



EXCELLENCE IN PUBLIC SECTOR AUDITING

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Audit Report on Performance Audit – Volume 1

December 2014



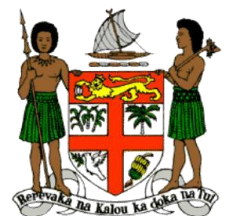


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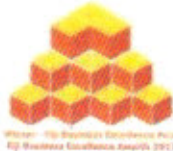


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File: 102

31 December 2014

The Hon. Dr. Jiko Luveni
Speaker of the Parliament of the Republic of Fiji
Parliament
Fiji

Dear Dr. Luveni

PERFORMANCE AUDIT REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 – VOLUME I

In accordance with section 152 (13) of the Constitution, I am pleased to transmit to you the volume I of my report on the various performance audits undertaken across the public sector for the year ended 31 December 2014.

A copy of the report has been submitted to the Minister of 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.

Tevita Bolanavanua
AUDITOR -GENERAL



Performance Audit Reports

1. Management of National Employment Centre
2. Contractual Engagements by Municipal Councils
3. Management of Multilateral Environmental Agreements
4. Management of Rural Electrification Program
5. Public Debt Management

Management of National Employment Centre



MANAGEMENT OF NATIONAL EMPLOYMENT CENTRE

1



A PERFORMANCE AUDIT REPORT OF THE OFFICE OF
THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI



The NEC Policy is an outcome of the Government's vision to achieve full employment and boost productivity for all its citizens. Government's commitment is reflected in the enactment of the NEC Decree 2009 and the subsequent Regulations of 2010 that provide the framework for NEC.

Relevant institutions such as the NEC and Employment Creation Services have been established to implement government's national policy pertaining to employment creation matters in both the formal and informal sectors.

This audit is necessary to ascertain the extent and effectiveness of the NEC and the Employment Creation Services in implementing government's vision.

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Acronyms

AA	Administrative Assistant
ACP	Annual Corporate Plan
CATD	Centre for Appropriate Technology & Development
CFWP	Cash For Work Plus
CP	Cabinet Paper
CSO	Customer Service Officer
DSC	Development Sub-Committee
ECS	Employment Creation Services
ERAB	Employment Relations Advisory Board
EST	Employment Skills Training
FES	Formal Employment Services
FNPF	Fiji National Provident Fund
FORES	Foreign Employment Services
FRCA	Fiji Revenue and Customs Authority
FVS	Fiji Volunteer Services
IHRDP	Human Resource Development Program
ID	Identification
ILO	International Labour Organisation
ISO	International Organisation of Standardisation
LST	Life Skills Training
MOU	Memorandum of Understanding
NCSMED	National Centre for Micro Enterprise Development
NDMO	National Disaster Management Office
NEC	National Employment Centre
PSC	Public Service Commission
SES	Self-Employment Services
SG	Solicitor General
SME	Small Micro Enterprises
SOP	Standard Operating Procedure
TPAF	Training and Productivity Authority of Fiji

1.0 EXECUTIVE SUMMARY

Background The NEC was established under the National Employment Centre Decree No. 54 of 2009 to provide social justice to unemployed persons through provision of skills and competencies, as well as facilitate their participation towards sustainable employment.

NEC's primary objective is to boost employment creation and improving productivity nationwide through a better governance framework and its core function is to consolidate all employment creation agencies into a "one-stop" quality service for all unemployed. The institutional transformation of all employment creation agencies through NEC is to be undertaken by adopting international best practices and standards as reflected in the Decree.

Coverage The audit is conducted with the objective of assessing the effectiveness of the actions taken by key agencies to ensure the provision of quality employment services to the unemployed and the creation of decent and environmentally sustainable employment.

The audit looks into three main areas including the key arrangements for NEC existence and operation, management of NEC key activities and reporting and monitoring of NEC activities.

Key findings *Key arrangements for NEC existence and operation*

- Seven Regulations have been developed as required by the NEC Decree 2009 which was subsequently reviewed in 2011. However, the Regulations are still awaiting vetting from the SG's Office before gazetting.
- The NEC Board since 2011 has not been having the required number of meetings as prescribed under the NEC Decree 2009.
- The establishment of Self Employment Services (SES) is still awaiting implementation of Cabinet Decision 85 of 13th March 2012.
- The required number of staffing for NEC endorsed by Cabinet has not eventuated. The limited number of staff for NEC currently under the Ministry of Labour has greatly affected its operations in the centres.
- NEC has not been effective in engaging strategic partners.
- Practical application of section 44 of the Decree is somewhat difficult.
- Training package for competency based and value based skill is not broken down into modules to adequately cover ISO 9001 and ISO 26000.

Managing key activities of NEC

- Identification cards are not issued to the unemployed persons who have been registered with NEC.
- No evidence existed to indicate that a criterion is in place governing engagement of consultants providing professional counselling services.
- The NEC database has limited ability to generate some essential and required reports.
- NEC was not able to meet their 2012 awareness target and conduct awareness for tertiary institutions.
- The Centre has not been able to conduct the LST regularly throughout all the centres. The unavailability of a suitable venue has been a major hindrance.

- The current system of identifying the suitable employment skill training is not effective as there are stills more NEC clients not being absorbed into the permanent workforce.

Monitoring and Reporting activities of NEC

- The Centre has not prepared quarterly or bi annual performance reports as required under the given legislation.
- Audit was not able to ascertain whether reports from the two agencies providing services not managed by NEC were prepared and submitted quarterly, bi-annually and annually by the responsible agencies.
- Review of the NEC Board papers prepared for the Board's recent meeting found errors in the performance update of certain activities of the NEC.
- Apart from NEC the other ECS agencies do not submit their annual report to NEC Secretariat that will enable them to integrate it as an integrated report of all the ECS.
- The mechanism in place to monitor absorption of clients into permanent employment is not quite effective.

Overall conclusion

In view of the limited funding and staffing the audit acknowledges the great work done by the Ministry of Labour so far on the establishment and operations of the NEC. The NEC Board has also played a critical role over the years on the establishment and implementation of the NEC.

Cabinet's commitment on the program is also evident through the endorsement of Cabinet Papers on the NEC submitted by the Ministry.

However, the success and sustainability of the program is heavily reliant on the finalisation of the draft Regulations and the co-operation and commitment of other agencies that are part of the initiative.

General Recommendation

The Ministry of Labour should continue to follow up with the various agencies to ensure the full implementation of the Cabinet Decisions and requirements of the NEC Decree 2009 in respect to the set up and operations of NEC.

2.0 INTRODUCTION

This section of the report provides a brief overview of the National Employment Centre and the reasons for conducting the audit.

2.1 Overview

- 2.1.1 After extensive and intensive consultations the Development Sub-Committee (DSC) in its meetings on 5th November 2008 and 20th May 2009, in addition to discussions with stakeholders in the Employment Relations Advisory Board (ERAB) in its meeting on the 12th of May 2009, an enabling NEC policy framework was agreed as the best way forward to cost-effectively address the unemployment problem in the country.¹ This visionary policy concept was approved by Cabinet on the 4th of June 2009 as per Cabinet Decision No. 59.
- 2.1.2 In approving the NEC policy framework, Cabinet also approved that all Government's employment creation agencies in the formal and informal sectors (i.e formal employment creation and job creation through self-employment and small micro enterprises) are to be part of the NEC framework by law under the Labour Ministry to facilitate a "one stop" quality services for all unemployed persons in the urban and rural sectors.²
- 2.1.3 The decision by Cabinet to approve the establishment of NEC was mooted by the following factors identified in CP (09) 45 of 28th May 2009 as reasons in the poor delivery of government's employment creation services:
- too many government agencies administering employment creation activities (a total of 10);
 - too many separate and fragmented employment creation policy framework;
 - lethargic responses to employment creation needs due to bureaucratic arrangements and procedures;
 - piecemeal evolution of different employment creation policies over the years without review;
 - service delivery mechanisms within national Government agencies incompatible to quickly respond to very aggressive labour market employment demand in context of local and economic crisis;
 - absence of any national integrated policy framework for employment creation;
 - absence of any national "one stop" agency that is cost-effective outside the Civil Service;
 - absence of quality management systems to improve the delivery of employment creations services;
 - lack of professionally qualified and trained personnel to manage and undertake employment creation services;
 - absence of a National Qualification framework to benchmark employment skills to recognised international standards and boost productivity;
 - poor governance framework;
 - lack of political will in the past to satisfactorily reformed employment creation policies and services in cost-effective and cost-efficient manner.

