allowance to Third Secretary for hosting official engagement	382.34
4/2/15	150216	EDP No. 93388 – First Secretary	Payment of representational allowance to First Secretary for hosting official engagement	255.74
4/2/15	150217	EDP No. 90920 – Second Secretary	Payment of representational allowance to Second Secretary for hosting official engagement	681.60
12/2/15	150228	EDP No. 93388 – First Secretary	Payment of representational allowance to First Secretary for hosting official engagement	1,218.45
26/2/15	150244	EDP No. 90920 – Second Secretary	Payment of representational allowance to Second Secretary for hosting official engagement	813.04
4/3/15	150313	EDP No. 93388 – First Secretary	Payment of representational allowance to First Secretary for hosting official engagement	659.47
4/3/15	150314	EDP No. 90920 – Second Secretary	Payment of representational allowance to Second Secretary for hosting official engagement	659.47
4/3/15	150315	EDP No. 91447 – Third Secretary	Payment of representational allowance to Third Secretary for hosting official engagement	346.68
4/3/15	150316	EDP No. 93388 – First Secretary	Payment of representational allowance to First Secretary for hosting official engagement	423.00
4/3/15	150319	EDP No. 90920 – Second Secretary	Payment of representational allowance to Second Secretary for hosting official engagement	342.50
1/4/15	150418	EDP No. 93388 – First Secretary	Payment of representational allowance to First Secretary for hosting official engagement	515.03

<b>Date</b>	<b>Cheque No.</b>	<b>Vendor</b>	<b>Description</b>	<b>Amount (\$)</b>
2/4/15	150420	EDP No. 90920 – Second Secretary	Payment of representational allowance to Second Secretary for hosting official engagement	680.91
10/4/15	150429	EDP No. 90920 – Second Secretary	Payment of representational allowance to Second Secretary for hosting official engagement	639.14
10/4/15	150432	EDP No. 93388 – First Secretary	Payment of representational allowance to First Secretary for hosting official engagement	311.22
14/4/15	150436	EDP No. 93388 – First Secretary	Payment of representational allowance to First Secretary for hosting official engagement	455.36
20/4/15	150459	EDP No. 90920 – Second Secretary	Payment of representational allowance to Second Secretary for hosting official engagement	258.00
6/5/15	150508	EDP No. 90920 – Second Secretary	Payment of representational allowance to Second Secretary for hosting official engagement	715.38
6/5/15	150509	EDP No. 91447 – Third Secretary	Payment of representational allowance to Third Secretary for hosting official engagement	235.59
6/5/15	150510	EDP No. 93388 – First Secretary	Payment of representational allowance to First Secretary for hosting official engagement	721.95
27/8/15	150865	EDP No. 93388 – First Secretary	Payment of representational allowance to First Secretary for hosting official engagement	1,400.70
<b>Total</b>				<b>17,634.93</b>

**APPENDIX 8.2: Examples of Manual Payment Not Updated in the Payroll System**

<b>EDP/ FNPF No.</b>	<b>Amount (\$)</b>
LD668	126.48
MF039	581.86
94971	140.44
25805	512.76
92464	580.87
95032	1,634.61
95031	1,774.73
ZQ456	507.35
YE109	543.39
27800	579.83
PM708	718.73
63618	3,195.23
MF258	1,635.13
94117	3,061.50
25831	1,078.56
MF034	1,093.93
90919	1,652.00
93235	846.07
MF708	188.09
MF641	819.87
92229	1,077.96
92464	1,433.12
94971	860.42
25805	866.42
59930	1,591.86
92228	1,107.44
92465	2,391.19
LD668	594.38
MF210	1,588.80
MB79+1	1,446.00
NG420	382.80
UX234	751.20
25687	203.40
25686	144.32
MF457	1,236.22
PW764	853.42
PU928	505.08
92269	2,110.00
QD914	210.00
<b>Total</b>	<b>40,625.46</b>

**APPENDIX 8.3: Examples of Revenue Collected by Overseas Mission and not Deposited in the Consolidated Trust Fund**

Month	Description	Total Amount (\$)
<b>CANBERRA</b>		
January	Immigration Fees for 2015	3,502.21
February	Immigration Fees for 2015	3,470.48
March	Immigration Fees for 2015	4,591.05
April	Immigration Fees for 2015	2,552.17
May	Immigration Fees for 2015	3,224.27
June	Immigration Fees for 2015	4,039.42
July	Immigration Fees for 2015	2,927.38
August	Immigration Fees for 2015	2,879.72
September	Immigration Fees for 2015	4,607.08
October	Immigration Fees for 2015	5,144.35
<b>Total – Canberra</b>		<b>36,938.13</b>
<b>WELLINGTON</b>		
January	Immigration Fees for 2015	12,694.96
February	Immigration Fees for 2015	17,625.42
March	Immigration Fees for 2015	13,981.69
April	Immigration Fees for 2015	18,138.46
May	Immigration Fees for 2015	14,515.27
June	Immigration Fees for 2015	11,745.65
July	Immigration Fees for 2015	17,045.19
August	Immigration Fees for 2015	22,188.87
September	Immigration Fees for 2015	12,232.20
October	Immigration Fees for 2015	13,157.39
<b>Total – Wellington</b>		<b>153,325.10</b>
<b>WASHINGTON</b>		
January	Immigration Fees for 2015	3,523.21
February	Immigration Fees for 2015	1,569.06
March	Immigration Fees for 2015	3,377.61
April	Immigration Fees for 2015	3,675.96
May	Immigration Fees for 2015	1,689.31
June	Immigration Fees for 2015	1,436.13
July	Immigration Fees for 2015	2,089.31
August	Immigration Fees for 2015	2,204.42
September	Immigration Fees for 2015	2,039.73
October	Immigration Fees for 2015	1,261.03
<b>Total –Washington</b>		<b>22,865.77</b>
<b>Total</b>		<b>213,129.00</b>

## APPENDIX 8.4: Outstanding Advances to Officer's and Ministries/Department

Date	EDP Numbers/Names	Amount (\$)
<b>Officers</b>		
4/9/13	93763	260.00
2/7/13	48213	73.00
5/7/13	48213	131.95
8/10/13	48213	117.00
20/11/14	48213	1,953.13
18/3/13	48213	19.00
1/8/13	45972	200.00
12/4/13	90089	1,000.00
7/3/13	Name Withheld A	108.00
14/8/13	94117	100.00
5/3/14	64263	100.00
26/4/13	91389	27.00
7/8/13	91389	140.00
12/8/13	91389	1,429.93
15/11/13	Name Withheld A	200.00
28/2/14	Name Withheld A	380.00
25/4/14	90717	2.00
3/7/14	90717	108.00
25/6/13	13931	99.00
29/8/13	93233	692.00
16/9/13	90919	15.00
17/7/13	90919	70.00
2/8/13	Name Withheld C	2,368.00
5/8/13	Name Withheld C	0.90
20/9/13	94966	200.00
3/5/13	Name Withheld D	150.00
16/8/13	Name Withheld D	150.00
15/3/13	Name Withheld D	135.00
30/7/13	Name Withheld A	105.00
18/6/13	41212	27.00
27/8/13	41212	36.00
02/9/13	41212	69.00
07/3/13	48863	714.08
21/3/13	48863	2,890.39
26/2/13	92253	200.00
3/7/14	Name Withheld E	2,000.00
7/8/14	Name Withheld F	34.60
1/7/13	Name Withheld G	211.00
5/7/13	Name Withheld G	24.00
11/10/13	Name Withheld G	117.00
25/11/13	Name Withheld G	45.00
3/7/14	PS Foreign Affairs	870.00
20/5/13	64078	2,000.00
18/4/13	91391	0.38
17/4/14	91391	129.00
25/4/14	91391	10.90
19/9/14	90182	1,802.58
18/6/13	53699	20.00
20/6/13	53699	72.00



Date	EDP Numbers/Names	Amount (\$)
23/07/13	53699	700.00
29/01/13	70687	63.00
02/09/13	Name Withheld H	69.00
25/04/13	92136	45.00
28/05/13	92136	166.00
01/07/13	92136	121.00
08/07/13	92136	75.00
22/08/13	92136	36.00
19/09/13	92136	108.00
02/09/13	92136	54.00
06/03/14	92136	108.00
09/08/13	Name Withheld	486.00
16/11/13	62588	150.00
18/11/13	45994	45.00
09/01/13	Name Withheld	99.00
07/11/13	Name Withheld	2,106.94
08/11/13	Name Withheld	1,509.00
08/07/13	91390	2,062.91
<b>Ministries/Department</b>		
11/06/13	Director of Immigration	190.00
03/05/13	Ministry of Information	6,690.00
<b>Total</b>		<b>36,490.69</b>

## Section 09 Office of The Auditor General

### Role and Responsibilities

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

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

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## PART A: FINANCIAL STATEMENT

### 9.1 Audit Opinion

The audit of the 2015 accounts of the Office of the Auditor General was carried out by Chartered Accounting firm, Ernst & Young. The audit resulted in the issue of an unqualified audit report.

### 9.2 Statement of Receipts and Expenditure

The office collected revenue totalling \$546,275 and incurred a total expenditure of \$3,329,803 in 2015. Details are provided in Table 9.1.

**Table 9.1: Statement of Receipts and Expenditures for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
<b>Agency Revenue</b>		
Audit Fees	544,480	563,150
Miscellaneous Revenue	1,795	88
<b>Total Agency Revenue</b>	<b>546,275</b>	<b>563,238</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	2,797,625	2,940,463
Unestablished Staff	29,738	34,377

Description	2015 (\$)	2014 (\$)
Travel & Communications	77,358	91,149
Maintenance & Operations	75,979	103,050
Purchase of Goods & Services	287,302	367,111
Operating Grants & Transfers	4,531	1,708
<b>Total Operating Expenditure</b>	<b>3,272,533</b>	<b>3,537,858</b>
<b>Capital Expenditure</b>		
Grants & Operations	-	-
<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>
<b>Value Added Tax</b>	<b>57,270</b>	<b>75,733</b>
<b>TOTAL EXPENDITURE</b>	<b>3,329,803</b>	<b>3,613,591</b>

The total revenue decreased by \$16,963 or 3% in 2015 compared to 2014 due to recovery of bulk of arrears of revenue in 2014.

The total expenditure decreased by \$283,788 or 8% in 2015 compared to 2014. The decrease was mainly due to the position of the Auditor General being vacant throughout the year and reduction in the number of contract audits issued to private firms during the year.

### 9.3 Appropriation Statement

The Office incurred expenditures totalling \$3,329,803 in 2015 against the budget of \$4,082,574 resulting in a saving of \$752,771 or 18%. Details of expenditures against the budget estimates are provided in Table 9.2.

**Table 9.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Carry – Over (\$)	Lapsed Appropriation (\$) (a-b)
1	Established Staff	3,307,788	---	3,307,788	2,797,625	---	510,163
2	Government Wage Earners	33,027	---	33,207	29,738	---	3,289
3	Travel & Communication	136,500	---	136,500	77,358	---	59,142
4	Maintenance & Operations	116,200	---	116,200	75,979	---	40,221
5	Purchase of Goods & Services	387,059	---	387,059	287,302	---	99,757
6	Operating Grants & Transfers	6,000	---	6,000	4,531	---	1,469
7	Special Expenditure		---	---	---	---	---
	<b>Total Operating Costs</b>	<b>3,986,574</b>	<b>---</b>	<b>3,986,574</b>	<b>3,272,533</b>	<b>---</b>	<b>714,041</b>
	<b>Capital</b>						
8	Construction	---	---	---	---	---	---
9	Purchases	---	---	---	---	---	---
10	Grants & Transfers	---	---	---	---	---	---
	<b>TOTAL CAPITAL</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
13	Value Added Tax	96,000	---	96,000	57,270	---	38,730
	<b>TOTAL EXPENDITURE</b>	<b>4,082,574</b>	<b>---</b>	<b>4,082,574</b>	<b>3,329,803</b>	<b>---</b>	<b>752,771</b>

## **9.4 Statement of Losses**

### **Loss of Money**

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

### **Loss (other than money)**

Loss of a fixed asset costing \$3,749 was recorded during 2015. The value of the missing asset was recovered from employees concerned. Some items were written off during the year due to wear and tear as recommended after a board of survey.

**Section 10****Fiji Elections Office Grant****Roles and Responsibilities**

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

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

The FEO is provided with a budget in 2015. This will ensure that the Office is able to operate at the necessary level in order to provide on-going training to its staff; conduct Trade Union and other elections; and continuously seek to improve Fijian electoral procedures. FEO is looking for an affective Electoral Management System to automate the majority of the administrative aspects of elections. In 2015, the Office intends to carry out preliminary work on drafting an appropriate tender for this system. The FEO will continue with the Electronic Voter Registration [EVR] exercise to register potential voters each year. Furthermore, community awareness about voter registration and voting will continue in 2015 to inform Fijians – especially those turning 18 – about the importance of voting. The FEO will also begin work with the Ministry of Education to create a school curriculum about the various aspects of voting, including how Fiji's electoral system works.

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**PART A: FINANCIAL STATEMENT****10.1 Audit Opinion**

In 2015, the Fijian Election Office was paid a grant for its operations as per grant agreement signed between the Permanent Secretary of Finance and the Supervisor of Elections. The grant was paid out of Head 10 of the 2015 Budget. The outlay of funds as grants from Head 10 under the 2015 budget

was audited under the audit of the Ministry of Finance as the administering Ministry which resulted in the issue of an unqualified audit report.

The audit of the Fijian Elections Office as a recipient of the grant is not included in this report and will be reported separately.

## 10.2 Statement of Receipts and Expenditure

The expenditure incurred as grant paid to the Fijian Election Office in 2015 totalled \$5,119,295 in 2015 compared to expenditure of \$11,582,312 in year 2014. Table 10.1 shows a single budget line expenditure of Operating Grant and Transfers to the Fijian Election Office unlike the 2014 period in they were direct recipients and administered their own budget like other ministries and departments.

**Table 10.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Commission	262	1,041
Miscellaneous Revenue	15,782	219,940
<b>TOTAL REVENUE</b>	<b>16,044</b>	<b>220,981</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	---	1,228,944
Government Wage Earners	---	67,266
Travel & Communications	---	104,391
Maintenance & Operations	---	82,004
Purchase of Goods & Services	---	151,204
Operating Grants and Transfers	5,119,295	---
Special Expenditures	---	8,685,682
<b>Total Operating Expenditure</b>	<b>5,119,295</b>	<b>10,319,491</b>
Value Added Tax	---	1,262,821
<b>TOTAL EXPENDITURE</b>	<b>5,119,295</b>	<b>11,582,312</b>

Total expenditure decreased by \$6,463,017 or 56% in 2015 compared to 2014. The decrease was mainly attributed to the decrease in special expenditure due to the year 2015 being a non-election year as election was held in 2014.

## 10.3 Appropriation Statement

The Fijian Election Office incurred expenditure totalling \$5,119,295 in 2015 against a revised budget of \$7,089,092 resulting in a savings of \$1,969,797 or 28%.

Details of expenditures against the budget estimates are provided in the appropriation statement in Table 10.2.

**Table 10.2: Appropriation Statement for 2015**

<b>Item</b>	<b>Budget Estimate (\$)</b>	<b>Changes (\$)</b>	<b>Revised Estimate (\$)</b>	<b>Actual Expenditure (\$)</b>	<b>Lapsed Appropriation (\$)</b>
Established Staff	---	---	---	---	---
Government Wage Earner	---	---	---	---	---
Travel & Communications	---	---	---	---	---
Maintenance & Operations	---	---	---	---	---
Purchase of Goods & Services	---	---	---	---	---
Operating Grants & Transfers	7,089,092		7,089,092	5,119,295	1,969,797
Special Expenditures	---	---	---	---	---
<b>Total Operating Expenditure</b>	<b>7,089,092</b>	<b>---</b>	<b>7,089,092</b>	<b>5,119,295</b>	<b>1,969,797</b>
Value Added Tax	---	---	---	---	---
<b>TOTAL EXPENDITURE</b>	<b>7,089,092</b>	<b>----</b>	<b>7,089,092</b>	<b>5,119,295</b>	<b>1,969,797</b>

## Section 11 **Judiciary**

### **Role and Responsibilities**

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

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## **PART A: FINANCIAL STATEMENT**

### **11.1 Audit Opinion**

Audit of the 2015 accounts of the Judiciary Department resulted in the issue of a qualified audit report.

The qualification was due to a variance of \$726,377 between the Judicial Trust Fund Cash at bank balance of \$23,664,183 in the FMIS general ledger and the Judicial Trust Fund Bank Reconciliation balance of \$24,390,560 as at 31 December 2015.

Furthermore, Trust Fund Account reconciliations for suitors, maintenance and sundries trust accounts were not prepared since 31 October 1991.

### **11.2 Statement of Receipts and Expenditure**

The Department collected revenue totalling \$4,371,772 and incurred expenditure totalling \$27,692,107 in 2015. Refer to Table 11.1 for details.



**Table 11.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Court Fines	2,708,400	2,466,697
Court Fees	1,352,905	1,393,338
Others	21,363	8,691
<b>Total State Revenue</b>	<b>4,082,668</b>	<b>3,868,726</b>
<b>Agency Revenue</b>		
Miscellaneous	232,826	175,834
Revenue from Surveys	53,952	35,131
Agricultural Landlord & Tenant	2,326	-
<b>Total Agency Revenue</b>	<b>289,104</b>	<b>210,965</b>
<b>Total Revenue</b>	<b>4,371,772</b>	<b>4,079,691</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	19,785,891	18,284,760
Government Wage Earners	1,131,338	1,003,975
Travel & Communications	1,567,814	1,378,543
Maintenance & Operations	911,564	935,378
Purchase of Goods & Services	667,243	559,619
Special Expenditures	707,064	1,038,229
<b>Total Operating Expenditure</b>	<b>24,770,914</b>	<b>23,200,504</b>
<b>Capital Expenditure</b>		
Capital Construction	1,957,474	3,091,594
Capital Purchases	293,185	689,604
<b>Total Capital Expenditure</b>	<b>2,250,659</b>	<b>3,781,198</b>
<b>Value Added Tax</b>	<b>670,534</b>	<b>978,137</b>
<b>TOTAL EXPENDITURE</b>	<b>27,692,107</b>	<b>27,959,839</b>

The Department's total revenue increased by \$292,081 or 7 % in 2015 compared to 2014 due to the prompt payment of court fees/fines/cost and execution of warrants by the Fine Enforcement Unit to recover arrears of revenue.

The total expenditure decreased by \$267,732 or 1% in 2015 compared to 2014 due to decreases in expenditure for the vessel hire for outer island court sittings. In addition, major capital construction work scheduled at Lautoka High Court and relocation of Ba Magistrates Court were not done due to technical issues.

### 11.3 Appropriation Statement

The Department incurred expenditure totalling \$27,692,107 in 2015 against the revised budget of \$40,382,832 resulting in a savings of \$12,690,725 or 31%. Details of expenditures against the budget estimates are provided in Table 11.2.

**Table 11.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	21,346,205	(590,055)	20,756,150	19,785,891	970,259
2	Government Wage Earners	998,494	178,955	1,177,449	1,131,338	46,111
3	Travel & Communications	1,303,598	327,800	1,631,398	1,567,814	63,584
4	Maintenance & Operations	821,000	164,000	985,000	911,564	73,436
5	Purchase of Goods & Services	707,235	31,246	738,481	667,243	71,238
6	Operating Grants & Transfers	3,000	(3,000)	-	-	-
7	Special Expenditures	1,201,000	(397,946)	803,054	707,064	95,990
	<b>Total Operating Expenditure</b>	<b>26,380,532</b>	<b>(289,000)</b>	<b>26,091,532</b>	<b>24,770,914</b>	<b>1,320,618</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	11,650,000	(5,610)	11,644,390	1,957,474	9,686,916
9	Capital Purchases	-	294,610	294,610	293,185	1,425
	<b>Total Capital Expenditure</b>	<b>11,650,000</b>	<b>289,000</b>	<b>11,939,000</b>	<b>2,250,659</b>	<b>9,688,341</b>
13	Value Added Tax	2,352,300	-	2,352,300	670,534	1,681,766
	<b>TOTAL EXPENDITURE</b>	<b>40,382,832</b>	<b>-</b>	<b>40,382,832</b>	<b>27,692,107</b>	<b>12,690,725</b>

#### 11.4 Trust Fund Account Statement of Receipts & Payments

Suitors, maintenance and sundries trust fund accounts are used to deposit and make payments pursuant to the orders made by the courts. Judiciary fund and Legal Practitioners' trust fund accounts are used to record the interest received from the trust fund kept by the individual legal practitioners. Table 11.3 outlines the trust fund account receipts and payments for the year.

**Table 11.3: Trust Fund Account Statement of Receipts & Payments for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Suitors Fund	12,075,018	12,061,086
Maintenance Fund	3,805,204	3,453,734
Sundries Fund	2,909,773	2,522,084
Judiciary Trust Fund Account	608,630	265,504
Legal Practitioners Unit Fund	171,940	196,530
<b>TOTAL REVENUE</b>	<b>19,570,565</b>	<b>18,498,938</b>
<b>PAYMENTS</b>		
Suitors Fund	8,240,197	9,327,341
Maintenance Fund	3,542,896	3,545,726
Sundries Fund	2,449,170	2,135,284
Judiciary Trust Fund Account	638,089	295,175
Legal Practitioners Unit Fund	14,584	88,197
<b>TOTAL PAYMENTS</b>	<b>14,884,936</b>	<b>15,391,723</b>
<b>Net Surplus</b>	<b>4,685,629</b>	<b>3,107,215</b>
Opening Balance as at 1 January	20,598,243	17,491,028
<b>Closing Balance as at 31 December</b>	<b>25,283,872</b>	<b>20,598,243</b>

The Trust Fund Accounts balance increased by \$4,685,629 million or 23% in 2015 compared to 2014 mainly due to increase in trust receipts from Judiciary, Suitors, Maintenance and Sundries Funds.

**PART B: AUDIT FINDINGS****11.5 Anomalies noted in Main Trust Fund Account**

Each month the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items must be investigated and resolved promptly.<sup>1</sup>

The Department maintains three trust fund accounts namely Suitor's Trust, Maintenance Trust and Sundries Trust accounts. The records of trust accounts from all the district registries are maintained at headquarters for proper accountability.

Audit review of Trust Fund Accounts revealed following anomalies:

- Unreconciled variance of \$726,377.46 was noted between the Main Trust Fund bank reconciliation and bank statement balance as at 31 December 2015. The variance was due to transfer of balances from old allocation to the new allocation in 2009 where the actual cash was not transferred to the new bank account by the Ministry of Finance. The above concern was raised in previous years' audit reports but no improvement was noted.
- Trust Fund Account reconciliations have only been updated up to 31 October 1991. Thus the balances owed by the Department and the detailed breakdown for these balances could not be substantiated. The delay in preparation of the reconciliations has also been highlighted in prior years audit reports but corrective action is yet to be taken.

Refer Table 11.4 for details.

**Table 11.4: Balance in Trust Fund Account as at 31 December 2015**

Trust Account	Composition of Fund Account	Balance as at 31/12/15 (\$)
Suitors Trust	Trust account comprises monies pending from Suva, Lautoka and Labasa High Court cases on FNPF, Public Trustee and substantial amounts of Civil and Criminal cases.	18,709,444
Maintenance Trust	Trust account comprises monies from maintenance payments by defendants to their spouses based on the judgments passed by the Family Law Court.	1,497,470
Sundries	Trust account comprises monies from pending Civil and Criminal cases awaiting Court judgments.	4,178,309
<b>Total</b>		<b>24,385,223</b>

In absence of regular reconciliations not being prepared, it was not possible to ascertain during audit the correctness of the balances reflected in the Department's Trust Fund Accounts.

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

- **continue with its concerted effort to update the pending reconciliations.**
- **consult with Ministry of Finance to assist in the reconciliation process.**

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

**Department's Comments**

The breakdown of the variance of \$726,377.46 was clearly shown in the December 2015 Reconciliation. The variance comprised of the following:-

	Extra Debits	-	681.00
	Adjustment by MOF	-	<u>784,441.06</u>
			785,122.06
<b><u>Less</u></b>	Unpresented Cheques	52,657.06	
	Extra Credits	<u>6,087.54</u>	<u>58,744.60</u>
	Variance		<b><u>\$726,377.46</u></b>

Ministry of Economy hasn't provided the monies which they had just adjusted vide JV despite the department writing to them. All relevant documents were provided but still to date no positive response from them.

We do the reconciliations as recommended by the Auditors but the variances arise due to the reasons as stated; above which is beyond our control. Any errors or anomalies are regularised when the reconciliations are carried out. All variances are shown in the reconciliations which clearly show why all these balances do not tie up.

The recommendations of the Auditors are noted. However, the department has a ledger where the balances ties up with the FMIS balances. It is only the actual reconciliations which is behind i.e. the detailed breakdown of monies owed by the department is not stated.

These reconciliations had not been done by the staffs who were employed in the department in the 1980's. Had they done their job we wouldn't be in the situation we currently are in.

Nevertheless, we are trying our best to carry out the reconciliations but it is not an easy task. Had it been behind by few years it could have been updated but to reconcile 24 years back reconciliation is quite difficult. Current staff are trying their best so let's see how far we can go. Department was intending to employ extra staff as a project to specifically carry the reconciliations so that it is up to date but due to lack of office space this has been shelved for a while. Once we are allocated with additional office space then this project can be implemented.

**11.6 Significant Arrears of Revenue**

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

- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than a month; and
- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.<sup>2</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>3</sup>

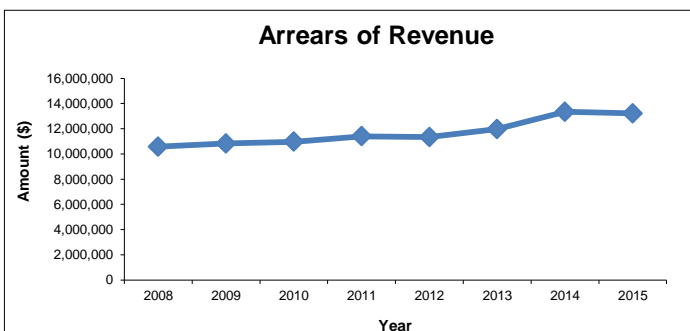
<sup>2</sup> Judicial Department Finance Manual 2013, Section 9.2.1

<sup>3</sup> Judicial Department Finance Manual 2013, Section 9.2.4

The arrears of revenue comprises of court fees, fines and cost awarded to State. A slight decrease of \$129,711 or 1% was noted in arrears of revenue in 2015 compared to 2014. Refer to Table 11.5 for details:

**Table 11.5: Arrears of Revenue over Eight Year Period**

Year	Balance	Change	Percentage Change (%)
2008	10,574,640	0	0
2009	10,828,342	253,702	2
2010	10,970,177	141,835	1
2011	11,397,061	426,884	4
2012	11,341,730	(55,331)	0
2013	11,968,031	626,301	6
2014	13,345,569	1,377,538	12
2015	13,215,858	(129,711)	1



However, it was noted that arrears of revenue between 1 to 2 years and 2 to 5 years had increased by \$220,895 (31%) and \$83,436 (9%) respectively in 2015 while arrears of revenue for more than 5 years decreased by 4%. This indicates that more revenue is falling into arrears and debt recovery procedures employed are ineffective.

Refer to Table 11.6 for Aging of Debtors.

**Table 11.6: Aging of Debtors**

Age of Debtors	2015 Amount (\$)	2014 Amount (\$)	Change (\$)	Percentage Change (%)
Less than 1 year	1,620,611	1,678,769	(58,158)	(3)
1 – 2 years	940,820	719,925	220,895	31
2 – 5 years	1,005,849	922,413	83,436	9
More than 5 years	9,648,578	10,024,462	(375,884)	(4)
<b>Total Debtors</b>	<b>13,215,858</b>	<b>13,345,569</b>	<b>(129,711)</b>	<b>(1)</b>

The Department established a Fine Enforcement Unit few years back to manage the arrears of revenue. Despite this exercise, the arrears of revenue for the Department remained substantial. According to the Department they face challenges such as locating the defaulters as in most of the cases the defaulters do not have the fixed address, resource constraints and at times cost of recovery outweighs the outstanding revenue.

The above indicates the Department has to come up with more cost-effective strategies to collect arrears of revenue, as further delay in collecting the outstanding revenue increases the risk of revenue not likely to be collected and possible write-off.

### **Recommendation**

**The Department should consult all relevant stakeholders such as LTA, Fiji Police Force, Fiji Immigration, FRCA, FNPF and Post Fiji Limited and outline the roadmap on ways to recover the arrears of revenue from the defaulters in a more cost-effective manner.**

**Department's Comments**

*The recommendation is noted. The Department is also concerned about the vast amount of Arrears of Revenue which still remains uncollected but as mentioned in the previous years it does not have the authority nor control over the execution process as this is mainly vested in the Police Department. As recommended by the Auditors, the Department is working closely with the Police Department in the collection of the outstanding arrears. Transport (inclusive of driver) is provided and FEU staff accompanies Police officers who execute warrants.*

*But sometimes it is difficult to find the defaulters as they are no longer staying at the address initially provided by them. In addition Police Officers are also given recharge cards to call defaulters who cannot be located.*

*The Department is also working with LTA so that assistance is provided by them to check if the pending arrears have been paid for at LTA which the Department is not aware of so that the record is updated.*

**11.7 Long Outstanding Balance in Operating Trust Fund Account**

Operating Trust Fund Account consists of salary deductions payable to other entities such as insurance premium deductions from employees, Fiji National Provident Fund deductions from employees. The Department must ensure that moneys kept in Trust Fund Account are paid to relevant authorities in the following month.

The audit noted that balance in one of the Operating Trust Fund accounts for the Department with balance of \$169,184 as at 31/12/15 has been accumulating over the years. Refer to Table 11.7 for details.

**Table 11.7: Balances over Five Year Period**

Account Number	Account Description	Ending Balance				
		2011 (\$)	2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)
1-11101-11999-864199	Others	133,343	135,751	139,050	178,124	169,184

Significant balances in the operating Trust Fund account indicates that monies kept in Trust Fund were not paid to relevant authorities on time and/or unaccounted balances are maintained in the operating Trust Fund account.

As a result, there is a high possibility that the may not be meeting some its statutory obligations and agreements with its employees in regards to FNPF and insurance premium deductions, respectively.

**Recommendation**

**The Department should review the significant dormant balance in the Operating Trust Fund account as at 31/12/15 and take appropriate action to clear the accounts.**

**Department's Comments**

*Comments of the Auditors are noted. This account will be verified to see why there is a large amount of credit in it. Funds deposited in this account need to be paid out so the allocation is zero. Balances from previous years will be checked and if it needs to be paid out then it will be done so and if not then the funds will be credited to government revenue.*

## 11.8 Unutilised Capital Budget

The budget estimates and budget statements are to be prepared as far as practicable in accordance with internationally accepted standards.<sup>4</sup>

A revised budget of \$40.4 million was allocated to the Department for 2015 which comprised of \$26.1 million for operating expenditures, \$11.9 million for capital expenditure and \$2.4 million for VAT payments.

The audit noted that the Department did not utilize \$9,611,888 or 87% of its capital budget as at 31 December 2015. Refer to Table 11.8 for details.

**Table 11.8: Capital Budget Details**

Item	Revised (\$)	Actuals (\$)	Savings (\$)	Percentage Savings (%)
Extension of Lautoka High Court	7,000,000.00	254,359.91	6,745,640.09	96%
Relocation of Ba Magistrates Court	1,000,000.00	0.00	1,000,000.00	100%
Rural & Small Town Court House	494,390.00	58,509.82	435,880.18	88%
Upgrading of Existing Court Complex	2,500,000.00	1,069,632.81	1,430,367.19	57%
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>10,994,390.00</b>	<b>1,382,502.54</b>	<b>9,611,887.46</b>	<b>87%</b>

The above indicates that the funds allocated were not fully utilized for its intended purpose and the projects were completed within the given year to realize its benefit and meet the Department's objective.

Not executing the budgeted programs in a timely manner would affect the service delivery of Government.

### **Recommendation**

**The Department should work with key stakeholders such as Ministry of Finance (Procurement) and Public Works Department, to develop strategies to synergize the process to avoid unnecessary delays and to ensure that the capital project is completed during the fiscal year as appropriated by Parliament.**

### **Department's Comments**

#### *Extension of Lautoka High Court Complex*

*Considerable amount of effort was taken by the Lead Consultant in consultation with Client (Judicial) during the designing stages to move the project forward in a timely manner. However unforeseen events were encountered during the process that greatly affected the progress of this project.*

- Variations during the design stage of the project as stated by Consultant were a major reason for delay.*
- Payment for additional soil drilling was required following the initial Geotech Investigation that was carried out on site by sub-contractor. However this could not happen under the Contract Agreement. Therefore application was made to FPO for waiver of Tender so that the drilling work can continue. The work continues upon receipt of approval from GTB.*

<sup>4</sup> Financial Management Act 2004, Section 13 (3)

- *Clarification of the Land Title was also a cause of delay. This issue came about when the Building Permit was lodged with the Lautoka City Council. Further clarification was sought from the Lands Department (West) and later referred to the Director Land in HQ before issuance of permit.*
- *Layout Plan for Storm Water Drainage was delayed as further consultation was required with Lautoka City Council and the adjoining Building owners.*

*Please note that this is a major project for the Department and is estimated to cost around \$38m to \$40m at this stage and could go up further during the construction stage. The above issues were unforeseen from the outset and it is indeed crucial that they are resolved prior to awarding of the Contract for Construction of a project of this magnitude. \$7m was allocated for his project in 2015 however \$254,359.91 was utilized on Permit fees to FEA, NFA, Ministry of Labour (OHS), Traffic Impact Assessment and EIA.*

#### Relocation of Ba Magistrate Court

*Bids from five prospective Lead Consulting firms were received for Provision of Design, Documentation, Project Supervision and Management Services of the new Ba Court which was referred to MoIT (DBGA's Office) for Technical Evaluation. The DBGA was sickly during this time and went on leave for long duration of time and eventually retired from Office. The Project was then handed over to the Principal Government Architect. A Technical Evaluation Report was prepared by the Principal Architect for the appointment of a lead consultant which was forwarded to client. However when the report come to hand it had already passed the 3 months period required by GTB for Technical Evaluation and therefore the Tender was considered to be invalid subject to Ministry of Finance Circular.*

*Please find below chronicle of events in relation to the New Ba Court that took place commencing from May 2015 to date.*

- *Ministry of Finance Circular states Tender Validity Period is for 3 months from date of GTB Notification.*
- *GTB Notification letter received on 28/05/15 with 5 Tenderers bids.*
- *Memorandum with copy of bids sent to MoIT on 04/06/15 for Technical Evaluation.*
- *Technical Evaluation Report received on 09/07/15 by Chief Registrar.*
- *GTB Notification letter received on 1/09/15 with Financial Proposal of 3 bidders.*
- *MoIT analysis of financial bids and correspondence with bidders done till October 2015.*
- *Notice to Tenderers # 1 on Financial Bids sent on 2/10/15.*
- *Consultation conducted with Director FPO.*
- *Advice received from FPO that Tender Validity Period has been lapsed.*
- *MoIT Lead Project Principal Architect absent from office on Medical Grounds.*
- *MoIT Director Buildings & Government Architect absent from Office — deemed resignation.*
- *Project on hold pending appointment of new A/DBGA.*
- *Consultation and advice received from FPO to re-tender.*
- *Consultation and Meeting conducted with Construction Implementation Unit of MOF in 2016.*
- *Advice received from Manager CIU to confirm on prices from Bidders and convene TEC for submission to GTB for award of consultancy.*
- *Email received from FPO on 11/05/16 to finalise TEC for GTB decision.*
- *TEC convened on 20/05/16.*

#### Rural & Small Town Court House

*The funds utilised under the Rural & Small Town Court House allocation in 2015 was for the Extension of the Vunidawa Court House. The remaining funds available from this vote were earmarked for the upgrade of Taveuni and Levuka Court. The Department was of the view that it would be appropriate that these two projects are given to MoIT through the Divisional Engineers to undertake due to the locality of the site as it will be very costly to send private Contractors given the limited funds available.*



*The MoIT (DBGA's) Office) did the Drawings for the Proposed Alteration and Refurbishment to Existing Taveuni Court House with a Class A Cost Estimates of \$365,000VIP. Proposal was submitted to FPO to engage MoIT to undertake the project in line with Finance Circular Memorandum FIN 21/2/16 however this was declined by the Hon. Minister for Finance and advise that Tender to be called for this project. Drawings for the Proposed alteration & Upgrade to Levuka Court House were also released with a Class A Estimate of \$146,000. In lieu of the above this project was also referred to FPO for Tender. Both the Projects are now on tender for 2016.*

#### **Upgrading of Existing Court Complexes**

*This allocation was earmarked for renovation and upgrade of our existing Court facilities in the major towns and cities across the Country. Bulk of the funds were utilised for the upgrade and renovation works of our Court facilities at Government Buildings and the Alteration & Refurbishment of the Nadi Court House. Small renovation works were also undertaken at Lautoka High Court, Tavua Court and Rakiraki and joinery works for Nasinu Court.*

*Please note that all the renovations are undertaken subject to availability of the sites. We normally relocate staffs to temporary accommodations with the Court premises in order to carry out renovations work to office spaces and Court Rooms. Contractors move in with strict work programme so that work is completed on time. However given the limited space available in our various Court facilities it has now become a difficult exercise to relocate and in addition to this the Court proceedings are held all throughout the year. This hinders our efforts to implement the various planned projects for the year within the given timeframe and to fully utilize the budgetary allocation. With the above drawbacks in mind we were still able to implement various projects and utilize considerable percentage of funds under Upgrading of Existing Court Complexes in 2015.*

## Section 12 Parliament Office

### Role and Responsibilities

The primary function of the Parliament Office is provided for under Section 46(1) of the Constitution of the Republic of Fiji which states that: “the authority and power to make laws for the State is vested in Parliament consisting of the Members of Parliament and the President and is exercised through the enactment of Bills passed by Parliament and assented to by the President”.

The core business of the Parliament Office is to provide secretariat support and services to enable the Parliament of the Fiji to perform the above functions.

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## PART A: FINANCIAL STATEMENT

### 12.1 Audit Opinion

The audit of the 2015 accounts of the Parliament Office resulted in the issue of a qualified audit report.

The basis of qualification was that expenses totalling \$7,612,055 incurred by the Office in 2015 were not classified into respective expenditure groups SEG’s 1 – 13. Therefore full financial information has not been disclosed to the users in the Statement of Receipts and Expenditures.

### 12.2 Statement of Receipts and Expenditure

The Parliament Office recorded revenue totalling \$3,578 and incurred expenditure totalling \$7,612,055 in 2015.

**Table 12.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
State Revenue	1,226	1,793
Agency Revenue	2,352	---
<b>TOTAL REVENUE</b>	<b>3,578</b>	<b>1,793</b>
<b>EXPENDITURE</b>		
Operating Expenditure		

Description	2015 (\$)	2014 (\$)
Established Staff	---	986,586
Government Wage Earners	---	246,701
Travel & Communications	---	126,747
Maintenance & Operations	---	177,489
Purchase of Goods & Services	---	425,276
Operating Grants & Transfers	7,612,055	---
Special Expenditures	---	187,772
<b>Total Operating Expenditure</b>	<b>7,612,055</b>	<b>2,150,571</b>
<b>Capital Expenditure</b>		
Capital Construction	---	2,376,300
Capital Purchase	---	90,870
<b>Total Capital Expenditure</b>	<b>---</b>	<b>2,467,170</b>
Value Added Tax	---	490,529
<b>TOTAL EXPENDITURE</b>	<b>7,612,055</b>	<b>5,108,270</b>

Total expenditure increased by \$2,503,785 or 49% in 2015 compared to 2014. The increase was attributed to increase in staff establishment from 47 in 2014 to 96 in 2015, increased in claim for subsistence allowance and overseas travel expenses for Members of Parliament and Secretariat.

In addition, there were increase in procurement of office equipment, furniture, office supplies and minor building maintenance works.

### 12.3 Appropriation Statement

The Parliament Office incurred expenditures totalling \$7,612,055 in 2015 against the revised budget of \$8,888,234 resulting in a savings of \$1,276,179 or 14%. Details of expenditures against the budget estimates are provided in Table 12.2.

**Table 12.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	---	---	---	---	---
2	Government Wage Earners	---	---	---	---	---
3	Travel & Communications	---	---	---	---	---
4	Maintenance & Operations	---	---	---	---	---
5	Purchase of Goods & Services	---	---	---	---	---
6	Operating Grants & Transfers	8,888,234	---	8,888,234	7,612,055	1,276,179
7	Special Expenditures	---	---	---	---	---
	<b>Total Operating Expenditure</b>	<b>8,888,234</b>	<b>---</b>	<b>8,888,234</b>	<b>7,612,055</b>	<b>1,276,179</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	---	---	---	---	---
9	Capital Purchase	---	---	---	---	---
	<b>Total Capital Expenditure</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
13	Value Added Tax	---	---	---	---	---
	<b>TOTAL EXPENDITURE</b>	<b>8,888,234</b>	<b>---</b>	<b>8,888,234</b>	<b>7,612,055</b>	<b>1,276,179</b>

## PART B: AUDIT FINDINGS

### 12.4 Budget Appropriation Classification

The budget papers for a financial year (the “budget year”) comprise budget estimate that specify the appropriation categories for each head appropriation in the Bill.<sup>1</sup>

The Parliament Office was allocated budget provision totalling \$8,888,200 during the year 2015. The total budget allocated to Parliament was recorded under SEG 6 – Operating Grants and Transfers.

The Parliament Office in its special purpose financial statements recorded the total expenses incurred in 2015 amounting to \$7,612,055 classified as Operating Grants and Transfers under SEG 6. The audit noted that the Parliament Office did not provide any grant to other agencies and the funds were used for the operating expenses of Parliament Office.

The operating expenses incurred were not classified into respective SEG’s 1 – 13. Therefore full financial information has not been disclosed to the users of the special purpose financial statements.

#### **Recommendation**

**The Office should ensure that Agency Financial Statement discloses expenditure incurred into SEG 1 - 13.**

#### **Parliament Office Comments**

*The purpose of SEG 6 in paragraph 3 is supported. However, this has to be addressed by Ministry of Finance Budget division and FMIS. Given the one – line budget for the first time in 2015, payments were reflected under one allocation under SEG 6 [Operating Grant] in the FMIS system. We maintained a manual expenditure ledger in 2015 divided into SEG 1- 13 but did not capture every detailed spending as expected. In 2016, the department has improved its recording system by SEGs as reflected in the 2016 1<sup>st</sup> Quarter Financial report. Please note the budgetary provision for each expenditure item is not a fixed amount but subject to quarterly review depending on the department’s current and forecasted spending. The office of the Secretary – General to Parliament acknowledges the assistance of OAG to officially inform Ministry of Finance of the error and adjust accordingly.*

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<sup>1</sup> Financial Management Act 2004 Section 13 (2)(b)(i)

## Section 13 Independent Commissions

### Role and Responsibilities

Fiji's independent commissions directly serve the people in specialized areas where objective and non-political judgment is required. The Commission applies the law independently and is a valuable tool for democratic governance. They share the larger purpose of defending the dignity of the individual in society, keeping institutions and the people who serve the public accountable, and serving as a constant reminder that Government serves the people.

The Independent Commissions include the Human Rights and Anti-Discrimination, the Accountability and Transparency Commission and the Fiji Independent Commission Against Corruption.

- **The Human Rights and Anti-Discrimination Commission** has a responsibility under Section 45 of the Constitution to ensure that Fiji human rights laws are respected. The Commission approaches this in three ways; educating the public, advising Government about its obligations under international law, and receiving and acting upon complaints from the public.
- **The Accountability and Transparency Commission** is a multi-faceted office that deals with freedom of information, code of conduct issues for public officials and other areas of law concerned with the responsibility of public officials and institutions to act in ways that are accountable, transparent and accessible. The Accountability and Transparency Commission is established under Section 121 of the Constitution.
- **The Fiji Independent Commission Against Corruption (FICAC)** is charged with fighting corruption in the public sector of Fiji. Its objective is to ensure that Fijians are served equally by their Government no matter what their circumstances or what issue they have before the Government. It accomplishes this by educating the public and public –sector workers and officials about corruption, inviting the public to bring cases of corruption forward and investigating complaints of corruption.

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## PART A: FINANCIAL STATEMENT

### 13.1 Audit Opinion

The audit of the 2015 grants budgeted under Head 13 Independent Commission resulted in the issue of an unqualified audit report. This report focusses only on the payments of grants as administered by the Ministry of Finance and Office of the Attorney General. Separate reports are prepared on the utilization of grants by Independent Commissions.

### 13.2 Statement of Receipts and Expenditure

The total grant paid from Budgetary Head 13 Independent Commissions totalled \$9,053,686 in 2015 which increased by \$486,686 or 5% compared to 2014.

**Table 13.1: Head 13 – Independent Commissions  
Abridged Statement of Receipts and Expenditure in 2015**

Description	2015 (\$)	2014 (\$)
<b>EXPENDITURE</b>		
<b>Operating</b>		
Operating Grants and Transfers	9,053,686	8,585,000
<b>Total Operating Expenditure</b>	<b>9,053,686</b>	<b>8,585,000</b>
<b>TOTAL EXPENDITURE</b>	<b>9,053,686</b>	<b>8,585,000</b>

### 13.3 Appropriation Statement

The Abridged Appropriation Statements for Budgetary Head 13 Independent Commissions below shows total grants paid in 2015 totalled \$9,053,686 against a revised budget of \$9,514,121 resulting in savings of \$460,435 or 5%. Refer Table 13.2 for details:

**Table 13.2: Head 13 - Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	10,249,200	(735,079)	9,514,121	9,053,686	460,435
	<b>TOTAL</b>	<b>10,249,200</b>	<b>(735,079)</b>	<b>9,514,121</b>	<b>9,053,686</b>	<b>460,435</b>

The 2015 Budget for the Accountability and Transparency Commission was not utilised during the year. Grants paid to the Human Rights and Anti – Discrimination Commission totalled \$550,000 and \$8,503,686 was paid to the Fiji Independent Commission Against Corruption [FICAC].

Accounts of the Fiji Independent Commission Against Corruption accounts for 2015 have been audited while the Fiji Human Rights and Anti – Discrimination Commission is yet to submit for audit the accounts for the periods 2008 to 2015. The non- appointment of Director and Commissioners are the reasons provided for late submission of accounts for audit.

## **Section 14 Office of the Director of Public Prosecutions**

### **Role and Responsibilities**

The Office of the Director of Public Prosecutions is an independent office established by the Fijian Constitution. The Director of Public Prosecutions [DPP] is responsible for instituting and conducting criminal proceedings in Fiji. The Office does not conduct criminal investigations. In most cases the investigation is done by the Fiji Police Force, which then presents the DPP with a brief containing the evidence it has collected.

Before launching a prosecution, the DPP examines the evidence to determine if there is a reasonable chance of conviction and if a prosecution is in the public interest. Should the DPP be satisfied on both counts, the DPP launches criminal proceedings.

The Office prosecutes all criminal trials before the High Court, as well as prosecutes criminal appeals before the Court of Appeal and the High Court. The Office also takes over cases of special difficulty or those relating to the public interest in the Magistrates' Courts.

The Director has the right to take over criminal proceedings that have been instituted by another person or authority and to discontinue, at any stage before judgement is delivered, criminal proceedings, except for those instituted by the Fiji Independent Commission Against Corruption.

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## **PART A: FINANCIAL STATEMENT**

### **14.1 Audit Opinion**

The audit of the 2015 financial statements of the Office of the Director of Public Prosecutions resulted in the issue of an unqualified audit report.

### **14.2 Statement of Receipts and Expenditure**

The Office of the Director of Public Prosecutions collected revenue totalling \$1,985 and incurred a total expenditure of \$4,696,316 in 2015.

**Table 14.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Commission	1,985	5,384
Agency revenue	-	110
<b>TOTAL RECEIPTS</b>	<b>1,985</b>	<b>5,494</b>
<b>EXPENDITURE</b>		
<b>Operating</b>		
Established Staff	2,742,310	2,463,914
Government Wage Earners	172,886	182,121
Travel & Communications	236,680	238,453
Maintenance & Operations	387,655	327,753
Purchase of Goods & Services	797,761	900,653
Special Expenditures	117,259	117,761
<b>Total Operating Expenditure</b>	<b>4,454,551</b>	<b>4,230,655</b>
Value Added Tax	241,765	258,639
<b>TOTAL EXPENDITURE</b>	<b>4,696,316</b>	<b>4,489,294</b>

Total expenditure increased by \$207,022 or 5% in 2015 compared to 2014. The increase in expenditure was mainly attributed to increase in established staff cost due to renewal of contract with salary increment for legal officers and increase of employers FPNP contribution from 8% to 10%.

### 14.3 Appropriation Statement

The Office incurred expenditure totalling \$4,696,316 in 2015 against the revised budget of \$5,715,089 resulting in savings of \$1,018,773 or 18%.

Details of expenditures against the budget estimates are provided in Table 14.2.

**Table 14.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,284,259	(333,260)	2,950,999	2,742,310	208,689
2	Government Wage Earners	163,504	54,760	218,264	172,886	45,378
3	Travel & Communication	249,930	21,500	271,430	236,680	34,750
4	Maintenance & Operations	337,200	132,000	469,200	387,655	81,545
5	Purchase of Goods & Services	1,264,496	125,000	1,389,496	797,761	591,735
7	Special Expenditure	120,000	-	120,000	117,259	2,741
	<b>Total Operating Expenditure</b>	<b>5,419,389</b>	<b>-</b>	<b>5,419,389</b>	<b>4,454,551</b>	<b>964,838</b>
13	Value Added Tax	295,700	-	295,700	241,765	53,935
	<b>TOTAL EXPENDITURE</b>	<b>5,715,089</b>	<b>-</b>	<b>5,715,089</b>	<b>4,696,316</b>	<b>1,018,773</b>

### 14.4 Statement of Losses

The Office of the Director of Public Prosecutions did not report any loss of money or assets during the financial year ending 31/12/15.



## 14.5 Trust Fund Account Statement of Receipts and Payments

**Table 14.3: Trust Fund Account Statement of Receipts and Payments 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Forfeited Assets Fund	8,430	694
DPP Trust Account	8,585	80
<b>Total Receipts</b>	<b>17,015</b>	<b>774</b>
<b>PAYMENTS</b>		
Forfeited Assets Fund	48,801	2
DPP Trust Account	16,798	
<b>Total Payments</b>	<b>65,599</b>	<b>2</b>
<b>Net (Deficit)/Surplus</b>	<b>(48,584)</b>	<b>772</b>
Opening Balance as at 1 January	178,657	177,885
<b>Closing Balance as at 31 December</b>	<b>130,073</b>	<b>178,657</b>

The Trust fund account consists of balances held for forfeited assets and Director of Public Prosecutions trust account.

## Section 15 Ministry of Justice

### Roles and Responsibilities

Maintaining thorough records about the people and businesses living and operating within Fiji is an essential function of Government that allows it to improve the services it offers. The Ministry of Justice is responsible for the efficient and professional administration of the legal registries under its portfolio. The Ministry deals specifically with the registration of land titles, births, deaths, marriages, companies, business names, credit unions, moneylenders, bankruptcies, and wound-up companies.

The Registrar of Titles Office is responsible for the registration of land titles, deeds, charitable trusts and religious bodies. The Office of the Official Receiver is responsible for the proper administration of the Bankruptcy and Companies Act and the execution of court orders. The Ministry is also responsible for the Administration of the Justice of the Peace Unit, which provides notary services for official documents.

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## PART A: FINANCIAL STATEMENTS

### 15.1 Audit Opinion

The audit of the 2015 accounts for the Ministry of Justice resulted in the issue of a qualified audit report. The qualification was as follows:

The Ministry maintains the Official Receiver Company bank account with a credit balance of \$652,634 and the Official Receiver Bankruptcy bank account with a credit balance of \$183,648.

Although, cash deposited into both accounts are trust monies, the Ministry did not prepare and submit Trust Fund Account Statement of Receipts and Payments together with the special purpose financial statements. In addition, details of both accounts were not recorded in the FMIS general ledger.

## 15.2 Statement of Receipts and Expenditure

The Ministry collected revenue totaling \$1,619,088 and incurred expenditure totaling \$3,869,241 in 2015. Refer Table 15.1 for details.

**Table 15.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Miscellaneous Fees	1,004,158	673,579
Registration Fees	563,307	726,943
Licence Fees	49,563	42,864
Other State Revenue	2,060	2,896
<b>Total State Revenue</b>	<b>1,619,088</b>	<b>1,446,282</b>
<b>Agency Revenue</b>		
Other Agency Revenue	-	-
<b>Total Agency Revenue</b>	<b>-</b>	<b>-</b>
<b>TOTAL REVENUE</b>	<b>1,619,088</b>	<b>1,446,282</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	1,843,054	1,880,302
Unestablished Staff	159,435	134,749
Travel & Communication	116,044	138,202
Maintenance & Operations	540,835	490,602
Purchase of Goods & Services	201,030	178,612
Operating Grants and Transfers	11,500	11,500
Special Expenditure	314,517	332,097
<b>Total Operating Expenditure</b>	<b>3,186,415</b>	<b>3,166,064</b>
<b>Capital Expenditure</b>		
Construction	-	28,665
Purchases	463,132	555,984
<b>Total Capital Expenditure</b>	<b>463,132</b>	<b>584,649</b>
Value Added Tax	219,694	238,883
<b>TOTAL EXPENDITURE</b>	<b>3,869,241</b>	<b>3,989,596</b>

Total revenue increased by \$172,806 or 12% in 2015 compared to 2014 due to new BDM offices being opened in the country and increase in public awareness. Total expenditure decreased by \$120,355 or 3% in 2015 compared to 2014 mainly due to reduction in capital expenditure.

## 15.3 Appropriation Statement

The Ministry incurred expenditure totaling \$3,869,241 in 2015 against the revised budget of \$4,775,095 resulting in a savings of \$905,854. Details of expenditure against the revised budget estimate are provided in Table 15.2.

**Table 15.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>Operating Expenditure</b>					
1	Established Staff	1,979,563	(104,536)	1,875,027	1,843,054	31,973
2	Government Wage Earners	147,514	42,288	189,802	159,435	30,367
3	Travel & Communication	230,400	(46,724)	183,676	116,044	67,632
4	Maintenance & Operations	586,000	107,199	693,199	540,835	152,364
5	Purchase of Goods & Services	179,500	107,829	287,329	201,030	86,299
6	Operating Grants & Transfers	11,500	-	11,500	11,500	-
7	Special Expenditure	996,718	(272,058)	724,660	314,517	410,143
	<b>Total Operating Expenditure</b>	<b>4,131,195</b>	<b>(166,002)</b>	<b>3,965,193</b>	<b>3,186,415</b>	<b>778,778</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	-	-	-	-	-
9	Capital Purchase	300,000	166,002	466,002	463,132	2,870
	<b>Total Capital Expenditure</b>	<b>300,000</b>	<b>166,002</b>	<b>466,002</b>	<b>463,132</b>	<b>2,870</b>
13	Value Added Tax	343,900	-	343,900	219,694	124,206
	<b>TOTAL EXPENDITURE</b>	<b>4,775,095</b>	<b>-</b>	<b>4,775,095</b>	<b>3,869,241</b>	<b>905,854</b>

## 15.4 Statement of Losses

There was no loss of money and fixed asset recorded for the year 2015. However, items worth \$42,749 were written off, following the Ministry's Board of Survey conducted in early 2016 for the year 2015.

## PART B: AUDIT FINDINGS

### 15.5 Trust Fund Accounts not Disclosed in Financial Statement

The receipts and payments of Trust money must be recorded in a separate cashbook or set of ledger accounts.<sup>1</sup> Each month the Trust account must be balanced and reconciled with Trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer.<sup>2</sup> All payments must be immediately recorded in the Financial Management Information System.<sup>3</sup>

The Ministry maintains two bank accounts namely Official Receiver Company and Official Receiver Bankruptcy. The Ministry uses the Official Receiver Company bank account to deposit receipts from liquidated companies or persons and payments to companies or persons to clear their outstanding accounts. The Official Receiver Bankruptcy bank account is used to deposit receipts from bankrupt persons or someone on their behalf and payments to clear their outstanding accounts.

<sup>1</sup> Finance Instruction 2010, Section 58 (2)

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

<sup>3</sup> Finance Instruction 2010, Section 15

As at 31/12/15 both bank accounts had a total credit balance of \$836,286.11. Refer to Table 15.3 for details of the bank accounts maintained by the Ministry.

**Table 15.3: Details of Trust Accounts**

Account Name	Balance As At 31/12/15 (\$)
Official Receiver Company – Liquidation	652,637.94
Official Receiver Bankruptcy	183,648.17
<b>Total</b>	<b>836,286.11</b>

The audit noted that although cash deposited into both accounts are trust monies, the Ministry did not account them as trust fund. In addition the Ministry did not prepare and submit Trust Fund Account Statement of Receipts and Payments together with the Special Purpose Financial Statements.

Due to laxity on the part of the Ministry accounting Officers, the Trust Fund accounts were also not recorded in the FMIS general ledger. As a result the Ministry of Finance does not have any control over the Trust Fund accounts maintained by the Ministry.

### **Recommendation**

**The Ministry should ensure that all the Trust Fund accounts are recorded in the FMIS general ledger and disclosed in its financial statements.**

### **Ministry's Comments**

*The Ministry acknowledges that the bank account for liquidation and bankruptcy matters was never included in the FMIS general ledger. This could be due to the fact that the Ministry of Finance does not provide budgetary allocation to Official Receivers office in terms of its operations or performance of its duties. The funds are derived from administration of debtors' estate. However, we have always submitted our records to audit team for audit purposes even though it was not included in the FMIS general ledger. In fact, audit team did not raise any concerns regarding the non-disclosure till this year. The Ministry took immediate steps to address this issue and has ensured that both accounts are in the FMIS general ledger.*

## **15.6 No Board of Survey for Drawings**

The Permanent Secretary must appoint a Board of Survey to conduct a physical stock take of all cash on hand and other stocks held in safes at least once a year.<sup>4</sup>

The audit noted that the Ministry did not carry out Board of Survey for unrepresented cheques as at 31/12/15. Hence, the correctness of total unrepresented cheques of \$269,090 as at 31/12/15 could not be ascertained.

The findings indicate lack of supervision and monitoring by Senior Officers.

<sup>4</sup> Finance Instruction 2010, Section 31(5)

**Recommendations**

**The Ministry should ensure that:**

- **Board of Survey of unpresented cheques is carried out at the end of the year; and**
- **adequate supervision and monitoring is provided by the Senior Officers to their subordinates.**

**Ministry's Comments**

*The Ministry did carry out the Board of Survey for Drawings as opposed to the finding by the audit team. However, the Board of Survey was not presented on 31/12/15 but on 14/06/16. The reason for delay was the confusion regarding the new format hence submitted in June this year.*

**15.7 Issue of Cash Cheques**

Not negotiable or crossed cheques are safer than cash cheques. Ministries and department should issue not negotiable cheques to avoid misappropriation of cash.

The audit noted that the Ministry wrote several cash cheques totalling \$1,035,898 from the Official Receiver Company bank account and \$11,325.82 from the Official Receiver Bankruptcy bank account during the year 2015. Refer to Table 15.4 for details.

**Table 15.4: Details of Cash Cheques Issued**

<b>Month</b>	<b>Official Receiver Company (\$)</b>	<b>Official Receiver Bankruptcy (\$)</b>
January	96,141.59	700.00
February	76,290.28	1,787.50
March	116,157.04	700.00
April	70,994.14	500.00
May	99,601.92	300.00
June	97,196.40	700.00
July	89,165.17	600.00
August	70,606.79	593.04
September	77,220.68	2,563.77
October	100,513.38	576.82
November	73,869.37	1,754.69
December	68,141.48	550.00
<b>Total</b>	<b>1,035,898.24</b>	<b>11,325.82</b>

Due to poor internal controls, lack of supervision and monitoring in the Accounts Section, cash cheques were issued by the Ministry.

There is a high risk of misappropriation of funds with issue of cash cheques.

**Recommendation**

**The Ministry should cease issuing cash cheques from the Official Receiver Company and Official Receiver Bankruptcy bank accounts.**

**Ministry's Comments**

*The Ministry acknowledges that large number of cash cheques were issued previously. However, we have ceased the issuance of cash cheque to creditors and are issuing non-negotiable cheques to creditors in liquidation matters.*

*Cash cheques are only issued for the payment of wages for the employees of wound up companies.*

## **15.8 Anomalies in Reconciliations of Bankruptcy and Liquidation Cash Account**

Cash at bank balance should be reconciled to general ledger balance on a monthly basis.

The details of unrepresented cheques and other reconciling items should be attached to the reconciliation statement.<sup>5</sup> The Principal Accounts Officer must verify balances in the bank reconciliations to the cashbook, bank statements, unrepresented cheque list and the previous month's bank reconciliation before certifying it.<sup>6</sup>

The audit noted the following anomalies:

- The Ministry's bank reconciliation statement for the Official Receiver Company Account showed credits totaling \$14,068.43 and unrepresented cheques totaling \$1,300 which were not updated in the cash book as at 31/12/15. The credits and unrepresented cheques were carried forward from previous years.

In addition receipts totaling \$8,675.11 stated in the bank reconciliation was not credited in the bank statements and hence not deposited into the bank account as at 31/12/15. No actual cash exists with the Ministry for receipts not credited and hence the receipts will not be credited by the bank in future.

- The Ministry's bank reconciliation statement for the Official Receiver Liquidation Account showed credits totaling \$12,297.31, debits totaling \$22,337.76 and unrepresented cheques totaling \$3,130 which were not updated in the cash book as at 31/12/15. The total credits, debits and unrepresented cheques have been carried forward from previous years.

In addition stale cheques totaling \$1,283.50 were still appearing in the unrepresented cheques listing.

The finding indicates the lack of basic knowledge in preparation of bank reconciliations by the Ministry's accounting staffs. The non-clearance of direct credits, debits and non-updating of cash books will be carried forward in the future if the Ministry is unable to identify and clear these amounts.

<sup>5</sup> Ministry of Justice Finance Manual 2013, Section 6.4.9

<sup>6</sup> Ministry of Justice Finance Manual 2013, Section 6.4.11

## **Recommendations**

### **The Ministry should:**

- **ensure that cash account reconciliations are properly carried out on a monthly basis in order to minimize future adjusting entries;**
- **ensure that all the reconciliations are properly maintained;**
- **take appropriate action to identify and clear the adjusting entries carried forward from prior years; and**
- **investigate the poor record keeping of Trust Fund cash account and take appropriate disciplinary action.**

### **Ministry's Comments**

*Official Receiver accounts were being handled by their own accounts officer. In 2012, accounts section within the Ministry of Justice took over the accounts from Official Receiver. The accounts section had to reconcile accounts for previous years hence this caused delay in reconciling accounts for 2012, 2013, 2014 and 2015. In order to reconcile, we need to check the source document, check the statements in the internal database and get confirmation from third parties like banks. This takes time as our internal database is only accessible in one computer, the software is out-dated and we cannot install this software in any other computer. The application is so slow that it takes too much time to verify the records during reconciliation. Currently, we are printing out all debtors and creditors statements so that ITC can develop an application which can be accessed in more than 1 computer thus verification can be done efficiently.*

## **15.9 Absence of Standard Operating Procedures**

Standard Operating Procedures (SOPs) are written instructions intended to document how to perform a routine activity. It ensures consistency and quality, and is a useful tool to communicate important corporate policies, government regulations, and best practices.

The audit noted that the SOPs used by the following Registries of the Ministry are still in the draft format:

- Births, Death and Marriage Office
- Titles Office
- Companies Office
- Official Receivers Office

SOPs ensure that procedures are applied consistently by all staffs. It also ensures that all tasks are carried out in compliance with the set guidelines.

In the absence of SOPs, the procedures may not be applied consistently by all staff.

### **Recommendation**

**The Ministry should ensure that SOPs are finalised for all four Registries under the Ministry.**



**Ministry's Comments**

*The Ministry agrees that currently the complete SOP for the Ministry is not in place and we are targeting within our annual work plan in 2016 to ensure that all SOP for all positions and the processes are developed and documented.*

**15.10 Significant Number of Vacant Positions**

All substantive vacant posts that are funded in the Budget shall be advertised and processed.<sup>7</sup>

The Ministry had 173 approved staff establishment for the year 2015. However, a total of 50 or 29% of the total positions in the Ministry were vacant as at 31/12/15. The vacant positions comprised of 46 established and 4 Government Wage Earner positions. Refer to table 15.5 for details.

**Table 15.5: Details of Vacant Positions**

Payroll	Approved Establishment	Actual Establishment	Vacant Positions
Established Staff	106	60	46
Government Wage Earner	67	63	4
<b>Total:</b>	<b>173</b>	<b>123</b>	<b>50</b>

The audit also noted that most of these positions were vacant since 2012 and were not filled as of the date of audit on 7/3/16. In addition, several of the vacant positions were at senior level. Refer to table 15.6 for details.

**Table 15.6: Details of Vacant Senior Positions**

Years	Number of vacant positions	Number of Senior Posts Vacant (Above SS02 Grade)
2016	87	9
2015	50	9
2014	50	9
2013	50	9
2012	50	9

The findings indicate failure by the Ministry to make timely appointments to the vacant positions. The large number of vacancies weakens the controls in place through lack of reviews and segregation of duties and increases the risk of fraud.

**Recommendation**

**The Ministry should carry out a review of staff requirement and ensure vacant positions are filled.**

**Management comments**

*The Ministry agrees that in total, 87 vacancies exist for the Ministry. By the end of 2015, 50 vacancies existed and in 2016, the Ministry of Finance approved 37 existing project posts to be absorbed as part of the ministry establishment.*

<sup>7</sup> Policy on Staff Establishment of the Public Service Section 6.3.4.1

*From the total 87 posts in the Ministry, the first 47 posts have been earmarked to be advertised in the Fiji Sun within the 2<sup>nd</sup> quarter of 2016.*

## **15.11 Junior Officers Acting On Senior Positions**

The Officer who is selected to act on a senior position must have all the competencies, qualifications, experience, and if necessary the appropriate registration, to enable them to carry out the acting role effectively. If the employee is not fully qualified for the acting role the acting must be restricted and alternative arrangements need to be made to ensure full compliance.

The Ministry had total of 50 vacant positions as at 31/12/15. The audit noted that the positions vacant were mostly for senior positions and junior Officers were acting on some of these senior positions. For example, a Clerical Officer (EDP Number 63596) was acting as a Senior Administrative Officer in the Official Receivers Office. Similarly, an Executive Officer (EDP Number 53485) was acting on the position of Principal Administrative Officer in the Registrar Generals Office.

The audit also noted instances where the junior Officers acting on senior positions did not meet the minimum qualification requirement for the positions they were acting on, details of minimum qualifications were not in the personal file and some files were not provided for audit verifications. Refer to **Appendix 15.1** for details of officers acting on the vacant positions and their qualifications.

The findings indicate that the Ministry did not consider officers qualifications when appointing them on senior positions to act. There is a high risk of poor decision-making.

### **Recommendation**

**The Ministry should take appropriate action to ensure vacant positions are filled by qualified officers.**

### **Ministry's Comments**

*The Ministry agrees that junior officers are acting on senior positions.*

*In agreement to above, we assure that this problem will be addressed once the vacancies are advertised and substantively filled and we are confirmed to commence work on this from April 2016.*

## **15.12 Appointment of Temporary Relieving Clerical Officers (TRCOs)**

The Equal Employment Opportunity Policy is intended to provide all Public Service officers with a guide to fairness and equity in employment decisions in the areas of recruitment, promotion, transfer and training on the basis of merit.<sup>8</sup>

The Ministry advertised 65 Clerical Officer positions in August to assist in the digitization of the Titles Office records which includes unbinding of books, sorting of records, scanning of documents and data entry. The Ministry appointed 45 Officers on TRCO positions. The remaining 20 positions were left vacant.

Audit review of the Officers personal files revealed the following anomalies.

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<sup>8</sup> General Orders 2011 Section 1224 (b)

- The Minimum Qualification Requirement (MQR) for the positions was pass in Form 7, relevant work experience, ability to formulate individual work plan, working knowledge of computers and its applications and ability to follow directions and meet tight and immovable deadlines.

However several TRCO's appointed did not have details of MQR in their personal files. Refer to table 15.7 for details.

**Table 15.7: Details of Officers with no Details of MQR**

FNPF Number
19097
2595295
2554370
2540250
2621259

- 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.<sup>9</sup> The employee must have a satisfactory police record.<sup>10</sup>

The Ministry did not obtain Police and Medical Clearance for several TRCOs prior to their appointment. The Police and Medical Clearance were obtained for only eight TRCOs. Refer to table 15.8 for details.

**Table 15.8: Details of TRCOs without Police and Medical Clearance**

FNPF
2918689
19097
2595295
2554370
00436
2533917
MK0068
WY235
2572336
2508607
2220456
2535887
2621259
MN12623016P
MN12915586H
27681
2576772

<sup>9</sup> General Orders 2011 Section 203 (a)

<sup>10</sup> General Orders 2011 Section 203 (b)

<b>FNPF</b>
2922760
MN12927839C-00
2722301
2710221
MN12927859J-00
2607544
2619833
2211793
2927470
2603557
MN12721973L
2708859
2408592
2712882
MN12921780P-00
2726567
2619769
MN12923476W
MN12606778U
2006536

The findings indicate that the Ministry did not follow proper recruitment procedures to recruit TRCOs. As a result the Ministry may not have appointed the right calibre of officers.

### **Recommendation**

**The Ministry should ensure that proper recruitment procedures are followed for recruiting TRCO's into the civil service.**

### **Ministry's Comments**

*The Ministry agrees that there is a need for transparency in terms of all appointments.*

*Ministry agrees to the recommendations provided and as a matter of ensuring good governance and transparency, we will ensure to make it mandatory that all appointments, regardless of appointment status will require the candidates to provide their police clearance and medical report prior to confirmation of appointment.*

## **15.13 Non Compliance with Service Agreement by Service Provider**

The Ministry engaged a Service Provider to provide birth, death and marriage certificates to the people of Fiji since late 2008. A service agreement between the Ministry and Service Provider was signed on 3/9/08 for issuing birth, death and marriage certificates to the people of Fiji from the nominated branches throughout Fiji.

Audit review of the BDM services provided by the Service Provider revealed the following anomalies.

- The Service Provider was to deliver all monies received for the Ministry directly to the Ministry by cheque. Service Provider shall make this payment within 7 days from the end of each month.<sup>11</sup>

However, the revenue collected by Service Provider were not paid to the Ministry within seven days after the end of each month. Except for the month of August, the Service Provider paid the revenue collected from issuing BDM certificates after significant delays for all the other months. Refer to table 15.9 for details.

**Table 15.9: Delay in Delivery of Monies by the Service Provider**

Months	Amount (\$)	Date Revenue Due to Ministry by Service Provider	Date Revenue Paid to the Ministry by Service Provider	Days Revenue Payments Delayed
January	24,623.80	7/2/15	13/2/15	6
February	17,608.80	7/3/15	26/3/15	19
March	16,484.10	7/4/15	13/5/15	36
April	16,037.90	7/5/15	13/5/15	6
May	7,707.30	7/6/15	29/6/15	22
June	13,896.60	7/7/15	9/7/15	2
July	16,175.90	7/8/15	10/8/15	3
August	13,519.40	7/9/15	7/9/15	-
September	16,599.60	7/10/15	2/11/15	26
October	15,642.30	7/11/15	26/11/15	19
November	16,599.10	7/12/15	22/12/15	15
December	13,756.30	7/1/15	5/2/16	29

- The Service Provider shall be responsible for delivering the point of sale data file to the Ministry in a compressed format via e-mail on a daily basis.

The Service Provider did not deliver any point of sale data file to the Ministry since the service agreement was signed on 3/9/08. The Ministry did not follow up with Service Provider for non-submission of point of sale data file.

Although the issue was also highlighted in the 2014 Audit Report, no corrective actions were taken by the Ministry.

- The Ministry should keep a record of the total number of certificate pages issued, number used and number unused by the Service Provider for the year.

The Ministry did not maintain record of the total number of certificate pages issued to Service Provider and the unused certificates held by Service Provider prior to 1/1/2015.

In addition, the Ministry issued total of 75,000 blank certificates to the Service Provider in 2015. However the Service Provider remitted revenue for 80,953 certificates which excluded the spoilt certificates. This indicates that the Service Provider had a large number of unused certificates as at 1/1/15. However, the Ministry did not have any records of these unused certificates on hand with the Service Provider at the beginning of the year 2015.

The findings indicate that the Ministry did not properly monitor compliance of service agreement by the Service Provider.

<sup>11</sup> Service Agreement between the Ministry and the Service Provider Clause 2.2

## **Recommendations**

### **The Ministry should:**

- **ensure the Service Provider submits revenues due to the Ministry within seven days from the end of each month;**
- **ensure the Service Provider submits the point of sale data file to the Ministry in a compressed format via e-mail on a daily basis;**
- **ensure the Service Provider returns all spoilt certificates to the Ministry within seven working days; and**
- **keep record of the total number of certificate pages issued, number used and number unused by Service Provider for the year.**

## **Ministry's Comments**

### *Delay in Delivery of monies by Service Provider.*

*The Ministry notes the irregularities in the submission of monies due to the Ministry within the timeframe required in the service agreement. We are working to rectify this existing issue.*

### *Non-Compliance by Service Provider on delivery of point of sale data file to the Ministry*

*We agree that the point of sale date file was not submitted to the Ministry. We did not follow-up to ensure compliance. Following your audit findings, we have conveyed our concerns to Service Provider and they have acknowledged their oversight on this and have agreed to send the sale data file on a daily basis.*

## **15.14 Missing Receipt Book**

If a receipt book is missing, the Principal Accounts Officer shall arrange advertisement in at least two daily newspapers specifying the serial numbers of the book and a statement disowning any liability incurred through unauthorised use of that receipt book. The advertisement must be placed within two days of notification of the loss.<sup>12</sup>

The Ministry issued 20 receipt books to Government Service Centre (GSC) Suva starting from serial number 295101 to 296100 on 1/12/15. The audit noted that one of the receipt books with serial number 295801 to 295850 was not included in the lodgements on 10/12/15 as it was missing.

The finding indicates lack of monitoring and supervision by senior officers for revenue receipts. There is a high risk of misappropriation of revenue.

## **Recommendations**

**The Ministry should investigate the matter and take appropriate disciplinary action against those responsible.**

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<sup>12</sup> Ministry of Justice Finance Manual 2013 ,Section 5.8.7

**Ministry's Comments**

*The Ministry is now arranging for the advertisement. In addition, the Head of Sections have been informed to adhere to the requirements of the Financial Manual and to immediately report to the Principal Accounts Officer on any case concerning missing receipt books.*

**15.15 Non-renewal of Moneylenders Licences**

Every moneylender, whether carrying on business alone or as a partner in a firm, shall take out annually in respect of every address at which he carries on his business as such a moneylender's licenses which shall expire on the thirty-first day of December in every year.<sup>13</sup>

A significant number of money lenders did not renew their money lenders licence every year for the past three years. However, the Ministry did not take any action to verify whether these money lenders ceased to operate or were operating illegally. Refer to table 15.10 for details of money lenders who did not renew their licence.

**Table 15.10: Money Lenders Who Did Not Renew Their Licence 2013 – 2015**

Years	Number License Issued	Number Licence Not Renewed In The Following Year
2015	378	271
2014	335	172
2013	335	141

The audit also noted that the Ministry did not conduct any inspection of the licensed money lenders to ensure whether they were complying with Money Lenders Act.

The Ministry does not have proper monitoring system for money lenders licences. Absence of a good monitoring system could result in illegal money lenders and non-compliance to the provisions of the Money Lenders Act.

**Recommendations**

**The Registrar of Companies should ensure that:**

- **a proper monitoring system for the money lenders is in place; and**
- **money lenders comply with the Act through regular reviews.**

**Ministry's Comments**

*The Ministry notes the audit comments and agrees that we have significantly lagged behind in our core area of monitoring and ensuring compliance. We have failed to take the required steps to ensure adherence by those who have been approved to operate as licensed moneylenders.*

*The Ministry notes that it requires a great deal of resources and manpower to ensure monitoring and compliance and views that it will make further requests in the upcoming budget submissions on the much needed funds to ensure that all requirements concerning compliance to the Money Lenders Act is fulfilled.*

<sup>13</sup> Moneylenders Act [Cap. 234], Section 5 (1)

### 15.16 Non Submission of Annual Returns

Every company having a share capital, once at least in every year makes a return.<sup>14</sup> Every company not having a share capital shall, once at least in every calendar year, make a return.<sup>15</sup>

The audit noted that some Government Commercial Companies have not submitted their annual returns to the Registrar of Companies Office for considerable period of time. Refer to Table 15.11 for examples.

**Table 15.11: Annual Returns not submitted by Government Commercial Companies**

Government Commercial Companies	Last Annual Return Submitted
Company A	31/12/13
Company B	31/12/07
Company C	No file
Company D	31/12/10
Company E	17/10/02
Company F	31/12/11
Company G	31/12/00
Company H	31/12/12
Company I	31/12/01
Company J	02/10/06
Company K	No file

The Ministry does not have proper monitoring system for the submission of annual returns. Absence of a good monitoring system could result in non-compliance to the provisions of the Companies Act.

#### **Recommendation**

**The Registrar of Companies should have a proper monitoring system to ensure all companies submit their annual returns in accordance with the Companies Act.**

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

*The comments and recommendations by the Auditors are noted..*

*The Registrar of Companies Office continues to send reminders to ALL registered companies for annual returns lodgment to our Office. These reminders are a success as note that the companies are now filing annual returns.*

### 15.17 Poor Record Keeping by Official Receivers Office

Creating and looking after records is central to the responsibilities of a public official. Records provide information on what, where and when something was done and why and under what authority a decision was made. It also provides evidence of government and individual activity and promotes accountability and transparency.

Audit review of the Official Receivers records noted the following anomalies:

<sup>14</sup> Companies Act [Cap 247], Section 127 (1)

<sup>15</sup> Companies Act [Cap 247], Section 128 (1)



- The Official Receivers Office has the responsibility to keep proper records for all bankruptcy and insolvency cases with its current status.