¹ Paragraph 2.1- CP(10) 154 of 4th June 2010

² Paragraph 2.2- CP (09) 237 of 30th October 2009

2.1.4 The Cabinet Paper identified the adverse consequences of continuing with the current inefficient and fragmented employment creation policies and administrations without any review and reform. The key consequences included the following:

- increasing unemployment and poverty;
- drain on taxpayers and retard Civil Service Reform and Labour Reform;
- escalating national security risks and increase crimes;
- decreasing overseas employment and remittances;
- decreasing enrolment of students in tertiary institutions;
- decreasing exports and depleting foreign reserves;
- adverse impacts on those employed due to traditional extended families support for the ever increasing unemployed within families;
- low job satisfaction and low productivity amongst employed workers;
- decreasing FIRCA tax revenue, FNPF contributions and TPAF levies;
- decreasing literacy, employment skills and productivity;
- increasing number of squatter settlements due to house shortages;
- breakdown of families and increasing child poverty, malnutrition and delinquencies; and
- failure to deliver the goals of the Peoples Charter.

2.1.5 The NEC was officially launched by the Minister for Labour, Industrial Relations and Employment on Friday 4th June, 2010 at the Holiday Inn, Suva.

2.2 Reasons for the audit

2.2.1 The NEC Policy is an outcome of the Government's vision to achieve full employment and boost productivity for all its citizens. Government's commitment is reflected in the enactment of the NEC Decree 2009 that provides the framework for NEC.

2.2.2 Relevant institutions such as the NEC and Employment Creation Services have been established to implement government's national policy pertaining to employment creation matters in both the formal and informal sectors.

The National Employment Centre regarded as the agency for providing quality 'one-stop' employment creation services to enhance the employability of all unemployed persons throughout the Fiji Islands is responsible for facilitating, coordinating and monitoring the provisions of quality counselling services, life skills training, employment skills training and entrepreneurship skills training to promote decent and environmentally sound employment, creation of small businesses and volunteer service to boost productivity amongst unemployed persons.

2.2.3 This audit is necessary to ascertain the extent and effectiveness of the NEC and the Employment Creation Services in implementing government's vision

3.0 AUDIT OBJECTIVES, SCOPE & METHODOLOGY

This section of the report describes the objective and scope for this audit. It also discusses the methodology utilised to gather information for the audit.

3.1 Audit objectives and scope

3.1.1 The objective of the audit is to assess the effectiveness of the actions taken by key agencies to ensure the provision of quality employment services to the unemployed and the creation of decent and environmentally sustainable employment by examining:

- the key arrangements for NEC existence and operation;
- the managing of key activities for NEC; and
- the reporting and monitoring of NEC activities.

3.1.2 The audit focused mainly on the Ministry of Labour and Industrial Relations. The remaining agencies included in the NEC Decree 2009 to be involved in the management of NEC were not covered in detail as the regulations governing their involvement have yet to be formalised.

3.2 Audit methodology

3.2.1 The audit was conducted using the following evidence gathering techniques.

- *Documentary review*

Relevant documents relating to NEC were reviewed. The key documents reviewed included NEC 2009 Decree, Cabinet Memorandums and Decisions, NEC Board meeting minutes and papers, Standard Operating Procedures, Regulations, Performance Reports and Organisational Plans.

- *Interviews*

Interviews were conducted with the following officers of NEC:

- Director
- Senior Administrative Officer
- Executive Officers
- Administrative Officers
- *Other*

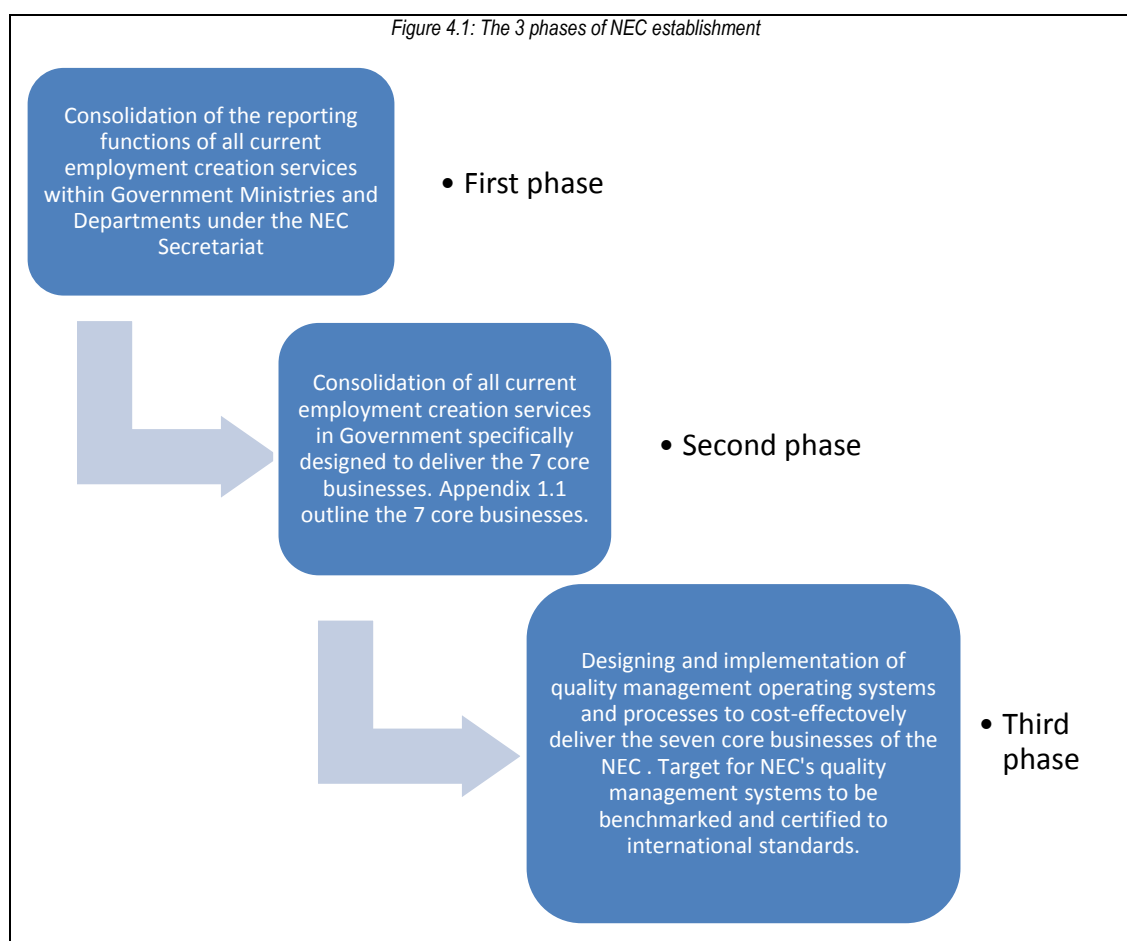
Information and reaffirmations sought and provided through emails and faxes.

4.0 KEY ARRANGEMENTS FOR NEC EXISTENCE AND OPERATION

This section of the report looks into the key arrangements in place that establishes the existence and operation of NEC. They entail the legislative requirements, stakeholders' involvement and the quality management and governance arrangements.

- 4.0.1 The National Employment Centre primary objective is to boost employment creation and improving productivity nation-wide through a better governance framework. Its core function is to consolidate all employment creation agencies into a "one-stop" quality service for all unemployed.
- 4.0.2 The establishment of the NEC was approved to be undertaken in three phases. The three phases outlined below formed part of CP (09) 45 of 28th May 2009 which was approved by Cabinet as per Cabinet Decision No 59 of 2nd June 2009.

Figure 4.1: The 3 phases of NEC establishment



- 4.0.3 The following observations were gathered on the arrangements in place with regards to the existence and operations of NEC.