The Official Receivers Office did not maintain a database to keep track of cases which are either pending or closed. The current status of the pending cases was not updated in the case files. In addition, bankruptcy and insolvency cases opened since the 1980's were still open.

As a result, the audit could not ascertain the accuracy and completeness of the bankruptcy and insolvency cases.

- All notices and other documents for the service of which no special mode is directed may be sent by post to the last known address of the person to be served therewith.<sup>16</sup>

The Official Receivers Office did not have proof of identification such as photographs in the bankruptcy and insolvency case files. Details such as addresses and place of employment were not maintained in the files.

As a result, the Ministry will not be able to track or publish the identification of the defaulters in the media.

- A Disaster Recovery Plan should be in place to ensure that all records are secure from data security breaches and natural disasters.

The Official Receivers Office did not have any offsite backups and Disaster Recovery Plan for all the bankruptcy and insolvency case files.

Not having a disaster recovery plan in place can put the Ministry at a high risk of records destroyed in a natural disaster or fire and loss of records.

- Scheduled reviews of credit limits are critical to ensure settings are appropriate for individual debtors. Routinely monitoring the days outstanding is useful in identifying adverse trends in the debtor's ledger and ensuring prompt action.

The Official Receivers office did not carry out any review of the outstanding debt to trace the frequency of debtor payments. In addition, there were no indicators or "red flags" to alert the office if a debtor has been defaulting payments.

As a result, there is a high risk that debtors will continue to default debts which will increase the amount of bad debts for the Ministry.

- The Office has been following the fees structure outlined in the Bankruptcy Act 1978. Apart from the VAT adjustment, the fees and charges have not been reviewed to reflect the current cost of providing the services.

Lack of resources and poor tracking system affects the service delivery of the Ministry. Poor debt recovery mechanism could result in substantial loss of government revenue. These issues were highlighted in the 2013 and 2014 Audit Report but no improvements have been noted

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<sup>16</sup> Bankruptcy Act [Cap 48], Section 127

### **Recommendations**

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

- **ensure that record keeping at the Official Receivers Office is computerized to enable the Office to easily track the cases referred to them;**
- **ensure that the Official Receiver maintains proper records of the individuals/directors including their photograph; and**
- **prepare a Disaster Recovery Plan (DRP) for the Official Receivers Office.**

### **Ministry's Comments**

*The anomalies highlighted by the Auditors are noted. We agree that the Official Receivers Office does not have a proper database to record, lack of control mechanism in place to justify proof of identification on debtors and directors of insolvency cases, absence of offsite backups and Disaster Recovery Plans and absence of review of fees and charges. Ministry confirms to work on these areas for improvements.*

**APPENDIX 15.1: Details of Vacant Position of the Ministry**

Item	Vacant Post	Grade	Salary	Vacant Since	Details of Acting	MQR Met (Yes/No)
<b>General Administration and Accounts</b>						
1	Senior Administrative Officer	SS02	\$29,530	30/3/15	Officer on SS03 Grade EDP Number 62364 acting on SS02 since 1/1/16.	Yes
2	Principal Accounts Officer	AC01	\$44,720	22/5/13	Officer on AC02 Grade EDP Number 48413 acting on AC01 1/1/16.	No
3	Assistant Accounts Officer Official Receivers	AC04	\$21,497	6/11/12	Officer on SS05 Grade EDP Number 90887 acting on AC04 since 25/5/15.	No
4	Assistant Accounts Officer Payments/ Ledgers	AC04	\$21,497	6/11/12	Officer on SS05 Grade EDP Number 92767 acting on AC04 since 1/7/15.	Yes
5	Senior Secretary	SS03	\$23,458	16/7/12	Officer on SS05 Grade EDP Number 90890 acting from 26/10/15 to 25/01/16.	Yes
6	Statistician	SP03	\$23,458	6/11/12	No one acting on this position.	-
7	Executive Officer	SS04	\$19,069	26/6/12	Officer on SS05 Grade EDP Number 95132 acting since 1/1/16.	No details of Qualifications in the Officers person file.
8	Clerical Officer	SS05	\$12,659	6/11/12	TRCO held against substantively vacant post since 19/7/13.	Yes
9	Clerical Officer	SS05	\$12,659	6/11/12	TRCO held against substantively vacant post since 20/8/13.	Yes
10	Technical Assistant	TG06	\$12,659	6/11/12	No one acting on this position.	-
<b>Companies Office</b>						
11	Principal Administrative Officer	SS01	\$39,452	6/11/12	Retired Officer on SSO2 Grade EDP Number 45075 re-engaged since 30/3/15.	No details of Qualifications in the Officers person file.
12	Senior Administrative Officer	SS02	\$29,530	18/8/12	Officer on SS04 Grade EDP Number 64671 acting since 01/07/15.	No
13	Assistant Registrar	SS03	\$23,458	31/12/12	Officer on SS05 Grade EDP Number 90893 acting since 1/7/15.	No
14	Clerical Officer	SS05	\$12,659	31/12/12	TRCO held against substantively vacant post since 25/7/12.	Yes
15	Clerical Officer	SS05	\$12,659	6/11/12	TRCO held against substantively vacant post since 12/2/13.	File not provided.
16	Clerical Officer	SS05	\$12,659	6/11/12	No one acting on this position.	-
17	Clerical Officer	SS05	\$12,659	6/11/12	TRCO held against substantively vacant post since 1/3/13.	Yes
18	Technical Assistant	TG06	\$12,659	6/11/12	No one acting on this position.	-
<b>Official Receiver's Office</b>						

Item	Vacant Post	Grade	Salary	Vacant Since	Details of Acting	MQR Met (Yes/No)
19	Senior Administrative Officer	SS02	\$29,530	6/11/12	Officer on SS05 Grade EDP Number 63596 acting since 1/1/15.	File not provided.
20	Senior Administrative Officer	SS02	\$29,530	10/12/12	Officer on SS03 Grade EDP Number 53464 acting since 1/1/15.	No details of Qualifications in the Officers person file.
21	Administrative Officer (D/Official Receiver)	SS03	\$23,458	16/1/12	Officer on SS05 Grade EDP Number 93119 acting since 20/9/15.	No
22	Executive Officer	SS04	\$19,069	6/11/12	Officer on SS05 Grade EDP Number 60522 acting since 20/9/15.	No details of Qualifications in the Officers person file.
<b>Births, Deaths &amp; Marriages</b>						
23	Principal Administrative Officer	SS01	\$39,452	6/11/12	Officer on SS04 Grade EDP Number 53485 acting since 1/1/15.	No details of Qualifications in the Officers person file.
24	Senior Administrative Officer	SS02	\$29,530	6/11/12	Officer on SS04 Grade EDP Number 53903 acting since 1/1/15.	Yes
25	Senior Assistant Registrar	SS02	\$29,530	31/7/14	Officer on SS04 Grade EDP Number 60138 acting since 1/4/15.	No details of Qualifications in the Officers person file.
26	Administrative Officer	SS03	\$23,458	6/11/12	Officer on SS05 Grade EDP Number 63016 acting since 1/4/15.	No details of Qualifications in the Officers person file.
27	Administrative Officer	SS03	\$23,458	11/2/15	Officer on SS04 Grade EDP Number 60648 acting since 11/2/15.	Yes
28	Clerical Officer	SS05	\$12,659	23/4/12	TRCO held against substantively vacant post since 1/7/15.	File not provided.
29	Clerical Officer	SS05	\$12,659	1/4/11	TRCO held against substantively vacant post since 13/8/12. Appointment terminated on 6/1/16.	File not provided.
30	Clerical Officer	SS05	\$12,659	3/9/12	TRCO held against substantively vacant post since 9/9/13.	File not provided.
31	Clerical Officer	SS05	\$12,659	23/5/14	TRCO held against substantively vacant post since 23/11/15.	File not provided.
32	Clerical Officer	SS05	\$12,659	6/11/12	No one acting on this position.	-
33	Steno Typist / Typist	SS05	\$13,191	4/10/12	No one acting on this position.	-
34	Steno Typist / Typist	SS05	\$18,420	7/8/15	No one acting on this position.	-
35	Data Entry Operator	SS05	\$13,191	1/3/13	No one acting on this position.	-
36	Data Entry Operator	SS05	\$12,659	1/10/15	No one acting on this position.	-
<b>Titles Office</b>						

Item	Vacant Post	Grade	Salary	Vacant Since	Details of Acting	MQR Met (Yes/No)
37	Principal Legal Officer	LG03	\$45,529	25/6/12	Principal Legal Officer from AG Chambers acting since 11/1/16.	File not provided.
38	Deputy Registrar of Titles	SS02	\$29,530	6/11/12	Officer on SS03 Grade EDP Number 49837 acting since 1/1/15.	No details of Qualifications in the Officers person file.
39	Executive Officer	SS04	\$19,069	6/11/12	No one acting on this position.	-
40	Executive Officer	SS04	\$19,069	6/11/12	Officer on SS05 Grade EDP Number 90994 acting since 5/11/15.	Yes
41	Clerical Officer	SS05	\$12,659	6/11/12	TRCO held against substantively vacant post since 16/7/13.	Yes
42	Clerical Officer	SS05	\$12,659	6/11/12	TRCO held against substantively vacant post since 16/7/13.	File not provided.
43	Clerical Officer	SS05	\$12,659	6/11/12	TRCO held against substantively vacant post since 17/7/13.	No details of Qualifications in the Officers person file.
44	Clerical Officer	SS05	\$12,659	6/11/12	TRCO held against substantively vacant post since 23/8/13.	Yes
45	Technical Assistant (Book Binding)	TG06	\$12,659	6/11/12	TRCO held against substantively vacant post since 16/7/13.	Yes
46	Technical Assistant (Book Binding)	TG06	\$10,102	6/11/12	No one acting on this position.	-

## Section 15A **Fiji Corrections Service**

### **Roles and Responsibilities**

The Fiji Corrections Service is responsible for the safety and security, the humane treatment and the provision of relevant and appropriate behavioral intervention programmes for all those committed to our custody by the Courts.

Under the framework of the Peoples' Charter for Change Peace and Progress and the Fiji Corrections Act 2006 and the 2013 Constitution, Chapter 2; Section 26, Chapter 5; Section 98,99,100,101,102,118,119, Chapter 6; Section 130, Chapter 7 and 8 , the Department has continuously focused on enhancing the quality of custodial care, reviewing the relevancy and effectiveness of inmates' rehabilitation programmes, developing its human resources capacity and capability, promoting the effective and efficient use of resources and its active participation in the major Government reforms to modernize the service.

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## **PART A: FINANCIAL STATEMENTS**

### **15A.1 Audit Opinion**

The audit of the 2015 accounts of the Fiji Corrections Service resulted in the issue of an unqualified audit report.

### **15A.2 Statement of Receipts and Expenditure**

The Department collected total revenue of \$100,440 and incurred expenditure totaling \$34,814,004 in 2015. Refer to Table 15A.1 below for details.

**Table 15A.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
State Revenue	96,414	51,354
Miscellaneous Fee	3,430	10,733
Agency Revenue	596	488
<b>TOTAL REVENUE</b>	<b>100,440</b>	<b>62,575</b>
<b>EXPENDITURE</b>		
<b>Operating</b>		
Established Staff	19,093,500	16,356,376
Unestablished Staff	32,510	31,018
Travel and Communication	446,788	510,278
Maintenance and Operations	2,005,808	1,908,060
Purchase of Goods and Services	3,493,123	3,768,455
Operating Grants and Transfers	16,113	11,160
Special Expenditure	594,548	418,504
<b>Total Operating Expenditure</b>	<b>25,682,390</b>	<b>23,003,851</b>
<b>Capital Expenditure</b>		
Construction	6,264,343	3,957,870
Purchases	909,922	2,683,883
<b>Total Capital Expenditure</b>	<b>7,174,265</b>	<b>6,641,753</b>
<b>Value Added Tax</b>	<b>1,957,349</b>	<b>1,890,393</b>
<b>TOTAL EXPENDITURE</b>	<b>34,814,004</b>	<b>31,535,997</b>

Total revenue increased by \$37,865 or 60.5% due to Department taking over cremation segments at Vatuwaqa and Nasinu cemeteries.

Total expenditure increased by \$3,278,007 or 10% in 2015 compared to 2014. The increase was mainly due to increase in operating costs relating to Established staff as funds were allocated for appointment of 105 recruits as approved by Cabinet Decision No. 356 dated 23<sup>rd</sup> October 2012 for recruitment of 315 Correction Officers' within 3 year effective 2013 – 2015.

Major increase was also noted in Special Expenditure which was attributed to the Poverty Alleviation Programme for inmates upon completion of their custodial sentence for enhancing their livelihood which was held by Department of Social Welfare prior to 2015. The Department provided assistance to 103 inmates during the year. Moreover, the Department also incurred expenditure for the Pacific Islands Regional Conference for Women's in Corrections held in July 2015 at Holiday Inn Suva.

In addition, capital construction costs also increased significantly due to timely implementation of capital construction projects. These included construction of new Lautoka Remand Centre including construction and completion of Block 1 – Accommodation Building, New Administration Office and commencement of fencing works. The department also utilized funds allocated for construction of New Lautoka Womens' facility.

### 15A.3 Appropriation Statement

The Department incurred a total expenditure of \$34,814,004 against the revised budget of \$38,047,300 resulting in a savings of \$3,233,296 or 8%. Details of expenditure against the budget estimate are provided in Table 15A.2.

**Table 15A.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Change (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	21,599,258	(1,129,483)	20,469,775	19,093,500	1,376,275
2	Government Wage Earners	34,656	---	34,656	32,510	2,146
3	Travel & Communication	440,670	53,496	494,166	446,788	47,378
4	Maintenance & Operations	1,663,500	474,201	2,137,701	2,005,808	131,893
5	Purchase of Goods & Services	3,188,928	506,163	3,695,091	3,493,123	201,968
6	Operating Grants & Transfer	46,260	(27,450)	18,810	16,113	2,697
7	Special Expenditure	500,000	123,073	623,073	594,548	28,525
	<b>Total Operating Costs</b>	<b>27,473,272</b>	<b>---</b>	<b>27,473,272</b>	<b>25,682,390</b>	<b>1,790,882</b>
8	Construction	7,619,150	(135,747)	7,483,403	6,264,343	1,219,060
9	Purchases	820,000	135,747	955,747	909,922	45,825
	<b>Total Capital Expenditure</b>	<b>8,439,150</b>	<b>---</b>	<b>8,439,150</b>	<b>7,174,265</b>	<b>1,264,885</b>
13	Value Added Tax	2,134,878	---	2,134,878	1,957,349	177,529
	<b>TOTAL EXPENDITURE</b>	<b>38,047,300</b>	<b>---</b>	<b>38,047,300</b>	<b>34,814,004</b>	<b>3,233,296</b>

**15A.4 Trust Account Statement of Receipts and Payments****Table 15A.3: Trust Account Statement for 2015**

Trust Fund Account	2015 (\$)	2014 (\$)
<b>Receipts</b>		
Prisoners Cash	319,570	265,388
<b>Total Receipts</b>	<b>319,570</b>	<b>265,388</b>
<b>Payments</b>		
Prisoners Cash	145,762	188,010
<b>Total Payments</b>	<b>145,762</b>	<b>188,010</b>
Balance as at 1 January 2015	283,581	206,203
<b>CLOSING BALANCE</b>	<b>457,389</b>	<b>283,581</b>

**15A.5 Trade and Manufacturing Account****Table 15A.4: Manufacturing Account for 2015**

Manufacturing Account	2015 (\$)	2014 (\$)
Opening Raw Material	116,530	17,799
<b>Add: Purchases</b>	<b>1,681,591</b>	<b>1,566,462</b>
<b>Less: Closing Raw Materials</b>	<b>150,988</b>	<b>116,530</b>
<b>Raw Material Used</b>	<b>1,647,133</b>	<b>1,467,731</b>
<b>Add: Opening Work in progress</b>	<b>2,725</b>	<b>---</b>
<b>Add: Direct Labour</b>	<b>30,945</b>	<b>8,265</b>
<b>Less: Closing Work In Progress</b>	<b>58,031</b>	<b>2,725</b>
<b>Cost of Goods Manufactured transferred to Trading Account</b>	<b>1,622,772</b>	<b>1,473,271</b>



**Table 15A.5: Trading Account for 2015**

<b>Trading Account</b>	<b>2015 (\$)</b>	<b>2014 (\$)</b>
Sales	2,462,430	1,634,800
Opening stock	440,123	262,905
<b>Add: Cost of Manufactured Goods</b>	<b>1,622,772</b>	<b>1,473,271</b>
<b>Less: Closing Finished Goods</b>	<b>459,387</b>	<b>440,123</b>
<b>Cost of Goods Sold</b>	<b>1,603,508</b>	<b>1,296,053</b>
<b>Gross Profit transferred to Profit &amp; Loss Statement</b>	<b>858,922</b>	<b>338,747</b>

**Table 15A.6: Profit & Loss Statement for 2015**

<b>Profit and Loss Statement</b>	<b>2015 (\$)</b>	<b>2014 (\$)</b>
<b>Income</b>		
Gross Profit transferred from Trading A/C	858,922	338,747
Other Income	---	---
<b>Total Income</b>	<b>858,922</b>	<b>338,747</b>
<b>Expenses</b>		
Travel & Communication	3,363	823
Maintenance & Operation	367,082	87,467
Other Expenses	---	---
Special Expenses	---	---
VAT	---	---
<b>Total Expense</b>	<b>370,445</b>	<b>88,290</b>
<b>Net Profit</b>	<b>488,477</b>	<b>250,457</b>

**Table 15A.7: Balance Sheet for 2015**

<b>Balance Sheet</b>	<b>2015 (\$)</b>	<b>2014 (\$)</b>
<b>Assets</b>		
Cash at Bank	315,781	162,368
Debtors	151,745	---
Raw Material	150,988	116,530
Work in progress	58,031	2,725
Finished Goods	459,387	440,123
<b>Total Assets</b>	<b>1,135,932</b>	<b>721,746</b>
<b>Liability</b>		
Deposit, Deduction and Retention Money	(4,982)	9,313
<b>Total Liability</b>	<b>(4,982)</b>	<b>9,313</b>
<b>Net Assets</b>	<b>1,140,914</b>	<b>712,433</b>
<b>Equity</b>		
Appropriation from CFA and TMA Operation	116,751	116,751
TMA Accumulated Surplus	535,686	345,225
Net Profit	488,477	250,457
<b>Net Equity</b>	<b>1,140,914</b>	<b>712,433</b>

**PART B: AUDIT FINDINGS**

**15A.6 Variance between TMA Bank Reconciliation Balance and FMIS General Ledger Cash at Bank Closing Balance**

The officer(s) authorized to access the FMIS shall ensure that all transactions or postings that lead to differences in the three (3) records (Bank Statement, Cash Book & GL [FMIS]) for the current reporting months bank reconciliation statement are to be:

- (a) Supported with documentary evidence; and
- (b) Adjusted and cleared off to respective records within the next month<sup>1</sup>.

As at 31/12/2015, there was a variance of \$186,576.77 between closing bank reconciliation balance and FMIS general ledger balance. The variance was caused by posting errors and outstanding electronic funds transfers that were not posted to the general ledger. Although in 2016 the Department identified and made adjustment totalling \$174,180.27 in the general ledger to rectify the issue, a variance of \$12,396.50 remains to be resolved. Refer Table 15A.8 below for details.

**Table 15A.8: Variance between Bank Reconciliation Closing Balance and FMIS General Ledger**

Particulars	Amount (\$)	Adjustments made in 2016 (\$)	Amount (\$)
Bank Reconciliation Closing Balance	303,384.56		303,384.56
General Ledger Balance [4-15251-71999-540101]	489,961.33	(174,180.27)	315,781.06
Variance	186,576.77		12,396.50

Lack of timely reconciliation and corrective actions has resulted in the overstatement of the Cash at Bank balance as at 31 December 2015.

**Recommendations**

- **The Department should ensure variances between bank reconciliation and FMIS general ledger balances are investigated and rectified in a timely manner.**
- **The Department must comply with TMA Policy at all times.**

**Management Comments**

*The Fiji Correction Services agrees that there were variances existing in its TMA bank reconciliation as at 31st December. Majority of variances existing have been addressed through Journal Vouchers and resolved in 2016.*

**15A.7 Non Proper Inventory Recording System**

Inventories which are material in value must be recorded in an inventory system<sup>2</sup>.

The Production Supervisor must record all manufacturing jobs on a job record sheet. The job record sheet shall provide the job number, type of work carried out, number of hours spent on job and materials used<sup>3</sup>.

<sup>1</sup> TMA Policy June 2015 – Section 7.7  
<sup>2</sup> Finance Instructions 2010 – Section 37

The Department operates 7 TMA's namely Poultry, Bakery, Crops, Joinery, Piggery, Tailor and Vegetables.

The audit noted that the Department did not maintain proper inventory records to substantiate the quantity of TMA production and movement of inventory for the year ended 31/12/15. Closing inventory balance reflected in the financial statement was determined through a physical stock count which was not checked against any record of stock movement during the year. Analysis of production to sales was also not possible due to lack of records.

Refer Table 15A.9 below for an analysis of production and sales carried out during audit.

**Table 15A.9: Sales of Individual TMA's in 2015**

TMA's	Sales as per the Production Report (\$)	Sales as per GL (\$)	Variance (\$)	Comments
Bakery	167,076.41	272,785.99	Not provided	January - July Production Report not submitted. Only August till December reports were submitted.
Crops	Not Provided	291,777.86	Not provided	There was no record kept as on how many bags of cassava, bundles of Dalo and/or tonnes of Ginger were harvested.
Joinery	113,318.50	136,018.51	(22,700.01)	Variance noted
Piggery	Not Provided	608,148.40	Not provided	Only the count of Piglet was noted. There were no records on how many pigs were available for sale in a particular month.
Honey	435.00	435.00	-	No variance noted
Poultry	633,384.00	668,908.77	(35,524.77)	Apart from sale of eggs, the TMA sold meat birds and cockerel, but there were no records of how many meat birds and cockerels were ready for sale on a particular month.
Tailor	399,897.99	369,064.07	30,833.92	The variance is because of production of ready-made clothes which was sold during Hibiscus festival and road shows and no record were kept for these. Clothes that were not sold were kept in the bulk, now upon completion of the new tailor outlet, these stock are kept in the store ready for sale.
Vegetable	Not Provided	115,569.19	Not provided	There was no record of how many bundles or bags of vegetables were harvested in a particular month.
<b>Total</b>		<b>2,462,707.79</b>	<b>Not provided</b>	

In addition, except for revenue collection, stock take and procurement, Standard Operating Procedures (SOPs) outlining the operations of individual TMA's daily operation were not provided for audit review.

The risk of pilferage for inventory is high given the lack of proper inventory management system.

### **Recommendations**

- **The Department should ensure that proper inventory records are maintained for respective TMA's and reconciled on a monthly basis.**
- **The Department should develop SOPs outlining TMA processes.**

<sup>3</sup> Fiji Corrections Service Finance Manual Section 6.2.3

### **Management Comments**

*The department concurs with the audit findings that the department's TMA Units did not maintain proper inventory records to substantiate the quantity of TMA production and movement of inventory for the year ended 31/12/15.*

*However the ending inventory amount in the financial statement was determined through a physical stock count.*

*The departments also conducts stock take on monthly basis within 3<sup>rd</sup> of the new month to ensure proper inventory records of respective TMA's are computed and submitted on quarterly basis to Ministry of Finance (Asset Management unit).*

*The Enterprise agrees with the recommendation provided by Office of the Auditor General. Keeping track of what is happening in respective SBU's requires some records, a good record do not ensure the SBU's will be successful, however success is unlikely without them*

*Keeping records of production is critical which assist the respective SBU's to analyze what worked and what did not, analysis are made if production was the same as previous years or not. Combining these records with the cash flow records will enable each SBU's to see that if they were profitable or not.*

#### **Recommendation I**

***“The department should ensure to maintain proper inventory records for respective TMA's and reconciled on a monthly basis”***

*Upon discussion with each SBU's team leader an understanding was made that effective immediately each SBU will keep and submit their production report together with monthly return at the end of each month upon reconciling against the sales. The team leaders and TMA officers has the responsibility for timely submission of production report. Staff officer Enterprise (SOE) from TMA has the responsibility to check and ensure production report to be submitted to TMA Supervisor (BDM) Head Quarters without failure.*

*Previous years it was noted that no production report was kept due to insufficient accounting background of officers and team leaders, thus to correct that, timely training has been conducted by Business Development Manager, Staff officer Enterprise and Accounts Officer.*

#### **Recommendation II**

***“The department should develop a Standard Operating Procedure outlined TMA processes and made available upon request”***

*In comparison with any other SOP, it is developed to guide officers and respective SBU's for effective operating processes to be in place. It establishes guidelines for Enterprise unit in line with Agency Financial Manual taking into account the nature and environment of TMA Operations. Currently TMA Enterprise has developed three (3) SOPs' for effective operation which includes; Revenue Collection and Reporting, Procurement, and Stock Take. Taking into consideration of recommendation 1, it is important to develop SOP which will guide TMA officers and Team Leaders in proper record keeping and timely submission of monthly return.*

*Discussion with TMA staff have been made to provide guideline which shall assist Accounts section (NHQ) in developing Standing Operating Procedures for each respective SBU, assisting the team leader in maintaining a very reliable production report which is matched against sales. The SOP shall be available for officers by June 2016 in line with Agency Financial Manual which shall assist them in there submission of monthly returns and production reports.*

## 15A.8 Liabilities Recognized Contrary To the Nature of the Account

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.<sup>4</sup>

Liabilities, revenues and sales, gains, and owner equity and stockholders' equity accounts normally have credit balances. These accounts will see their balances increase when the account is credited.

Contrary to the nature of liability account, the audit noted that the Department recognized liability with debit balance of \$4,982 in its financial statements as at 31/12/15. Refer Table 15A.10 below for details.

**Table 15A.10: Liability Account Showing Debit Balance**

Account	Description	Amount (\$)
4-15200-00000-860000	Liability - Deposits and Retention Money	4,982.06

As a result audit was not able to substantiate the accuracy of the liabilities balance recorded in the financial statements as at 31/12/15.

### Recommendation

**The Department should ensure that correct nature of balances is reflected in its financial statements.**

### Management Comments

*The debit balance of \$4,982.06 reflects on the general ledger. This figure has accumulated from vat allocation which is for Bakery, Joinery and Tailor.*

*A credit balance reflects that there were high vat paid on purchase compared to less vat on sales, whereas debit balance reflects on the GL, that there was less vat paid on purchases compared to high vat on sales.*

*Individual SBU vat allocation for Bakery, Joinery and Tailor as at 31 December 2015*

- I. Bakery 4-15252-91151-863201 (6,528.36)*
- II. Joinery 4-15255-91151-863201 285.15*
- III. Tailor 4-15258-91151-863201 11,225.27*

## 15A.9 Write-Offs

The 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 in 2016, the Ministry of Finance approved the following adjustments to the Department's general ledger balances for the year ended 31/12/15. Refer Table 15A.11 for details.

<sup>4</sup> GAAP Conceptual Framework for Financial Reporting

<sup>5</sup> Fiji Correction Services Finance Manual 2013, Section 16

**Table 15A.11: Write-offs Approved by Ministry of Finance**

General Ledger Account	Description	Amount (\$)	Remarks
<b>Fund 1 Accounts Receivables</b>			
1-15201-71999-560615	PD LICI	(2,249.65)	Has a double posting from 2012
1-15201-71999-560607	400 PD Fines & Treasury	(4,924.40)	Has a double posting from 2013
1-15201-99011-560616	PD Handy Finance	(60.00)	Has a double posting from 2013
1-15201-71999-560621	PD FPS Credit Union	(304.50)	Has a double posting from 2012
<b>Total</b>		<b>(7,538.55)</b>	
<b>Fund 4 Cash</b>			
4-15251-71999-540101	TMA Dominion Cash ANZ	62,573.87	Clerical Error and EFT Issued in December 2014 but presented in January 2015.

The above write-off indicates lack of monitoring and improper account balance reconciliations in prior years.

### **Recommendations**

- **The Department should ensure that valid transactions are posted into the general ledger and proper reconciliations are carried out on a timely manner.**
- **The Department should carry out regular review of accounts which are static and consult Ministry of Finance to ensure that balances are fully supported and are valid amounts.**

### **Management Comments**

*The balances tabulated in the report were sitting as liabilities [SLG 86] way back in 2012 and 2013. All balances should be read as credit balances in the liability account; unfortunately it was hanging as debit balances without any contra credit to offset the liability. MoF made the recommendation to shift the debits to Accounts Receivable [SEG 56] since no write off should be performed in the liability account [SLG 86]. Actually MoEs write-off recommendation was welcomed taking into account the long pending debit balance in a liability account, is to be cleared off once for all, considering there were no real monetary losses incurred.*

*The fund 4 clerical error as alluded in the report cannot really be justified as an error. If the issue is an error, a JV should be raised to address the error. This so called error is beyond FCS control where-by FMIS has made a stand not to capture the payment in the current accounting period but did so in the next accounting period. The clerical input has been completed accordingly by complying with the accounting processes but, as already mentioned the authority to capture the validity in accounting periods is not at the liberty of FCS.*

## **15A.10 Conflict of Interest**

The public sector officials are expected to have the highest ethical standards particularly for integrity and honesty.

Public sector officials are expected to disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with employment in the public service. An employee must use public resources and assets in a proper way. A public sector employee must not make improper use of official information or of the employee's duties, status, power or authority in order to gain a benefit or advantage for the employee or for anyone else.

A conflict of interest arises where two different interests intersect. In the public sector, a conflict of interest exists where a person’s duties or responsibilities to a public entity could be affected by some other separate (and usually private) interest or duty that he or she may have.

Conflicts can exist if the circumstances create a risk that decisions may be influenced, regardless of whether the individual actually benefits. The perception of competing interests, impaired judgement or undue influence can also be a conflict of interest.

Conflicts might occur if individuals have, for example:

- a direct or indirect financial interest;
- non-financial or personal interests; or
- conflicts of loyalty where decision-makers have competing loyalties between an organisation they owe a primary duty to and some other person or entity.

Conflicts of interest can bring decision-making into disrepute, if not well-managed. Often the perception of conflict is alone enough to cause concern. This can lead to reputational damage and undermine public confidence in the integrity of the institution.<sup>6</sup>

Public officials are expected to make decisions and act without consideration of their private interests. Public service being a public trust, the improper use of a public service position for private advantage is regarded as a serious breach of professional integrity.<sup>7</sup>

The officers of the Fiji Correction Services Department set up a private company, Naboro Mart Limited (also referred to as Naboro Mini Mart) as a business venture in 2011. The business operates retail shops at four major corrections facilities namely, Naboro, Suva, Natabua and Vaturekuka. The business venture sells directly to staffs mainly on credit and also has been supplying certain products to the Fiji Correction Services Department. In addition to selling groceries, the company has also been assisting staff with the refinancing and debt consolidation, car sales and housing. The department facilitates direct salary deductions for staffs for the repayment of staff loan or credit sale from the company.

The audit noted the following instances of conflict of interest in the Department:

- 1) The FCS officers are operating a private company, Naboro Mart Limited on the FCS premises in Naboro, Suva, Natabua and Vaturekuka. Locating the shops, a private business operation, on government premises poses a conflict of interest on the official and management of the Department as they have direct interest in the shops and are utilising public resources (premises: land and/or building) for their own private benefits.

Refer to Table 15A.12 for ownership details of the Naboro Mart Limited business as per business registration:

**Table 15A.12: Directors for Naboro Mart Limited**

EDP Number	Business Occupation <sup>8</sup>	Shares Held
91281	Director	2,500
70694	Director	2,500
64927	Director & Company Secretary	2,500

<sup>6</sup> Adapted from report on Conflict of Interest - UK National Audit Office 2013

<sup>7</sup> Organisation for Economic Co-operation & Development 2003 Managing Conflict of Interest in the Public Service

<sup>8</sup> Form No. 203 dated 13/10/2011

EDP Number	Business Occupation <sup>8</sup>	Shares Held
70813	Director	2,500
	<b>Total Shares</b>	<b>10,000</b>

- 2) In 2015, the audit noted that the Department paid Naboro Mart Limited a sum totalling \$882,528.17 in relation to staff deductions for their personal credit purchases made from Naboro Mart Limited and purchase of goods for Department's operation. Refer to **Appendix 15A.1** for details. Review of payroll records revealed that there were excessive deductions for some officers who were paying as high as 92% of their weekly pay to the Naboro Mart Limited. The department breached the maximum allowable deductions of 50% of gross wages in facilitating deductions for the Naboro Mart Limited.
- 3) The audit further noted that Naboro Mart Limited paid \$90,000 and \$116,500<sup>9</sup> to Fiji Corrections Service Welfare and Sports Association Fund (FCSWAF) in 2014 and 2015 respectively. Staffs also contribute \$5 per fortnight through salary deductions towards the FCSWAF. The department's close business dealings with the Naboro Mart Limited serve mainly the interest of the members of the Naboro Mart Limited and the FCS Welfare and Sports Association Fund.
- 4) Naboro Mart Limited has also been reported to be supplying certain products even though it is not an approved government vendor for contracted supplies.
- 5) Audit visit to Naboro Complex on 26/11/15 revealed that a Prison Officer Class B (EDP # 70990) was employed by the Department at an annual salary of \$19,671 and was working full time as a Manager for the private company, Naboro Mart Limited. Despite being paid by government, the officer was serving only the interests of the owners of the private company instead of government.
- 6) The audit also observed that Warden's rugby records and FCS Welfare and Sports Association Fund are maintained by former Commissioner's Secretary (EDP number 58834) based at FCS Headquarters. The Department is also operating Fiji Correction Services Savings and Credit Union (FCSSCU) at the Suva Correction Centre. Review of the vehicle running sheets during audit revealed that Department's operational vehicles were used by the private company, Naboro Mart Limited and staff (private) credit union. Refer to Table 15A.13 below for examples.

**Table 15A.13: Examples of Mis-use of Department's Operational Vehicles**

Date	Opening Mileage	Closing Mileage	Mileage (km)	Remarks
<b>GP681</b>				
14/09/15	18103	18117	14	Minimart run
15/09/15	18139	18147	8	Minimart run
<b>GP793</b>				
16/10/15	38746	38753	7	Conveying credit union officer
16/10/15	38764	38765	1	Minimart run

The above findings highlight instances of abuse and conflict of interest for officers of the Fiji Correction Services. The creation and consequently, locating the shops of the Naboro Mart Limited on government premises pose the major source of conflict of interest for FCS staffs. Serving personal and private interests with government resources contravene the code of conduct. The trust placed on public officers with perceived and actual conflict of interest will be eroded.

<sup>9</sup> From 24/03/15 to 23/11/15



The resources used including time of officers used to facilitate the operation of the Naboro Mart Limited and the Credit Union does not serve public or government interest. These are private interests which are in conflict with the public interests.

Procurements from the Naboro Mart Limited and excessive deductions from staff towards the company are ultimately targeted at boosting the profitability of the company owned by the officers of the Department. The company benefited from the official information and powers of the officers to arrange procurements and excessive deductions.

### **Recommendations**

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

- **ensure that staffs are not involved in carrying out private business activities during working hours;**
- **conflict of interest of staffs is properly declared and managed.**
- **recover the salary for the Officer (EDP # 70990) from Naboro Mart Limited since he was paid by Government while working for Naboro Mart Limited.**
- **its resources and assets are used only for authorised and official purposes and not for the private benefits of the staffs.**
- **ensure that the operation of private shops belonging to Department officials on Government premises is discontinued.**

### **Management Comments**

*We concur with the audit findings and acknowledge the issues being highlighted within the audit findings 7.1. The FCS, had in 2011 set up Naboro Mart Limited, which had resulted upon the failure of its Co-operative Shop operated from Naboro Corrections Centre. The Naboro Mart limited was incorporated by the Management to assist its officer's residing within the Naboro Corrections Centre with their day to day retail shop needs.*

*In order for Naboro Mart Limited to be registered under the Companies Act, it was required to submit names of its directors as office bearers. Thus, the directors being nominated including the Commissioner of Corrections had on direct vested interest or any forms of benefit remitted on their nominations as directors for Naboro Mart Limited.*

*Moreover, due to convenience to the staffs of Naboro Corrections Centre upon incorporation of Naboro Mart Limit the other shops was also opened within other divisions such as western (Lautoka), Central Eastern (Suva) and Northern (Vaturekuka) to assist and provide similar service to other officers'.*

*The department was facilitating direct deduction for Naboro Mart Limited as irrevocable deductions since 2011 for staffs purchasing goods on credit. These staffs had eventually agreed with the Naboro Mart Limit for such amounts to be deducted on fortnightly basis.*

*The Naboro Mart limited was remitting funds as dividend on monthly basis to Fiji Corrections Services Staffs Welfare and Sports, which initially funded the growth of Naboro Mart Limit. These funds were later provided through the Fiji Corrections Service Staffs Welfare to member of FCS as finances for education, property and other commitments as approved by the Commissioner of Corrections.*

*The FCS TMA had procured certain goods from Naboro Mart Limited to sustain its operations caused by urgency of situation and distance with National Headquarters. However, the department had stopped such purchasing from Naboro Mart Limited and ensures compliance to approved Government Contractors by implementing proper TMA structure and through implementation of adequate procurement procedures.*

*The Fiji Corrections Service had assigned Prison Officer Class B (EDP # 70990) to Naboro Mart Limited for supervision of Inmates working with Mart Limited as part of Job Placement Initiative by the Fiji Corrections*

*Service. Thus, the Officer has no interest with the Naboro Mart Limited and is solely held responsible for ensuring security for Inmates attached at Naboro Mart Limited.*

*The use of Vehicles for runs for church parade is being for official activity of the department considering its quarterly activity for Staff Welfare and discipline.*

*The other runs for Minimart, conveying credit Union officer and dropping rugby team is for departments recreational and staffs’ spiritual activities and approved in-line within the vested powers of the Commissioner of Corrections Services similar to the powers vested to the Commissioner of Police and the Commander of RFMF.*

*Furthermore, the department has its own standing orders, Commissioners orders and Corrections Act 2006 as applicable legislations instead of PSC Code of Conducts which is not applicable to the Fiji Corrections Service.*

*The Department is now intending to wind-up the Mart Limited operating within government premises as a way-forward to address the issues being highlighted.*

### **15A.11 Purchases Made Without Tender Board Approval**

Public tenders must be called for any procurement of goods, services or works valued at \$50,001 or more, unless a Tender Board has approved an exemption in accordance with Procurement Regulation 30-(1).<sup>10</sup>

The audit noted that from February 2015 to October 2015, the Department purchased livestock feeds<sup>11</sup> from a Company for amount totalling \$422,463 without any tender contrary to the Department’s Finance Manual Section 2.3.1. Refer to Table 15A.14 below for details of payment made to the Company:

**Table 15A.14: Details of Payments Made To One Company without Any Tender**

<b>Date</b>	<b>EFT Number</b>	<b>Amount (\$)</b>
19/02/15	366	1,000
19/03/15	398	58,188
17/04/15	424	44,615
13/05/15	441	8,900
29/05/15	450	8,900
24/06/15	480	71,580
07/08/15	516	41,605
17/08/15	526	3,750
08/09/15	551	65,445
25/09/15	578	1,125
06/10/15	586	7,095
23/10/15	617	110,260
		<b>422,463</b>

Proper procurement procedures were not followed by the Department in procuring goods from the Company and there is a high risk of unauthorized purchases being made without tender board approval. The risk of collusion with unauthorized suppliers is also high.

<sup>10</sup> Fiji Corrections Service – Finance Manual –Section 2.3.1

<sup>11</sup> layer mesh, broiler and grower finisher, broiler grower, grower crumble, pig wiener and grower, layer birds, layer chicken starter, meat birds and egg trays

**Recommendation**

**The Department should ensure that Tender Board approval is sought for the procurement of goods and services valued more than \$50,000 as required under Section 2.3.1 of the Department’s Finance Manual.**

**Management Comments**

*We concur with the audit finding that public tender must be called for any procurement of goods, service or works valued at \$50,001 or more, unless a tender board has approved an exemption in accordance with procurement regulation 30-(1).*

*The department had purchased livestock feed from XXX XXX (company) without any tender board approval for its TMA activities. The feeds were purchased by the department on the understanding that XXX XXX (company) was the best feed supplier for Layer Birds and Pig feeds. The department had experienced lower egg productions whilst purchasing feeds from other feeds vendors and also experienced high Layer birds mortality with feeds purchased from other sources*

*Thus, to ensure compliance to Procurement Regulation the department had advertised public tender, which closed on 17<sup>th</sup> March, 2016 for supply of Commercial Poultry and Pig feeds for FCS TMA.*

**15A.12 Discrepancies in Tally Card Records**

When inventory items are purchased, the inventory bookkeeper shall record them in the inventory register.<sup>12</sup> The Inventory Bookkeeper shall maintain the inventory register to record incoming and outgoing inventories.<sup>13</sup> The Inventory Bookkeeper shall ensure that the register is kept up to date at all times.<sup>14</sup>

Audit visit to the Korovou Stores on 12/01/2016 noted the following anomalies:

- 1) Shortage of \$359.48 of toothpaste indicating that the stock cards were not updated for movement of toothpaste from the stores. Refer to Table 15A.15 below for details of the variance.

**Table 15A.15: Discrepancies in Colgate Toothpaste Tally Card as at 12/01/2016**

<b>Toothpaste</b>	<b>Balance</b>	<b>Unit Price VIP (\$)</b>	<b>Amount (\$)</b>
Tally Card record	1,716	2.09	3,586.44
Physical verification	1,544	2.09	3,226.96
Variance	172	2.09	359.48

- 2) On 11/08/15, the Department purchased 5000, 100g of herbal toothpaste<sup>15</sup>. Review of the tally cards revealed that only 2,000 herbal Colgate’s were recorded for the same invoice number. The audit noted that 3,000 packets toothpaste costing \$6,270 was not recorded in the tally card.

If tally cards are not updated, the management is not in a position to determine the quantity of any stock it has at any point in time. The above also increases the risk of unauthorized sale, theft subsequently resulting in loss to government.

<sup>12</sup> Fiji Corrections Centre – Agency Finance Manual – Section 8.1.2

<sup>13</sup> Fiji Corrections Centre – Agency Finance Manual – Section 8.1.3

<sup>14</sup> Fiji Corrections Centre – Agency Finance Manual – Section 8.1.4

<sup>15</sup> EFT 6329, Tax Invoice Number 48468 – 11/08/15

### **Recommendations**

- **The Department should ensure that the tally cards are regularly updated and verified against physical stock; and**
- **The Store man should be disciplined for not updating the movements of inventory in the tally cards.**

### **Management Comments**

*The Fiji Corrections Service concurs with Audit findings that the inventory bookkeeper shall record items purchased in the inventory register. The Inventory Bookkeeper shall ensure that the register is kept up to date at all times.*

*The department had taken necessary disciplinary actions against persons' responsible for update of tally cards and inventory controls. The department had imposed recovery measures for all missing inventories and discrepancies within tally cards upon an internal investigation.*

*The department had also developed procedures for ensuring monthly stock takes and to ensure that the tally cards are regularly updated and verified against the physical stocks.*

## **15A.13 Anomalies Noted In Procurement of Goods and Services**

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>16</sup>

The Accounts Officer or the Assistant Accounts Officer must not certify a payment as correct unless they are satisfied that it is in accordance with an LPO, indent, contract, invoice or other authorization and there is documentation that the goods, services or works have been received<sup>17</sup>

A local purchase order shall be issued when procuring any goods, services or works from an organization within Fiji, unless a contract or agreement has been entered into.<sup>18</sup>

Competitive quotes, instead of public tenders, may be called for procurements \$50,000 and less unless the Commissioner has approved an exemption in accordance with Procurement Regulation 29-(3).<sup>19</sup>

Audit of payment records revealed the following weaknesses in the procurement process. Refer to Table 15A.16 below for details and comments on the last column.

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<sup>16</sup> Fiji Corrections Services – Finance Manual – Part 2 Expenditure (opening statement)

<sup>17</sup> Fiji Corrections Services - Finance Manual 2013 – Section 2.8.4

<sup>18</sup> Fiji Corrections Services – Finance Manual – Section 2.5.1

<sup>19</sup> Fiji Corrections Services – Finance Manual – Section 2.3.2

**Table 15A.16: Examples of Payments Anomalies**

Date	Payee	Payment for	Payment ID	Amount (\$)	Comments
25/09/15	Enterprise Unit (TMA)	Purchase of bread.	6636	22,266.53	No Local Purchase Order raised
10/02/15	Enterprise Unit (TMA)	Rations (Poultry) for Naboro, Suva, Nasinu and Academy	4505	13,697.64	
6/03/15	Enterprise Unit (TMA)	Purchase of yellow Physical Training uniform, inmates uniform, hats and overall	4692	8,637.00	
28/07/15	Enterprise Unit (TMA)	Purchase of bread	6116	21,999.45	
<b>Procurement Anomalies from Fund 4 (TMA's)</b>					
14/05/15	Naboro Mart Limited	Purchase of Food Rations for inmates working at TMA and also materials requested from each TMA	444	54,553.18	<ul style="list-style-type: none"> <li>The Department purchased rations totalling \$7,082.10 from Naboro Mart Limited despite the Fiji Procurement Office (FPO) having a list of approved suppliers<sup>20</sup>. Naboro Mart Limited is not an approved supplier by FPO.</li> <li>The inmates were also provided rations from TMA (Fund 4) despite it being budgeted in Fund 1. This indicates double dipping of ration.</li> <li>Local purchase Orders were not raised for the amount of \$54,553.18</li> <li>Competitive quotes were not obtained for the purchase of Television Set &amp; Antenna worth of \$1,068 and Fabric Materials worth \$18,589.13.</li> </ul>
26/01/2014	A Supplier	Cartage of poultry manure	357	2,400.00	<ul style="list-style-type: none"> <li>Invoice dated 23/12/14 paid on 27/01/15</li> <li>No Local Purchase Order Raised</li> </ul>

The above finding shows disregard to procurement and accounting regulations by the Department. Hence, there is a high risk of fraud and misappropriation of funds in the Department.

### **Recommendations**

- The Department must ensure compliance with regulations relating to procurements at all times.**

**Management Comments**

The department acknowledges the audit findings. However, the following remarks contributed to the incurrence as noted by the Audit;

<b>Date</b>	<b>Payee</b>	<b>Payment for</b>	<b>Comments</b>	<b>Department Comments</b>
25/09/15	Enterprise Unit (TMA)	Purchase of Bread	No Purchase Order Raised	No Purchase Orders were raised as the supplies were on demand basis, which was eventually determined by daily Inmates Numbers. The Order for Uniforms was needed urgently and only FCS TMA had the ability to supply in-time.
10/2/15	Enterprise Unit (TMA)	Ration (Poultry) for Naboro, Suva, Nasinu and Academy		
6/3/15	Enterprise Unit (TMA)	Purchase of Yellow Physical Training Uniform, Inmates Uniform, hats and Overall		
28/07/15	Enterprise Unit (TMA)	Purchase of Bread		
<b>Procurement Anomalies from Fund 4 (TMAs).</b>				
14/5/15	Naboro Mart Limited	Purchase of Food Rations for Inmates working at TMA and Materials	<ul style="list-style-type: none"> <li>➤ Not Approved Supplier.</li> <li>➤ Double Dipping of Food Ration.</li> <li>➤ Local Purchase Order.</li> <li>➤ Competitive Quotes not obtained</li> </ul>	The department acknowledges the findings as this was approved by the Commissioner of Corrections for Inmates Working for Various TMA Business Units. However, this matter is with FICAC and before Court.
26/1/2014	A supplier	Cartage of Poultry Manure	No Purchase Order Raised	The department acknowledges the findings as the vendor was engaged based on the availability of Manure and urgent need for Manure to be Cleared from the available Farm. Supplier was just within the site of manure and was engaged due to in-time availability and cheaper price cartage.

Further to the highlighted issue, the Account department will ensure compliance to the requirements of the Finance Manual at all times and ensure person(s) responsible for Logistic support are aware of the processes to avoid such incidents in future.

The department will also ensure procurement process and that Local Purchase Orders for items to be purchased and the goods are procured from approved tendered suppliers.

### APPENDIX 15A.1: Examples of Purchases & Deductions Made For Naboro Mart Limited

Date	Cheque Number	Amount (\$)	Particulars
8/01/2015	4190	1,025.00	Payment for the Established deductions for Pay 15/15
9/01/2015	4195	39,723.76	Payment for Established deduction for Pay 01/15
13/01/2015	4207	1,075.00	Payment of deduction for Pay 02/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
20/01/2015	4242	1,075.00	Payment of deductions for Pay 03/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
28/01/2015	4279	1,195.00	Payment of deductions for Pay 04/15 for Unestablished offices purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
13/02/2015	4442	1,170.00	Payment of deduction for Pay 06/15 for Unestablished officer purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
18/02/2015	4475	43,945.00	Payment of deductions for Pay 07/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart (\$1040.00), and; Payment of deductions for Pay 01/15 for Established officers purchasing of good from Naboro, Lautoka and Korovou Mini mart.
5/03/2015	4594	43,570.00	Payment of deduction for Pay 09/15 for Unestablished officers purchasing goods from Naboro, Lautoka and Korovou Mini Mart (\$1065.00), and; payment of Established Deductions Pay 15/15 from 26/02 - 11/03/15 (\$42505.00)
18/03/2015	4719	42,405.00	Payment for the Established deductions for Pay 06/15
19/03/2015	4735	1,215.00	Payment of deduction for Pay 11/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
27/03/2015	4819	1,215.00	Payment of deduction for Pay 12/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou mini mart
1/04/2015	4865	43,585.00	Payment of deductions for Pay 07/15 for Establish Officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
10/04/2015	4947	745.00	Payment of deduction for Pay 14/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
15/04/2015	4985	43,600.00	Payment of deduction for Pay 15/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart (\$645.00),and; payment made for the Established deduction for Pay 08/15
22/04/2015	5045	795.00	Payment of deduction for Pay 16/15 to the above payee for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
29/04/2015	5110	45,275.00	Payment made to the above payee for the Established deduction for Pay 09/15
30/04/2015	5136	875.00	Payment of deduction for Pay 17/15 for Unestablished officers purchasing of goods from Naboro, Lauyoka and Korovou Mini Mart
5/05/2015	5143	875.00	Payment of deductions for Pay 18/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
13/05/2015	5214	47,185.00	Payment made for Established deduction for Pay 10/15
14/05/2015	5239	700.00	Payment of deduction for Pay 19/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
21/05/2015	5318	700.00	Payment of deduction for Pay 20/15 for Unestablish officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
2/06/2015	5463	1,100.00	Payment of deductions for Pay 22/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
15/06/2015	5642	1,150.00	Payment for the sub contribution for Pay 12/15
2/07/2015	5806	413.17	Payment made for leave compensation to EFTX-5806 (Reapi Sauwea) of 35 days that was due to her after contract expired on 23/06/15; less Naboro Mini Mart deduction
15/07/2015	5944	1,100.00	Payment of deduction for Pat 28/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.

Date	Cheque Number	Amount (\$)	Particulars
22/07/2015	6025	52,040.00	Being payment made to the Established deductions for Pay 15/15 Payment of deduction for Pay 29/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
28/07/2015	6078	1,050.00	Payment of deduction for Pay 30/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
4/08/2015	6148	50,180.00	Being payment made for the Established deduction for Pay 16/15
5/08/2015	6153	1,025.00	Being payment of deductions for Pay 31/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
13/08/2015	6255	1,135.00	Payment of deduction for Pay 32/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
19/08/2015	6313	50,830.00	Being payment made to the Established deductions for Pay 17/15
25/08/2015	6341	1,135.00	Payment of deduction for Pay 33/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
7/09/2015	6426	1,235.00	Payment of deduction for Pay 35/15 for Unestablished Officers purchasing of Goods from Naboro, Lautoka and Korovou Mini Mart.
17/09/2015	6529	50,475.00	Payment of deduction for Established deductions for pay 19/15
18/09/2015	6541	1,185.00	Payment of deduction for Pay 37/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
24/09/2015	6604	1,135.00	Payment of deductions for Pay 38/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
30/09/2015	6643	50,345.00	Payment for the Established deductions for Pay 20/15
8/10/2015	6714	1,135.00	Payment of deductions for Pay 40/15 for Unestablished officers purchasing of goods from Naoro, Lautoka and Korovou Mini Mart.
26/10/2015	6872	1,135.00	Payment of deduction for Pay 42/15 for Unestablished officer purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
29/10/2015	6930	48,210.00	Payment of deduction for Pay 22/15 to the above payee for established officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
30/10/2015	6941	1,160.00	Payment of deduction for Pay 43/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
5/11/2015	7013	1,110.00	Payment of deduction for Pay 44/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
12/11/2015	7054	49,590.00	Payment of deduction for Pay 23/15 for Established officers purchasing of goods from naboro, Lautoka and Korovou Mini Mart (\$48680.00), and; Payment of deduction for Pay 45/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart (\$910.00)
20/11/2015	7159	910.00	Payment of deducton for Pay 46/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
27/11/2015	7240	965.00	Payment of deduction for Pay 47/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
4/12/2015	7380	960.00	Payment of deduction for Pay 48/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart
28/08/2015	6369	1,235.00	Payment of deductions for Pay 34/15 for Unestablished officers purchasing of goods from Naboro, Lautoka and Korovou Mini Mart.
10/09/2015	6480	2,084.00	Payment for the purchase of 1 x Modyl Automatic washing machine 7.5kg for women correction center (\$899), and; payment of deduction for Pay 36/15 for Unestablished officers purchasing from Naboro, Lautoka and Korovou Mini Mart (\$1185.00)
3/09/2015	6410	56,182.50	Payment of deduction for the Established deduction for Pay 18/15 and boarding kit – inmates.
22/01/2015	4255	39,373.76	Payment made for the Established deductions for Pay 02/15
19/06/2015	5695	400.00	Payment for the purchase of 10 500LTR carton of Fiji Water to QM stores for COMCORs use.
16/02/2015	4456	7,296.68	Purchase of vegetable seeds for the Naboro Farm
22/05/2015	5336	10,880.00	Purchase of aluminum pots for QM stores
10/07/2015	5894	699.00	Purchase of MODYL LED screen.



Date	Cheque Number	Amount (\$)	Particulars
15/07/2015	5957	800.00	Purchase of Fiji water.
10/08/2015	6218	11,377.50	Purchase of mess plates (\$10,678.50) and 32 inch flat TV screen (\$699) for medium correction center (\$699).
23/11/2015	7191	2,592.80	Payment made for the purchase of chemicals and seedlings for food security.
14/05/2015	5248	16,800.00	Purchase for construction of open vale house at Naboro for check point office
3/03/2015	4561	150.00	Payment for reimbursement of funds for Bhika for the flight to Labasa due to itinerary error and ticketing arrangement made to Fiji airways.
	<b>Total</b>	<b>882,528.17</b>	

## **Section 16 Department of Information and Communication**

### **Roles and Responsibilities**

The Ministry of Communication is responsible for providing coordination, support and leadership on all matters of policy, law, regulation and strategy for the Information, Communication and Technology [ICT] sector.

Following Government restructure after the General Election in 2014, the Ministry now comprises the following Departments: Information and Communication.

The new, streamlined Department is responsible for informing the people of Fiji about Government's policies, programs and plans. The Department disseminates information by producing television and radio programs, publishing a biweekly newspaper, managing the Government website and social media accounts and issuing news releases about important Government initiatives. The Department is also the link between Government and the media, making sure reporters have the information they need to cover Government activities.

The Department is responsible for providing daily media monitoring reports to the Prime Minister and Cabinet Ministers. It also plays a very important role during natural disasters by providing timely and accurate updates to the media and the public. The Department of Information comprises five Units: News, Policy, Research, Radio, and Film and Television.

The Department of Communications mission is to provide efficient, competitive, cost-effective and accessible telecommunication and postal services to all Fijians. The Department also works closely with the Telecommunications Authority of Fiji in ensuring that proper monitoring, compliance and regulatory oversight of the sector is maintained.

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## **PART A: FINANCIAL STATEMENT**

### **16.1 Audit Opinion**

Audit of the 2015 accounts of the Department of Information and Communication resulted in the issue of a qualified audit report.

The basis of qualification was that the trust receipts totalling \$15,186,286 received on behalf of the Department were not supported by the receiving agency, Commerce Commission.

## 16.2 Statement of Receipts and Expenditure

The Department of Information and Communication collected total revenue of \$2,834 and incurred total expenditure of \$3,589,433 in 2015.

**Table 16.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Revenue from Production of Film	1,844	1,260
Licence Telecom and TV	990	4,941
Other State Revenue	---	60
<b>Total State Revenue</b>	<b>2,834</b>	<b>6,261</b>
<b>Agency Revenue</b>		
Miscellaneous	---	20,021
<b>Total Agency Revenue</b>	<b>---</b>	<b>20,021</b>
<b>TOTAL REVENUE</b>	<b>2,834</b>	<b>26,282</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	1,192,628	1,429,517
Government Wage Earners	138,256	138,946
Travel & Communication	193,740	231,958
Maintenance & Operations	127,079	143,868
Purchase of Goods & Services	541,718	643,144
Operating Grants & Transfers	1,179,139	856,078
Special Expenditure	77,659	250,793
<b>Total Operating Expenditure</b>	<b>3,450,219</b>	<b>3,694,304</b>
<b>Capital Expenditure</b>		
Capital Construction	---	---
Capital Purchases	---	---
Capital Grants and Transfers	---	---
<b>Total Capital Expenditure</b>	<b>---</b>	<b>---</b>
Value Added Tax	139,214	212,415
<b>TOTAL EXPENDITURE</b>	<b>3,589,433</b>	<b>3,906,719</b>

Total expenditure decreased by \$317,286 or 8% in 2015 compared to 2014 mainly due to savings arising from unutilized budgetary provisions for vacant established positions which were not filled during the year.

## 16.3 Appropriation Statement

The Department incurred expenditures totalling \$3,589,433 in 2015 against the budget of \$7,433,013 resulting in a budget savings of \$3,843,580 or 52%. The significant savings is mainly due to funds allocated for special expenditures not being fully utilised during the year.

Details of expenditures against the budget estimates are provided in Table 16.2.

**Table 16.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	1,608,334	---	1,608,334	1,192,628	415,706
2	Government Wage Earners	170,513	---	170,513	138,256	32,257
3	Travel & Communication	258,302	35,000	293,302	193,740	99,562
4	Maintenance & Operations	194,520	20,000	214,520	127,079	87,441
5	Purchase of Goods & Services	891,072	(55,000)	836,072	541,718	294,354
6	Operating Grants & Transfers	1,348,690	---	1,348,690	1,179,139	169,551
7	Special Expenditure	2,400,000	---	2,400,000	77,659	2,322,341
	<b>Total Operating Expenditure</b>	<b>6,871,431</b>	<b>---</b>	<b>6,871,431</b>	<b>3,450,219</b>	<b>3,421,212</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	---	---	---	---	---
9	Capital Purchases	---	---	---	---	---
10	Capital Grants & Transfers	---	---	---	---	---
	<b>Total Capital Expenditure</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
13	Value Added Tax	561,582	---	561,582	139,214	422,368
	<b>Total Expenditure</b>	<b>7,433,013</b>	<b>---</b>	<b>7,433,013</b>	<b>3,589,433</b>	<b>3,843,580</b>

#### 16.4 Trust Fund Account Statement of Receipts and Payments

The Telecommunication Development Trust Fund Account is maintained by the Department of Communication. The trust receipts included levies charged by the Commerce Commission to telecommunication operators that are directly deposited into the Department's bank account.

Funds are used for the ICT development purpose.

**Table 16.3: Trust Fund Account Statement of Receipts and Payments for 2015**

Descriptions	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Trust Receipts	15,186,286	12,859,958
<b>Total Receipts</b>	<b>15,186,286</b>	<b>12,859,958</b>
<b>PAYMENTS</b>		
Trust Payments	8,675,504	2,379,990
<b>Total Payments</b>	<b>8,675,504</b>	<b>2,379,990</b>
<b>Net Surplus</b>	<b>6,510,782</b>	<b>10,479,968</b>
Balance as at 1 January	13,376,488	2,896,520
<b>Balance as at 31 December</b>	<b>19,887,270</b>	<b>13,376,488</b>

## **PART B: AUDIT FINDINGS**

### **16.5 No coordination of receipts by receipting agency on behalf of Ministry**

When trust money is received, the trust officer shall issue an official trust receipt to the payer. Details of receipts shall be entered into the trust cashbook.<sup>1</sup>

The Department's Trust Fund account Statement of Receipts and Payments includes trust receipts of \$15,186,286. The trust receipts included levies charged by the Commerce Commission to telecommunication operators and this is directly deposited into the Department's bank account with effect from 01/01/15.

However, the Department did not prepare any reconciliation between the amount levied and received by the Commerce Commission on behalf of the Ministry.

Furthermore, the Department does not have a policy guideline on the usage of the trust funds. All payments from the trust fund were approved by the Permanent Secretary and the Minister. It was noted that funds were mostly used for ICT related purposes.

At the time of audit, audit noted that the Department was in process of formulating its policy guideline.

In absence of revenue reconciliation between the Department and Commerce Commission records, the audit could not determine whether the total revenue recorded in the Trust Fund account have been correctly stated.

#### **Recommendations**

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

- **liaise with the Commerce Commission on the submission of monthly remittance report;**
- **advise the respective telephone operators to advise the Department of their payment of any direct bank deposits to advise the bank with narration of the name of the paying entity for records purposes; and**
- **set a timeline to have a Trust Fund Usage Policy Guideline finalised.**

#### **Department's Comments**

*Management acknowledges the findings highlighted in the Audit report for 2015. Recommendations are also noted for further improvement.*

*Revenues (Deposits) were posted to the general Ledger with assistance of the bank statements as source documents in absence of receipts. Accurate and full details were not available, therefore receipts were not issued. Levy is charged by Commerce Commission, hence all remittances by respective companies are made directly to them.*

*Department had liaised with Fiji Commerce Commission (FCC) to obtain details for levy deposits made directly into Trust Fund Account. Received details and figures are currently being reconciled with bank statements before the official receipts are issued. Department will ensure for future deposits, details are received on a monthly basis.*

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<sup>1</sup> Department's Finance Manual 2013, Section 14.2.1

## Section 16A Department of Information Technology and Computing Services

### Role and Responsibilities

The primary role of DITCS Services is to support the Government in the provision of ICT capabilities on a secure platform that will showcase opportunities and enhance public sector efficiency, professionalism for the Government and its employees. One of DITCS Service's strategic priorities is to transform or re-engineer government services across all Government agencies through the realization of the e-Government strategy. This holistic strategy adopts the three legged stool approach, focusing on People, Processes and Technology. In collaboration with other Government agencies, corporate sectors, NGOs and other stakeholders, DITCS Services will develop, promote, coordinate and support strategies that foster services excellence through the utilization of e-Government Application tools.

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## PART A: FINANCIAL STATEMENT

### 16A.1 Audit Opinion

The audit of the 2015 accounts of the Department of Information Technology and Computing Services resulted in the issue of an unqualified audit report.

### 16A.2 Statement of Receipts and Expenditure

The Department collected revenue amounting to \$21,560 and incurred expenditure totalling \$13,459,771 in 2015. Details are provided in Table 16A.1

**Table 16A.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Commission	77	862
<b>Total State Revenue</b>	<b>77</b>	<b>862</b>
<b>Agency Revenue</b>		
Miscellaneous Revenue	21,483	24,578
<b>Total Agency Revenue</b>	<b>21,560</b>	<b>25,440</b>
<b>TOTAL RECEIPTS</b>		
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	1,547,614	1,693,649
Government Wage Earners	39,690	36,532
Travel & Communications	1,444,937	1,562,489
Maintenance & Operations	1,093,081	1,093,153
Purchase of Goods & Services	2,360,832	2,331,116
Special Expenditures	1,690,921	1,757,713
<b>Total Operating Expenditure</b>	<b>8,177,075</b>	<b>8,474,652</b>
<b>Capital Expenditure</b>		
Capital Construction	---	60,650
Capital Purchase	3,456,754	1,033,216
Capital Grants & Transfers	190,098	---
<b>Total Capital Expenditure</b>	<b>3,646,852</b>	<b>1,093,866</b>
Value Added Tax	1,635,844	1,181,734
<b>TOTAL EXPENDITURE</b>	<b>13,459,771</b>	<b>10,750,252</b>

Total expenditure increased by \$2,709,519 or 25.2% in 2015 compared to 2014 due to increase in the number of other Ministries and Departments Information Technology Infrastructure Capital upgrade projects and allocation of budget for National Switch.

### 16A.3 Appropriation Statement

The Department of Information Technology and Computing Services incurred expenditure totalling \$13,459,771 in 2015 against a revised budget of \$26,271,188 resulting in saving of \$12,811,417 or 48.8%. Details are provided in Table 16A.2.

**Table 16A.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	3,219,765	(7,845)	3,211,920	1,547,614	1,664,306
2	Government Wage Earners	32,172	7,845	40,017	39,690	327
3	Travel & Communications	1,602,000	19,752	1,621,752	1,444,937	176,815
4	Maintenance & Operations	2,185,000	(19,752)	2,165,248	1,093,081	1,072,167
5	Purchase of Goods & Services	4,782,620	---	4,782,620	2,360,832	2,421,788
7	Special Expenditures	2,000,000	---	2,000,000	1,690,921	309,079

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
	<b>Total Operating Expenditure</b>	<b>13,821,557</b>	<b>---</b>	<b>13,821,557</b>	<b>8,177,075</b>	<b>5,644,482</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	50,000	---	50,000	---	50,000
9	Capital Purchase	8,527,531	---	8,527,531	3,456,754	5,070,777
10	Capital Grants & Transfers	1,000,000	---	1,000,000	190,098	809,902
	<b>Total Capital Expenditure</b>	<b>9,577,531</b>	<b>---</b>	<b>9,577,531</b>	<b>3,646,852</b>	<b>5,930,679</b>
13	Value Added Tax	2,872,100	---	2,872,100	1,635,844	1,236,256
	<b>TOTAL EXPENDITURE</b>	<b>26,271,188</b>	<b>---</b>	<b>26,271,188</b>	<b>13,459,771</b>	<b>12,811,417</b>

#### 16A.4 Statement of Losses

There was no loss reported for the Department in 2015. However, items worth \$101,181 were boarded in 2015 following the annual survey.

### PART B: AUDIT FINDINGS

#### 16A.5 Unutilised Funds for Upgrade of Ministries and Departments ICT Projects

The Department of Information Technology and Computing Services (DITCS) is responsible for the upgrade of all Ministries' and Departments' Information Communication and Technology (ICT) systems.

The Accounting Head is responsible for designing a system of internal control for any new initiative or projects undertaken by the agency.<sup>1</sup>

The DITCS was provided \$6,727,531<sup>2</sup> to carry out a number of projects for other Ministries and Departments. During the year DITCS disbursed \$1,341,541 or 20% to various Ministries and Departments for purchase of software and IT related works. Refer to Table 16A.3 for details.

**Table 16A.3: Amounts Released from DITCS**

Ministries/ Department	Purpose	Budget (\$)	Actual Expenses (\$)	Funds Vired Out (\$)	Savings (\$)
Labour	Integrated Labour Market Information System	3,000,000	224,607	-	2,775,393
Health	Purchase of Warehouse Management System	1,000,000	-	-	1,000,000
	IT Purchase – Ministry of Health	400,000	400,000	-	-
Justice	Digitization of Registrar of Tittles, Companies and Birth Death and Marriages (BDM)	1,000,000	133,804	865,553	643
Fisheries and Forestry	Upgrade of ICT Infrastructure for the Ministry	635,000	271,987	-	363,013
Agriculture	Upgrade of ICT Infrastructure for the Ministry	542,531	163,379	-	379,152
Lands	Fiji Geospatial Information System Programme	150,000	147,764	-	2,236

<sup>1</sup> DITCS Finance Manual 2014, Part 17, Section 17.1.2

<sup>2</sup> 2015 Budget Estimate



Ministries/ Department	Purpose	Budget (\$)	Actual Expenses (\$)	Funds Vired Out (\$)	Savings (\$)
<b>Total</b>		<b>6,727,531</b>	<b>1,341,541</b>	<b>865,553</b>	<b>4,520,437</b>

The audit noted the following anomalies.

- Funds should be utilised for the purpose it was allocated for in the budget. Out of a total of \$6,727,531, DITCS only disbursed \$1,341,541 to six ministries and departments for purchase of software or IT related works. Hence, a total of \$5,385,990 of the funds remained utilised.

Out of the six ministries and departments, only Ministry of Justice and Ministry of Land utilized almost all of the funds which were allocated. Savings of \$ 4,520,437 was transferred to Ministry of Economy Consolidated Fund Account (CFA) at the end of the year.

- When funds are disbursed to other ministries and departments, acquittal reports should be obtained on how funds were used.

It was noted that DITCS did not obtain acquittal reports from the ministries and department who were given the funds for IT related works. The DITCS only requested for the acquittals from the respective ministries/department when audit requested for the acquittal reports. As at the date<sup>3</sup> of audit four out of six ministries/departments<sup>4</sup> did not submit the acquittal report.

- DITCS shall monitor the progress and scrutinize all acquittals received for funds provided to other ministries/departments to ensure that funds are used for the purpose it was provided for and projects are implemented according to plan and set timelines.

However, there was no evidence that the IT related works undertaken by the six ministries/departments were supervised and monitored by DITCS. The DITCS did not have any knowledge on the status and the quality of the work done by these ministries/departments as at 31/12/15.

The findings indicate that the DITCS did not review the plans and arrangement made by the ministries and departments before disbursing funds to them. In addition, there was a lack of supervision and monitoring of the IT related works undertaken by a number of ministries/departments.

As a result substantial amount of funds disbursed to a number of ministries/departments for IT related works were not used and works were either not undertaken at all or not completed.

### **Recommendations**

#### **The DITCS should:**

- **monitor the progress and scrutinize all acquittals received for funds provided to other ministries/departments to ensure that funds are used for the purpose it was provided; and;**
- **follow up with the ministries/department on the work done for the funds provided in 2015.**

<sup>3</sup> 15/02/16

<sup>4</sup> Includes Ministry of Justice, Ministry of Agriculture, Ministry of Fisheries & Forestry and Ministry of Lands

## **Department's Comments**

### Comments on Findings

*The audit found that of the \$6.7m that DICTS was provided for projects, \$1.3m was disbursed and the \$4.5m that was not spent was returned to Ministry of Finance Consolidated Fund Account. Management understands that this is the correct procedure to follow with regard to return of unspent funds.*

*Management agrees that funds disbursed to other Ministries should be acquitted. Presumably the receiving Ministry or Department should be responsible for this, not DITCS.*

### Comments on Recommendations

*Agree- the Department will continue to monitor progress and scrutinise all acquittals as they are received.*

*Agree- the Department will also attempt to follow up with receiving Ministries who have not yet provided an acquittal in 2015.*

## **16A.6 Digitization of Registrar of Titles, Companies and Birth, Death and Marriages Records**

Priority for funding under Public Sector Investment Program (PSIP) to be given to Departments that have prepared proper project plans and whose projects are in a “state of readiness” for implementation.

- The DITCS was allocated \$1,000,000 (\$1,150,000 VIP) in its 2015 budget for Ministry of Justice to digitize Registrar of Titles, Companies and Birth, Death and Marriages records. The DITCS provided \$153,875 (VIP) to Ministry of Justice to purchase 10 scanners and 15 i5 computers costing \$126,500 and \$27,375, respectively.

The scanners were to be used for scanning Registrar of Titles, Companies and Birth, Death and Marriages records. The Ministry has 15 million titles to be scanned and uploaded as part of its digitization program. As of 4/2/16, the Ministry only managed to scan 1 million titles after working double shift.

- The DITCS paid \$1,400,000 to purchase Storage Area Network (SAN) at the DITCS datacenter and \$1,032,885 for Oracle Server. The audit noted the SAN was used by “ITC Management” at DITCS datacenter while Oracle Server was not in use.

The audit further noted that DITCS vired \$865,553 (VEP) from the funds allocated for the digitization of the Ministry of Justice projects to meet the shortfalls in the procurement of SAN and Oracle Server.

The findings indicate lack of proper planning and budgeting for IT projects included in the Public Sector Investment Program. The funds were vired out from the digitization of the Ministry of Justice projects for other works. As a result, scanners for the digitization of Registrar of Titles, Companies and Birth, Death and Marriages records were inadequate to meet the objectives.

**Recommendations****The DITCS should:**

- ensure that the projects budgeted for Ministry of Justice is implemented on a timely manner and funds are used for purpose it has been allocated for; and
- consider providing additional high output scanners to expedite the digitization process.

**Department's Comments***Comments on Findings*

*The observation relate to project planning and delivery, rather than financial management.*

*Comments on Recommendations*

*Agree in principle – the Department will continue to observe best practice project management methods to track effective project delivery against plans.*

*Agree in principle – the Department will review progress towards digitization and assess whether to change the project approach, in consultation with Ministry of Justice.*

**16A.7 Capital Budgets Not Utilised**

The DITCS will be responsible for the project management and implementation of the project, including overseeing components that are outsourced.

The DITCS was provided \$1,350,000 in its 2015 budget estimates to carry out four IT projects, namely Disaster Recovery Site, Central VOIP, Fiji Pay and National Switch.

Audit review of these projects revealed the following anomalies.

- The DITCS only utilised \$190,098 or 14% out of the \$1,350,000 allocated for the four IT projects that were planned for the year ended 31/12/15. Funds totalling \$190,098 was used for only one project (National Switch) out of the four projects that were supposed to be implemented during 2015. The DITCS did not carry out any work on the three projects, namely Disaster Recovery Site, Central VOIP and Fiji Pay projects. Refer to Table 16A.4 for details of funds used for each project.

**Table 16A.4: Un-utilized Capital Budget**

Description	Revised Budget (\$)	Actual (\$)	Variance (\$)	% of Under Utilisation
Disaster Recovery Site	50,000	-	50,000	100
Central VOIP- This will provide Government with a central and secure communication and data exchange system, which is also cheaper to run than a traditional telephone system.	300,000	-	300,000	100
Fiji Pay – The idea behind the project was to create a prepaid card that allows people to pay for Government services.	500,000	-	500,000	100
National Switch – provided for work on the National Switch to which all banks and financial institutions will be required to	500,000	190,098	309,902	62

Description	Revised Budget (\$)	Actual (\$)	Variance (\$)	% of Under Utilisation
connect meaning that consumers and businesses will enjoy vastly improved electronic services and reduced transaction costs.				

- The sum of \$198,017 paid for the National Switch project also included payment of \$9,617 for installation and training cost. However, a site visit to the Data Centre on 12/02/16 confirmed that hardware security modules were not installed and were kept in a carton.

The findings indicate poor project management. As a result, funds provided for in the budget were not utilized and the projects were not implemented.

### **Recommendations**

#### **The DITCS should:**

- **ensure that all IT projects are properly planned and adequate arrangements made to implement the projects as soon as funds have been provided; and**
- **ensure that projects undertaken are properly supervised and monitored at all phases including planning, implementation and completion.**

### **Department's Comments**

#### **Comments on Findings**

*Most of the issues raised appear to be related to project management, governance and scheduling. The finding that indicates "DITCSs poor project planning, supervision and monitoring is the sole reason for failure to implement indicates that a deeper analysis of the issues was not undertaken. Very few complex projects are delivered according to the initial plan. Factors such as external project governance, sourcing of goods and services in a competitive market, the ebb and flow of resources, balancing of competing priorities and unforeseen changes to the environment all have an impact on project delivery.*

#### **Comments on Recommendations**

*As noted in 8.1.2 above, the Department will continue to observe best practice project management methods to track effective project delivery against plans.*

*As above, project monitoring is an integral element of project management and the Department will ensure that projects are appropriately monitored.*

## **16A.8 Private Public Partnership with "Software Provider"**

### **16A.8.1 Software's to be developed and Timeframe is Silent in the Software Agreement**

The Government engaged the services of "Software Provider" to design, create, implement and maintain software solutions with intend to revolutionize its processes and products using information technology platforms to make its services more user friendly, accessible and economical for the Fijians.

The Government entered into a Private Public Partnership with “Software Provider” through a Head Agreement on 28 September 2012 which was subsequently terminated on 24 April 2014 and new Software Agreement entered on 24 April 2014.

The number of software to be developed by “Software Provider”, its commencement date and the target dates of completion for each software development project was not specified in the Software Agreement or agreed on an annual basis.

As such, the audit could not ascertain the number of projects “Software Provider” planned to undertake on a yearly basis, its date of commencement, date of completion and the current status of each software development project.

In absence of the software projects and timeframe specified in the contract could result in delay in realization of government objective for delivering its services through its e-governance programs and to make DITCS the IT hub for all Government Ministries and Government Controlled Companies.

### **Recommendation**

**The DITCS should prepare an annual agreement of software programs to be developed by “Software Provider”, its commencement date, the date of completion and the current status of each software development project and monitor the progress against it.**

### **Department’s Comments**

#### *Comments on Findings*

*Management noted that “Software Provider” and the Fijian Government are complying with the terms of the Software Agreement.*

#### *Comments on Recommendations*

*The Department will obtain a list of hardware.*

### **16A.8.2 Lack of Documents to Substantiate Payment made to “Software Provider”**

Given that the revenues are on usage basis and in consideration for investments being made by Software Provider in terms of the time and effort spent, and as a risk mitigation strategy, Parties agreed that Software Provider will be paid on transaction click or USD 500,000 per year whichever was higher, for a period of seven years.<sup>5</sup>

The DITCS has been paying USD 125,000 per quarter to Software Provider since 2013. As at 31/12/15, DITCS has paid a total of US\$1,125,000<sup>6</sup> to Software Provider.

The audit noted that all payments made to “Software Provider” were approved by the Steering Committee.

However, the audit could not substantiate whether payments made to “Software Provider” were justified in terms of value for money derived as details of the work done by “Software Provider” were

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<sup>5</sup> Software Agreement between the Ministry and Software Provider dated 24/04/14, Section 5.1

<sup>6</sup> FJ \$2,280,772

not stated in the invoice submitted for payment. In addition, no other record of work done by “Software Provider” was provided to audit to verify the payments.