4.1 Governing legislation and regulation

- 4.1.1 As per Cabinet Decision 303/2009, Cabinet approved the establishment of the National Employment Centre through the enactment of the National Employment Centre Decree No.54.³
- 4.1.2 Under section 103 of the Decree, the Minister for Labor, Industrial Relations and Employment is empowered to make regulations giving effect to any provisions of the Decree. The requirement of regulations is also provided for under sections 89(4), 66(3), 56(3), 59(4), 77(3) and 80(5) of the Decree.
- 4.1.3 Our audit found that seven regulations have been developed as required in the Decree above. The seven regulations were submitted for Cabinet's endorsement on the 4th of June 2010 as CP (10) 160⁴, CP (10) 161⁵, CP (10) 162⁶, CP (10) 163⁷, CP (10) 164⁸, CP (10) 165⁹ and CP (10) 166¹⁰. The 7 Regulations were endorsed by Cabinet on 7th June 2010 as per Cabinet Decision Numbers 204, 205, 206, 207, 208, 209 and 210. The following table identifies the Regulations and a brief description of their contents.

Table 4.1: NEC Regulations

Regulation	Brief description
National Employment Centre (Administration) Regulations 2010	The Regulation specifies the management and operations of the National Employment Centre.
National Employment Centre (Trust Fund) Regulations 2010	The Regulation specifies the management and operations of the National Employment Centre Trust Fund.
National Employment Centre (Formal Employment Service) Regulations 2010	The Regulation specifies the management and operations of the Formal Employment Service.
National Employment Centre (Self Employment Service) Regulations 2010	The Regulation specifies the management and operations of the Self Employment Service.
National Employment Centre (Fiji Volunteer Service) Regulations 2010	The Regulation specifies the management and operations of the Fiji Volunteer Service.
National Employment Centre (Foreign Employment Service) Regulations 2010	The Regulation specifies the management and operations of the Foreign Employment Service.
National Employment Centre (Code of Ethics) Regulations 2010	The Regulation specifies the Code of Ethics for the National Employment Centre Board, NEC Secretariat, officers of the Employment creation services, any trainee, attaché or volunteer or person employed on a contract of service or contract for service by NEC.

- 4.1.4 Our review of the Cabinet Papers that were submitted by the Ministry on 4th June 2010 found that three recommendations were made for Cabinet to take note of. The three recommendations are listed below:

- The salient features of the various Regulations;

³ Paragraph 2.1 - CP (10) 162 of 4th June 2010

⁴ NEC (Formal Employment Service) Regulations 2010

⁵ NEC (Self Employment Service) Regulations 2010

⁶ NEC (Administration) Regulations 2010

⁷ NEC (Trust Fund) Regulations 2010

⁸ NEC (Foreign Employment Service) Regulations 2010

⁹ NEC (Fiji Volunteer) Regulations 2010

¹⁰ NEC (Code of Ethics) Regulations 2010

- That the said Regulations have been vetted by the Attorney General's Office and to be gazetted by the Minister for Labour, Industrial Relations and Employment on the powers vested on him under the NEC Decree 2009; and
- The arrangement between the Attorney-General's Office and the Minister of Labour to inform Cabinet of the said Regulations.

4.1.5 Discussion with the officer responsible revealed that since the establishment of NEC in 2010 these regulations have yet to be gazetted. As at the date¹¹ of the audit no response has been provided by the Solicitor General's (SG's) Office despite various follow up made by NEC.

Discussion with the responsible officer also noted that another review of the regulations was made in 2012 and sent to SG's Office for vetting and as to date no response has been provided by the SG's Office. Our review of the NEC Board meeting minutes found the following with regards to the proposed amendment of the regulations:

- The following papers were submitted to the NEC Board in its meeting on the 29th of September 2011 on the amendments for each of the regulations.

Table 4.2: Details of Papers deliberated by the NEC Board on 29th of September 2011

NECB Paper Number	Description
03/11	National Employment Centre Administration (Amendment) Regulations 2011
04/11	National Employment Centre Formal Employment Service (Amendment) Regulations 2011
05/11	National Employment Centre Self Employment Services (Amendment) Regulations 2011
06/11	National Employment Centre Foreign Employment Service (Amendment) Regulations 2011
07/11	National Employment Centre Fiji Volunteer Service (Amendment) Regulations 2011

The Board was invited to endorse the proposed amendments to the regulations and endorse the amended version of the regulations.

- NEC Board Paper 01/12 of 17th December 2012 indicated that NEC has incorporated changes to the Regulations and that the Regulations were in the Solicitor General's Office for vetting.¹²

4.1.6 Audit followed up with the responsible officer at Solicitor General's Office; however no response was provided from the officer.

4.1.7 Due to the above irregularity the Ministry is using the Decree as the main legislation governing NEC.

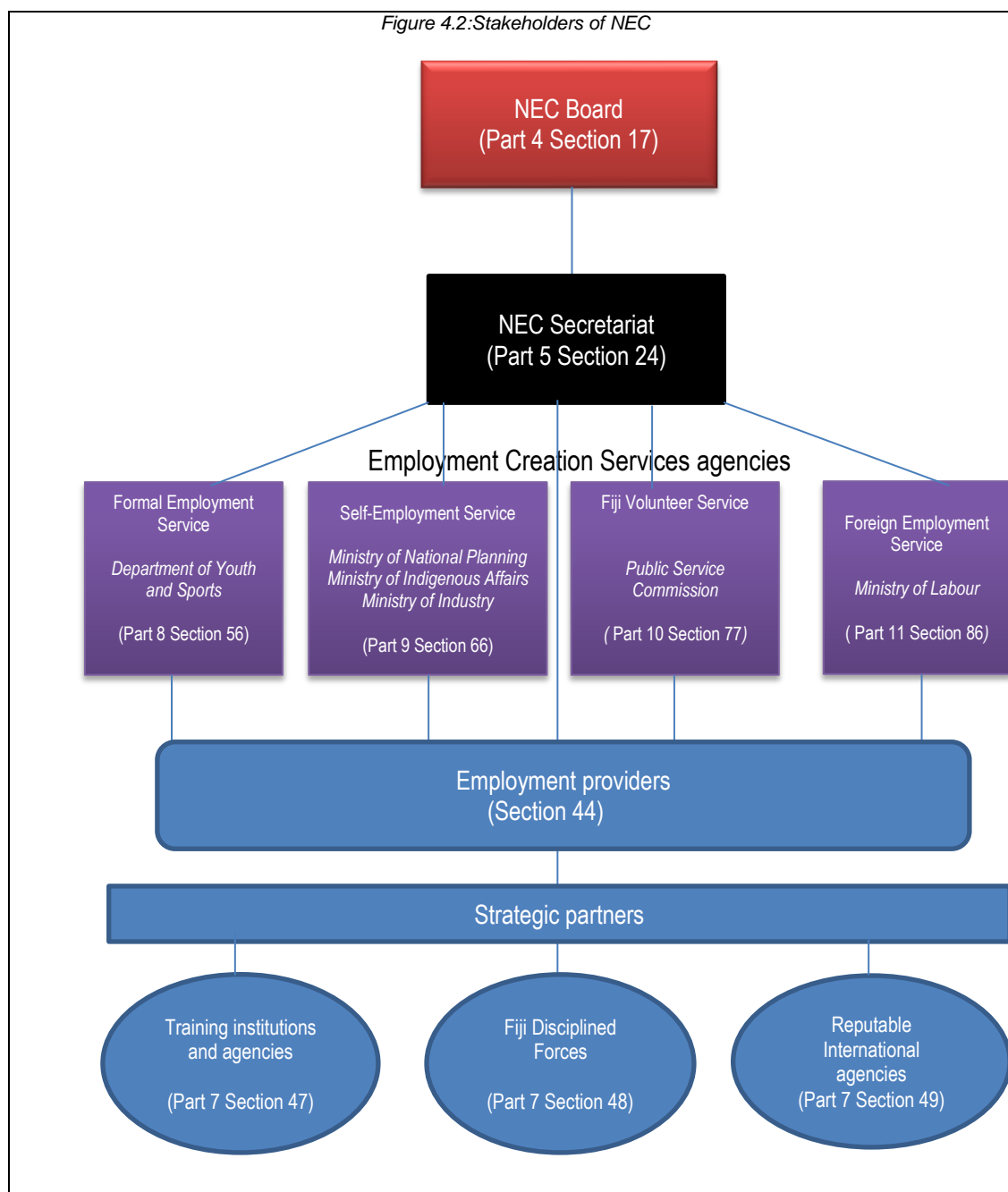
4.1.8 There is a risk that the effective management of NEC is hindered by the lack of appropriate regulations that gives effect to the provisions of the Decree.