As a result the audit could not confirm the payment totaling FJD \$2,280,772 made to “Software Provider” as at 31/12/15 was correct and justified.

### **Recommendation**

**The Department should ensure that all relevant documents are kept in the registry or attached with the payment vouchers for audit reference and verification.**

### **Department’s Comments**

#### *Comments on Findings*

*The findings note that the minimum payment due to “Software Provider” under the existing contract is USD 500,000 per year (USD 125,000 per quarter). This is the amount that is being paid to “Software Provider”. This amount is payable regardless of transaction clicks or work completed, so there is no inconsistency regarding payments.*

#### *Comments on Recommendations*

*If future payment invoices vary from the minimum that is provided for under the contract, the Department will ensure that these are fully justified and documented by “Software Provider”.*

### **16A.8.3 Non-compliance to Software Agreement Clauses by “Software Provider”**

The DITCS signed Software agreement with “Software Provider” on 24/4/14. Audit review of the software agreement noted that “Software Provider” did not comply with several clauses in the agreement as provided below.

- “Software Provider” shall obtain professional liability insurance coverage to ensure that proper insurance of its software products and its personnel, and shall take out and maintain sufficient liability, to cover for risks incurred while providing its services.<sup>7</sup>

However, no professional liability insurance covers were obtained by “Software Provider” for its software products and its personnel, and to cover for risks incurred while providing its services.

In the absence of indemnity covers, the DITCS may not be able to hold “Software Provider” liable for any damages.

- “Software Provider”, for all the software applications it has developed and delivered, will perform all necessary maintenance and/or build-up of the client’s systems.<sup>8</sup>

However, no details were provided to audit to establish the number of software developed and delivered by “Software Provider” or any back up for the software developed.

- All software created by “Software Provider” may be reviewed as and when needed by the Client by an independent advisory committee. The advisory committee shall consist of information

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<sup>7</sup> Software Agreement between Ministry and Software Provider dated 24/04/14, Section 9.5

<sup>8</sup> Software Agreement between Ministry and Software Provider dated 24/04/14, Section 9.7

technology experts appointed by the Steering Committee to ensure that the software meets industry standards, is suitable for the Client’s needs and has continuity of purpose.<sup>9</sup>

However, an independent advisory committee was yet to be formed by the Steering Committee. In absence of independent review, there is a risk in terms of its vulnerability against hacking, user friendliness, security features and long term stability.

- Parties agree that a copy of the most recent version of the source codes will be kept in escrow with independent third party to be mutually agreed and appointed.<sup>10</sup>

However, the source codes kept in escrow with independent third party could not be established as management could not provide any such details.

The findings indicate that due diligence was not exercised to ensure that “Software Provider” complied with the terms and conditions of the software agreement for the management of DITCS.

### **Recommendation**

**The Steering Committee should ensure that “Software Provider” complies with the software agreement.**

### **Department’s Comments**

#### *Comments on Findings*

*Management notes that “Software Provider’s” non-compliance with the software agreement is presumed rather than definite, due to the supporting material not being reviewed during the audit, rather than the material not existing.*

*Management also noted that if “Software Provider” has not obtained any indemnity covers, the Department can still hold “Software Provider” liable for damages. However, the software agreement does require such indemnities to be held and the Department will enforce this and any other conditions that “Software Provider” currently does not comply with.*

#### *Comments on Recommendations*

*Management agrees with the recommendation and will request the Steering Committee to ensure “Software Provider” complies with the terms of the agreement.*

### **16A.8.4 Anomalies in Incidental Payments made to “ITC Management”**

The Client will pay “ITC Management”, through DITCS, an annual management fee of US\$250,000 to be paid on a quarterly basis.<sup>11</sup> The Client shall bear incidental expenses, by prior written approval of the Steering Committee, which includes travel, accommodation, work permits and visa applications.<sup>12</sup>

The DITCS paid incidental fees totaling \$123,985 in 2015 to “ITC Management” for the period 1/9/12 to 31/3/14.

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<sup>9</sup> Software Agreement between Ministry and Software Provider dated 24/04/14, Section 20.1

<sup>10</sup> Software Agreement between Ministry and Software Provider dated 24/04/14, Section 6.2

<sup>11</sup> Management Agreement, Clause 8.1

<sup>12</sup> Management Agreement, Clause 13.1.5

The audit could not substantiate the incidental expenses paid to “ITC Management” as details of the services provided and the supporting documents for incidental expenses such as accommodation bills and the air ticket were neither attached to the payment vouchers nor provided for audit verification.

In addition, audit could not ascertain if the prior approval was obtained by the ITC Management from the Steering Committee. Refer to Table 16A.5 for incidental expenses paid by Department to “ITC Management”.

**Table 16A.5: Incidental Expenses Paid To “ITC Management” in 2015**

Year	Amount Paid (US\$)	Expense Type
September 2012 – December 2012	14,106.70	Travel and Accommodation
January 2013 – December 2013	24,732.67	Travel and Accommodation
January 2014 – March 2014	18,106.99	Travel and Accommodation
<b>Total</b>	<b>56,946.36</b>	

Discussions with the Acting Senior Accounts revealed that the relevant supporting documents are maintained by the Steering Committee and will be produced to audit. However, as at date of audit<sup>13</sup> no supporting documents were provided for audit verifications.

The above indicates weak internal controls in place to ensure that all payments are properly supported with proper documentations. In the absence of proper documentations, there is a high risk or misappropriation of public funds.

### **Recommendations**

#### **The Management should ensure:**

- **all supporting documents for payment made are maintained by DITCS; and**
- **that prior approval is obtained from the Steering Committee before payments are made to “ITC Management”.**

### **Department’s Comments**

#### Comments on Findings

*As noted in the audit findings, the “relevant supporting documents” are maintained by the Steering Committee, and any payments are approved by the Steering Committee. The Department has no authority to ask the Steering Committee to produce these documents. This is not a failure of the Department’s internal controls.*

#### Comments on Recommendations

*Not all supporting documents can be maintained by the Department, as some of these originate from and are the property of the Steering Committee.*

*The Department will continue to ensure that approvals are obtained by the Steering Committee prior to payment being made.*

<sup>13</sup> 16/2/15



## 16A.9 Follow – up Prior Year Audit Issue

The Steering Committee shall formulate a procurement policy for the procurement of all ICT goods, services and works by DITCS. All ICT goods and services procured by the Steering Committee shall be in accordance with the procurement policy.<sup>14</sup>

In its General Report to Parliament for 2013,<sup>15</sup> the Auditor General reported that Contracts were awarded by DITCS without Approved Procurement Policy. The Auditor General also reported that:

- (i) The Annual procurement policy was yet to be put in place; and
- (ii) Various purchases were approved by the Steering Committee without any reference to a procurement plan aligned to the procurement policy.

The audit followed up on this matter and noted that there was no progress on the finalization of the DITCS Procurement Policy as required under section 14(1) of the DITCS Decree 2013 despite the anomaly was highlighted in the Auditor General's General Report to Parliament. The audit follow up on this matter revealed the following.

- DITCS procurement policy was still in a draft stage and was undergoing vetting process from the members of the steering committee;
- A copy of draft policy was not provided to audit, thus the audit could not confirm whether a draft procurement policy exist and
- Although DITCS was currently using the Fiji Procurement Regulation, its procurement did not go through Fiji Procurement Office.

The audit noted that there was a significant delay (2013 – 2015) in finalising the procurement policy. The DITCS was not able to explain the reasons for the delays in finalising the Procurement Policy by the Steering Committee.

### **Recommendation**

**Compliance should be made with DITCSS Decree 2013 and actions taken to finalize DITCS Procurement Policy.**

### **Department's Comments**

#### *Comments on Findings*

*Management notes that the ICT Procurement Policy has not been finalized and in its absence ICT purchasing was guided by the Fiji Procurement Regulation.*

#### *Comments on Findings*

*Management agrees with the recommendation to ensure the policy is finalized.*

<sup>14</sup> Reform of DITCSS Decree No. 17 of 2013, Section 14.1 & 14.3

<sup>15</sup> Audit Report on Government Ministries & Department, 2013, Volume 2

## Section 17 **Public Service Commission**

### **Roles and Responsibilities**

The Public Service Commission under Section 126 (1) of the 2013 Constitution is responsible for the following functions:

- (a) To appoint permanent secretaries with the agreement of the Prime Minister;
- (b) To remove permanent secretaries with the agreement of the Prime Minister;
- (c) To institute disciplinary action against permanent secretaries; and
- (d) To make such other appointments and perform such other duties, functions and responsibilities as may be prescribed under written laws.

The Public Service Commission's statutory function is under Section 11 of the Public Service Act, 1999.

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## **PART A: FINANCIAL STATEMENT**

### **17.1 Audit Opinion**

The audit of the 2015 accounts of the Public Service Commission resulted in the issue of a qualified audit report. The basis of qualification was as follows:

#### ***Trust Fund Account***

1. Performance bond totaling \$191,222 which were collected from contractors for maintenance and upgrading of government quarters and were kept in Trust Fund account as at 31/12/15 were not reflected in the FMIS General Ledger.

**Trading and Manufacturing Account (TMA)**

2. Receivables totaling \$356,441 in the TMA Account for the year 2015 were also not recorded as revenues for the year in the FMIS general ledger.
3. Rent and bond collected through direct salary deductions totaling \$2,619,302 and quarter's bond totaling \$84,071 into operating trust fund account were not disclosed in the TMA Income Statement and Balance Sheet, respectively.
4. The Commission incorrectly credited remittance of \$1,142,345 into the Maintenance and Operations account of the Ministry of Finance.
5. Journal vouchers totaling \$2,867,851 for adjustments in rental of Official quarter's allocation and Bond Government Quarters allocation totaling \$215,019 were not provided for audit review.

**17.2 Statement of Receipts and Expenditure**

The Commission collected revenue totalling \$3,144,110 and incurred total expenditure of \$38,587,428 in 2015.

**Table 17.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 Restated (\$)
<b>RECEIPTS</b>		
Agency Revenue	3,144,110	441,800
<b>TOTAL REVENUE</b>	<b>3,144,110</b>	<b>441,800</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	4,075,661	4,333,906
Government Wage Earners	272,362	250,271
Travel & Communications	153,433	233,922
Maintenance & Operations	26,978,899	26,077,668
Purchase of Goods & Services	365,104	409,708
Operating Grants & Transfers	1,084,397	1,052,842
Special Expenditures	716,129	660,582
<b>Total Operating Expenditure</b>	<b>33,645,985</b>	<b>33,018,899</b>
<b>Capital Expenditure</b>		
Construction	-	-
Purchase	579,900	895,983
Grants & Transfers	-	-
<b>Total Capital Expenditure</b>	<b>579,900</b>	<b>895,983</b>
Value Added Tax	4,361,543	4,175,495
<b>TOTAL EXPENDITURE</b>	<b>38,587,428</b>	<b>38,090,377</b>

Total agency revenue increased by \$2,702,310 or 611.7% in 2015 compared to 2014. This was mainly due to re-invoicing of all students under the old Public Service Commission Scholarship scheme to correct the negative receivables amount persistent over the past years.

Total expenditure increased by \$497,051 or 1.3% in 2015 compared to 2014 due to the increase in wages costs for all Government Wages Earners and increase in repairs and maintenance costs of office equipment.

### 17.3 Appropriation Statement

The Public Service Commission incurred expenditure totalling \$38,587,428 in 2015 against the revised budget of \$43,131,770 resulting in a savings of \$4,544,342. Details of expenditure against the revised budget are provided in Table 17.2.

**Table 17.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	4,433,563	170,500	4,604,063	4,075,661	528,402
2	Government Wage Earners	237,993	42,500	280,493	272,362	8,131
3	Travel & Communications	166,250	(5,000)	161,250	153,433	7,817
4	Maintenance & Operations	29,935,509	31,500	29,967,009	26,978,899	2,988,110
5	Purchase of Goods & Services	453,255	(77,500)	375,755	365,104	10,651
6	Operating Grants & Transfers	1,251,900	(162,000)	1,089,900	1,084,397	5,503
7	Special Expenditures	1,000,000	---	1,000,000	716,129	283,871
	<b>Total Operating Costs</b>	<b>37,478,470</b>	<b>---</b>	<b>37,478,470</b>	<b>33,645,985</b>	<b>3,832,485</b>
	<b>Capital Expenditure</b>					
8	Construction	-	---	-	-	-
9	Purchase	800,000	---	800,000	579,900	220,100
10	Grants & Transfers	-	---	-	-	-
	<b>Total Capital Expenditure</b>	<b>800,000</b>	<b>---</b>	<b>800,000</b>	<b>579,900</b>	<b>220,100</b>
13	Value Added Tax	4,853,300	---	4,853,300	4,361,543	491,757
	<b>TOTAL EXPENDITURE</b>	<b>43,131,770</b>	<b>---</b>	<b>43,131,770</b>	<b>38,587,428</b>	<b>4,544,342</b>

### 17.4 Trading and Manufacturing Account (TMA) – Government Quarters

**Table 17.3: Income Statement**

Description	2015 (\$)	2014 (\$)
<b>Income</b>		
Rental Income	2,867,851	4,605,833
<b>Total Income</b>	<b>2,867,851</b>	<b>4,605,833</b>
<b>Expenditure</b>		
Direct Labour	32,248	28,869
Travel and Communication	27,624	34,381
Maintenance and Operations	1,076,655	3,637,484
<b>Total Expenditure</b>	<b>1,136,527</b>	<b>3,700,734</b>
<b>Net Profit</b>	<b>1,731,324</b>	<b>905,099</b>

The net profit for the TMA increased by \$826,225 or 91.3% in 2015 compared to 2014. This was attributed to decrease in maintenance and operations expenditure by \$2,560,829 or 70.4% compared to 2014 and travel and communication by \$6,757 or 19.7% compared to 2014.

Whilst rental income decreased by \$1,737,982 or 37.7%, the corresponding decrease in expenditure was the determining factor for increase in net profit for the year 2015.

**Table 17.4: Balance Sheet**

Description	2015 (\$)	2014 (\$)
<b>Asset</b>		
Cash at Bank	1,039,347	1,429,251
<b>Total Asset</b>	<b>1,039,347</b>	<b>1,429,251</b>
<b>Liability</b>		
Deposits and Deductions	218,425	55,009
<b>Equity</b>		
Accumulated Fund	820,922	1,374,242
<b>Total Equity and Liability</b>	<b>1,039,347</b>	<b>1,429,251</b>

Total equity and liability decreased by \$389,904 or 27.3% compared to year 2014 and attributed to decrease in cash at bank by \$389,904 or 27.3% with corresponding increase in deposit and deduction during 2015 by \$163,416 or 297.1% compared to year 2014.

## **PART B: AUDIT FINDINGS**

### **17.5 Agency Financial Statement**

#### **17.5.1 Performance Bond Account not disclosed**

The receipts and payments of Trust money must be recorded in a separate cashbook or set of ledger accounts.<sup>1</sup> Each month the Trust account must be balanced and reconciled with Trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer.<sup>2</sup> All payments must be immediately recorded in the Financial Management Information System.<sup>3</sup>

The Commission maintained a bank account from 1 October 2014 to deposit performance bond collected from the contractors carrying out maintenance and upgrading of government quarters.

The audit noted that the Trust receipts totalling \$191,221.59 was not recorded in the FMIS general ledger. Details of performance bond received were not maintained and bank reconciliations for the account were not prepared for the year 2015.

The audit findings reflect lack of proper record keeping and accounting by the Principal Accounts Officer.

#### **Recommendations**

**The Ministry of Finance and Public Service Commissions Accounts should ensure that:**

- **all the Trust accounts are recorded in the FMIS general ledger; and**
- **monthly reconciliations between the general ledger and the trust account are prepared and checked for any material misstatement or omission.**

<sup>1</sup> Finance Instruction 2010, Section 58(2)

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

<sup>3</sup> Finance Instruction 2010, Section 15

**Ministry's Comments**

*This responsibility has been moved to the Ministry of Economy*

**17.5.2 Performance Bond Account Anomalies**

The receipts and payments of Trust money must be recorded in a separate cashbook or set of ledger accounts.<sup>4</sup> Each month the Trust account must be balanced and reconciled with Trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer.<sup>5</sup> All payments must be immediately recorded in the Financial Management Information System.<sup>6</sup>

The audit noted that performance bonds received by the Commission were not deposited into the TMA Performance Bond bank account. The former Accounts Officers could not explain which bank account the bond monies were deposited to.

In addition, a sum of \$6,980.74 was received under the FPO Trust account instead of the performance bank account. Refer to Table 17.5 for details.

**Table 17.5: Details of Receipts not reflected in the Bank Account**

Quarters Numbers	Contractor	Performance Bond (\$)	Receipt	Remarks
11 Richards	Building Works Contractor	10,730.00	Commercial Bank	Not deposited in the Performance Bond account maintained at Bred Bank account. Account Number: 00233280019
12 Richards			Cheque Number	
13 Richards			415187, Receipt Number 018636	
93 –Lawaqa	Building Works Contractor	11,100.00	Commercial Bank	
94 –Lawaqa			Cheque Number	
95-Lawaqa	Building Works Contractor	11,100.00	415186, Receipt Number 018636	
101-Lawaqa			Cheque Number	
180 Veiuoto	Maintenance Contractor	6,980.74	Receipt Number 430595	Received under FPO Trust Fund Receipt

The findings indicate that should depositors demand for refund of performance bond, it would be difficult to track the performance bonds deposited.

**Recommendations****Ministry of Finance should ensure that:**

- **all amounts received are properly recorded in a performance bond register;**
- **all amounts received are deposited and recorded in the TMA Performance Bond bank account; and**
- **investigate and establish the bank accounts in which bond monies were deposited.**

<sup>4</sup> Finance Instruction 2010, Section 58(2)

<sup>5</sup> Finance Instruction 2010, Section 58 (3)

<sup>6</sup> Finance Instruction 2010, Section 15

**Ministry's Comments**

*This responsibility has been moved to the Ministry of Economy.*

**17.6 Trading and Manufacturing Account (TMA)****17.6.1 Receivables not reflected In the General Ledger records**

All Accounts receivable at the end of the year should be recorded in the FMIS general ledger to reflect the correct amounts in the TMA.

The Commission provides government quarters on rent to public at current market rate and for the civil servants at a rate of 8% of their annual gross salaries.

The audit noted that the Commission did not account for receivables totalling \$356,440.76 and related revenues in the FMIS General Ledger. Refer to Table 17.6 for details.

**Table 17.6: Accounts Receivable Amounts Not Reflected in General Ledger**

<b>Rent Receivable</b>	<b>Amount (\$)</b>
Rental Arrears – Market Rent	94,875.56
Rental Arrears – Vacated Tenants	39,012.36
Rental Arrears – Direct Deductions by Salary	222,552.84
<b>Total</b>	<b>356,440.76</b>

As a result, the total rental income was understated by \$356,440.76.

**Recommendation**

**The Ministry of Finance should ensure that TMA Accounts Receivable is reviewed to fully reflect the correct balance of Accounts Receivable.**

**Ministry's Comments**

*This responsibility has been moved to the Ministry of Economy.*

**17.6.2 Quarters Income and Bond not transferred from Operating Trust**

The Operating Trust Account is used to record the payroll deductions from the employees from each pay.

The Commission directly deducted rent from salaries of officers' salaries who occupy government quarters totalling \$2,619,301.58. However rental deductions were not reflected as income in the FMIS ledger.

The Commission also maintained bond received from tenants for rental purposes totalling \$84,071.07 which were are also not reflected as rental bond in TMA liabilities. Refer to Table 17.7 for details.

**Table 17.7: Details of Rent Income and Bond in the Operating Account**

Allocation Number	Allocation	Rent Income (\$)	Bond Liability (\$)
1-17305-02999-861701	Deduction for Rent of Government Quarters	428,940.66	
1-17351-02999-861701	Quarters Salary Deduction	2,190,360.92	
1-17351-02999-861929	Payroll Deduction Bond-Quarters		84,071.07
<b>Total</b>		<b>2,619,301.58</b>	<b>84,071.07</b>

The findings indicate that TMA total income was being understated by \$2,619,301.58 whilst TMA liability understated by \$84,071.07.

### **Recommendations**

**The Ministry of Finance should ensure that:**

- **the amounts are transferred from the operating trust account for rental deductions are recorded as TMA income and bond held are reflected as rental bond deposits under TMA Liabilities.**

### **Ministry's Comments**

*This responsibility has been moved to the Ministry of Economy.*

### **17.6.3 Poor Record Keeping for TMA - Government Quarters**

All the records shall be properly and securely maintained and readily made available for audit verification on request. It also provides evidence of government and individual activity and promotes accountability and transparency.

Audit review of the maintenance and upgrading records for TMA government quarters noted the following anomalies.

- Remittance to Ministry of Finance totaling \$1,142,344.80 were recorded as Maintenance and Operations expenses allocation;
- Payment vouchers and supporting documents for maintenance and upgrading of government quarters were not provided for audit review; and
- Records for maintenance cost for each government quarters, records of performance bond, progress reports, actual commencement and completion dates were not made available.

The findings indicate that the Commission did not maintain proper records for the maintenance and upgrading of government quarters.

### **Recommendation**

**The Ministry of Finance should maintain proper records by having separate files for each project and details of bonds, payments by regularly updating into these files.**



### **Ministry's Comments**

*This responsibility has been moved to the Ministry of Economy.*

#### **17.6.4 TMA Journals Not Provided for Audit**

Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts.<sup>7</sup> Once the relevant ledgers have been updated, the journal vouchers together with the supporting documents shall be forwarded to the Accounting Head or Accounts Supervisor for filing.<sup>8</sup>

The Commission posted journals totalling \$2,867,851.01 in the Rental for Official quarters and Bond Government Quarters allocations totalling \$215,018.99 in the Trading and Manufacturing Account.

- However journal vouchers for rental for Official quarters totaling \$2,878,220.80 being credit entries and \$10,369.79 in debit were not provided for audit despite several requests. Refer to **Appendix 17.I** for details of journals posted.

The findings indicate the laxity to maintain proper records relating to government quarters.

### **Recommendation**

**The Office Accommodation Unit should ensure that accounting records such as journals are made readily available for audit review.**

### **Ministry's Comments**

*This responsibility has been moved to the Ministry of Economy.*

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<sup>7</sup> Public Service Commission, Pro-forma Finance Manual 2013, Section 16.1.1

<sup>8</sup> Public Service Commission, Pro-forma Finance Manual 2013, Section 16.1.7

**APPENDIX 17.1: Details of Journal Posted and not provided to Audit**

Journals in Rental for Official Quarters				Journals in Bond Government Quarters Account			
Journal	Debit Amount (\$)	Credit Amount (\$)	Journal Description	Journal	Debit Amount (\$)	Credit Amount (\$)	Journal Description
022005		509,318.42	JV 08/01/15	022005		400.00	JV8/01/15
022011		134,448.53	JV 14/02/15	TMA001		52,741.47	Transfer PSC Bond from 02 to 17
022018		162,260.74	JV 10/3/2015	022011		5,700.00	JV14/02/15
022019		12,456.57	JV 11/03/15	AP2237	1,000.00		Refund of Bond
022034		185,211.87	JV 16/04/15 – JV 17/04/15	022018		3,500.00	JV10/3/15
022043		177,655.65	JV 26/5/15	AP2823	200.00		Refund of Bond Payment
022046		230,661.12	JV 33/5/15	AP8362	800.00		Refund Bond Quarters 129 Domain
022053		142,089.50	JV 13/6/15	AP9087	600.00		Refund Bond Quarters 166
022061		177,252.46	JV 12/7/15	AP1265	1,000.00		Refund
AP9412	(6,875.85)		TELD BOND	AP1437	25.00		Refund Bond Payment
022069	(600.00)		JV 8/8/15	AP4415	500.00		Refund Bond Quarters 195 Veiuto
022071	(2,800.00)		JV 10/8/15	AP6066	677.00		Quarters 224 Stoddard Road
022074		136,835.40	JV 13/8/15	AP6987	800.00		Refund Bond
AP7534	(93.94)		Refund of Rent and Bond	022034		2,000.00	JV16/04/15 – JV17/04/15
022082		124,581.75	JV 2/10/15	022043		5,050.00	JV26/5/15
022087		33,186.59	JV 7/10/15	AP7533	476.61		Quarters 124 Imthurn
022096		385,187.65	JV17/10/15	022053		9,000.00	JV13/6/15
022098		2,399.97	JV 2/11/15	AP1819	116.85		Refund
022106		181,929.42	JV 5/12/15	022061		2,125.00	JV12/7/15
022113		282,745.16	JV 13/12/15	AP2848	125.00		Bond Refund Payment
				AP2848	175.00		Bond Refund Payment
				022074		1,500.00	JV13/8/15
				AP0868	2,000.00		Refund of Bond 109 Domain
				AP0170		75.00	Refund of Bond
				AP0172		230.80	Refund of Bond
				AP0200	75.00		Refund of Bond

Journals in Rental for Official Quarters				Journals in Bond Government Quarters Account			
Journal	Debit Amount (\$)	Credit Amount (\$)	Journal Description	Journal	Debit Amount (\$)	Credit Amount (\$)	Journal Description
				AP0200	230.80		Refund of Bond
				AP7534	20.00		Refund of Rent & Bond
				AP9752	75.00		Refund of Bond
				AP9752	230.80		Refund of Bond
				022082		119.23	JV2/10/15
				022096		92,455.32	JV17/10/2015
				AP3799	1,000.00		Refund of Bond
				AP5886	2,000.00		Refund of Bond Quarters 8
				AP0353	443.65		Clearance Water Bill Quarters 85
				AP1084	15,818.80		Bond Performance Payment
				AP1084	213.78		Refund Bond
				AP1084	86.23		FC716
				AP9768	406.78		KF2811
				022106		41,144.23	JV5/12/15
				022113		31,314.00	JV13/12/15
				AP7305	3,000.00		Refund of Bond
				AP9591	239.76		Bill Payment for Quarters 118 Garvey
<b>Total</b>	<b>(10,369.79)</b>	<b>2,878,220.80</b>			<b>32,336.06</b>	<b>247,355.05</b>	

## Section 18 **Ministry of Rural, Maritime Development and National Disaster Management**

### **Role and Responsibilities**

Government is committed to improving the provision of services to Fijians living in rural, peri-urban and maritime areas, ensuring that all people across the country enjoy the same level of attention.

Government believes that every Fijian has the right – no matter where they live – to the same access to such things as sealed roads, electricity, water, education, health and telecommunications.

The Ministry of Rural and Maritime Development and Disaster Management manages and coordinates Government's rural and maritime development programs. Guided by the socio-economic rights enshrined in the Fijian Constitution, the Ministry is focused on providing Fijians with the things they need to empower themselves and support their families.

The Ministry's programs are targeted at generating economic growth and improving living standards in Fiji's rural and maritime communities, which include self-help programs, work on non-cane access roads, maritime roads, and housing assistance.

The Ministry runs the Committee for the Better Utilization of Land [CBUL] which is tasked to help landowners put their land to productive use.

The Ministry also provides support services to rural, peri-urban and maritime communities, such as registration of births, deaths and marriages, issuing licenses and collecting license and permit fees.

Under the Disaster Management portfolio, the Ministry helps Fiji prepare for natural disasters and respond in their aftermath.

The Ministry is also responsible for the implementation of the National Disaster Management Strategy as required by the 1995 National Disaster Management Plan and the National Disaster Management Act 1998, covering disaster prevention, mitigation, preparedness, response, emergency operations, relief and rehabilitation.

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## PART A: FINANCIAL STATEMENTS

### 18.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Rural, Maritime Development and National Disaster Management resulted in the issue of a qualified audit report. The qualification was as follows:

The Board of Survey was in progress during the audit and as such the audit could not substantiate the Statement of Losses (other than money) contrary to section 49(2) of Finance Instructions 2010.

### 18.2 Statement of Receipts and Expenditure

The Ministry of Rural, Maritime Development and National Disaster Management collected revenue totalling \$1,209,158 and incurred a total expenditure of \$29,926,149 in 2015. Refer Table 18.1 below for details.

**Table 18.1: Statement of Receipts and Expenditures for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
License Arms	657	---
License Liquor	696,403	790,504
License Trading	204,901	373,384
Other State Revenue	61,008	106,576
<b>Total State Revenue</b>	<b>962,969</b>	<b>1,270,464</b>
<b>Agency Revenue</b>		
Miscellaneous	246,189	31,721
<b>TOTAL REVENUE</b>	<b>1,209,158</b>	<b>1,302,185</b>
<b>EXPENDITURES</b>		
<b>Operating</b>		
Established staff	5,286,723	4,888,807
Unestablished staff	1,411,416	1,411,400
Travel & communication	569,360	339,629
Maintenance & Operations	902,938	862,941
Purchase of goods & services	620,262	579,061
Operating grants & transfers	464,195	38,019
Special expenditures	2,260,058	2,172,947
<b>Total Operating Expenditure</b>	<b>11,514,952</b>	<b>10,292,804</b>

Description	2015 (\$)	2014 (\$)
<b>Capital Expenditures</b>		
Capital Construction	2,603,261	2,169,090
Capital Purchases	199,715	3,026,226
Capital Grants & Transfers	14,638,901	17,908,733
<b>Total Capital Expenditure</b>	<b>17,441,877</b>	<b>23,104,049</b>
Value Added Tax	969,320	1,126,433
<b>TOTAL EXPENDITURES</b>	<b>29,926,149</b>	<b>34,523,286</b>

The decrease in revenue by \$93,027 or 7% was mainly due to the decrease in receipt of liquor licenses fees, registration fees and building plan fees.

The total expenditure decreased by \$4,597,137 or 13% in 2015 compared to 2014 as a result of the decrease in capital grants and transfers fund allocated to the Ministry during the year.

### 18.3 Appropriation Statement

The Ministry incurred expenditure totalling \$29,926,149 against the revised budget of \$32,107,650 resulting in a savings of \$2,181,501 or 6%.

Details of expenditures against the budget estimates are provided in Table 18.2 below.

**Table 18.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Carry Over (\$)	Lapsed Appropriation (\$)
1	Established Staff	5,598,467	(37,354)	5,561,113	5,286,723	0	274,390
2	Government Wage Earners	1,452,029	1,639	1,453,668	1,411,416	0	42,252
3	Travel & Communication	422,160	162,258	584,418	569,360	0	15,058
4	Maintenance & Operations	835,950	91,613	927,563	902,938	0	24,625
5	Purchase of Goods & Services	825,910	(79,515)	746,395	620,262	0	126,133
6	Operating Grants & Transfers	683,504	(109,878)	573,626	464,195	0	109,431
7	Special Expenditure	1,274,000	1,358,069	2,632,069	2,260,058	0	372,011
	<b>Total Operating Costs</b>	<b>11,092,020</b>	<b>1,386,832</b>	<b>12,478,852</b>	<b>11,514,952</b>	<b>0</b>	<b>963,900</b>
	<b>Capital Expenditure</b>						
8	Capital Construction	3,030,000	(89,559)	2,940,441	2,603,261	0	337,180
9	Capital Purchases	200,000	---	200,000	199,715	0	285
10	Capital Grants & Transfers	16,797,438	(1,283,839)	15,513,599	14,638,901	0	874,698
	<b>Total Capital Expenditure</b>	<b>20,027,438</b>	<b>(1,373,398)</b>	<b>18,654,040</b>	<b>17,441,877</b>	<b>0</b>	<b>1,212,163</b>
13	Value Added Tax	988,192	(13,434)	974,758	969,320	0	5,438
	<b>TOTAL EXPENDITURE</b>	<b>32,107,650</b>	<b>---</b>	<b>32,107,650</b>	<b>29,926,149</b>	<b>---</b>	<b>2,181,501</b>

## 18.4 Trust Fund Account Statement of Receipts and Payments

Total closing balance of the Trust Fund account for the Ministry increased by \$511,054 or 12% in 2015 due to net adjustment of \$551,293 made to the account in 2015. Refer Table 18.3 for details:

**Table 18.3: Trust Account**

Account	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Environment Trust	163	1,000
Tender Deposits	649	107,353
Rural Housing Deposits Scheme II	238,854	229,247
Unclaimed Wages	397	6,524
Community Contributions	152	6,300
Rural Housing Scheme I	159,134	121,265
Prime Minister's Officer Disaster & Rehabilitation Trust Fund	1,013,086	4,015,995
One – Third Self Help Projects	27,578	101,718
Cities Trust	336	---
<b>Total Receipts</b>	<b>1,440,349</b>	<b>4,589,402</b>
<b>PAYMENTS</b>		
Environment Trust	2	---
Tender Deposits	34	25,761
Rural Housing Deposits Scheme II	280,893	150,863
Unclaimed Wages	505	2,236
Community Contributions	35	---
Rural Housing Scheme I	111,343	267,472
Prime Minister's Officer Disaster & Rehabilitation Trust Fund	1,077,198	2,487,081
One – Third Self Help Projects	7,040	99,660
Cities Trust	3,538	---
<b>Total Payments</b>	<b>1,480,588</b>	<b>3,033,073</b>
<b>Net (Deficit)/Surplus</b>	<b>(40,239)</b>	<b>1,556,329</b>
Add Balance as at 1 January	4,101,313	2,544,984
Add: Net Adjustment	551,293	---
<b>Closing Balance as at 31 December 2015</b>	<b>4,612,367</b>	<b>4,101,313</b>

## PART B: AUDIT FINDINGS

### 18.5 Write Off for Receivables and Trust 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>1</sup>

The Finance Instructions may require each budget sector agency:

- (a) To undertake appropriate recovery action for losses;

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

- (b) To maintain a register of losses containing the details required to be recorded by the Finance Instructions; and
- (c) To include details about losses and recovery action in the audited financial statements to be included in the agency's annual report.<sup>2</sup>

The audit noted that the Ministry of Finance approved the following write-off to the Ministry's general ledger balances for the year ended 31/12/15. Refer Table 18.4 for details.

**Table 18.4: Details of write-off approved by Ministry of Finance**

Nature of Account	General Ledger Account	Description	Amount (\$)	Write-off submission comments by the Ministry
Liability	Various – SEG 89	Various Trust Fund Liability	551,293	The Ministry was not able to substantiate the difference between the two bank balance and the FMIS general ledger balance.
Accounts Receivable	Various – SEG 56	Employee Deduction	40,175	These were debits sitting in the Operating Trust Fund Account and were transferred to SAG 560600 in order for the Funding process to commence in our Trust Fund Allocations.

Poor reconciliations and lack of monitoring has resulted unreconciled variances being carried forward from previous years until the write off in the 2015 accounts.

### **Recommendations**

- **The Ministry should ensure that monthly reconciliations are properly carried out and reconciled to the FMIS records and any variances are investigated and adjusted promptly.**
- **Supervisory checks should be strengthened to prevent such discrepancies from recurring.**

### **Ministry's Comments**

*The recommendations are noted.*

*The write-off was approved to regularize the books.*

## **18.6 Board of Survey reports not provided**

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

The audit noted that the Ministry failed to submit the Board of Survey report for the year 2015 for audit review as the survey was in progress.

In the absence Board of Survey reports, the Statement of Losses (Other than money) maybe incomplete. In addition, there is risk of loss or damage to assets not being detected on timely basis.

<sup>2</sup>Financial Management Act 2004 – section 35

<sup>3</sup> Finance Instruction 2010 – Section 49(2)



The above issue was highlighted to the Ministry last year. However, the Ministry failed to implement audit recommendation.

The risk of loss of assets and their condition and use for intended purpose is high when BOS reports are not prepared in a timely manner.

### **Recommendation**

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

### **Ministry's Comments**

*The recommendations are noted.*

*The Procurement Unit at Headquarters has taken the initiative to visit the various Divisions to ensure that the annual Board of Survey is being carried out.*

## **18.7 Unsubstantiated Expenditure – Main Trust Fund Account**

The Manager Finance is responsible for the safekeeping and proper maintenance of all accounting records or documents.<sup>4</sup>

Audit could not substantiate expenditures totalling \$144,229 as the Ministry did not produce the relevant records required for audit review. Refer Table 18.5 below for details.

**Table 18.5: Details of Documents not produced for Audit Verification**

<b>Cheque #</b>	<b>Date</b>	<b>Amount (\$)</b>	<b>Nature of the Amount as per Trust Fund Statement (\$)</b>	<b>Remarks/ Anomaly</b>
26	16/02/15	77,194	Prime Minister's office Disaster & Rehab Fund	Release of funds from Trust Account for the food ration assistance to the Tikina of Vutia Rewa affected by the sewer pipe repair works. There was no acquittal submitted to audit to determine how the fund was used.
852	31/08/15	10,090	Rural Housing Scheme I	Payment for the supply of building material. There was no report submitted to audit to determine if the materials have been delivered to the recipients.
829	01/06/15	19,999		Payment for the supply of building material to five applicants. There was no report submitted to audit to determine if the materials have been delivered to the recipients.
843	21/07/15	30,546		Payment for the supply of building material to four applicants. There was no report submitted to audit to determine if the materials have been delivered to the recipients.
817	05/03/15	6,400	Rural Housing Scheme II	Purchase of Building material for Vunidogoloa Community Hall. There was no report submitted to audit to determine if the materials have been delivered to the recipients.
<b>Total</b>		<b>144,229</b>		

<sup>4</sup> Ministry of Rural, Maritime Development and National Disaster Management, Finance Manual 2013 - Section 17.2.1

In the absence of records and supporting documents, transactions recorded in the general ledger for amount totaling \$144,229 could not be substantiated. As such there is high risk of fraudulent and unauthorized payments.

### **Recommendation**

- **The Manager Finance should strengthen record keeping in the Accounts Division to ensure that all accounting records are properly kept and submitted to audit upon request.**

### **Ministry's Comments**

*The recommendations are noted and vouchers have been filed accordingly and will be done so in future.*

### **Further OAG's Comments**

**The Ministry did not produce acquittals and delivery dockets to substantiate the expenditure incurred by the Ministry.**

## **18.8 Long Outstanding Project deposits in the Trust Fund Account**

The proper management of expenditure is fundamental to ensuring value for money in delivering services to the community. As well, having cost effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur<sup>5</sup>.

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>6</sup>.

As at 30/09/15, the Ministry's Main Trust Fund Account balance amounted to \$3,950,800. The balances in this account relates to Rural Hosing Deposit, Unclaimed Wages, Community Contribution for Self-help projects and the Prime Minister's National Disaster and Rehabilitation Fund.

The audit review of the Trust Fund Account Reconciliation noted that project funds are still maintained dated back from 2003. No records were kept at the Ministry to determine whether the projects have been completed. Refer Table 18.6 below and **Appendix 18.8** for details.

**Table: 18.6 Details of Project Funds Received Without Any Project Records**

<b>Project Funds</b>	<b>Amount (\$)</b>
Rural Housing Assistance Scheme II	170,229
PM's Relief & Rehabilitation Lau	72,528
Grant to Self-Help Projects: 1/3 Contribution	1,680
<b>Total</b>	<b>244,437</b>

In addition, the audit noted that amounts totalling \$5,858 is maintained in the Trust Fund account in relation to unclaimed wages for deceased workers received from other organisations. Wages held in the account have not been paid out to the beneficiaries for more than 10 years. Refer to **Appendix 18.9** for details.

<sup>5</sup> Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013 – Part 2

<sup>66</sup> Finance Instructions 2010 – Section 58(3)

The audit findings indicate lack of proper monitoring of projects and associated project funds. In addition, unclaimed wages kept in Trust Fund account for more than 10 years indicates lack of proper monitoring of funds in the account by Accounting Officers.

### **Recommendations**

- **The Ministry should investigate the previous year's unutilized contributions and ensure that pending projects are completed first before initiating new projects.**
- **The Ministry must ensure that proactive measures are taken to identify the beneficiaries of unclaimed wages to process payments. The Corporate Services section should consult the relevant stakeholders to identify the legal beneficiaries so that payment can be made to avoid carry forward of the balance to the next accounting period.**

### **Ministry's Comments**

*The above comments and recommendation are noted and every effort will be taken to ensure that pending projects are completed and beneficiaries are identified. Further the Ministry has also begin to apply appropriate measure by withholding the process of new projects whilst it first clears unclaimed funds in its Trust Fund Account.*

## **18.9 Poor Implementation and other Anomalies for Self Help Projects**

Provincial Administrators/District Officers are to be assisted by the recipient Community Management teams to monitor projects on a regular basis and provide progress reports to Divisional Commissioners on a monthly basis.<sup>7</sup> Upon completion of a project, Provincial Administrators and District Officers are to forward a physical acquittal report to the Divisional Commissioners in the form of a completion certificate.<sup>8</sup>

The self-help project benefits the individuals, groups and community to improve their sources of livelihood. Such project includes resource based and other cottage and niche market activities which utilize local resources and provide the needs of the local communities.<sup>9</sup>

A standard Memorandum of Understanding (MOU) where necessary is to be signed between the Divisional Commissioners and the recipient community on the use of a 'project' especially on machine related equipment.<sup>10</sup>

Monitoring and Evaluation are to be conducted by respective project management teams at the following four levels: community; provincial and district level; divisional level (Planning and Coordination Cell); and HQ (Development Unit).<sup>11</sup>

The audit noted poor implementation of self-help projects. The following anomalies were noted:

- Project yet to be completed, even though all the materials have been delivered as recipients now face financial issues in the completion of the projects;
- Completed water project failed to successfully deliver water to all individual homes as members continue to face transportation of freshwater from the source to their homes.

<sup>7</sup> Ministry of Rural, Maritime Development Standard Operating Procedure – Part IV, Section 8.2

<sup>8</sup> Ministry of Rural, Maritime Development Standard Operating Procedure – Part IV, Section 7.5

<sup>9</sup> Ministry of Rural, Maritime Development Standard Operating Procedure – Part IV, Section 2.1(ii)

<sup>10</sup> Ministry of Rural and Maritime Development Standard Operating Procedure – Part IV, Section 7.4

<sup>11</sup> Ministry of Rural and Maritime Development Standard Operating Procedure – Part IV, Section 8.1

Refer Table 18.7 of projects reviewed.

**Table 18.7: Details of Poor Implementation of Self Help Projects**

Name of Project	Date	Cheque No.	Amount (\$)	Audit site visit observation
<b>Commissioner Western Division</b>				
Poultry Farming Project	14/9/15	2294	15,584	<p><i>Delay in completion of the project.</i></p> <p>The timeframe for the project was 6-8 weeks upon supply of goods<sup>12</sup>. Hence the project should have been completed by 14/11/15.</p> <p>Audit visit on 19/11/15 noted the project was incomplete and materials lying idle.</p> <p>Refer figure Appendix 18.5.1 for site visit verification.</p>
Koro 2 Settlement Water Project	12/4/15	1491	18,475	<p>Completion certificate not provided as required under section 7.5 of the standard operating procedure for self-help;</p> <p>No monitoring report as required under section 8.1 and 8.2 of the standard operating procedure for self-help;</p> <p>The project failed to supply continuous water supply to the 70 families<sup>13</sup> homes as required in the project paper;</p> <p>Refer figure Appendix 18.5.2 for site visit verification.</p>
<b>Commissioner Northern Division</b>				
Fish Pond Project	11/05/15	1077	11,000	<p>The audit visit to the 2 fish ponds constructed noted that the ponds were empty and dry.</p> <p>Discussions revealed that this was due to shortage of fresh water supply indicating that the Ministry failed to determine the source of fresh water supply before proceeding with the project.</p> <p>Refer to appendix 18.6.1 showing empty ponds.</p>
	06/08/15	1412	5,264	
	06/05/15	19988	307	
<b>Eastern Division</b>				
Kadavu Fisherman Project (23 feet Fibre Glass Boat)	24/8/15	1195	20,660	<p>The Ministry failed to enter into a MOU between the Divisional Commissioner and the recipient as required under section 7.4 of the standard operating procedure for self-help;</p> <p>Completion certificate was not provided as required under section 7.5 of the standard operating procedure for self-help.</p>
Uprising Youth Project (2 x 60HP Yamaha Engine)	21/10/15	1373	19,800	<p>The Ministry failed to enter into a MOU between the Divisional Commissioner and the recipient as required under section 7.4 of the standard operating procedure for self-help;</p> <p>Project profile not endorsed by CED as required under section 6.2 of the standard operating procedure for self-help.</p>
Natokalau Housing Scheme	08/05/15	1005	10,706	

<sup>12</sup> Project Proposal Form – Section 6<sup>13</sup> Project Proposal Form for Koro # 2 Water Project Tavua– Section 4(a)

Mualevu Footpath Project	29/05/15	1049	1,400	No monitoring report as required under section 8.1 and 8.2 of the standard operating procedure for self-help.
<b>Total</b>			<b>103,196</b>	

Failure to properly record and monitor progress of the projects, safeguard and endorse project papers may result in delay in implementation and completion of self-help projects.

In the absence of completion certificate, there is a risk that the project may not be surveyed, evaluated and certified by Technical Officer to ensure that it is completed satisfactorily to the required standard.

### **Recommendations**

- **The Ministry should ensure that projects are completed as stated in the project proposal forms.**
- **The Commissioners and the Provincial Administrators should ensure that all completed projects are certified by the respective technical officers after completion.**
- **The Ministry must enter into a standard Memorandum of Understanding (MOU) where necessary between the Divisional Commissioners and the recipient community on the use of project especially on machine related equipment.**

### **Ministry's Comments**

*The Ministry has strengthened its monitoring capability to ensure regular monitoring and evaluation of all its funded projects. The Ministry Management Team will be more vigilant and its monitoring team will be working collaboratively with the Planning Unit at the Divisional level to ensure projects are implemented according to the scope of work and within the specified timeline and approved budget as articulated in the project paper. This should help in early detection of any shortcomings and their immediate rectification for the realisation of project objectives.*

*The Ministry will ensure that completion certificate certified by the technical officers is verified by the Divisional Planning Officer and, if need be, accompanied by pictures before payment is done.*

*The Ministry will ensure that where necessary a Memorandum of Understanding (MOU) is entered into between the Provincial Administrators/District Officers and the project recipient(s) specifying the roles of the recipient(s) in the timely implementation and satisfactory completion of projects, including the use of project-related equipment by the recipients .*

### **CND**

#### *Fish Pond*

*The project was initiated and recommended for funding by Ministry of Fisheries. They were engaged as technical advisor towards the phases of implementation. The fisheries officer confirmed in the proposal that the soil was tested and can contain water for fish pond project. During the audit inspection last year, the division was facing a long dry spell that also had affected the water source. According to the applicant, the pond starts to fill and contain water. The team are working on the improvement of plumbing works to ensure free flow of water to the pond.*

**CWD****POULTRY FARMING PROJECT**

The Applicant, in his SHP Application, stated that the 6-8 weeks timeline for project implementation was a favorable conditions. The SHP Proposal stated that the Turaga ni Koro were to assist the applicant in the implementation of the project. When the project was twice visited, it was evident that the applicant was not receiving any help from any other community members neither any assistance from the Turaga ni Koro. The applicant was only able to progress in his construction works when the Carpenter he requested was free to help and also the applicant was paying for the carpenter's expenses himself. This project is progressing slowly because of the above.

The comments is noted .

**KORO 2 SETTLEMENT WATER PROJECT**

The community of Koro# 2 Tavua in their SHP Application stated that the Community will fully undertake the implementation of the Project once Government supplies the necessary materials. Applicant clearly states in the SHP Application that the whole community will undertake the Project. The community timeline for the project implementation was not honoured by applicant and community as a whole.

The auditors comments are noted. This project will be revisited to rectify the shortfalls. It should be noted that as the SHP conditions, it is the applicant(receiver) who is responsible for its implementation and completion .

**CED**

- The Provincial Administrator Kadavu had signed MOU on behalf of the Ministry and the project owner. Pictorial evidence and a copy of sign MOU is attached with the Project Paper.
- The project paper had been endorsed by CED as being required by Section 7.4.
- The Office of Commissioner Eastern will ensure that it enters into an agreement with project owner and a copy will be sent to Auditor General's Office as soon as the copy is received.
- Non availability in the Shipping Services however the Commissioner Eastern Division will ensure that projects is monitored and copies of Completion Certificate sent to Office of Auditor General.

**18.10 Non-Issuance of Purchase Order for Emergency Water Supply**

A Local Purchase Order (LPO) shall be issued when procuring any goods, services or works from an organization within Fiji, unless a contract or agreement has been entered into.<sup>14</sup>

The audit noted that the Ministry did not issue Purchase Order to the following company for carting of emergency water to the various rural settlements and villages. Refer Table 18.8 for details.

**Table 18.8: Details of Payment Made to Companies without issuing Purchase Order**

Date	Cheque No.	Details	Amount (\$)
<i>Western Division</i>			
30/10/15	2457	Carting of emergency water to villages & settlements that urgently need emergency water to the various settlements in Nadroga/Navosa.	11,970
17/11/15	2345		9,979
<i>Northern Division</i>			

<sup>14</sup> Ministry of Rural and Maritime Development and National Disaster Management, Finance Manual 2013 – Section 2.5.1

Date	Cheque No.	Details	Amount (\$)
18/08/15	1497	Emergency Water Operation in Labasa from 27th of July to 1st of August	4,230
19/08/15	1509	Emergency Water Supply in Labasa from 29th of July to 10th of August 2015	5,715
19/08/15	1512	Emergency Water Operation in Labasa from the 3rd to the 9th of August 2015	3,780
3/12/15	2285	Emergency Water Operation in Bua from 22nd September to the 22nd October.	12,240
27/11/15	2286	Emergency Water Operation in Labasa from the 2nd to the 14th of November 2015.	7,110
18/09/15	1731	Emergency Water Operation in Labasa from 24th August to the 03rd September 2015	6,344
18/09/15	1733	Emergency Water to drought stricken areas in Seaqaqa	3,240
25/11/2015	2240	Payment being made for the hire of contractor for Emergency Water Operation for the 27th October to 07th of November 2015	5,940
18/09/15	1734	Emergency Water Operation in Savusavu for the 10th August to the 2nd September 2015	5,850
4/12/15	2298	Emergency Water to drought stricken areas in Seaqaqa.	6,165
<b>Total</b>			<b>82,563</b>

Processing payments without proper documentation increases the risk of double and fraudulent payments.

### **Recommendation**

**The Divisional Accountant should ensure that a purchase order is issued when procuring any goods and services.**

### **Ministry's Comments**

#### **CND**

*LPO were not issued for this exercise since contractors engaged have signed the contract agreement and were working according to the guideline set under the contract.*

*Engaged Contractors engaged were send to various areas depending on the requests received daily. Therefore the distance they cover differs from each other.*

#### **CWD**

*This follow -on from the drought (long dry spell) operation in the Western Division explained above. There were no Government contracted trucks in the Nadroga/Navosa area and the only trucking company with water delivery tanks and water pumps were with the company in question. Due to urgency of this drought operation and the many areas to be responded to, trips cannot be pre- determined and the issuing of LPO was a cumbersome exercise as we cannot wait for this process at the expense of the affected populace. Memorandum of Agreement (MOA) was drawn and Provincial Administrator Nadroga/Navosa office directed the engagement of the trucks in the area with payments done on invoice. Audit comments are noted.*

## **18.11 Absence of Delivery Dockets & Competitive Quotations**

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>15</sup> The quotation process is intended to ensure that the agencies receive value for money based on fair competition and ethical dealing.<sup>16</sup>

<sup>15</sup> Procurement (Amendment) Regulation 2012 – Section 29 (1)

<sup>16</sup> Fiji Procurement Regulation – Guide to procurement process for purchases below \$50,000, Section 4.0.

The Accounts Officers must not certify a payment as correct unless they are satisfied that it is in accordance with an LPO, indent, contract, invoice or other authorization; there is documentation that the goods, services or works have been received.<sup>17</sup>

Contrary to the above regulation, the audit noted that the Ministry failed to obtain competitive quotes and delivery dockets for the following payments record. Refer Table 18.9 below for details.

**Table 18.9: Showing absence of competitive quotes and delivery dockets– Emergency Water Supplies**

Date	Cheque No.	Particulars	Amount (\$)	Anomalies
<i>Western Division</i>				
18/05/15	18366	Cartage of freshwater to malolo Island	9,500	No delivery dockets and only one quotation sighted
29/07/15	1862	Cartage of freshwater to yalobi village in Yasawa Island	10,500	Only one quotation sighted
30/07/15	1880	Cartage of freshwater to nacula health centre & naisilisili village in Yasawa Island and yanuya Island in Malolo.	24,000	No delivery dockets for Malolo delivery and only one quotation
30/10/15	2457	Freshwater Cartage to various settlements & villages in nadroga/navosa.	11,970	No quotations sighted
17/11/15	2345		9,979	No quotations sighted
<i>Northern Division</i>				
3/12/15	2285	Emergency Water Operation in Bua from 22/09/15 to 22/10/15.	12,240	Competitive quotation not obtained
27/11/15	2286	Emergency Water Operation in Labasa from the 02/11/15 to 14/11/15.	7,110	
18/09/15	1731	Emergency Water Operation in Labasa from 24/08/15 to 03/09/15.	6,344	
18/09/15	1733	Emergency Water to drought stricken areas in Seaqaqa	3,240	Quotation not obtained
25/11/15	2240	Emergency Water Operation in Savusavu for the 27/10/15 to 07/11/15.	5,940	
18/09/15	1734	Emergency Water Operation in Savusavu for the 10/08/15 to 02/09/15.	5,850	
4/12/15	2298	Emergency Water to drought stricken areas in Seaqaqa.	6,165	
			<b>112,838</b>	

In the absence of competitive quotes the audit was not able to establish that the procurement process received value for money based on fair competition and ethical dealing. Failure to produce delivery dockets indicates risk of fraud.

<sup>17</sup> Ministry of Rural and Maritime Development and National Disaster Management, Finance Manual 2013- Section 2.8.4 (i) & (ii)  
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### **Recommendations**

- **The Ministry should ensure that competitive quotes are obtained for procurements above \$1,000 as required under the procurement regulations.**
- **The Ministry must obtain confirmation of delivery to establish that the services have been rendered prior to releasing payments.**

### **Ministry's Comments**

#### **CND**

*Competitive Quotes were not obtained since contractors engaged in the Emergency Water Operation had to attend to requests received from various areas as and when required.*

*Tallyman from WAF always accompanies a delivery truck and signs on the forms to confirm that water have been delivered. The tallyman and the driver both signed on the tally sheet.*

#### **CWD**

*This is again an extension of the drought operations explained above and this is for the Western Division Maritime Zone.*

*Note that there is only one barge water carting service provider in the Division, thus the engagement of the company as there are no other company to provide any other quotation.*

*Misplaced delivery docket kindly noted.*

*Audit comments noted.*

## **18.12 Payment Made for Incomplete Non Cane Access Road**

Non Cane Access Roads Scheme is focused towards the construction of new farm roads to open up areas that have potential for commercial agro-based activities.<sup>18</sup> Non cane access roads are those that provide access for commodities other than sugarcane in rural isolated areas.<sup>19</sup>

The Manager Finance or Accounts Officer must not certify a payment as correct unless they are satisfied that there is documentation that the works have been carried out.<sup>20</sup>

Review of the payments made for the non-cane access roads for the Western and Northern Division noted that full payments were made for incomplete work. Refer to Table 18.10 for details:

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<sup>18</sup>Ministry of Rural and Maritime Development Standard Operating Procedure – Part VI, Section 1.1

<sup>19</sup>Ministry of Rural and Maritime Development Standard Operating Procedure – Part VI, Section 2.1

<sup>20</sup>Rural and Maritime Development and Natural Disaster Management Finance Manual 2013 - section 2.8.4 (ii)

**Table 18.10: Payments Made for Incomplete Non Cane Access Roads**

Name of Road	Cheque No	Date	Amount (\$)	Particulars	Audit Remarks
<i>Western Division</i>					
Naduadua Farm Road	1538	16/04/15	29,000	Payment made for 3.0km of road for the following: -Clearing, Grubbing, Formation & Drainage - \$11,000. -Gravelling - \$18,000	-No evidence of graveling done. Payment certified by Engineer (EDP # 92423) on 15/05/15. -Refer to Figure appendix 18.3.1 for detail site visit. -Overpayment of \$4,000. [Contract Amount was \$25,000 while the Ministry paid amount totalling \$29,000]
Namilamila Farm Road	1629	18/05/15	28,800	Payment made for 3.6km of road for the following: - Clearing, Grubbing, Formation & Drainage - \$6,800 - Gravelling - \$22,000	Only 0.9 km of road graveled for 3.6km of payment being made. Payment certified by Engineer (EDP # 92423) on 15/05/15. Refer Figure appendix 18.3.3 for detail site visit.
Tokoni Farm Road	1532	14/04/15	25,000	Payment made for 2.9km of road for the following: - Clearing, Grubbing Formation & Drainage - \$10,000 - Gravelling - \$15,000	--Little evidence of gravelling done for 2.9km of road. Payment certified by Engineer (EDP # 92423) on 15/05/15. Refer appendix 18.3.2 for detail site visit.
<i>Northern Division</i>					
Valetokoni Village Access Road	1576	01/09/15	43,632	Payment made for 4km of road.	-Only 1.3 km of road was constructed contrary to the 4km paid to contractor. Payment certified by Engineer (EDP # 21787) on 26/11/15.  -Refer to appendix 18.4.1 for detail site visit.
	1796	01/10/15			
	2244	26/11/15			
Naduru Village Access Road	1576	01/09/15	37,525	Payment made for 4km of road.	-Only 3 km of road was constructed contrary to the 4km paid to contractor. Payment certified by Engineer (EDP # 21787) on 26/11/15.  - Refer to appendix 18.4.2 for detail site visit.
	1796	01/10/15			
	2244	26/11/15			
Nabubu Village Access Road	1531	24/08/15	44,942	Payment made for 4km of road.	-Only 2 km of road was constructed contrary to the 4km paid to contractor. Payment certified by Engineer (EDP # 21787) on 01/10/15.  -- Refer to appendix 18.4.3 for detail site visit.
	1796	01/10/15			
<b>Total</b>			<b>208,899</b>		

fraudulent payments and corrupt practices which may not be detected in a timely manner thus increases the loss of taxpayers' funds.

As such, the risk of losses for Government increases as additional costs would be incurred for upgrading the roads to a useable condition if the contractor fails to successfully complete the works as per the required standard.

### **Recommendations**

- **The Ministry should inquire on the deficiencies and negligence noted in the projects and take appropriate actions to correct and strengthen internal controls.**
- **Appropriate action should be taken against the engineer for approving the payments for incomplete work.**
- **The Ministry should recover the amount overpaid from the Contractor.**

### **Ministry's Comments**

#### **CND**

*These were the roads which were reprioritized for Rakenitai and Rabi farm Road project. Due to time limitation the project paper was done without the scope of work from the RFMF Engineer. All the work was completed and certified by the RFMF engineer as per completion certificate. We accept that there were differences in the length of the road quoted in the project paper and the actual work that was done but the work was done as per expected.*

*We do agree with the points highlighted and we ensure that we will improve and strengthen our internal controls*

#### **CWD**

#### **NAMILAMILA FARM ROAD –NCAR**

*Namilamila Farm Road is not a new Farm Access Road. It is 3.6 km in length and this access road came under the Sigavou Farming Project under the Ministry of Agriculture. This Farm Access Road is used by Farmers from Nasukamai, Nailuva, Nauria and Sovusovu Settlement. The said 3.6 km road was constructed and completed in 2014. Due to the frequent use of the road and to avoid overgrowth and ensuring that the road remain usable, it was requested in 2015 for Namilamila Farm Access Road to have road maintenance works and improvements be made where possible on the existing roads. Road maintenance and improvements were carried out on different portions of the road and not the entire 3.6 km length road. Yaqona, Dalo and other Agricultural produce farmers greatly depend on this Farm Access Road. There are no funds for the Upkeep and Maintenance of Farm Access Roads such as the Namilamila Farm Road.*

*Maintenance works were done on portions where farmers were using for access and not the entire 3.6 km.*

#### **NADUADUA FARM ROAD –NCAR**

*Contractors initial Plant and Equipment Mobilization cost stated in the Quote was quickly exceeded when mobilization work commenced. The initial pilot cut plan for the road had to change in a few areas due weak soil structures. Areas where initially thought to have pilot cuts on the side of the descending slopes had to be moved further inward, thus more earth moving works were necessary together with additional machinery thus additional costs were incurred. The change in the original Farm Road plan is a major contributor to additional costs being gained thus gravelling works were not able to be carried out.*

**TOKONI FARM ROAD –NCAR**

Similar to Naduadua Farm Road the contractors initial Plant and Equipment Mobilization cost was quickly exceeded when mobilization work commenced. Tokoni Settlement consists of mainly farmers. These farmers only mode of transport is on horseback and transportation of farm produce is mainly on horses. The access road budget allocation of \$25,000.00 could only accommodate a pilot cut and a number of culverts, drainage works and formation in a number of areas. Gravelling works could not be accommodated. Locality of Tokoni Farm Road and gravel sites is too far. An additional allocation is needed to solely transport gravel from nearby gravel pits

**18.13 Rural Housing Assistance – Delay in Construction**

The proper management of expenditure is fundamental to ensuring value for money in delivering services to the community. As well, having cost effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur<sup>21</sup>

Rural housing assistance aims at eliminating homelessness in rural Fiji through the provision of affordable, durable and cyclone resistant structures. The assistance is operated on a cost sharing ratio of one third by the potential homeowner and two thirds by Government.<sup>22</sup>

Upon completion of a project, Provincial Administrators and District Officers are to forward a physical acquittal report to the Divisional Commissioners in the form of Completion Certificate.<sup>23</sup>

The audit site visit inspection revealed that the following houses have not been completed even though all the materials have been fully delivered and are kept unused at the recipient's compound for two to three months. Refer to Table 18.11 for details.

**Table 18.11: Incomplete Houses under the Rural Housing Assistance Scheme**

Recipient	Location	Comments
<i>Western Division</i>		
S. K.	Tonuve Village, Bemana, Navosa	All the materials have been supplied on 03/09/15 and the house was expected to be completed on 31/10/2015 which is 6 to 7 weeks after the delivery of materials.  Audit site visit verification on 19/11/2015 reveal that the house is still yet to be completed. Refer to appendix 18.2.2 for detail site visit.
V. B.	Vatiyaka, Sorokoba, Ba	All the materials were supplied on 09/06/15, and the house was expected to be completed on 08/08/2015 which is 6 to 8 weeks after the delivery of materials.  Audit site visit verification on 19/11/2015 revealed that construction is yet to commence. Project was delayed as the expected completion date is 6 to 8 weeks. Refer to appendix 18.2.1 for detail site visit.
<i>Eastern Division</i>		
N. W.	Qarani, Gau, Lomaiviti	Progress Report indicates the house is 100% complete. Audit was unable to verify the completion certificate, as it was not maintained in the recipient's Project File.

<sup>21</sup>Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013 – Part 2

<sup>22</sup>Ministry of Rural and Maritime Development Standard Operating Procedure – Part VI, Section 7.1

<sup>23</sup>Ministry of Rural and Maritime Development Standard Operating Procedure – Part IV, Section 7.5

W. P.	Vagadaci, Levuka, Lomaiviti	Progress Report indicates the house is 100% complete. Audit was unable to verify the completion certificate, as it was not maintained in the recipient's Project File.
K. V.	Mabula, Cicia, Lau	Progress Report indicates the house is 100% complete. Audit was unable to verify the completion certificate, as it was not maintained in the recipient's Project File.

Delay in the use of materials for house repair increases the risk of theft, misuse and damage of housing materials thus wastage of government funds.

In the absence of completion certificate, there is a risk that the project was not surveyed, evaluated and certified by a technical engineer and officer to ensure that it is completed satisfactorily to the required standard.

**Recommendations**

- **The Commissioners, Provincial Administrators and District Officers should ensure that agreements are made with recipients of assistance to ensure that materials are used within a reasonable timeframe.**
- **The Provincial Administrators and the District Officers should ensure that all constructions works and completed projects are certified technical officers after completion and the completion certificates to be maintained in their Project files.**

**Ministry's Comments**

**S. K. –PAP**

*Mr S. K., 57 years old, is amputated on both limbs and in his initial request he requested a separate unit all to himself. When the materials were delivered on site and upon the request the Turaga ni Koro, and Mr K's children, it was requested that his disability to be taken into consideration. The plan to have a totally separate unit was no longer accepted because of Mr K's accessibility to the kitchen, bathroom and toilet. A new plan was needed for an extension to his existing structure. The new plan had to be conducive and to accommodate all of Mr S.K's age, health, physical and mobility needs. The standard RHU PAP Plan was not suitable for this project. RHU Unit was approached to redraw a new plan without purchasing additional materials. This plan had to be sought from our RHU Unit at Ministerial HQ, Suva. And when it came to the time to commence construction work, the carpenter earmarked was engaged in another village in the same Tikina. Carpenter to be engaged to carry out construction works is not required or enforced to work according to a timeline. The Carpenter's labor is solely borne by the Applicant.*



*Mr S.K usually crawls up and down the ramp like structure to access his kitchen, bathroom and toilet facilities all located separately from the structure (pictured above)*

#### V. B.

*Mr V B's initial application was a 4 bedroom house totally more than \$30,000.00. Following the advice and consultation with DO Ba's Office Mr B. agreed to be assisted with a 24 x 16 Structure. Upon approval of RIE and issuance of LPO to Carpenters Hardware for material delivery, the office was again delivered with the plan for the 4 bedroom structure and request made that Mr B. will purchase additional materials from the RHA given in order for him to construct his 4 bedroom home. Materials were delivered to Mr B's residence in Vatiyaka, Ba from the allocated funding and Mr B was to purchase the additional materials for the completion of his 4 bedroom house.*

#### CED

*The Divisional will ensure that completion certificate and project file have to be in order together with pictorial evidences and copy to be sent to Auditor General Office. All projects have been 100% completed.*

#### Further OAG's Comments

**The Commissioner Eastern Division did not submit to audit the records such as completion certificate and pictorial evidence to substantiate the expenditure incurred by the Ministry.**

### **18.14 Anomalies Noted for Public Sector Investment Program – Northern Division**

The Public Sector Investment Program (PSIP) consists of a three -year pipeline of capital projects for funding through Government and development partners. The objectives of the PSIP are to produce a set of sound and viable projects that can be funded either domestically or by external sources; to enhance the efficiency and effectiveness of public sector investment; to raise the level of public sector investment relative to GDP and overall investment levels; to package and programme capital investment projects to an international standard in order to attract donor financing; and to effectively plan and manage external donor financing.<sup>24</sup>

Monitoring and Evaluation are to be conducted by respective project management teams at the following four levels: community; provincial and district level; divisional level (Planning and Coordination Cell); and HQ (Development Unit).<sup>25</sup>

A clerk of works is to be assigned to monitor and endorse the satisfactory completion construction stages prior to release of payments.<sup>26</sup> The Ministry will conduct monthly site monitoring to provide and update on the construction to the parties and other stakeholders.<sup>27</sup>

Clause 2.3 of the contract agreement for the two projects states that the projects are to be completed on 18<sup>th</sup> December 2015.

The Manager Finance or Accounts Officer must not certify a payment as correct unless they are satisfied that there is documentation that the works have been carried out.<sup>28</sup>

Audit scrutiny of the Public Sector Investment Program Project (PSIP projects) revealed the following anomalies:

<sup>24</sup>Public Sector Investment Program Manual – September 2009 – Part 1 & 2 – Introduction and Objective

<sup>25</sup>Ministry of Rural, Maritime Development Standard Operating Procedure – Part V, Section 8.1

<sup>26</sup>Tender Board Approval letter dated 01/09/2015 – WSC 126/2015(Rabi Health Centre) & WSC 127/2015 (Kubulau)

<sup>27</sup>Clause 4.5 of the contract agreement between the Ministry and the Contractor for Rabi and Kubulau project

<sup>28</sup>Ministry of Rural, Maritime Development and National Disaster Management Finance Manual 2013 - section 2.8.4 (ii)

- There was no technical report or certification from the building engineer for completion of various stages of work;
- Incomplete project after the completion timeframe;
- Monthly project status and monitoring report were not filed and produced to audit to determine the status of the project. Refer Table 18.12 and Appendix 18.7 of projects reviewed.

**Table 18.12: Detail of PSIP Project Anomalies**

Date	Chq No.	Name of Project	Amount (\$)	Audit Remarks
<b>Northern Division</b>				
03/12/15	2122	Construction of Kubulau Duplex quarters for stage 1 and 2.	60,865	<ul style="list-style-type: none"> <li>• The invoice for stage 3 was not endorsed by the building engineer and there was no technical report from the building engineer to determine the completion for stage 3 to the required building plan.</li> <li>• No monitoring report and progress reports submitted to audit to determine status of these projects.</li> <li>• The date of practical completion is 18/12/2015.<sup>29</sup> Site visit<sup>30</sup> verification on 11/12/15 reveals that the Kubulau duplex quarters were still in progress. Refer to appendix 18.7.1 for detail site visit verification.</li> </ul>
03/12/15	2291	Construction of Kubulau Duplex quarters for stage 3.	116,401	
09/11/15	2114	Construction of Rabi Duplex quarters for stage one and two.	66,332	<ul style="list-style-type: none"> <li>• The invoice for stage 3 was not endorsed by the building engineer and there was no technical report from the building engineer to determine the completion for stage 3 to the required building plan.</li> <li>• Delayed in completion as the contract agreement stated that project to be completed on 18/12/2015<sup>31</sup> as per date of practical completion.</li> <li>• No monitoring report and progress reports submitted to audit to determine status of these projects</li> </ul>
03/12/15	2291	Construction of Rabi Duplex quarters for stage three.	130,131	
<b>Total</b>			<b>373,729</b>	

Failure to properly certify and approve the payments of PSIP Project increases the risk of fraudulent payments and corrupt practices which may not be detected in a timely manner thus increases the loss of taxpayers' funds.

In the absence of proper certification from the building engineer, the quality of construction works to the required building standard may be compromised. As such, the risk of losses for Government increases as additional cost would be incurred to complete the construction works if the contractor fails to successfully complete the works as per the required standard.

Failure to monitor the progress of projects may result in the delay in implementation and completion of the projects.

<sup>29</sup>Clause 2.3 of the contract agreement, Appendix A of the terms of Agreements for Works - The practical completion shall be 4.00pm on the last day of the 12 weeks which is 18/12/2015.

<sup>30</sup> 11th December 2015 - Date of site visit verification to Northern Division

<sup>31</sup>Clause 2.3 of the contract agreement, Appendix A of the terms of Agreements for Works - The practical completion shall be 4.00pm on the last day of the 12 weeks which is 18/12/2015.

**Recommendations**

- **The Divisional Officers, Provincial Administrator and Planning Officers should ensure that community projects are monitored on a monthly basis and reported to the Commissioner and the Permanent Secretary.**
- **Progress reports should be filed in the project files for records and status followed up. All agreements should be competently vetted.**
- **The Ministry and the Division should investigate the anomalies highlighted above and take appropriate actions to correct and strengthen internal controls.**
- **The Ministry and the Division should ensure that due diligence checks are performed prior to releasing payments to the contractors.**

**Ministry's Comments**

CND

*We do agree with the points highlighted by the Auditor General Office taking into consideration the Major Tender Board approval letter highlighting the need to engage a clerk of works to monitor and endorse the satisfactory completion of the construction stages.*

*However, we wish to also highlight the reasons of our action.*

*During the release of payment for stage 1 and 2 we did engage the clerk of works to monitor and endorse the satisfactory of completion stages. However given that we were towards the end of the year and had also exhausted our operating expenditure, we therefore requested the Director Building if it was possible for them to appoint a clerk of works from the Office of the Divisional Engineer Northern. However we were advised that there is no experience Officer in the North who can read the architectural drawings. (Copy of email attached). Based on this we again wrote to Fiji Procurement Office if it is possible for them to release part of both contingency cost to meet the travelling and other expenses for the clerk of Works. (Copy of letter attached). However we were verbally advised by FPO that this request cannot be tabled at a Major Tender Board Meeting as this was supposed to be accommodated by our Office. Given that the contractor was very much ahead with its construction work and taking into consideration our financial situation and the timeframe for closing of accounts we therefore recommended the release of payment after receiving the work progress report from the contractor.*

*We hope that our situation will also be taken into consideration and be rest assured that we will improve from our mistakes.*

**18.15 Inadequate Management of Project Materials/Items at Top Yard Store**

Inventory purchasing, storage and recording should be efficiently managed to ensure that there is a sufficient level of inventories when needed, while minimizing the cost of holding inventory and the risk of stock becoming obsolete or damaged.<sup>32</sup> Storage of Inventories shall be the responsibility of the store man. The Store man must ensure that adequate storage space is available for incoming stock as and when required, stocks are handled with care and well stored so as to reduce the risk of damage and quantity of stock is closely monitored to avoid excess holdings or shortages.<sup>33</sup>

An audit inspection at the store house at Top Yard, Walu Bay on 04/12/15, revealed the following anomalies:

<sup>32</sup>Ministry of Rural and Maritime Development and National Disaster Management, Finance Manual 2013 – Part 7

<sup>33</sup> Ministry of Rural and Maritime Development and National Disaster Management, Finance Manual 2013 – Section 7.2.1



- 1) Damaged and obsolete items were occupying space within the yard. These included hardened/damaged bags of cement which were not delivered to the project sites. Refer to Figure 18.10.1 of **Appendix 18.10** for details;
- 2) Unaccounted building materials and other items were found to be lying outside the yard which was been there for some years. Refer to Figure 18.10.2 of **Appendix 18.10** for details;
- 3) A motor vehicle and a brush cutter which did not belong to the Ministry were stored in the yard and have been occupying space within the yard. Refer to Figure 18.10.3 of **Appendix 18.10** for details;
- 4) Some spare items (standard items) which were bought for projects in prior years are still kept at the Store, and are used on a needs basis by the Ministry for current projects. Refer to Figure 18.10.4 of **Appendix 18.10** for details;
- 5) Since project files were not maintained, it was not possible to determine during audit that project materials were delivered to sites in the maritime islands and these were received by the correct recipients. Refer to Table 18.13 for details.

**Table 18.13: Project Material files not maintained at the Store**

Date	Chq No.	Project Recipient	Amount (\$)	Remarks
28/5/15	1049	Koroi Vakanaivalu(Cicia, Lau) – RHA	14,241	Project materials file not maintained by the Top Yard Store. Hence, audit was not able to establish that the materials were delivered to correct recipients.
30/04/15	981	Neumi Waqa (Qarani/Navukailagi) – RHA	14,241	
07/05/15	993	William Pilate (Vagadaci/Levuka/Lomaiviti)- RHA	14,241	
21/10/15	1373	Uprising Youth Project (Nawaikama, Gau, Lomaivit) – SHP	19,800	
29/5/15	1049	Mualevu Footpath Project (Mualevu, Lau) –SHP	1,400	
29/5/15	1049	Natokalau Housing Scheme (Matuku, Lau) –SHP	6,583	
30/5/15	11037	Natokalau Housing Scheme(Matuku, Lau) –SHP	1,142	
08/05/15	1005	Natokalau Housing Scheme(Matuku, Lau) –SHP	10,706	

Although a similar audit findings was reported in the 2014 Auditor General Report, no action has been taken to take corrective action and address the issue.

Stocking of project building materials and other items is a waste of taxpayer's funds allocated to the Ministry, depriving the development and assistance of communities and individuals in need of government assistance.

### **Recommendations**

- **The Officer in Charge of the Top Yard Store should ensure that files for projects for which materials are received are properly maintained at the Store.**

- **The Officer in charge should also ensure that unserviceable items, damaged and obsolete stock are removed from the yard to allow proper storage space for the new project building materials and other items.**
- **Project Officers at the division should ensure that Project materials are delivered to the Project recipients on the next available vessel so that stockpiling of materials can be avoided or minimized.**

### **Ministry's Comments**

*When receiving stores at the Yard, the storeman opens new file for individual projects and at the same time records all items received in the Tally Card. All incoming stores are checked by the Gateman before they are handed over to the storeman. Outgoing stores, however, are verified by the storeman and two (2) other officers at the Yard before the final check by the Gateman. For the stores destined to the maritime islands, the storeman fills the bill of landing while delivery docket for materials delivered within the mainland. Copies of bills of landing and delivery dockets are filed in the individual project files and Tally Card updated accordingly for information and reference.*

*The Ministry will ensure that project materials for the divisions, especially eastern and northern, are shipped at the next available boat while items such as cement are still useable.*

*The Ministry will ensure that all unserviceable items, damaged and obsolete stock are removed from the store to allow proper storage for new project materials and other items.*

### ***CED***

*The Division will ensure to work with Rural Housing Unit for recording of all project materials in the Eastern Division and project materials to be delivered on time.*

### **Further OAG's Comments**

**The Ministry did not submit to the bill of landing for those items delivered to the maritime Islands to substantiate the expenditure incurred by the Ministry.**

## APPENDICES

### APPENDIX 18.1: Follow Up Prior Year Audit Issues

Issue	GR No:	Recommendation	Management Comments	Action Taken																					
<p><u>Arrears of Revenue</u></p> <p>As at 31/12/15, the Ministry's arrears of revenue amounted to \$753,843 compared to \$863,381 in 2014, an increase of \$106,813. Refer to table below for details of arrears of revenue for the past 6 years.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Amount (\$)</th> <th>Per cent Movement</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>507,898</td> <td></td> </tr> <tr> <td>2011</td> <td>499,358</td> <td>(2)</td> </tr> <tr> <td>2012</td> <td>495,059</td> <td>(1)</td> </tr> <tr> <td>2013</td> <td>656,688</td> <td>33</td> </tr> <tr> <td>2014</td> <td>756,568</td> <td>15</td> </tr> <tr> <td>2015</td> <td>753,843</td> <td>(0.3)</td> </tr> </tbody> </table>	Year	Amount (\$)	Per cent Movement	2010	507,898		2011	499,358	(2)	2012	495,059	(1)	2013	656,688	33	2014	756,568	15	2015	753,843	(0.3)	Vol. 2  Issue 19.8	The Manager Finance should ensure that revenue dues are collected on a timely basis to avoid further accumulation of arrears balance.	The Ministry is working with Tikina Councils in our efforts to identify which business are still in operation and those that are no longer operating to enable us to determine the fees that are due.	
Year	Amount (\$)	Per cent Movement																							
2010	507,898																								
2011	499,358	(2)																							
2012	495,059	(1)																							
2013	656,688	33																							
2014	756,568	15																							
2015	753,843	(0.3)																							

#### Recommendation

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

#### Ministry's Comments

*The Ministry did not submit any comments.*

## APPENDIX 18.2: Western Divisions – Rural Housing Assistance Anomalies

Figure 18.2.1: V B, Vatiyaka, Sorokoba, Ba



Insert: Foundation of old structure that the house will be rebuilt

Insert: Materials delivered however construction is yet to commence

Figure 18.2.2: S K 's, Tonuve Village, Bemana, Navosa



Insert: Construction yet to be completed

## APPENDIX 18.3: Western Division Non Cane Access Roads Anomalies

Figure 18.3.1: Naduadua Farm Road



Insert: No evidence of gravelling done on the road however completion certificate endorsed and payment for gravelling made for the road length of 3.0km

Figure 18.3.2: Tokoni Farm Road



Insert: Little evidence of gravelling found, however scope and estimates required a length of 2.9km to be gravelled

**Figure 18.3.3: Namilamila Road**



Insert: Only 0.9km of Road graveled as opposed to the 3.6km provided under the scope and estimate which was paid for by the Ministry.