¹¹ As at 22nd May 2014

¹² Paragraphs 3.3 to 3.8 of NECB Paper 01/12

4.2 Stakeholders involved with NEC

- 4.2.1 The National Employment Centre Decree 2009 identifies the various stakeholders/agencies involved in the management of NEC. The involvements of these stakeholders/agencies play a critical role in the successful implementation of key requirements under the Decree. The following diagram summarizes the various stakeholders/agencies identified by the Decree and their link in managing the operation of NEC.



- 4.2.2 The following paragraph discusses observations gathered on the various stakeholders.

4.2.1 National Employment Centre Board

4.2.1.1 Part 4 of the National Employment Centre Decree 2009 establishes the National Employment Centre Board.

4.2.1.2 The National Employment Centre Board is to be responsible to the Minister for the implementation of national policies pertaining to employment creation matters in both the formal and informal sectors through the National Employment Centre Secretariat and the Employment Creation Services.¹³

4.2.1.3 The functions and powers of the Board are set out under Section 18 of the NEC Decree 2009. **Appendix 1.2** provides details of the functions and powers of the Board.

The following observations were made in respect to the National Employment Centre Board.

Composition of the Board

4.2.1.4 The National Employment Centre Board shall consist of the following members:

- (a) Permanent Secretaries responsible for Finance, National Planning, Public Service Commission, Education, Social Welfare, Business and Commerce and Agriculture and Lands;
- (b) General Manager Native Land Trust Board;
- (c) four Divisional Commissioners;
- (d) representatives of youths;
- (e) representatives of employers;
- (f) representatives of workers;
- (g) representatives of vocational training institutions;
- (h) representatives of civil society organisations; and
- (i) other persons.¹⁴

4.2.1.5 According to Part 4 section 17 of the NEC Decree 2009, the Minister appoints the members of the Board, and in appointing such members the Minister must appoint such persons who, in the opinion of the Minister, have experience and expertise in the areas covered by the functions of the Board or in employment creation, small and micro enterprises, vocational training, entrepreneurship, youth development, industrial, commercial, legal, business or administrative matters.

4.2.1.6 Section 20 (1) of the NEC Decree states that a member of the Board holds Office for a period not exceeding 2 years as specified in the instrument of the member's appointment but is eligible for re-appointment.

4.2.1.7 The Invitation to becoming a board member is facilitated through invitation letters sent by the Minister to the various bodies for their confirmation of membership and appointment of respective nominees. Once the confirmation is received the board members are then finalised and gazetted through legal notice.

¹³ NEC Decree 2009 Part 4 s.16

¹⁴ NEC Decree 2009 Part 4 s.17

- 4.2.1.8 The first Board members of NEC were appointed in 2010 to run for a period of two years from 2010 to 2012. The second Board members were appointed in 2012 for the period 2012-2014. Refer to the table below for the list of the Board members between the period 2010 to 2012 and 2012 to 2014.

Table 4.3: List of Board Members for the period 2010-2012 and 2012-2014

National Employment Centre Board Members		
Organization	2010-2012	2012-2014
Chairperson		
Ps Ministry of Labour	Mr. Taito Waqa	Mr. Taito Waqa
Government representatives		
PS PSC	Mr. Parmesh Chand	Mr. Parmesh Chand
PS Ministry of Finance	Mr. Filimoni Waqabaca	Mr. Filimoni Waqabaca
PS Ministry of National Planning	Mr. Pita Wise	Mr. Pita Wise
PS Ministry of Education	Dr Brij Lal	Dr Brij Lal
Ps Ministry of Social Welfare	Mr. Govind Sami	Mr. Govind Sami
Ps Ministry of Agriculture	Mr. Mason Smith	Mr. Ropate Ligairi
PS Ministry of Industry & Trade	Mr. Shaheen Ali	Mr. Shaheen Ali
Ps Ministry of Lands	Mr. Filimoni Kau	Mr. Filimoni Kau
Employers representatives:		
	Ms. Judy VEE-JOY	Mr. Kamlesh Chand
	MS Pawan Sharma	Mr. Noel Tofinga
Workers Representatives		
	Ms. Teresa Ali	Ms. Teresa Ali
	Ms. Asena Naulivou	Mr. Nitin Goundar
Youth Representatives		
	Mr. Timoci Kacanavesi	Mr. Usaia Cirikiwai
	Ms. Elizabeth Bucknell	Jone Nawaikula
Representatives of Vocational Training institutions		
	Mr. Jone Usumate	Mr. Tito Esala
	Mr. Tito Esala	Mr. Kamlesh Prakash
	Mr. Josua Mataika	Dr Kesaia Seniloli
	Dr. Rohit Kishore	
Representatives of Civil Society Organization		
	Mr. Hassan Khan	Mr. Mohammed Hassan Khan
	Mr. Leonard Benjamin Anthony	
The General Manager Native Land Trust Board		
	Mr. Alipate Qetaki	Mr. Alipate Qetaki
Four divisional commissioners		
Commissioner Central Division		
Commissioner Eastern Division		
Commissioner Western Division		
Commissioner Northern Division		

- 4.2.1.9 The appointment of the NEC Board members for 2010 to 2012 and 2012 to 2014 were gazetted on the 14th of April 2010 and 9th of November 2012 respectively.
- 4.2.1.10 Audit gathered that a new set of invitation has been sent to representatives by the Minister for membership for the period 1 January 2014 to December 2015 which also includes the existing tenure of current Board members. No explanations were provided by the Ministry on the anomaly.

- 4.2.1.11 There is a risk that the Ministry may not secure the full commitment of the invited members for the Committee due to the one year appointment as compared to the required term of two years.

Meeting of the Board

- 4.1.2.12 The Chairperson must call at least one meeting of the Board every 6 months for the performance of its functions and the exercise of its powers.¹⁵
- 4.1.2.13 The 1st meeting of the National Employment Centre Board was held on the 21st of May 2010. Our review of the relevant documents since the date found that the Board has had the following number of meetings:

Table 4.4: Number of meetings conducted by NEC Board from 2010-2014

Year	Actual number of meetings
2010	2
2011	1
2012	0
2013	1
2014	1 (to date)

- 4.1.2.14 The above table indicates that the Board since 2011 have not been having the required number of meetings as prescribed under the NEC Decree 2009. Discussions with the officer in charge on the issue found that in 2012 the Board meeting was scheduled for the 17th December however due to the hurricane warning that was issued to the whole of Fiji the meeting was cancelled.
- 4.1.2.15 Non conduct of the meeting as required may result in the delay of any submission that should be deliberated by the Board.

4.2.2 National Employment Centre Secretariat and Employment Creation Services agencies

- 4.2.2.1 The National Employment Centre Secretariat and Employment Creation Services agencies entail key stakeholders of NEC outlined in the NEC Decree 2009.
- 4.2.2.2 Employment Creation Services are defined under the NEC Decree 2009 as the Formal Employment Service, the Self Employment Service, the Fiji Volunteer Service and the Foreign Employment Service constituted and gazetted under the Decree. The objectives and goals of the various Employment Creation Services are included under **Appendix 1.3**.

Establishment of the National Employment Centre Secretariat

- 4.2.2.3 The object of this Part is to establish the National Employment Centre Secretariat under the jurisdiction of the Ministry to be responsible to the Board for the facilitation, coordination and monitoring of national policies pertaining to employment creation matters implemented by the Employment Creation Services to boost employment opportunities and productivity.¹⁶

¹⁵ NEC Decree 2009 Part 4 s. 21(1)

¹⁶ NEC Decree 2009 Part 5 s. 23

4.2.2.4 The Minister shall, by notice in the Gazette establish the National Employment Centre Secretariat.¹⁷ The National Employment Centre Secretariat shall be responsible to the Board for the overall consolidation, coordination, facilitation and monitoring of the employment creation policies of Government implemented by the Formal Employment Service, the Self-Employment Service, the Fiji Volunteer Service and the Foreign Employment Service established or designated under this Decree.¹⁸

4.2.2.5 The National Employment Centre Secretariat was established as the Secretariat of NEC on the 30th of December 2009 through legal notice number 108. The NEC Secretariat functions are currently administered by the Ministry of Labour, Industrial Relations and Employment.