## APPENDIX 18.4: Northern Division Non Cane Access Roads Anomalies

Figure 18.4.1: Valetokoni Access Road



**Insert:** Only 1.3km of road constructed as opposed to the 4km indicated in the project paper and paid for by the Ministry

Figure 18.4.2: Naduru Access Road



**Insert:** Only 3km of road constructed as opposed to the 4km indicated in the project paper and paid for by the Ministry

Figure 18.4.3: Nabubu Access Road



**Insert:** Only 2km of road constructed as opposed to the 4km indicated in the project paper and paid for by the Ministry

## APPENDIX 18.5: Western Division Self Help Projects



**Figure 18.5.1:**– Poultry Farming Project (Korolevu Village, Navosa).Materials has been lying idle as at the date of the audit site visit verification on 19/11/15.



**Figure 18.5.2:** Showing individuals for Koro 2 Settlement Water Project (Tavua) collecting water to take it to their homes since the water supply did not reach individual homes/settlement as in the project proposal.



**APPENDIX 18:6: Northern Division Self Help Projects**

**Figure 18.6.1:** The two fish ponds were still in dry condition as per audit site visit verification on 09/12/15.



**APPENDIX 18:7: Northern Division PSIP – Kubulau Duplex Quarters**



**Figure 18.7.1:** The audit site visit verification on the completion date, 11<sup>th</sup> December 2015 reveal that the Kubulau Duplex quarters were still in progress.

**APPENDIX 18:8: Project Funds Received But Project Have Not Initiated**

Date	Receipt No.	Details	Amount (\$)	Division
<b>Rural Housing Assistance Scheme II</b>				
16/04/2012	645154	Mr. U.N.	1,735	Unknown
04/10/2012	654155	Mr. R.N.	4,000	
27/12/2012	654054	Mr. S.R.T.	4,000	
04/12/2012	654053	Mr. W.B.	4,000	
21/05/2012	654560	Mr. L.S. – Lautoka	4,000	Western
08/06/2012	654561	Mr. L.R – CWD	4,000	Western
13/06/2012	654562	Mr. V.Q. – CWD	4,000	Western
08/06/2012	654563	Mr. T.N. – CWD	4,000	Western
23/05/2012	654254	Mr. S.S. – Nadroga	4,000	Western
25/05/2012	654524	Mr. B.M.N.– Rakiraki	4,000	Western
19/06/2012	654526	Mr. J.N. – Rakiraki	4,000	Western
13/12/2012	670404	Mr. L.S.	4,000	Western
13/12/2012	670405	Ms L.A.	4,000	Western
24/12/2012	654526	Mr. P.D. - Rakiraki	4,000	Western
12/02/2013	654567	Mr. V.C. - CWD	2,000	Western
23/01/2013	654566	Mr. J.T.- CWD	4,000	Western
25/01/2013	654603	Mr. E.R. -Lautoka	4,000	Western
13/02/2013	654604	Mr. P.S.- Lautoka	4,000	Western
30/05/2013	654531	Mr.U.N.	4,000	Western
23/05/2013	654258	Mr.M.R.	4,000	Western
01/08/2006	646072	Cikobia Tikina Mr. M.T.	2,867	Northern
08/08/2006	646082	Cikobia Tikina Mr. M.S.	2,867	Northern
16/11/2012	654651	Mr.J.T.	4,000	Northern
14/12/2012	654652	Mr.P	4,000	Northern
25/04/2012	655378	Mr. J.D. – Tubou	4,000	Eastern
22/08/2012	655382	Mr.J.K.	4,000	Eastern
20/08/2012	655380	Ms. V. Y.	4,000	Eastern
14/08/2012	655379	Mr.J. F.	4,000	Eastern
30/08/2012	655383	Mr. J.S.	2,000	Eastern
31/08/2012	655384	Mr. J.M.	2,000	Eastern
19/07/2012	670596	Mr. E. M.	5,000	Eastern
12/09/2012	655385	Mr. M.Y.	4,000	Eastern
18/09/2012	655388	Mr. J. V.	2,460	Eastern
05/11/2012	655392	Mr. T. S.	4,000	Eastern
11/12/2012	655393	Vanuaso Village	15,000	Eastern
10/24/2012	655391	Ms. L.L.	4,000	Eastern
19/07/2012	670304	Mr. L.R.	4,000	Eastern
16/01/2013	655399	Mr. F.T.	2,600	Eastern
05/02/2013	655400	Mr. N. B.	4,000	Eastern
26/03/2013	670507	Mr. T.S.	4,000	Eastern
10/06/2013	670522	Mr. M.W.	300	Eastern
06/03/2013	670451	Mr. A.T.	4,000	Eastern
28/08/2013	670523	Mr. M.T.	4,000	Eastern
05/02/2013	670306	Mr. E.M.	3,400	Eastern

Date	Receipt No.	Details	Amount (\$)	Division
<b>PM's Relief &amp; Rehab Lau</b>				
27/03/2007	729526	Dalconi Village comm	15,850	Eastern
28/07/2005	312178	Kabara Tikina	5,940	Eastern
18/08/2005	312182	Waciwaci Project	1,000	Eastern
15/09/2003	620806	FDFB Namuka-l-lau Co-op	12,000	Eastern
18/05/2005	312155	Tulaki Farm Mecahnisation	5,425	Eastern
16/01/2007	457994	Muaninuku Village Sea-Wall	5,500	Eastern
12/06/2007	729534	Navakarauintu Village	11,000	Eastern
02/05/2007	129830	Raviravi Village Committee,	15,813	Eastern
<b>Self-Help: 1/3 Contribution</b>				
30/07/2009	654801	Mr. E.R.	600	Unknown
04/09/2009	654802	Nakawa Village Brush Cutter	600	
21/09/2009	654083	Matadrawe Settlement Chainsaw	180	
30/09/2009	654804	Matadrawe Settlement Chainsaw	100	
09/10/2009	654805	Delaivunilagi Farm Project Chainsaw	200	
<b>Total</b>			<b>244,437</b>	

**Ministry's Comments**

*Commissioner Eastern will ensure that all outstanding projects will be priorities in 2017 with new set of Budget.*

**APPENDIX 18:9: Details of Unclaimed Wages for Deceased Employee Not Yet Paid**

Date	Receipt No.	Received From	Amount (\$)	No. of Years Funds with the Ministry
11/07/2000	555672	FSC – R.N	156	13
17/09/2001	555684	FSC – K.D	922	12
27/12/2001	586827	FSC – VARIOUS	277	12
27/12/2001	586830	FSC – VARIOUS	775	12
28/01/2002	586919	FSC – N.D	221	11
06/02/2002	842189	J.B	115	11
20/11/2002	217807	FSC – R.J	493	11
18/12/2002	217877	FSC LTD	128	11
03/04/2003	281825	FSC LTD	349	10
18/02/2004	690150	EGM – A.K	265	9
26/07/2004	900520	EGM - SNR	36	9
10/07/2014	670104	Ministry of Health - Payments of wages	2,121	1
<b>Total</b>			<b>5,858</b>	

### APPENDIX 18:10: Walu Bay Top Yard Store Anomalies

Figure 18.10.1: Damaged and Obsolete Materials in the Yard



*Old Machines (Yamaha Engines, a photocopy machine, and a water pump)*

*An old car and worn out tyres*

*Hardened and damaged cement*

Figure 18.10.2: Unaccounted Materials on the Yard



*Concrete Sinks*

*Iron Rods*

Figure 18.10.3: Items not owned by the Ministry and stored in the yard



*Motor Vehicle*

*Brush Cutter*

**Figure 18.10.4: Extra Items (Standard Items) maintained in the Yard**



*Old Chainsaws and other items*

*Louvre blades and other items*

*Other building materials stored as standard items*

*other building materials stored as standard items*

## Section 19 **Fiji Military Forces**

### Role and Responsibilities

The Republic of Fiji Military Forces [RFMF] is responsible for upholding and defending the Fijian Constitution. Its primary responsibility is to ensure peace and security within the country for the benefit of all Fijians. It also makes a significant contribution to United Nations Peacekeeping operations in troubled areas around the world.

As part of its contribution to the wellbeing of the Fijian people, the RFMF's Engineering Corps carries out an extensive range of development projects across the country that improve the living conditions of ordinary Fijians, particularly those in rural areas.

The RFMF's naval division provides surveillance of Fiji's maritime zone and operates a coastal radio station for all vessels within Fijian waters as required by the International Law of the Sea.

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## **PART A: FINANCIAL STATEMENTS**

### **19.1 Audit Opinion**

The audit of the 2015 accounts of the Fiji Military Forces resulted in the issue of a qualified audit report due to the Force not including the Trust Fund Account Statement of Receipts and Payments for

RFMF Engineers Project Fund Account with receipts totaling \$1,985,410 and payments totaling \$2,921,204 not recorded in the FMIS general ledger.

## 19.2 Statement of Receipts and Expenditure

The Force collected revenue totaling \$434,901 and incurred expenditure totaling \$85,091,759 in 2015. Refer Table 19.1 below for details.

**Table 19.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
State Revenue	224,420	202,700
Agency Revenue	210,481	234,060
<b>TOTAL RECEIPTS</b>	<b>434,901</b>	<b>436,760</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	66,433,336	63,633,628
Government Wage Earners	358,572	364,136
Travel and Communications	1,632,985	1,739,705
Maintenance and Operations	2,744,631	3,603,990
Purchase of Goods and Services	4,932,234	4,813,457
Special Expenditures	1,729,613	4,397,545
<b>Total Operating Expenditure</b>	<b>77,831,371</b>	<b>78,552,461</b>
<b>Capital Expenditure</b>		
Capital Construction	2,902,607	771,786
Capital Purchase	2,046,969	---
<b>Total Capital Expenditure</b>	<b>4,949,576</b>	<b>771,786</b>
Value Added Tax	2,310,812	2,376,983
<b>TOTAL EXPENDITURE</b>	<b>85,091,759</b>	<b>81,701,230</b>

Total expenditure increased by \$3,390,529 or 4% in 2015 compared to 2014 mainly due to:

- Established Staff costs increased by \$2,799,708 or 4% in 2015 compared to 2014 largely due to increase in employer's contribution on FNPF from 8% to 10%.
- Capital Construction costs increased by \$2,130,821 or 276% in 2015 compared to 2014 due to on-going capital projects and new projects undertaken for the year 2015, which included Black Rock Mess Hall Project, upgrading of Sukanaivalu Barracks, renovation/upgrade of infrastructure, upgrade of Logistic Support Unit Complex, upgrade of 3FIR and RFMF infrastructure and amenities.
- Capital Purchases increased by \$2,046,969 or 100% in 2015 compared to 2014 due to purchase of communication equipment for the Naval Division and military training warlike stores for the Logistic Support Unit.

### 19.3 Appropriation Statement

The Force incurred expenditure totaling \$85,091,759 against a revised budget of \$103,317,114 resulting in savings of \$18,225,355 or 18%. Details of expenditure against the budget estimates are provided in Table 19.2.

**Table 19.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) (a)	Actual Expenditure (\$) (b)	Lapsed Appropriation (\$) (a-b)
	<b>Operating Expenditure</b>					
1	Established Staff	74,550,391	(3,607,846)	70,942,545	66,433,336	4,509,209
2	Government Wage Earners	256,531	102,041	358,572	358,572	---
3	Travel & Communications	1,006,890	730,000	1,736,890	1,632,985	103,905
4	Maintenance & Operations	4,096,710	(399,000)	3,697,710	2,744,631	953,079
5	Purchase of Goods & Services	5,249,711	575,536	5,825,247	4,932,234	893,013
7	Special Expenditures	1,143,000	773,227	1,916,227	1,729,613	186,614
	<b>Total Operating Expenditure</b>	<b>86,303,233</b>	<b>(1,826,042)</b>	<b>84,477,191</b>	<b>77,831,371</b>	<b>6,645,820</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	12,995,281	---	12,995,281	2,902,607	10,092,674
9	Capital Purchase	300,000	1,772,000	2,072,000	2,046,969	25,031
	<b>Total Capital Expenditure</b>	<b>13,295,281</b>	<b>1,772,000</b>	<b>15,067,281</b>	<b>4,949,576</b>	<b>10,117,705</b>
13	Value Added Tax	3,718,600	54,042	3,772,642	2,310,812	1,461,830
	<b>TOTAL EXPENDITURE</b>	<b>103,317,114</b>	<b>---</b>	<b>103,317,114</b>	<b>85,091,759</b>	<b>18,225,355</b>

### 19.4 Consolidated Trading and Manufacturing Account

The Plant Pool TMA was formed in 1978 to construct and develop roads to the inaccessible parts of rural areas in Fiji. Initial machinery and support vehicles were provided through donations of the Australian Government.

The Plant Pool TMA is operated on semi-commercial basis focusing on social and development obligations of the country. It operates from the Queen Elizabeth Barracks in Nabua.

Hydrographic TMA operates under the Fiji Naval based at Togalevu to provide accurate oceanographic information efficiently in order to meet national defense and civil requirements.

**Table 19.3: Manufacturing Account**

Manufacturing Account	2015 (\$)	2014 (\$)
Opening Raw Material	5,387	5,387
<b>Add: Purchases</b>	---	---
<b>Less: Closing Raw Materials</b>	---	5,387
<b>Raw Material Used</b>	<b>5,387</b>	---
<b>Add: Direct Labour</b>	---	---
<b>Cost of Goods Manufactured transferred to Trading Account</b>	<b>5,387</b>	---



**Table 19.4: Trading Account**

<b>Trading Account</b>	<b>2015 (\$)</b>	<b>2014 (\$)</b>
<b>Sales</b>		
Plant Pool	929,791	2,172,882
Hydro-graphic	31,031	27,197
	<b>960,822</b>	<b>2,200,079</b>
Opening Finished Goods Hydro-graphic	13,016	8,062
<b>Add: Cost of Manufactured Goods Hydro-graphic</b>	5,387	---
	<b>18,403</b>	<b>8,062</b>
<b>Less: Closing Finished Goods Hydro-graphic</b>	23,342	13,016
<b>Cost of Goods Sold Hydro-graphic</b>	<b>(4,939)</b>	<b>(4,954)</b>
<b>Gross Profit transferred to Profit &amp; Loss Statement</b>	<b>965,761</b>	<b>2,205,033</b>

**Table 19.5: Profit & Loss Statement**

<b>Profit and Loss Statement</b>	<b>2015 (\$)</b>	<b>2014 (\$)</b>
<b>Income</b>		
Gross Profit transferred from Trading A/C	965,761	2,205,033
<b>Total Income</b>	<b>965,761</b>	<b>2,205,033</b>
<b>Expenditure</b>		
Maintenance & Operation	506,385	659,511
Other Expenses	473,770	816,999
Special Expenses	53	164
<b>Total Expenditure</b>	<b>980,208</b>	<b>1,476,674</b>
<b>Net (Loss)/ Profit</b>	<b>(14,447)</b>	<b>728,359</b>

**Table 19.6: Balance Sheet**

<b>Balance Sheet</b>	<b>2015 (\$)</b>	<b>2014 (\$)</b>
<b>Assets</b>		
Cash at Bank	928,691	1,019,495
Accounts Receivable	290	289
Inventory	23,342	18,403
VAT Receivable	124,872	116,087
<b>Total Assets</b>	<b>1,077,195</b>	<b>1,154,274</b>
<b>Equity</b>		
TMA Accumulated Surplus	1,396,910	1,473,989
TMA Deficit	(319,715)	(319,715)
<b>Total Equity</b>	<b>1,077,195</b>	<b>1,154,274</b>

## PART B: AUDIT FINDINGS

### 19.5 Anomalies in the Operation of Engineers Project Trust Fund Account

All payments, including VAT, shall be immediately recorded in the financial management information system and an expenditure ledger.<sup>1</sup> Each agency must include a statement of receipts and expenditure in its annual financial statements.<sup>2</sup>

<sup>1</sup> Finance Instructions 2010, Part 3, Section 15

<sup>2</sup> Finance Instructions 2010, Part 12, Section 71

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 on it.<sup>3</sup>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>4</sup>

The Force Engineers Project Trust Fund balance comprised of the funds received from various Ministries / Departments for the capital works to be undertaken by the Force Engineer. This account has been in operation since 2011.

Audit review of the Force Engineers Project Trust Fund account revealed the following anomalies:

- The project fund account which included total receipts of \$1,985,410 and total payments of \$2,921,204 for the year 2015 were not recorded in the FMIS general ledger.
- The Trust Fund Statement of Receipts and Payments for the Force Engineers Project Trust Fund account for the year ended 31/12/15 were not submitted for audit.
- The Force opened an Engineers Project Trust Fund account with Bank of South Pacific (BSP).<sup>5</sup> The Force Engineer Project Trust Fund account had a balance of \$568,666 as at 31/12/15. However, the account is operating without an approval from the Ministry of Finance.
- The bank reconciliations for January to December 2015 for Force Engineers Project Trust Fund account was not signed by the Staff Officer – TMA Project and checked and approved by the Chief Staff Officer Finance.

The above findings indicate disregard of the financial regulations that are in place to ensure that trust fund accounts are operated in an open and transparent manner and proper accountability is maintained.

### **Recommendations**

**The Force should ensure that:**

- **all transactions are recorded in the FMIS general ledger as and when incurred;**
- **the annual financial statements include the Trust Fund Statement of Receipts and Payments for the Project Trust Fund account;**
- **proper approval is obtained from Ministry of Economy for the operation of the Force Engineers Project Trust Fund account and also liaise with Ministry of Economy to open the FMIS general ledger account; and**
- **bank reconciliations are checked and approved on a monthly basis.**

### **Force's Comments**

*OAG findings and recommendations are acknowledged. RFMF has met with officials from the Ministry of Economy regarding the operation for the Force Engineers Project Trust Fund Account and have agreed on the following: -*

- I. RFMF is to reconcile the bank balance to projects currently on-going. Once completed, funds to be transferred to CFA with the project listing and balances;*
- II. All new projects funds to be receipted and operated under SLG84;*

<sup>3</sup> Finance Instructions 2010, Section 32.1

<sup>4</sup> Finance Instructions 2010, Section 32.6

<sup>5</sup> BSP Bank Account Number 6652519

- III. *Acquittals are to be submitted to the client and MoF progressively and when projects are completed; and*
- IV. *Timeline to complete the transfer as at (i) above is 31<sup>st</sup> July 2016.*

## 19.6 Anomalies Noted in the Trading and Manufacturing Account

Annual board of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. 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>6</sup>

Audit noted that the stock take was carried out by the officers directly involved in maintaining and accounting for the stock without consultation for the involvement of external auditor, Auditor General's Office as observers. Therefore the stock take was not carried out independently. Refer to Table 19.7 for closing stock take details.

**Table 19.7: TMA Hydrographic Inventory Stock Take Balance As At 31 December 2015**

Items	Stock Certificate balance (\$)
Lautoka to Yasawa	594
Kadavu-Western portion	2,916
Kadavu-Northern portion	1,404
Plans in Kadavu	1,080
Vanua Levu-Natewa Bay Southern portion	1,458
Vanua Levu-Somosomo to Rabi	4,590
Natewa Bay to Nanuku passage	1,836
Lakeba passage to Kabara	8,316
Fiji Nautical Almanac 2015 edition	1,512
<b>Total</b>	<b>23,706</b>

As a result, audit was not able to determine the accuracy of closing stock balance of \$23,342 reflected in the Consolidated TMA – Trading Account at year end.

### **Recommendations**

#### **The Force should:**

- **ensure that annual boards of survey are conducted by Officers who are independent from the custody of the TMA stock; and**
- **consult external auditors to observe annual stock take as part of stock take process.**

### **Force's Comment**

*OAG findings and recommendations are noted.*

<sup>6</sup> Finance Instructions 2010, Section 49 – 2,3

## 19.7 Operating Trust Fund Account

Any errors or misallocations must be immediately adjusted by way of journal vouchers. The ledger reconciliation statement shall be forwarded to the Chief Staff Officer Finance. The Chief Staff Officer Finance 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>7</sup>

Operating trust fund comprise of superannuation contributions (FNPF), Tax Arrears/PAYE, Fines, Government Water Rates Charges and other credit union savings.

Audit review of the operating trust fund account records revealed a variance of \$2,194,631.32 between the Force's reconciliation statement and the FMIS general ledger balance as at 31 December 2015. Refer to Table 19.8 for details.

**Table 19.8: Variance in Force's Reconciliation and FMIS Balance**

Particulars	Amount (\$)
FMIS Operating Trust Fund balance	(3,529,939.23)
Force Operating Trust Fund reconciliation	(5,724,570.55)
<b>Variance</b>	<b>2,194,631.32</b>

At the time of audit on 29/8/16, the Force was still liaising with the Ministry of Economy to rectify the anomaly.

As a result, the correctness of the Operating Trust Fund Account balance as at 31 December 2015 could not be established.

### Recommendation

**The Force should liaise with the Ministry of Economy to rectify the variances noted between its reconciliation and the FMIS general ledger.**

### Force's Comments

*OAG findings and recommendation is noted. The initial reconciliation statement for December was compiled from the first General Ledger reports. As at current date the final report is yet to be provided by MoE. Once this is generated a final reconciliation statement will be submitted.*

## 19.8 Items Not Taken on Charge

Store ledger cards are to be used by all accounting units using Class A stores and all other accountable stores.<sup>8</sup>

<sup>7</sup> Force Finance Manual 2014, Section 16.3.4,16.3.6

<sup>8</sup> Force Standing Order 1973, Volume 2, Section 2.2.14

Audit noted that the items worth \$854,241 procured in 2015 by the respective stores such as Supplies, Logistic Support Unit (LSU), Engineers, Medical and Plant Pool stores were not taken on charge in the tally card by the respective quarter masters. Refer to Table 19.9 and Appendix 19.1 for further details.

**Table 19.9: Items Not Recorded in the Tally Card**

<b>Sections</b>	<b>Value of Stores Not Recorded (\$)</b>
Supplies	87,595
Logistic Support Unit	649,309
Medical	14,123
Engineer Unit	18,391
Plant Pool	84,823
<b>Total</b>	<b>854,241</b>

The poor record keeping of stores was due to general lack of supervisory checks to ensure items procured during the year are taken on charge when received and the tally cards are properly maintained.

Poor record of stores will deprive the Force of information pertaining to levels of stores held, procurement made during the year, the movement of stores. This could also lead to short delivery and missing stores due to theft or pilferage.

### **Recommendations**

**The Force must ensure that:**

- **adequate supervisory checks are in place to ensure stocks are promptly taken on charge when received; and**
- **stock card contains basic information such as date of acquisition, quantity received, quantity issued and date of issue etc.**
- **consideration is given to an automated stock management system.**

### **Force's Comments**

*OAG finding and recommendation is noted. The Force will ensure that all procurements of Class A stores are taken on charge with all necessary information to be entered on the tally cards.*

## **19.9 Purchase Orders not Issued Prior to Service Delivery**

Each year the appropriation act and the budget estimates set out details of the appropriations that Cabinet approved for spending by each agency.<sup>9</sup>

All invoices received in an accounting period should be paid in that accounting period. This will ensure that funds budgeted for the next accounting period would be utilized for that accounting period.

<sup>9</sup> Finance Instructions 2010, Section 7

It was noted that the Force paid expenses totaling \$43,586.71 in 2015 for procurements made in 2013 and 2014. Refer to Appendix 19.2 for details. In addition the Force did not issue purchase orders for the procurements made totaling \$43,586.71 in 2014 and 2013. The purchase orders were raised in 2015 to facilitate the payments.

The finding indicates disregard to controls for procurement of the goods and services. In addition the Force may also face difficulties in terms of cash flow for meeting past years' commitments from the current year's budget.

### **Recommendations**

#### **The Force must ensure that:**

- **expenditures pertaining to current period are met from the current period's budgetary provisions; and**
- **local purchase orders are raised for all procurements made.**

### **Force's Comments**

*OAG findings and recommendations are noted. The Force makes every effort to clear invoices in the accounting period that the liability occurred. As part of the financial year end exercise all open purchase orders in the FMIS system are cancelled. Though the Purchase Order is cancelled, if the item has been received, RFMF is obligated to pay the company. Therefore when statements received from companies show outstanding invoices from previous years it is reconciled and verified by the Units. Once claims are substantiated, payment is done subject to the availability of funds. Furthermore to address this issue the RFMF Finance Logistics and Acquisition Directorate has formed a Finance Monitoring Team (FMT). This team is responsible for monitoring the clearance of purchase orders in the current accounting period and advising managements on progress. It should also be noted that a copy of cancelled PO is attached to all paid vouchers.*

## **19.10 Unauthorised Procurement of Uniform Accessories**

Having the cost effect internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>10</sup>

The Force purchased uniform accessories worth \$139,182 from a supplier in 2014. Audit noted that the Force did not obtain competitive quotes for uniform accessories purchased amounting to \$87,182.50.

In addition, purchase of uniform accessories worth \$51,778 was made without purchase orders during 2014 for which payments were made in year 2015. Refer to Table 19.10 for details.

**Table 19.10: Details of Procurements Made from Supplier without Competitive Quote & Local Purchase Order (LPO)**

<b>Invoice Date</b>	<b>Invoice No.</b>	<b>Items Supplied</b>	<b>Amount (\$)</b>	<b>Officers Responsible</b>	<b>Remarks</b>
27/05/14	436	Sash Crimson Officers	11,654.50	<b>Requesting Officer</b> Regimental Number: 23637 Rank: Staff Sergeant	3 competitive quotations not obtained – LPO approved by regimental number 26808

<sup>10</sup> Force Finance Manual 2014, Introductory Statement Part 2, Expenditure page.2

Invoice Date	Invoice No.	Items Supplied	Amount (\$)	Officers Responsible	Remarks
27/05/14	437	Thermo Mat	23,750.00	<b>Recommending Officer</b> Regimental Number: 27913 Rank: Major	3 competitive quotations not obtained – LPO approved by regimental number 26808
23/07/14	448	Waist sash crimson (red)	4,238.00	<b>Approving Officer</b> Regimental Number: 25424 Rank: Lt. Colonel	No LPO and LPR raised and 3 competitive quotations not obtained
03/07/14	443	Stable Belts	30,000.00		No LPO and LPR raised and 3 competitive quotations not obtained
08/07/14	444	White gloves	3,190.00		No LPO and LPR raised and 3 competitive quotations not obtained
18/07/14	447	Cotton flannel	1,100.00		No LPO and LPR raised and 3 competitive quotations not obtained
15/07/14	446	Shoulder sash (red)	3,250.00		No LPO and LPR raised and 3 competitive quotations not obtained
11/07/14	445	Infantry lanyards (red)	10,000.00		No LPO and LPR raised and 3 competitive quotations not obtained
<b>Total</b>			<b>87,182.50</b>		

The audit finding shows disregard to proper procurement process by the officers involved in purchase of uniforms and those facilitating payment despite non-compliance with the procurement regulations.

### **Recommendation**

**The Force should ensure that procurement procedures are followed whereby competitive quotations are obtained, local purchase orders are raised and all current year payment commitments are settled during the year.**

### **Force's Comments**

*OAG findings and recommendations are acknowledged. It should be noted that payments made to the company were based on the fact that the RFMF had ordered, received and distributed the military accessories procured from the Company. However in accordance with directives the RFMF will convene a Board of Inquiry (BOI) into the non-adherence to Procurement Regulations and take necessary actions on findings and recommendations of the Board.*

## **19.11 Planned Capital Projects not Undertaken**

The annual Budget Estimate for 2015 outlines capital projects that are to be carried out by the Fiji Military Force.

An audit review of the capital projects revealed the following anomalies:

- The Force was allocated \$2.3m during 2015 to conduct extensive repair on the Kiro Patrol Boat to increase its life expectancy and sea worthiness for another 25 years.

The Force has been requesting for funds to carry out the repair works since 2013 for which \$2.3m was provided in 2013, 2014 and 2015 budgets. However, the Force only used \$1.8 m in 2013. The funds provided in 2014 and 2015 budget were not used at all for repair works on the Kiro Patrol Boat and were returned to Ministry of Economy.

According to the Force there was no expertise available locally to undertake the maintenance work. However, there was no evidence to indicate that expertise from overseas was considered.

- In 2015 Budget Estimate, the Force was allocated \$287,500 for Phase 1 - Construction of a seawall and river wall at the Naval Training Base. In 2014, the Force was also allocated \$115,000 for the project.

Audit noted that no capital works have been carried out as at 31/12/15.

- A sum of \$7.5m was allocated in 2015 for the Black Rock Integrated Peacekeeping Centre (BRIPC) project to create a military training camp for peacekeeping operations training and relocate 4FIR in order to provide a military capability near Nadi International Airport.

As at 31/12/15 only \$7,538 was utilized for the BRIPC project. According to the Force, the planned work for 2015 was not carried out because of the delay in finalising the award of tender.

The findings indicate the Force poor project planning and coordination. As a result, funds provided in the budget were not utilised and the projects were not implemented. Therefore no economical benefit was realised from funds provided in the Budget Estimates.

### **Recommendations**

#### **The Force should:**

- **ensure that all capital projects are properly planned, scheduled and implemented following approval of Budget Estimates; and**
- **investigate and take appropriate action against officers responsible for delaying the implementation of these projects.**

### **Force's Comments**

*OAG finding and recommendations are acknowledged. The RFMF had commenced on processing the invitation for Tender for the Black Rock Integrated Peacekeeping Center (BRIPC) in early 2015 and there are other obstacles which hinder the processes such as:*

- In late February 2015, Government policy changed by separating the Tender processes for the Design of the project and the actual construction or building phase. This would mean an average of 3 months duration for processing bids to design before a successful bidder is selected;*
- Upon awarding the contract, the successful bidder would need an additional 45 weeks before the final design is ready for submission. From time when the tender was advertised till the final design product is made available, it would take a total of 13 months to complete so therefore the final design would be available by the end of June 2016. It is totally impossible for the RFMF to utilise the \$7.4m within that duration; and*
- Once the final design is available, only then the Force can commence on the tender process which is from July to December 2016 for the construction or implementation phase of the projects. Only then can the Force utilise the \$7.4m which was allocated for the project.*



## 19.12 Over Spending In Projects Undertaken by the Force Engineer

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>11</sup>

Audit review of capital construction projects undertaken by the Force for other ministries and departments revealed cost overrun on a number of projects. For instance, although budget of \$965,077 allocated for Rotuma Hospital Phase 1 Project, the actual expenditure incurred by the Force was \$1,103,367 resulting in cost overrun by \$138,289 or 14%. Refer to Table 19.11 for details.

**Table 19.11: Details of Over Spending in the Rotuma Hospital Construction**

Item	Budgeted Amount (\$)	Committed Amount (\$)	Balance (\$)
Administration Cost	17,280.14	51,626.63	(34,346.49)
Ration	144,000.00	171,053.96	(27,053.96)
Contingency	17,280.14	---	17,280.14
Material	172,801.20	351,814.09	(179,012.89)
Hire of Equipment	130,000.00	31,000.00	99,000.00
Shipping Cost	225,000.00	137,871.48	87,128.52
Air Travel	31,395.00	22,930.40	8,464.60
OHS	10,000.00	34,540.00	(24,540.00)
Camp-Setup	18,388.00	---	18,388.00
Standby Generator	28,090.00	4,990.00	23,100.00
Tools	40,848.29	86,402.23	(45,553.94)
Consultation Fees	15,000.00	15,000.00	---
Subcontracts Fees	90,000.00	175,907.65	(85,907.65)
Demolition	20,000.00	227.77	19,772.23
Fuel	1,994.56	15,899.70	(13,905.14)
Stationery	3,000.00	4,102.70	(1,102.70)
<b>Total</b>	<b>965,077.33</b>	<b>1,103,366.61</b>	<b>(138,289.28)</b>

The audit finding indicates costing of project works was not realistically carried out.

### Recommendations

**The Force should ensure that:**

- **proper planning and realistic costing of project is done. Any variation in the cost must be justified and consulted with the respective ministries/department in a timely manner before expenses are incurred;**
- **all agreed cost variations are recovered from the respective ministries and departments so it does not affect the other capital projects with the Force; and**
- **projects are managed and completed within the budgeted cost and timeframe.**

<sup>11</sup> Force Finance Manual 2014, Introductory Statement Part 2, Expenditure, page 2

### **Force's Comments**

*OAG findings and recommendations are noted. The Rotuma Hospital upgrade and extension is a \$2m project funded by the Ministry of Health. The Ministry of Health had been advised of the overspending and the Ministry is in the process of acquiring the remaining funds to complete the project. The over expenditure will be regularized once the Force receives the fund from the Ministry of Health.*

### **19.13 Local Purchase Orders Raised Only to Regularize Payments**

The procurement of any goods, services or works required by Ministries or Departments must be initiated either by the issue of a purchase order for any purchases of goods, services or works made locally.<sup>12</sup>

The audit noted several instances of purchase orders issued after invoice date or after goods and services were acquired from various vendors. These purchase orders were raised by the Senior Accounts Officer - EDP No. 47648. Refer to Appendix 19.3 and Appendix 19.4 for examples of purchase orders issued after invoice and delivery date.

The purchase orders were issued only to regularize the procurement process and facilitate payments to the vendors.

The findings indicate disregard of the rules and regulations governing procurements and poor supervisory checks in place in the Accounts Section. There is a high risk of the existence of corrupt practices as a result of collusion with vendors.