Establishment and Designation of the Employment Creation Services

4.2.2.6 In approving the NEC policy framework, Cabinet also approved that all Government's employment creation agencies in the formal and informal sectors (i.e formal employment creation and job creation through self-employment and small micro enterprises) are to be part of the NEC framework by law under the Labour Ministry to facilitate a "one stop" quality services for all unemployed persons both in the urban and rural sectors.¹⁹

4.2.2.7 The NEC Decree 2009 identifies the employment creation agencies to be responsible for the administration of the four Employment Creation Services. The Decree further requires that the Minister by notice in the Gazette designate and establish the Employment Creation Services operating under various agencies.

Table 4.5: Agencies responsible for the administration of the 4 Employment Creation Services

Employment Creation Services	Responsible agencies	Relevant section of the Decree
Formal Employment Service	Department of Youth (National Youth Service Scheme)	Section 56(2)
Self-Employment Service	Ministry of National Planning (Integrated Human Resource Development Programme for Employment Promotion) Ministry of Indigenous Affairs (Centre for Appropriate Technology and Development) Ministry of Industry (National Centre for Micro Enterprises Development)	Section 66(2)
Fiji Volunteer Service	Public Service Commission (Human Resource Management Division)	Section 77(2)
Foreign Employment Service	Ministry of Labour (Foreign Employment Unit)	Section 86(2)

4.2.2.8 As per the requirement under the NEC Decree the establishment and the designation of the four employment service were conferred by legal notice on the 30th of December 2009.

4.2.2.9 Our audit gathered that the "FES and the FORES functions are currently administered by the Ministry of Labour, Industrial Relations and Employment. The FVS is administered by the Public

¹⁷ NEC Decree 2009 Part 5 s. 24 (1)

¹⁸ NEC Decree 2009 Part 5 s. 24 (2)

¹⁹ CP(09) 237 of 30th October 2009 – paragraph 2.2

Service Commission (PSC) and the SES is administered by the various different ministries²⁰ which contribute to the development and monitoring and small micro enterprises (SMEs). The SES is awaiting the implementation of the Cabinet Decision 85 [13/3/2012].²¹ The Cabinet Decision in this respect required the following:

- the declaration of the Integrated Human Resource Development Programme for Employment Promotion (IHRDP) operating under or hosted by the Ministry of Strategic Planning, National Development and Statistics, the Centre for Appropriate Technology and Development (CATD), operating under the Ministry of iTaukei Affairs and the National Centre for Small and Micro-Enterprises Development (NCSMED) operating under the Ministry of Industry and Trade as Self-Employment Services as per Legal Notice No.112 of 2009.
- The immediate transfer of the Integrated Human Resources Development Programme (IHRDP) and its relevant resources from the Ministry of Strategic Planning, National Development and Statistics to the NEC in consultation with the Ministry of Finance, the Public Service Commission, the Solicitor General's Office and the Ministry of Strategic Planning, National Development and Statistics.

4.2.2.10 Audit also gathered after discussion with responsible officer at the Ministry of Labour that the current involvement of PSC on FVS is somewhat limited. Audit gathered that PSC had indicated to NEC that they will only manage volunteers under the retirees' category. As such NEC is facilitating all the qualified graduates and unqualified undergraduate volunteers with their limited budget.

4.2.2.11 The above findings indicate that the existing challenges faced by NEC may be attributed to the lack of support from other relevant government agencies.

Staffing of NEC Secretariat and ECS agencies

4.2.2.12 Officers to be employed under the National Employment Centre Secretariat, the Formal Employment Service, the Self-Employment Service, the Fiji Volunteer Service and the Foreign Employment Service shall be appointed by the Minister on a performance based contracts.²²

4.2.2.13 The Minister shall appoint an appropriate number of officers on performance-based contracts to effectively manage and operate the National Employment Centre offices throughout the Fiji Islands and its Secretariat.²³

4.2.2.14 Cabinet Memorandum CP (10) 154 indicated that a total of 85 staffs are required for the NEC Secretariat and the Employment Creation Services agencies.

4.2.2.15 The organisation structure of NEC which integrate the human resource requirements was also included in the Cabinet Memorandum CP (10) 154 of 4th June 2010 and was endorsed by Cabinet on the 7th of June 2010 as per Cabinet Decision No. 200. Refer to **Appendix 1.4** for details of the organisation structure.

²⁰ Includes National Centre for Small Micro Enterprise Development, Centre of Appropriate Technology and Development, Ministry of Youth and Sports, Ministry of Social Welfare and Poverty Alleviation, Ministry of Agriculture, Department of Forestry, Department of Fisheries and Integrated Human Resources Development Programme

²¹ Paragraph 2.4 NEC Board Paper 02/14 of 5th June 2014

²² NEC (Amendment) Decree 2011 Part 5 s. 25 (1)

²³ NEC Decree 2009 Part 5 s. 25 (2)

Our audit however gathered that the required number of staffing for NEC endorsed by Cabinet has not eventuated. Our review of the NEC Board minutes gathered the following:

- Submission for the NEC project staff was submitted to PSC on Monday 15th of June 2010 and PSC informed that the submission will be based on the approval of funding from the Ministry of Finance.²⁴
- Eighty-seven position description or the NEC staff were completed and submitted to PSC on the 15th of June 2010.²⁵ The 87 NEC post advertisements were completed and submitted to PSC on the 15th of June 2010 for their approval.²⁶
- The Public Service Commission at its meeting on the 28th of June 2010 has not recognised the request to create 85 project positions for the National Employment Centre. PSC in its letter to the Ministry dated 28 June 2010 did not approve the 85 project positions. The Commission agreed that the Ministry use its current staffing strength for the rest of 2010 to facilitate the operation of NEC.²⁷
- Given PSC's decision to hold the 85 project staff positions a revised streamline and lean NEC structure has been developed with 40 project staff positions. The new NEC structure has been reduced by 55% with the main key positions to kick-start implementation. A revised structure was developed included as **Appendix 1.5**. On the revised structure, the only positions already in the NEC are the 12 volunteer data operators. For NEC to be implemented the Board will have to decide whether to advertise the other positions as well as the office space required to accommodate these positions.²⁸
- In 2010, the Public Service Commission approved the massive secondment of 45 Ministry of Labour staff to commission the NEC roll-out from the 9th of August to the 31st of December, 2010. On 1st January 2011, 35 staff reverted to their own departments while only 10 continued to roll out NEC. In addition 25 volunteers have been engaged.²⁹
- In March, 2011 NEC submitted a comprehensive proposal to PSC for 28 line positions. PSC formally relayed their decision against the NEC 2011 staff proposal in their letter dated 5th July 2011. Instead PSC stated that the Ministry of Labour consider the option of redeployment of the only 2 support staff from the Employment Relations Tribunal to NEC. To date, NEC has no line staff.³⁰
- NEC in February received 16 line positions which has been approved by the Public Service Commission. However, this is a reduction of 9 positions NEC initially requested for.³¹

4.2.2.16 Audit gathered that the 16 staffs approved by PSC are stationed in seven centres including Suva, Lautoka, Nadi, Sigatoka, Ba, Savusavu and Labasa. Refer to the following table for details.

²⁴ Paragraph 2.9- NECB Paper 18/10 of 9th July 2010

²⁵ Paragraph 2.10- NECB Paper 18/10 of 9th July 2010

²⁶ Paragraph 2.11- NECB Paper 18/10 of 9th July 2010

²⁷ Paragraph 2.19- NECB Paper 18/10 of 9th July 2010

²⁸ Paragraph 2.20- NECB Paper 18/10 of 9th July 2010

²⁹ Paragraphs 5.1-5.2- NECB Paper 01/11 of 29th September 2011

³⁰ Paragraph 5.3- NECB Paper 01/11 of 29th September 2011

³¹ Paragraph 5.2- NECB paper 3/12 of 17th December 2012

Table 4.6: Details of the existing 16 staffs

Position	Number of staffs	Centre
Director	1	HQ
Senior Administrative Officer	1	HQ
Administrative Officers	3	Suva Lautoka and Labasa
Executive Officers	3	Suva
	1	Nadi
	1	Savusavu
Data Operators	3	Suva
	1	Lautoka
	1	Ba
	1	Labasa
Total	16	

Appendix 1.6 details the existing structure of NEC with the above number of staffs.

The staffs signed their contract after approval from the Minister in early October 2012.

- 4.2.2.17 Audit however gathered that the current staffing provision does not cater for the staffing of the Foreign Employment Service (FORES). It only caters for NEC Secretariat and the Formal Employment Services. The commissioning of the FORES is undertaken by seconded staff from the Policy section of the Ministry.