### **Recommendation**

**The Force should ensure that no procurement is made without issuing the Local Purchase Order.**

### **Force's Comments**

*OAG findings and recommendations are acknowledged. The Force will ensure that proper procurement procedures will be adhered to at all times and the respective purchasing clerks have been informed accordingly.*

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<sup>12</sup> Procurement Regulations 2010, Section 21 - 3

**APPENDIX 19.1: Example of Items Not Taken on Charge in the Tally Cards**

Date	Cheque Number	Items Not Taken on Charge	Quantity	Unit Price (\$)	Total (\$)
<b>Supplies (Ration)</b>					
18/3/15	7220	Capsicum	10	15.00	150.00
		Tomatoes	60	4.50	270.00
		Lettuce	60	7.00	420.00
27/5/15	8385	Rourou	100	2.20	220.00
		Pumpkin	100	1.80	180.00
		Carrot	60	3.50	210.00
		Baigan	60	1.80	108.00
		Chinese Cabbage	60	4.50	270.00
		Potatoes	100	1.80	180.00
		Cassava	700	1.80	1,260.00
		Ginger	10	3.50	35.00
		Celery	5	11.50	57.50
		Garlic	5	6.50	32.50
		English Cabbage	60	6.00	360.00
		Onions	20	2.00	40.00
17/6/15	8289	Moca/Tubua	80	1.80	144.00
15/7/15	9289	Peeled Cassava	700	1.80	1,260.00
		Potatoes	120	1.80	216.00
		Chinese Cabbage	100	4.50	450.00
		English Cabbage Imp	60	6.50	390.00
		Carrot	80	3.50	280.00
		Lemon	10	2.50	25.00
		Garlic	10	6.50	65.00
		Ginger	20	3.50	70.00
		Onion	60	2.00	120.00
		Celery	20	11.50	230.00
		Cucumber	60	1.80	108.00
		Rourou	100	2.20	220.00
		Tomatoes Import	50	7.50	375.00
		Pumpkin	100	1.80	180.00
		Capsicum	60	12.00	720.00
		Lettuce	20	15.00	300.00
		Long Bean	20	4.50	90.00
		Apple	100	6.00	600.00
		Oranges	100	6.00	600.00
		Chillies	10	12.00	120.00
		Eggs	150	5.30	795.00
23/7/15	9424	Potato	120	1.80	216.00
		Chinese Cabbage	100	4.50	450.00
		English Cabbage	60	6.00	360.00
		Carrots	80	3.50	280.00
		Lemon	10	2.50	25.00
		Garlic	10	6.50	65.00
		Ginger	20	3.50	70.00
		Onions	40	2.00	80.00
		Celery	15	11.50	172.50
		Cucumber	60	1.80	108.00
		Rourou	100	2.20	220.00
		Tomatoes Import	50	7.50	375.00
		Pumpkin	50	1.50	75.00
		Lettuce	60	9.00	540.00

Date	Cheque Number	Items Not Taken on Charge	Quantity	Unit Price (\$)	Total (\$)
		Capsicum	20	15.00	300.00
		Apple	100	6.00	600.00
		Orange	100	6.00	600.00
		Chillies	5	2.00	10.00
		Eggs	150	5.50	825.00
28/7/15	9470	Potatoes	160	1.80	288.00
		Chinese Cabbage	200	4.50	900.00
		English Cabbage	200	6.00	1,200.00
		Pumpkin	200	1.80	360.00
		Carrot	100	3.50	350.00
		Apples	300	6.00	1,800.00
		Celery	30	11.50	345.00
		Garlic	10	6.50	65.00
		Rourou	300	2.20	660.00
4/8/15	9571	Rourou	200	2.20	440.00
		Chinese Cabbage	200	4.50	900.00
		English Cabbage	200	4.50	900.00
		Carrot	200	3.50	700.00
		Pumpkin	200	1.80	360.00
		Onion	60	2.00	120.00
		Garlic	10	6.50	65.00
		Ginger	10	3.50	35.00
		Celery	20	11.50	230.00
10/8/15	9929	Potatoes	120	1.80	216.00
		Chinese Cabbage	80	4.50	360.00
		English Cabbage Imp	60	6.00	360.00
		Carrot	40	3.50	140.00
		Lemon	10	2.50	25.00
		Garlic	10	6.50	65.00
		Ginger	10	3.50	35.00
		Onion	40	2.00	80.00
		Celery	10	11.50	115.00
		Cucumber	40	1.80	72.00
		Rourou	100	2.20	220.00
		Tomatoes Import	40	7.50	300.00
		Pumpkin	50	1.80	90.00
		Lettuce	40	9.00	360.00
		Capsicum	20	15.00	300.00
		Apples	60	6.00	360.00
		Oranges	60	6.00	360.00
		Chillies	5	12.00	60.00
		Eggs	150	5.50	825.00
		Banana	300	1.80	540.00
25/8/15	10183	Ginger	10	3.50	35.00
		Potatoes	160	1.80	288.00
		Long Bean	20	4.50	90.00
		Chinese Cabbage	100	4.50	450.00
		English Cabbage	100	6.00	600.00
		Carrot	100	3.50	350.00
		Cucumber	60	1.80	108.00
		Egg Plant	100	1.80	180.00
		Lettuce	60	12.00	720.00
		Tomatoes	60	7.50	450.00
		Pumpkin	100	1.80	180.00

Date	Cheque Number	Items Not Taken on Charge	Quantity	Unit Price (\$)	Total (\$)
		Celery	30	11.50	345.00
29/9/15	10752	Peeled Cassava	1,000	1.80	1,800.00
		Carrot	60	3.50	210.00
		Chinese Cabbage	60	3.00	180.00
		Ginger	10	3.50	35.00
		Potatoes	80	1.80	144.00
		English Cabbage	40	3.00	120.00
		Pumpkin	40	1.80	72.00
		Celery	10	11.50	115.00
		Rourou	60	2.20	132.00
		Chillies	4	12.00	48.00
		Cucumber	10	1.80	18.00
		Onion	20	2.00	40.00
8/10/15	10997	Potatoes	60	1.80	108.00
21/10/15	11120	Potatoes	60	1.80	108.00
		Long Bean	10	4.50	45.00
		Chinese Cabbage	30	3.00	90.00
		Peeled Cassava	1,500	1.80	2,700.00
		English Cabbage	30	3.00	90.00
		Potatoes	60	1.80	108.00
28/10/15	11287	Peeled Cassava	1,000	1.80	1,800.00
		Chinese Cabbage	80	3.00	240.00
		English Cabbage	80	3.00	240.00
		Tubua	80	1.80	144.00
		Potatoes	80	1.80	144.00
		Carrots	40	2.00	80.00
		Onions	60	3.50	210.00
		Celery	10	11.50	115.00
		Garlic	10	6.50	65.00
		Ginger	10	3.50	35.00
2/10/15	6707	Lamb Curry Piece	60	9.90	594.00
		Lamb Neck	60	8.20	492.00
		BBQ chops	50	19.90	995.00
26/3/15	7339	Corned Beef	25	199.20	4,980.00
4/9/15	7538	Whole Chicken	96	9.50	912.00
20/5/15	8204	Eggs	300	4.50	1,350.00
21/8/15	10122	Beef Stew	120	8.80	1,056.00
		Whole Chicken	180	9.50	1,710.00
		Lamb Chops	80	14.95	1,196.00
		Fresh Fish	150	6.50	975.00
		Steak Mince	60	9.50	570.00
		Lamb Neck	140	10.50	1,470.00
		Pre-cooked Sausage	60	7.95	477.00
		2 KG Mixed Veg	10	9.80	98.00
		Ice Cream 2 litres	60	7.90	474.00
14/9/15	10560	Corned Beef	40	195.01	7,800.40
		Nescafe	10	494.99	4,949.90
		Sugar	20	95.00	1,900.00
		Salt	10	98.00	980.00
		Matches	10	195.99	1,959.90
10/9/15	11006	Peaches (ctn)	100	85.00	8,500.00
<b>Total</b>					<b>87,594.70</b>
<b>Logistic Support Unit (LSU)</b>					
2/7/15	9025	Chevron 1 Bar for BOD Stock	500	3.94	1,972.25

Date	Cheque Number	Items Not Taken on Charge	Quantity	Unit Price (\$)	Total (\$)
		Chevron 2 Bar White/Black	500	3.94	1,972.25
		Chevron 3 Bar White/Black	500	3.94	1,972.25
		Badge WO2 Black/White	500	3.60	1,799.75
		Badge WO1 Black/White	500	3.60	1,799.75
14/7/15	9266	Mozzie Net for BRC 01/15	246	35.00	8,610.00
21/10/15	11118	Badge Cap Fiji 'AA' for Fiji Day Parade	1,000	7.60	7,600.00
21/10/15	11118	Stable Belt	200	42.00	8,400.00
6/10/15	10854	Gloves Ceremonial White	900	10.00	8,999.95
7/10/15	10891	Button Fiji Small 'AA' for Fiji Day Parade	1,000	5.00	5,000.00
27/10/15	11262	Sword Infantry Steel for Fiji Day Parade	7	1,425.00	9,975.00
10/11/15	11487	Material White Minimothe for Female BRC 1/15	6	291.67	1,750.00
1/12/15	11887	Button Fiji Large 'AA' for LSU Stock	1,000	7.00	6,999.99
3/9/15	10384	Overall HD Navy Blue for Armoury Section	5	76.00	380.00
		Overall HD Khaki	18	76.00	1,368.00
		Safety Helmet	10	19.50	195.00
		Tinted Shade Glasses	18	14.50	261.00
		Gum Boots	5	68.00	340.00
		Mess Visor Helmet	1	95.00	95.00
		Safety Shoes High Cut	18	125.00	2,250.00
		Reflector Back strap	5	66.00	330.00
		Ear Muff	5	16.50	82.50
		Gloves HD PVC	5	4.40	22.00
17/11/15	11612	Bath Towel Green for M/East Issue	398	27.00	10,746.80
19/11/15	11740	Bath Towel Green for M/East Issue	400	27.00	10,800.80
22/9/15	10620	Sandal Black	66	102.00	6,732.00
24/8/15	10132	Florence Female Shoes for Pass out BRC 1/15	199	89.60	17,830.40
9/7/15	9205	Black Boots for BOD Store	864	159.00	137,376.00
22/9/15	10621	Button Fiji large for Fiji Day Parade	1,000	6.00	6,000.00
		Badge Cap Fiji 'AA'	1,000	7.60	7,600.00
1/10/15	10783	Sword Infantry Steel for Fiji Day parade	7	1,425.00	9,975.00
9/10/15	11007	Belt Sword Blue for BOD stock (LSU)	50	150.00	7,500.00
19/8/15	10089	Tent 1 Men for 1/15 BRC	100	98.50	9,850.00
10/12/15	12079	Boot Calf Black For ME issue & local	291	159.00	46,269.00
9/10/15	11005	Boot Calf for ME issue	290	159.00	46,110.00
12/11/15	11511	Boot Calf Black for BOD stock (LSU)	66	169.00	11,154.00
16/10/15	11080	Sandal Brown for BPD stock (LSU)	383	102.00	39,066.00
8/4/15	7512	Fogging Machine	2	6,787.00	13,574.00
29/4/15	7916	Military Green Back Pack for BOD Stores	200	165.00	33,000.00
4/6/15	8535	40 Men Tent for BOD Stores	1	23,000.00	23,000.00
23/3/15	7281	Summer Socks LSU Stock	1,000	23.95	23,950.00
25/3/15	7328	Badge Cap 'AA' LSU Store	880	12.00	10,560.00
		Button Small 'AA'	3,410	10.00	34,100.00
30/9/15	10763	PSD Uniforms for Official Duty	15	390.00	5,850.00
1/10/15	10783	M16 Ceremonial Sling White for LSU Armoury	200	49.95	9,989.98
5/10/15	10819	M16 Knife Scabbard Ceremonial White For LS	200	49.95	9,989.98
9/10/15	11005	Platoon Black Boots Size 7	12	159.00	1,908.00
		Platoon Black Boots size 8	40	159.00	6,360.00
		Platoon Black Boots size 9	71	159.00	11,289.00
		Platoon Black Boots size 10	77	159.00	12,243.00
		Platoon Black Boots Size 11	57	159.00	9,063.00
		Platoon Black Boots Size 12	22	159.00	3,498.00

Date	Cheque Number	Items Not Taken on Charge	Quantity	Unit Price (\$)	Total (\$)
		Platoon Black Boots Size 13	11	159.00	1,749.00
<b>Total</b>					<b>649,308.65</b>
<b>Medical</b>					
12/3/15	7109	Steel Trolley 300kg Capacity-Commercial Use	1	1,980.00	1,980.00
		Soap Dispenser With Installations	4	110.00	440.00
		Stainless Steel Pot	4	180.00	720.00
		Arm Band With Embroidery	50	44.00	2,200.00
		Electronic Mosquito Trap	3	690.00	2,070.00
20/3/15	7243	Trolley Oxygen Cylinder (GMMC COY)	1,286.96	4.00	5,147.84
		Wheelbarrow Heavy Duty	1,565.22	1.00	1,565.22
<b>Total</b>					<b>14,123.06</b>
<b>Engineer</b>					
23/2/15	6879B	Sanding Machine	1	4,979.99	4,979.99
26/5/15	8357	Husquarvana Chainsaw	2	2,513.04	5,026.08
		28 Chain	8	60.87	486.96
		Adjuster	8	23.48	187.84
8/6/15	8676B	Olive Green Urn	5	1,500.00	7,500.00
19/8/15	10091F	APCO No Frill High Gloss Enamel Tinted Shade	6	35.00	210.00
<b>Total</b>					<b>18,390.87</b>
<b>Plant Pool</b>					
10/11/15	759	Hydraulic Drag Link	2	4,290.00	8,580.00
3/2/15	579	PTO Pump	1	6,880.00	6,880.00
30/3/15	646	Starter Assly	1	4,980.00	4,980.00
29/4/15	683	Sleeve	6	641.67	3,850.02
19/3/15	640	Unloaded Valve	1	3,800.00	3,800.00
5/3/15	611	Rear Wheel Kit	1	3,750.00	3,750.00
10/3/15	622	Clutch Booster Assly	1	3,250.00	3,250.00
10/12/15	777	Steering Box	1	2,275.00	2,275.00
16/2/15	588	Starter Motor Assly	1	1,880.00	1,880.00
4/5/15	690	Complete Set Fender Flair	1	1,800.00	1,800.00
9/3/15	624A	King Pin Kit	2	660.00	1,320.00
		Clutch Kit	1	2,200.00	2,200.00
		Switch PTO	1	1,600.00	1,600.00
		Shock Absorber FRT (2)	2	380.00	760.00
9/3/15	624B	Bolt R/Cover	8	6.00	48.00
		Gasket R/Cover	1	70.00	70.00
		Leak Spring	4	475.00	1,900.00
		Shock Absorber	1	4,800.00	4,800.00
		Kit PTO	2	380.00	760.00
1/4/15	659	Piston	6	700.00	4,200.00
		Piston Ring	1	2,400.00	2,400.00
		O ring sleeve	18	22.22	399.96
		Gasket set	1	700.00	700.00
22/5/15	711	Lamp Head	2	350.00	700.00
		Reinforcement Head	1	1,600.00	1,600.00
		Lamp Cab	6	243.33	1,459.98
		Lamp Inspection	4	437.50	1,750.00
		Alarm Rev	1	600.00	600.00
4/6/15	718	Blade Wiper	2	75.00	150.00
		Boom Lamp	4	187.50	750.00
		Switch Combination	1	2,900.00	2,900.00
		Comp Set Mirror	2	1,850.00	3,700.00

Date	Cheque Number	Items Not Taken on Charge	Quantity	Unit Price (\$)	Total (\$)
		Radiator Cap	1	90.00	90.00
		Oil Filter	2	130.00	260.00
		Air Sub Mirror	1	180.00	180.00
		Air Sub Secondary	1	480.00	480.00
29/4/15	5747	Pump and Seal PTO	1	8,000.00	8,000.00
<b>Total</b>					<b>84,822.96</b>
<b>Grand Total</b>					<b>854,240.24</b>

## APPENDIX 19.2: Payments Made in 2015 for 2013 and 2014 Outstanding Invoices

Date	EFT No.	Invoice Date	Invoice No.	CRV Date	2015 LPO Date	2015 LPO No.	Description	Amount (\$)
11/6/15	8725	22/11/13	74667	5/15	6/5/15	19105-011166	Payment of outstanding invoices for goods	352.00
		22/11/13	74656	5/15				376.00
		11/11/13	74343	5/15				375.50
		1/12/13	75463	5/15	6/5/15	19105-011167	Payment of outstanding invoices for goods	157.80
		5/12/13	75054	5/15				341.57
		5/12/13	75055	5/15				294.20
		3/10/13	73218	5/15	6/5/15	19105-011164	Payment of outstanding invoices for goods	174.10
		1/10/13	74025	5/15				267.60
		18/12/13	75375	5/15	6/5/15	19105-011168	Payment of outstanding invoices for goods	249.50
		18/12/13	75369	5/15				246.08
		21/12/13	75477	5/15				7,525.18
		27/11/13	74797	5/15	6/5/15	19105-011166	Payment of outstanding invoices for goods	263.20
		27/11/13	74796	5/15				352.53
		02/11/13	74428	5/15				381.45
16/2/15	589A	20/12/14	267	Date not stated	16/1/15	41915-002877	Payment for hire of grader and bulldozer for Balaga project	4,360.00
			266					5,700.00
			265					4,800.00
16/2/15	589B	7/12/14	1397	Date not stated	16/1/15	41915-002829	Hire of digger and bulldozer for making drain and formation of road-Balaga project	960.00
			1398					3,360.00
			1399					3,990.00
			1400					2,760.00
16/2/15	589C	23/11/14	1394	Date not stated	16/1/15	41915-002826	Hire of digger for Balaga project.	3,300.00
		23/11/14	1395					3,000.00
<b>Total</b>								<b>43,586.71</b>



**APPENDIX 19.3: Purchase Orders Issued After Procurement of Goods and Services**

Cheque No.	Purchase Order Date	Purchase Order No.	Purchase Order Raised By	Description	Invoice Date	Delivery Date	Amount (\$)
<b>Engineer Project Fund Account</b>							
2709	23/2/15	4662	Senior Accounts Officer - EDP No. 47648	Purchase of food supplies for Nasivikoso Project	20/2/15	20/2/15	2,380.40
2709	6/2/15	4628		Purchase of food supplies for Sawani Village School Project	4/2/15	4/2/15	3,247.80
2709	6/2/15	4626		Purchase of food supplies for Naqalimave Kindergarten Project	4/2/15	4/2/15	1,288.30
2749	12/5/15	4823		Payment for cartage of plant machinery	29/4/15	--	8,500.00
2801	16/6/15	4932		Purchase of timber and building materials	11/6/15	--	15,163.30
3009	6/10/15	5323		Purchase of new empty sacks	22/9/15	--	200.00
3046	6/11/15	5424		Purchase of office software installation & data backup	11/9/15	--	470.00
3051	6/11/15	5422		Purchase of radiator and engine short motor	20/10/15	--	3,380.00
3069	23/11/15	5480		Purchase of building materials	25/11/15	09/11/15 -- 12/11/15	5,925.00
3070	27/11/15	5497		Final payment for Rotuma Hospital Project	30/10/15	--	18,000.00
3081	17/11/15	5459		Purchase of food supplies for Naseva Teachers Quarters Project	10/11/15	10/11/15	745.10
3081	24/11/15	5484		Purchase of food supplies for Rotuma Hospital Project	20/11/15	20/11/15	6,163.93
3081	9/11/15	5428		Purchase of food supplies for Naloto Kindergarten project	6/11/15	6/11/15	1,379.42
3089	10/12/15	5520		Purchase of building materials for Naleba Youth Project	25/11/15	22/10/15	6,121.75
3096	24/11/15	5489		Purchase of food items for Ba Methodist Secondary School Project	20/11/15	20/11/15	2,863.40
3098	24/11/15	5490		Purchase of food items for Ba Methodist Secondary	18/11/15	18/11/15	737.32

Cheque No.	Purchase Order Date	Purchase Order No.	Purchase Order Raised By	Description	Invoice Date	Delivery Date	Amount (\$)
				School project			
<b>Total</b>							<b>76,565.72</b>
<b>Plant Pool</b>							
575B	16/1/15	2828	Senior Accounts Officer - EDP No. 47648	Hire of trucks to offload soil at Mokani Landfill Project	15/12/14	15/12/14	14,108.69
582	29/1/15	2866		Hire of trucks to offload soil at Mokani Landfill Project	28/1/15	7/1/15	7,939.13
684A	31/3/15	2986	Senior Accounts Officer - EDP No. 47648	Hire of digger for Balaga project	15/3/15	N/A	5,760.00
					15/3/15		3,850.00
					8/3/15		6,080.00
					26/2/15		880.00
					8/2/15		3,070.00
684D	17/4/15	3024	Senior Accounts Officer - EDP No. 47648	Hire of digger for Balaga project	29/3/15	N/A	3,480.00
					29/3/15		2,120.00
					29/3/15		3,710.00
					29/3/15		3,660.00
					29/3/15		2,800.00
					15/3/15		1,440.00
689C	17/4/15	3024	Senior Accounts Officer - EDP No. 47648	Hire of digger for Balaga project	6/4/15	N/A	6,048.00
710B	17/4/15	3023	Senior Accounts Officer - EDP No. 47648	Hire of digger for Balaga project	6/4/15	N/A	3,840.00
							4,260.00
							3,850.00
							5,760.00
<b>Total</b>							<b>82,655.82</b>
<b>Grand Total</b>							<b>159,221.54</b>

#### APPENDIX 19.4: Services Delivered on or before Invoice and Purchase Orders

Cheque No.	Purchase Order Date	Purchase Order Raised By	Description	Invoice Date	Delivery Date	Amount (\$)	
<b>Supplier 4</b>							
575B	16/1/15	Senior Accounts Officer - EDP No. 47648	Hire of truck at Mokani Landfill project for loading of soil	15/12/14	15/12/14	14,108.69	
709E	23/2/15			25/2/15	2/2/15	13,295.65	
697B	17/3/15			18/3/15	2/3/15	11,191.30	
724D	3/6/15			3/6/15	27/4/15	10,330.44	
772	20/11/15			21/11/15	19/5/15	9,852.17	
656 B	13/3/15			14/3/15	16/2/15	9,613.04	
636	10/2/15			12/2/15	26/1/15	9,421.74	
596	10/2/215			Hire of digger at Mokani Landfill project for loading of soil	date not given	28/1/15	1,941.30
713	14/4/15			Hire of truck at Mokani Landfill project for loading of soil	15/4/15	9/3/15	7,700.00
582	29/1/15		Hire of truck at Mokani Landfill project for loading of soil	28/1/15	7/1/15	7,939.13	
<b>Total</b>						<b>95,393.46</b>	

Cheque No.	Purchase Order Date	Purchase Order Raised By	Description	Invoice Date	Delivery Date	Amount (\$)
<b>Supplier 5</b>						
574	16/1/15	Senior Accounts Officer - EDP No. 47648	Hire of trucks and excavator for Daku Project.	date not given	9/12/14	7,982.61
<b>Grand Total</b>						<b>103,376.07</b>

## Section 20 **Fiji Police Force**

### **Role and Responsibilities**

The Fiji Police Force has the important responsibility to keep the people of Fiji safe by maintaining law and order, protecting property, and upholding the rule of law. Every Fijian should feel secure in their homes and free to go about their daily business without any form of harassment or abuse.

Crimes need to be properly investigated, wrongdoers need to be quickly identified and cases need to be brought to trial with the necessary evidence.

To do this, Fiji needs a Police Force that is professional, well equipped and trained, adequately compensated, and supported by technology.

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## **PART A: FINANCIAL STATEMENTS**

### **20.1 Audit Opinion**

The audit of the 2015 accounts of the Fiji Police Force resulted in the issue of an unqualified audit report.

### **20.2 Statement of Receipts and Expenditure**

The Force collected revenue totalling \$2,552,320 and incurred expenditure totalling \$109,046,124 in 2015 as provided in the budget. In addition, a sum of \$25,466,191 was provided from Head 50 Miscellaneous Budget from the Ministry of Finance to pay the Job Evaluation Exercise arrears. Refer to Table 20.1 below for detail of revenue collected and expenditure incurred during the year.

**Table 20.1: Statement of Receipts and Expenditure for 2015**

Description	2015 (\$)	2014 (\$)
<b>RECEIPTS</b>		
Police Clearance Fees	2,107,790	2,096,653
Licenses Fees	172,688	133,604
Other Agency Revenue	271,842	122,896
<b>TOTAL RECEIPTS</b>	<b>2,552,320</b>	<b>2,353,153</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	87,623,800	82,851,547
Government Wage Earners	577,656	477,868
Travel & Communications	3,764,573	3,619,442
Maintenance & Operations	5,902,649	5,833,969
Purchase of Goods & Services	5,080,681	4,022,203
Operating Grants & Transfers	34,211	71,299
Special Expenditures	830,984	998,828
<b>Total Operating Expenditure</b>	<b>103,814,554</b>	<b>97,875,156</b>
<b>Capital Expenditure</b>		
Construction	459,628	663,269
Purchases	1,993,778	1,926,094
<b>Total Capital Expenditure</b>	<b>2,453,406</b>	<b>2,589,363</b>
Value Added Tax	2,778,164	2,392,186
<b>TOTAL EXPENDITURE *</b>	<b>* 109,046,124</b>	<b>102,856,705</b>

\* (Funds provide from Head 50 Miscellaneous Expenditure Budget of \$25,466,191 is not included in this total)

Total receipts increased by \$199,167 or 8.5% due to increase in commission received for staff deductions and increase in the number of license and Police clearances issued.

Total expenditure increased by \$6,189,419 or 5% in 2015 compared to 2014. This was mainly due to payment of salary increments to civilian officers and lodging allowance to officers in the grade PI 04–PL 01 vide Cabinet decision.

### 20.3 Appropriation Statement

The Force incurred expenditure totalling \$109,046,124 against the revised budget of \$120,499,901 resulting in savings of \$11,453,778 or 9.5%. Details of actual expenditure against the budget estimates are provided in Table 20.2.

**Table 20.2: Appropriation Statement for 2015**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>Operating Expenditure</b>					
1	Established staff	96,074,294	(4,116,125)	91,958,169	87,623,800	4,334,369
2	Government Wage Earner	637,578	---	637,578	577,656	59,922
3	Travel and communications	3,579,000	458,288	4,037,288	3,764,573	272,715
4	Maintenance & operations	5,585,000	1,213,000	6,798,000	5,902,649	895,351
5	Purchase of goods and services	3,426,741	2,172,000	5,598,741	5,080,681	518,060
6	Operating grants and transfers	90,000	(55,788)	34,212	34,211	1
7	Special expenditures	1,320,000	(130,000)	1,190,000	830,984	359,016
	<b>Total Operating Expenditure</b>	<b>110,712,613</b>	<b>(458,625)</b>	<b>110,253,988</b>	<b>103,814,554</b>	<b>6,439,434</b>

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>Capital Expenditure</b>					
8	Construction	4,060,000	25,873	4,085,873	459,628	3,626,245
9	Purchases	2,640,000	(25,873)	2,614,127	1,993,778	620,349
	<b>Total Capital Expenditure</b>	<b>6,700,000</b>	<b>---</b>	<b>6,700,000</b>	<b>2,453,406</b>	<b>4,246,594</b>
13	Value Added Tax	3,087,288	458,625	3,545,913	2,778,164	767,749
	<b>TOTAL EXPENDITURE</b>	<b>120,499,901</b>	<b>---</b>	<b>120,499,901</b>	<b>109,046,124</b>	<b>11,453,777</b>

## PART B: AUDIT FINDINGS

### 20.4 Anomalies in Underline Accounts

The Force Accountant is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>1</sup>

The audit review of the underline accounts noted the following anomalies:

- Variances were noted between the total debit and credit of the Drawings, Inter Departmental Clearance (IDC) account and Bank Lodgement Clearance (BLC) Account reconciliation statement and FMIS general ledger. Refer to Table 20.3 for details.

**Table 20.3 Details of total debits and credits variance between Reconciliation Statement and the FMIS General Ledger**

Account	Total	Reconciliation Statement (\$)	FMIS (\$)	Variance (\$)
Drawings	Debits	79,881,477.10	82,647,522.18	(2,766,045.08)
	Credits	77,120,900.91	79,886,430.72	(2,765,529.81)
IDC	Debits	1,130,544.37	1,322,704.23	(192,159.86)
	Credits	1,130,544.36	1,322,704.23	(192,159.87)
BLC	Debits	5,813,792.04	5,945,062.09	(131,270.05)
	Credits	5,813,792.04	5,945,062.09	(131,270.05)

- Revolving Fund Account (RFA) allocations 20-1-1-2099-570101 and 20-1-2-20101-570301 had debit balances of \$114,920.52 and \$432, respectively. Since reconciliations were not provided, for audit verification, the audit could not substantiate the correctness of the above balances.
- The RFA increased by \$157,643 or 202% in 2015 compared to 2014. This was due to the non-clearance of advances by officers. Refer to Table 20.4 for details of RFA balances for the last five years.

<sup>1</sup> Fiji Police Force Finance Manual 2014 – Part 15 Ledger Accounts Introduction paragraph

**Table 20.4 Revolving Fund Account**

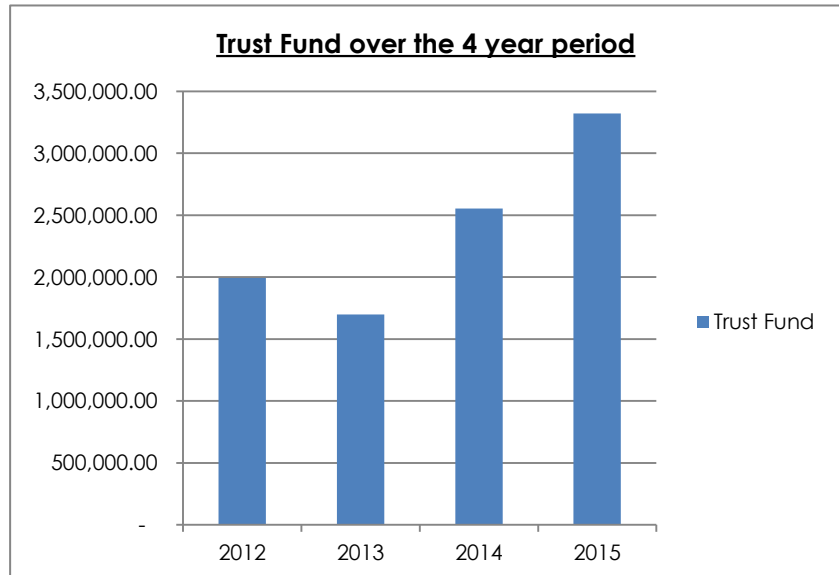
Year	Balance (\$)
2011	677,466
2012	739,708
2013	697,909
2014	78,131
2015	235,774



- As at 31 December 2015, the Provisional Tax (Liability) account had a debit balance of \$11,391.06.
- As at 31 December 2015, the Operating Trust Fund Account (TFA) had a balance of \$3,319,947.63 of which \$2,553,429.59 or 77% was carried forward from the previous year. Audit review of the TFA balance for the past four years shows a significant increase in the TFA balance. Refer to Table 20.5 for details.

**Table 20.5: Trust Fund Account**

Year	Balance (\$)
2012	1,993,467
2013	1,698,448
2014	2,553,430
2015	3,319,948



- A variance of \$5,230.63 was noted between the Trust Fund Account reconciliation statement and FMIS general ledger. Refer to Table 20.6 for details

**Table 20.6: Details of variance between Reconciliation Statement and the FMIS General Ledger**

Account	Reconciliation Statement (\$)	FMIS (\$)	Variance (\$)
Trust Fund	3,314,717	3,319,947.63	5,230.63

Performing reconciliation of accounts is ineffective if variances between FMIS and general ledger records maintained by the Force are not rectified.

### **Recommendations**

- **The Drawings, IDC and BLC account prepared by the Force should be reconciled to the FMIS general ledger. Any variances noted should be investigated and necessary adjustments made to the relevant records.**
- **All RFA and Trust Fund reconciliations should be thoroughly scrutinised by the Force Accountant for on a monthly basis.**
- **The Force Accountant should ensure that debit (overdrawn) balance in Provisional Tax Account is investigated and reconciled regularly.**

### **Management Comments**

*All reconciliations are verified with the opening balances and we will ensure that it reconciles with the FMIS Ledgers. Adherence will be made that reconciliations are carried out on the FMIS on the monthly reports uploaded by Ministry of Finance. For any errors detected necessary adjustment will be made to correct it.*

*Currently, monthly reconciliations are prepared and submitted to Ministry of Finance. A dedicated Trust Fund Account reconciliation clerk has been appointed: therefore we anticipate improvements in future submissions of reconciliations. The carry forward balance in Account Receivable has been written off.*

*The Provisional Tax reconciliation is also submitted to Ministry of Finance and we will ensure that only Vendors applicable for Provisional tax will be deducted. Force will ensure that the payments are remitted to FRCA in accordance with Provisional tax regulations.*

## **20.5 Raising of Journal Vouchers**

Only the Force Accountant or Deputy Force Accountant shall approve journal adjustments.<sup>2</sup>

Audit review of the journal vouchers raised by the Force noted that some of the vouchers were not approved by the authorised officers. Refer to Table 20.7 for examples.

**Table 20.7: Revolving Fund Account**

Month	Journal ID	Amount (\$)
December	063156	6,671,564.71

<sup>2</sup> Fiji Police Force Finance Manual 2014 – Part 15 Ledger Accounts Introduction paragraph



Month	Journal ID	Amount (\$)
December	063157	2,577,706.11
December	063160	588,801.02

The lack of reviews over the approval and processing of journal vouchers increases the risk of incorrect or erroneous journal entries being passed in the financial system.

### **Recommendations**

#### **The Force should:**

- **ensure all journal vouchers are approved by Force Accountant or Deputy Force Accountant before posting to the general ledger; and**
- **take appropriate action against responsible officers for posting unapproved journal vouchers to the general ledger.**

### **Management Comments**

*Journals 063156, 063157 and 063160 are now certified by Deputy Force Accountant.*

*The staff that entered these journals into FMIS ledger is being transferred to another section. Furthermore, all officers in the Ledgers sections have been advised to input data into FMIS Ledgers once it has been approved by Force Accountant or Deputy Force Accountant.*

## **20.6 Absence without Leave**

No police officer appointed by the Commissioner shall be at liberty to resign or withdraw from the Force without the consent in writing of the Commissioner.<sup>3</sup>

The audit noted that Police Constable 3496 was not entitled to a salary for the period July 2012 to July 2014 as the officer was absent from work without authorisation. This resulted in an overpayment of salaries amounting to \$31,937.64. The officer was terminated from the Force on 29th June, 2015.

Discussion with the Deputy Police Commissioner confirmed that the case is being handled by the Southern Division Complaints Unit and they will recommend that the officer be charged with criminal offence as he is no longer employed by the Force. As at audit date, the officer's whereabouts is unknown.

Although the issue was later highlighted to management, the discrepancy went undetected for two years.

The absence without leave resulted mainly from the lack of coordination and communication within the Force in monitoring staff movement.

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<sup>3</sup> Police Act Cap 85 – section 12

**Recommendations**

**The Commissioner should ensure that:**

- **internal control procedures are strengthened to avoid officers receiving wages/salary when absent from work; and**
- **recovery measures for the overpayment are put in place.**

**Management Comments**

*The Fiji Police Force has control mechanism in place to monitor and track individual officer who are absent from work. The Station Diary and Daily Deployments records are available at every Police Station to record the attendance and movement of staff on a daily basis. For Civilian officers at Headquarters, the attendance register is kept in addition to the station diary and deployment record. The Force also has a policy in place on procedure on reporting Absent without Leave, disciplinary offence for Absent without Leave, Daily Manpower Template In relation to recovery, the Job Evaluation Exercise payment has been forfeited and the ex-officer is evading Police.*

**20.7 Delayed Capital Projects**

Proper planning and feasibility study needs to be carried out for all capital projects to ensure that projects are completed on time and according to the predetermined design, specification and within budget.

The Force was allocated a budget (revised) of \$4,085,873 for Capital Construction in 2015. The audit noted that only \$459,628 or 11% was utilised. This was mainly attributed to the following:

- The projects were not thoroughly assessed at the preliminary stage. Discussion held with the Manager Procurement confirmed that Engineer Estimate A was used for the budget projection of capital construction. As a result, the budget was insufficient as the actual construction cost was more than the budgeted amount.; and
- The capital construction which involved a substantial sum of public funds was not put out for public tender. The audit noted that from the planning stage, the Force had intended to engage Ministry of Infrastructure and Transport. The Force therefore requested for a Waiver of Tender for which one request was approved while the other requests were declined by the Minister of Finance later in the year.

Refer to Table 20.8 for details.

**Table 20.8 Lack of proper planning of Capital Projects**

No.	Name of Project	Budget Submission on 09/07/14	Approve Budget (\$)	Annual Procurement Plan on 30/01/15	Tender Process	Status of the Project
1.	Renovation of Nadi Police Station	\$315,878 Ministry of Infrastructure & Transport to implement.	315,878	\$315,878 Ministry of Infrastructure & Transport to implement.	No tender process executed but applied for Waiver of Tender for a total cost of \$352,166. This was declined by Minister of Finance on	Nadi Station Project was not carried out.

No.	Name of Project	Budget Submission on 09/07/14	Approve Budget (\$)	Annual Procurement Plan on 30/01/15	Tender Process	Status of the Project
					25/05/15 and 08/09/15.	
2.	Renovation of Band Barrack A & B	\$370,258 Ministry of Infrastructure & Transport to implement.	370,258	\$370,258 Ministry of Infrastructure & Transport to implement.	No tender process executed but applied for Waiver of Tender for a total cost of \$509,288. This was declined by Minister of Finance on 25/05/15 and 08/09/15	Project was not carried out
3.	Renovation of Kadavu Police Quarters	\$124,082 Ministry of Infrastructure & Transport to implement.	124,082	\$124,082 Ministry of Infrastructure & Transport to implement.	Funds for the Renovation of Police Quarters were budgeted for both Band Barracks and Kadavu Police Station. However, due to the high cost anticipated for the Band Barrack Quarters, amounting to \$509,288, the renovation for the Kadavu Police Quarters was also put on hold.	
4.	Refurbishment of Lautoka Police Station – West Wing	\$130,000 Ministry of Infrastructure & Transport to implement.	130,000	\$130,000 Ministry of Infrastructure & Transport to implement	No tender process executed but application for Waiver of Tender was approved by Minister of Finance on 29/07/15 on Class 'A' Estimate by Ministry of Infrastructure & Transport of \$193,828.	<ul style="list-style-type: none"> <li>Total payment of \$193,828 has been paid to Ministry of Infrastructure exceeding budget of \$130,000.</li> <li>Work has been put on hold due to degraded state of the building.</li> </ul>
5.	Construction of Beqa Police Post & Quarters	\$710,000 Ministry of Infrastructure & Transport to implement.	710,000	\$710,000 Ministry of Infrastructure & Transport to implement	Project was not initiated due to unresolved land issues with landowners.	

Lack of proper project planning and assessment is evident in the above anomalies.

Poor planning leads to inefficiency and wastage of time, money and resources. Furthermore, the Force would not receive value for money based on unfair competitions, unethical dealings and poor quality work if it continues request for waiver of tenders for works more than \$50,000.

### **Recommendation**

**Proper assessment of projects with realistic costing should be done at preliminary stage.**

### **Management Comments**

*Nadi Police Station/Band Barrack A&B - Project has been rolled over this Year and given the re-deployment of funds, Project has been rolled over to Financial Year 2016-2017. Tender has already been called and closed awaiting Budget announcement for further proceeding. Kadavu Police Station - due to limited Budget provided and in order to complete Band Barrack A Project, this project was put on hold. Lautoka Police Station - this project was put on hold due to the degraded state of building which has been completely destroyed by Cyclone Winston whereby Whole Lautoka Police Station has been closed and re-located. Beqa- we have had land acquisition issues. This has been relayed to the Minister of Finance through Construction Implementation Unit, whereby this Project has been eliminated from the Public Sector Investment Program.*

## 20.8 Payment of Retention

Retention monies are deductions made from all contract payments for capital works which are normally paid back to contractors after completion of the defects period after the completion of the contract works unless there is some defects noted after the defect period. These monies are retained in a trust fund account.

Retention of 10% was held when payments were made to the contractor. The first 5% was to be released after the practical completion and the second and final 5% to be released at the end of defects liability period.

The audit noted that retention monies for contractual payments were not transferred to the Trust Fund Account. Refer to Table 20.9 for examples.

**Table 20.9: Details of Retention Money not transferred to Trust Fund**

Date	EFT / Cheque No.	Project	Contract Sum (\$)	Retention Amount (\$)
29/12/15	717592	Police Barrack Sabeto	44,455	4,939.47.
21/12/15	7357	PSRU Quarters No. 50	42,151	4,215.10
29/12/15	7558	Police Barrack in Vunidawa	42,151	4,215.10
18/12/15	7324	Police Quarter No. 28 in Nasinu.	27,450	2,745.00
23/12/15	7432	Police Quarter No.9 Grade 5 at Raiwaqa PS.	31,391	3,139.10
21/12/15	7392	Nayavu Police Quarters.	18,303	1,830.30

As a result, the current year's budget was utilised to pay the retention claims submitted by the contractors for the work completed in 2014. Refer to Table 20.10 for examples.

**Table 20.10: Details of Retention Money paid in 2015**

Date	EFT / Cheque No.	Details	Amount (\$)	Remarks
23/01/15	712843 712848	Payment of 10% Retention for work completed at Vanuabalavu, Lomaloma Community Post in 2014.	11,139 6,495	The 10% retention was not posted to operating trust in 2014 and as such this payment in 2015 has overstated expenditure.

It is apparent that funds allocated in the Budget Estimates were not utilised for intended purpose in the year it was allocated.

### **Recommendation**

**Retention funds should be transferred to the Trust Fund Account to ensure that subsequent year's budget appropriation is not affected and that the Force will be able to meet the payments to contractors as and when due.**

### **Management's Comments**

*The [former] Chief Accountant Treasury have been consulted during the Accounting Heads meeting and he has authorised the retention of funds in the Ministry of Finance Trust Account.*

## 20.9 Underline Accounts

All Permanent Secretaries and Head of Department are required to submit monthly reconciliations to the Ministry of Finance by the 15<sup>th</sup> of each month.<sup>4</sup>

The audit noted that underline reconciliations were not submitted to Ministry of Finance on a timely basis. Refer to Table 20.11 for details.

**Table 20.11 Underline Reconciliations**

Months	Revolving Fund Account	Drawings	BLC	Operating Trust	IDC
January	1/6/2015	9/10/2015	17/2/15	4/6/2015	1/6/2015
February	1/6/2015	9/10/2015	7/5/2015	8/6/2015	21/5/15
March	1/6/2015		12/5/2015	8/6/2015	21/5/15
April	1/6/2015		18/5/15	9/6/2015	21/5/15
May	9/7/2015		2/7/2015	2/7/2015	16/7/15
June	16/7/15		13/7/15	16/7/15	20/7/15
July	27/8/15	13/10/15	21/8/15	21/8/15	27/8/15
August	25/9/15		22/9/15	24/9/15	15/9/15

The above indicates the lack of monitoring of submission of monthly reconciliations and balances to ensure the accuracy of the reconciliations.

### Recommendations

#### **The Force Accountant:**

- **should ensure that the underline reconciliations are prepared and submitted to Ministry of Finance on a timely basis.**
- **must ensure that the reconciliations are verified with the balances stated in the Statements of VAT and PAYE provided by FRCA.**
- **The difference of \$2,725,793 should be investigated and rectified.**

### Management Comments

*A directive has been issued by the Force Accountant.*

<sup>4</sup> Finance Circular No.2/13