The staffing of the other Departments of NEC including the Self- Employment Services and the Fiji Volunteer Services as initially proposed to Cabinet has not eventuated. NEC has taken over part of the FVS whilst SES is still managed by various government agencies.

- 4.2.2.18 Audit found that the limited number of staff for NEC currently under the Ministry of Labour has greatly affected its operations in the centres. Examples of the centres are discussed below:

Example 1: Western Division

The Centre has two data operators to enter the data for the four district office with one Employment Officer and one Manager to oversee the Division.

Example 2: Central Eastern

The Centre has 3 Data Operators to enter data of 12,806 clients with 2 employment officers and one Manager to supervise Central Eastern and simultaneously oversee the overall NEC operation which is being carried out by the Senior Administrative Officer.

- 4.2.2.19 Audit found that a Board Paper submitted to the NEC Board in its recent meeting³² made recommendations for the Board to endorse the funding of re-grading and recruitment of graduate volunteers to effectively implement the NEC Decree 2009.

- 4.2.2.20 The limitation in staffing for NEC is detrimental to the efficiency and effectiveness of the Centre's operation.

³² 5th June 2014

4.2.3 Strategic partners

- 4.2.3.1 The National Employment Centre shall secure strategic partnerships with vocational training or other training institutions or training consultants for the purposes of reviewing current offerings for life skills training, employment skills, entrepreneurship skills and foreign employment training and delivering modern and progressive life skills and employment skills training packages to the Employment Creation Services as competitive costs on user pay basis.³³
- 4.2.3.2 The National Employment Centre shall secure strategic partnerships with the disciplined forces to deliver relevant life skills training offerings to the Employment Creation Services.³⁴
- 4.2.3.3 The National Employment Centre shall secure strategic partnerships with appropriate international training institutions and development agencies for the purposes of acquiring experts and training consultants to build the capacity and capability of the National Employment Centre and the Employment Creation Services.³⁵

The following summarises the engagement of the various strategic partners by NEC.

Training institutions and agencies

- 4.2.3.4 The last engagement with the training institutions was in 2012 with a number of institutions for the provision of employment skills training. The list of institution was not provided by the Ministry during the examination. From 2013 until mid-2014 no training institution was engaged as there were delays in the tender process.

Discipline Forces

- 4.2.3.5 According to NEC Secretariat they have not engaged the Discipline forces. No explanations were provided for the non-engagement.

Reputable International agencies

- 4.2.3.6 Audit noted that there is no process required for the engagement of any international agencies or organisations as long as Fiji is a member country and if they are willing to assist either technically or financially, NEC would be willing to establish partnership with them.

Discussion with the officer in charge revealed that NEC has had only one international agency that has partnered with NEC. NEC was able to engage International Labour Organisation (ILO) because of its membership within the organisation.

- 4.2.3.7 The partnership with ILO has enabled Fiji to seek its assistance both technically and financially from the organisation. With the funds given to NEC by ILO the Centre was able to implement the Cash for Work Plus Project (CFWP+).
- 4.2.3.8 According to NEC Secretariat the Cash-for-Work is a short-term intervention used by the humanitarian assistance organizations such as (ILO) to provide temporary employment in public projects (such as repairing roads, clearing debris or re-building infrastructure) to the most vulnerable segments of a population. The assistance provided through ILO is mostly common in

³³ NEC Decree 2009 Part 7 s 47

³⁴ NEC Decree 2009 Part 7 s 48

³⁵ NEC Decree 2009 Part 7 s 49

food insecure, disaster-affected or post-conflict environments. The CFWP+ project were in two folds;

- Manpower Assistance provided through NEC Volunteers
- Implementation of Business Venture(s) for Families Affected

Under the manpower assistance NEC provided NEC volunteers, and ILO to supplied sets of basic carpentry tools for the NEC skilled unemployed persons to provide manpower assistance in constructing new homes and rehabilitate affected families caused by the natural disasters. The project was also intended for the volunteers to gain the technical skill where they are able kick start their own business for self-employment.

Under the business venture program NEC also provided the Volunteers and ILO supplied the NEC volunteers with pineapple plantlets, copra drier shed and tools where they are able to plant and harvest and start their own farming business.

4.2.3.9 For the manpower assistance provided, a Memorandum of Understanding (MOU) was signed on the 12th April 2013 between the respective Ministries; the Ministry of Labour, IR & Employment & Ministry of Provincial Development and Natural Disaster Management (Commissioner Northern Office).

4.2.3.10 The lack of engagement with strategic partners may result in the Centre's inability to secure potential assistance that can be offered through the partnership.

4.2.4 Employment providers

4.2.4.1 An employer who employs more than 50 workers must engage suitably qualified unemployed persons as attachés or volunteers on a ratio of at least 5% of the total number of workers employed by the employer.³⁶

4.2.4.2 A Formal Employment Service designated and established under section 56 must arrange with employers or employers' organisations to provide quality workplace attachments for unemployed persons enrolled under the Service.³⁷ A Self Employment Service designated and established under section 66 must arrange with employers' organisations or small business employers to provide quality business attachments or business incubator services for unemployed persons and retirees enrolled under the Service.³⁸

The Fiji Volunteer Service designated and established under section 77 may arrange with employers' organisations or employers or civil society organisations or regional agencies or international agencies or other bodies to provide appropriate volunteer assignments for unemployed persons and retirees under the Service.³⁹ The Foreign Employment Service designated and established under section 86 must arrange and implement quality re-departure training to effectively orientate persons successfully recruited to commence foreign employment contracts.⁴⁰

³⁶ NEC Decree 2009 Part 7 s.44

³⁷ NEC Decree 2009 Part 8 s 59(1)

³⁸ NEC Decree 2009 Part 9 s 69(1)

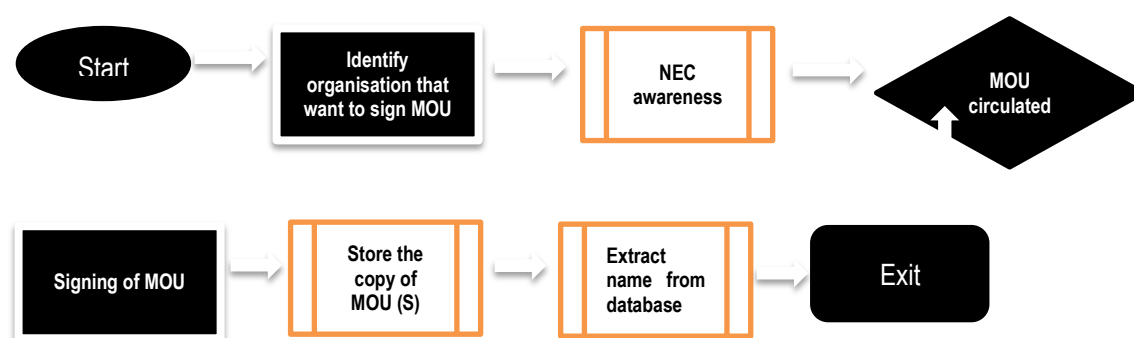
³⁹ NEC Decree 2009 Part 10 s 80(1)

⁴⁰ NEC Decree 2009 Part 10 s 89(1)

- 4.2.4.3 Our audit gathered that whilst the requirement under the Decree is mandatory for employers employing more than 50 workers to engage volunteers and attaché, practicality of its application is somewhat difficult.

Discussion with officers in charge at NEC Secretariat revealed that the current approach taken by the Secretariat is that they identify the employers who employ more than 5 percent first before they can liaise with them via email or phone to check if they are interested in taking in volunteers and attaché'. Refer to Figure 4.3 below for the process that is undertaken by NEC.

Figure 4.3: NEC partnership engagement process



- 1] Organizations are identified that would have the potential to sign MOU with NEC.
 [2] Consult with relevant organization to formalize partnership between parties. Conduct NEC awareness to the relevant stakeholder.
 [3] MOU is circulated to relevant stakeholder for their verification and endorsed. If employer agrees to sign proceed to step 4. If not, the process is terminated and proceed to step 7. Signing of MOU within 7 working days from date of identification.
 [4] Once signed, one copy is dispatched to the employer, one to HQ (AA) and one to be kept in district office.
 [5] Update weekly report(refer to weekly report procedure)

- 4.2.4.4 The NEC Secretariat has drafted a SOP as a guide for the NEC staff prior to any engagement of the employment providers. According to the NEC SOP prior to any engagement of any NEC employer they are required to sign memorandum of understanding to ensure establishment of agreements and arrangements.
- 4.2.4.5 The partnership arrangements are made via agreements and are signed by the Partnership involved between the government through NEC and the employment providers.
- 4.2.4.6 Audit gathered that since NEC's inception in 2010 it has managed to sign 389 MOUs with the employment providers. Refer to the following table for details.

Table 4.7: Number of MOUs signed with employment providers

Year	Number of MOU
2010	0
2011	139
2012	87
2013	133
2014	30
Total	389

- 4.2.4.7 The number of MOU signed by employers is encouraging and indicates willingness from various employers to support the programme.

- 4.2.4.8 There is every potential for the number to considerably increase provided if the requirement of the Decree is complied with.

4.3 Quality management and governance systems

- 4.3.1 The operating systems and procedures of the National Employment Centre must comply with and be certified to the ISO 9001 quality management standards.⁴¹ Subject to subsection 1 the National Employment Centre Secretariat must design, develop and implement a quality competency- based skills training package for its staffs to ensure that they are competent to manage the ISO certified systems and processes to the required customer service quality standards.⁴²
- 4.3.2 The governance systems of the National Employment Centre must comply with the Fiji Business Excellence standards and the social responsibility guidelines specified under the ISO 26000 standards.⁴³ The National Employment Centre Secretariat must design, develop and implement a value-based skills training package for its entire staff to ensure that the internalise the Fiji Business Excellence and social responsibility values and exhibit social responsibility behaviours in accordance with the spirit of business excellence and ISO 26000 standards.⁴⁴
- 4.3.3 The NEC Decree 2009 also provides the above requirements for the four Employment Creation Services. The specific sections of the Decree are outlined below:

Table 4.8: Sections of the NEC Decree covering quality management and governance system

Section of Decree	Employment Creation Services
62	Formal Employment Services
72	Self-Employment Services
82	Fiji Volunteer Service
92	Foreign Employment Services

- 4.3.4 Audit found that the NEC (Administrative) Regulation awaiting formalisation provide requirements on quality management and governance systems. The regulation specifies the officer responsible to ensure that quality management standards are complied with and that adequate governance system arrangements are in place.

In addition the regulations developed for the various Employment Creation Services also outline requirements pertaining to quality management and governance system in respect to the management of various Services.

- 4.3.5 Our review gathered that all regulations and the Ministry of Labour's Standard Operating Procedures (SOP) have integrated the requirements of both ISO 9001 quality standards, ISO 26000 standards and the Fiji Business Excellence standards.
- 4.3.6 In addition, the audit also found that the quality based and value based skills training package have been designed, developed and are currently being implemented. Discussion with concerned officer gathered that all officers under NEC have completed training for both quality based and value based skills.

⁴¹ NEC Decree s 26(1)

⁴² NEC Decree s 26(2)

⁴³ NEC Decree s 26(3)

⁴⁴ NEC Decree s 26(4)

However, our review of the training package developed for the standards found that the package is not broken down into modules considering the magnitude of the requirements in the standards.

- 4.3.7 A review of NEC management systems and process are done all year around while a collectively formal review is done annually.
- 4.3.8 There is a risk that the training may not be adding the expected value to staffs as the training package developed may not integrate the full requirements of the standards. In addition, the effective application of the quality management and governance system may be hindered by the delay in the formalisation of the relevant regulations.

RECOMMENDATIONS

Ministry of Labour (National Employment Centre and NEC Board)

NEC

NEC should:

- ensure that the term of appointment for NEC Board members outlined in the NEC Decree is complied with.
- use the powers provided under the 2013 Constitution through the Ministry's Permanent Secretary to recruit volunteers/attachés' for NEC once funds are available through savings from other votes or funds received through the NEC Trust account.
- work towards securing better relationship with its strategic partners.
- through its awareness program make every effort to inform employers of their obligation under the NEC Decree to employ volunteers and attachés under NEC.
- ensure that the quality based and value based skills training package are broken down into modules such that the requirements of the ISO standards are thoroughly covered.

NEC Board

- The Board should ensure that the number of meetings outlined in the NEC Decree is complied with.

Solicitor General's Office

- The SG's Office should ensure that the vetting of the 7 Regulations for NEC indicated in this report is conducted and that the Regulations are gazetted to allow NEC to effectively carry out its operations. An update should be provided by the Office to the Ministry so that the NEC Board is updated on the subject in its meeting.

Ministry of Strategic Planning, National Development and Statistics

- The Ministry should make every effort to ensure that the requirements of Cabinet Decision No. 85 of 13th of March 2012 are implemented.
- The Ministry should make every effort to consult Ministry of Labour and other relevant parties identified in the Cabinet Decision for the immediate transfer of IHRDP to NEC.

Ministry of iTaukei Affairs

- The Ministry should make every effort to ensure that the requirements of Cabinet Decision No. 85 of 13th of March 2012 are implemented.

Ministry of Industry and Trade

- The Ministry should make every effort to ensure that the requirements of Cabinet Decision No. 85 of 13th of March 2012 are implemented.

Management CommentsMinistry of Labour (National Employment Centre & NEC Board)

- *The SG's Office had completed vetting of the seven (7) Regulations of the NEC Decree 2009 and at present, our legal team is finalizing the Regulations for Gazetting.*
- *The NEC Secretariat is complying with the NEC Decree 2009 in related to the appointment of the NEC Board.*
- *The NEC will conduct minimum 2 NEC Board meetings this year 2014.*
- *The Ministry and NEC had been recruiting NEC Volunteers and Attaches since 2010 through its budgetary allocation and to date Ministry had recruited 149 and 100% had been absorbed into inline position or other organization.*
- *The PS MLIRE is talking with other relevant agencies PS on the way forward of this Cabinet Decision 85.*
- *The NEC is liaising with Ministry of iTaukei related to the Cabinet Decision No. 85. We had presented to the NLTB Senior Management on the NEC Framework. We will meet with General Manager again this quarter on MOU.*
- *The NEC had been promoting this public and private partnership since inception and will continue to pursue this strategy because it is a legal requirement and will also depend on the resource on the ground.*
- *The reviewing of SOPs is a continuing process and as we roll out by implementing the PDCA model.*

Solicitor General's Office

No comments received.

Ministry of iTaukei Affairs

No comments received.

Ministry of Industry and Trade

No comments received.

Ministry of Strategic Planning, National Development and Statistics

- *We note the findings and recommendations of your Draft Management Letter that our Ministry needs to consult with all relevant parties and comply with Cabinet Decision No. 85 of 13th March 2012. In my opinion, these findings do not take account of developments that have taken place after the Cabinet Decision, which would have been explained during the conduct of this performance audit. In particular that the findings fail to properly consider:*
 - a) The approval of the Prime Minister on 16th April, 2012 to revisit the Cabinet Decision in question following a review of the National employment Centre(NEC);*
 - b) Subsequent discussions and consultations held with the Minister for Labour, Industrial Relations & Employment and Minister for Agriculture and Minister for Rural & Maritime Development and National Disaster Management where it was agreed that line Ministries would continue to implement their employment programmes and submit regular reports to the NEC; and*
 - c) Updates provided to the Secretary to Cabinet on this issue on 17th December 2013.*

Further OAG Comments**Ministry of Labour**

The issue raised on the Board meeting concerns the term of the meeting. The NEC Decree requires a term of 2 years; however, the invitations sent out for new members are with effect from 2014 (the existing term for current members) when in fact should have been with effect from January 2015.

Ministry of Strategic Planning, National Development and Statistics

In following up on the comments and documentation provided by the MSPNDS, audit noted the following:

- The approval of the Prime Minister endorsed on 16/4 (as no year was stated, it is assumed that year is 2011 following on from the date of submission of the Minute Brief referenced NPO 03/03/49 dated 11/4/11) is in respect to the **“Review of the Role of the National Employment Centre”**, and has no relevance to Cabinet Decision No. 85 of 13/3/12, a decision which was made 11 months later. The purpose of the Minute Brief was to provide an update on the activities of the NEC since it commenced operation in April 2010; provide an assessment of its effectiveness of the role of the NEC in relation to registration and training of unemployed persons as stipulated in the NEC Decree; and to provide recommendations for the better coordination of government's efforts in the creation of employment opportunities. The Prime Minister agreed with the 4 recommendations proffered, and directed that the views of the Labour Ministry be obtained and relevant changes be made to the entity. The 4 recommendations proffered for the PM's consideration and decision include:
 - (i) to take note of the status of NEC particularly the number of unemployed persons who are trained and on work attachment;
 - (ii) that the Ministry of Labour to review the structure and role of NEC with a view to reducing the size of NEC establishment and focusing on targeted demand driven training;
 - (iii) that cost recovery measures to be considered to recover cost incurred on training of the registered unemployed persons ; and
 - (iv) that the NEC Decree to be reviewed through the consultative process taking into account the need to provide targeted training and experience in countries with similar arrangement.
- In its follow up with the MSPNDS, audit was not provided with relevant documentation to support consultations undertaken by the MSPNDS with the Minister of Labour, Industrial Relations & Employment, and the Minister for Rural and Maritime Development & National Disaster Management and reflecting consensus that line Ministries would continue to implement their employment programmes and submit regular reports to the NEC as alluded to in the comments provided by the MSPNDS. It was confirmed at the exit meeting with the NEC on 18/11/14 that the Ministry does not have any documentation regarding this matter.
- In addition, no documentation was provided by the MSPNDS to support outcomes of discussions raised on the issue at the Prime Minister's forum on **“Project Implementation Programme for 2014”** as disclosed to the Secretary of Cabinet via memorandum referenced NPO 03/03/49 of 17/12/13.
- Audit also followed up with the Cabinet Office regarding status or outcomes of decisions with respect to correspondences by the MSPNDS to the Prime Minister via Minute Brief referenced NPO 03/03/49 of 13/04/12 regarding **“Cabinet Decision on the Transfer of Integrated Human Resource Development Programme to National Employment Centre”** and subsequent Memorandum referenced NPO 03/03/49 of 17/12/13 regarding **“Implementation of Cabinet Decision 85 of 2012”**. The Cabinet Office has no records of the correspondences alluded to being submitted for its consideration nor any subsequent Cabinet Decision provided on the matter.

Audit is also of the view that any concerns on NEC operations should have been raised to the NEC Board during the Board's meeting as it is the governing authority for NEC. Also since the Cabinet Memorandum resulting in the Cabinet Decision 85 was submitted to Cabinet via the NEC Board any subsequent changes to the decision should have also been channelled through the NEC Board for Cabinet's endorsement.

5.0 MANAGING KEY ACTIVITIES OF NEC

This section of the report looks into the management of key activities of the National Employment Centre. In essence it discusses the day to day activities conducted by NEC with indications of the performances of these activities since NEC's establishment.

- 5.0.1 The National Employment Centre Decree 2009 outlines various requirements covering the management of key activities of NEC on a day to day basis. These activities are undertaken by the Centre and entail key component of the Centre's performance.
- 5.0.2 NEC also has in place its own Standard Operating Procedure (SOP) which provides a guideline for its staffs to manage these activities.

5.1 Registration of the unemployed

- 5.1.1 The object of this part is to describe the conditions of engagement of the National Employment Centre in regards to compulsory registration, privileges and rights of unemployed persons, attaches and volunteers enrolled in the activities of any of the Employment Creation Services and how they are conducted including the employers' social responsibilities.⁴⁵ Any person who is unemployed or on part-time employment and at least 15 years of age must register with the National Employment Centre as prescribed.⁴⁶
- 5.1.2 The NEC Standard Operating Procedure (SOP) outline the following process in registering unemployed persons.

Table 5.1: Process of registering unregistered persons

Process	Description
<pre> graph TD Start([Start]) --> Step1[1. Interview client] Step1 --> Step2{2. Verify Qualification} Step2 -- N --> Step4[4. Do not meet legal requirement] Step4 --> End([End]) Step2 -- Y --> Step6[6. Register Client] Step6 --> Step7[/7. Enter Master Registration log/] Step7 --> Step8[/8. Enter Database/] Step8 --> Step9[9. Filing] Step9 --> End Step3[3. Insufficient document to meet registration requirement] --> Step5[5. Client return with complete documents] Step5 --> Step6 </pre>	<p>[1] Verify if customer fits description of an unemployed person; (school leavers, unemployed apprentices, graduates, attachés, volunteer, retirees & part time workers), check on clients ages(should be 15 years and above)and ensure if client has required documents.</p> <p>[2] Verify if the clients qualifies to register or not. If qualifies proceed to step 6</p> <p>[3] Clarify if client has all required documents, if requirements are not met, proceed to step 5</p> <p>[4]If client is less than 15 years of age or is a student he/she is declined (advise kindly & politely)</p> <p>[5]Advise client to return with complete documents then proceed to step 6.</p> <p>[6] Registration-advise the client on NEC processes fill in registration form (NEC-4-RF), advice on the repayments. Advise client to follow-up on their status and inform NEC of change of contact detail.</p> <p>[7] Enter registration in the master registration log. Issue confirmation letter with NEC ID .Sign MOU with clients for repayment (NEC-1-RMOU)</p> <p>[8] Data entry is done.</p> <p>[9] Create client file. File away the form.</p>

⁴⁵ NEC Decree s 38

⁴⁶ NEC Decree s 39(1)

- 5.1.3 The NEC registration of unemployed persons in the seven centres of the Ministry of Labour started on 14th of April 2010. As at 31st March 2014 NEC has registered a total of 33,773 unemployed persons. The following table depicts the number of unemployed persons registered for the period 2010 to 2014.

Table 5.2: Number of unemployed persons registered for the period 2010-2014

Year	Number of unemployed persons registered
2010	9,549
2011	13,283
2012	3,696
2013	6,225
2014 (March)	1,020
Total	33,773

Source: NEC Board paper 1/14

The number of unemployed persons registered from 2010 to 2013 has exceeded the ACP target of 2,000 persons per year.

- 5.1.4 The following observations were noted in regards to the registration process:

- the clients who register with NEC are provided with a registration number which NEC uses to follow-up on the progress of their registration. However, no identification card is issued to the unemployed person who has been registered with NEC.

Discussion with the senior officers of NEC revealed that the provision of ID cards for registered clients is provided in part 5 of the NEC Administration Regulation. However, NEC indicated that since the NEC (Administration) Regulation has yet to be gazetted the centre has not complied with the requirement.

- the process flow outlined in the SOP fails to capture the verification and authorization of registration forms before being entered into the NEC database. Audit noted that the NEC database has a mandatory field for verification and authorization which needs to be filled to complete a registration.

Interviews with Customer Service Officers (CSOs) and Data Entry Officers revealed that the Manager Central/Eastern had verbally authorized them to enter their names in the verification and authorization section to furnish the requirements of the database and to successfully enter the registration.

Audit found that the lack of verification and authorization of the registrations led to some duplicate serial numbers being issued to NEC application form for registration. This duplication creates confusion for the applicant and NEC CSOs because these unique serial numbers are used by applicants to follow up on their registrations with NEC.

- 5.1.5 The non-issuance of ID cards suggests that there exists no formal means of identification for unemployed persons already registered with NEC which reliably serve as a reference for identifying NEC registered clients.

5.2 Professional counselling services

- 5.2.1 The National Employment Centre Secretariat shall facilitate the provision of quality counselling services to all unemployed persons registered with the National Employment Centre.⁴⁷
- 5.2.2 The counselling services under section 46 subsection (1) shall be delivered at the highest level of professional standards and with confidentiality where relevant to promote the spiritual, mental and psychological, social, physical and economic well-being of the unemployed person.⁴⁸
- 5.2.3 The National Employment Centre Secretariat shall provide quality human resource and aptitude assessments and referral services for unemployed persons.⁴⁹
- 5.2.4 Audit noted that the NEC Secretariat facilitates the provision of quality counselling services to all unemployed persons registered with the National Employment Centre. This service is part of the NEC process and it is compulsory for all the NEC clients to undergo.
- 5.2.5 According to NEC the main objective of the professional counselling is to help the NEC clients understand and accept themselves as they are, to also encourage and also develop special abilities and right attitudes within themselves that will assist them. Special attention are given to those NEC client that are flagged on high risks category.
- 5.2.6 For the period 2010-2014 the NEC has engaged a total of 18,474 clients in the activity. Refer to the following table for details.

Table 5.3: Number of clients engaged for professional counselling services by NEC for the period 2010-2014

Year	Number of professional counselling
2010	3,825
2011	9,976
2012	2,832
2013	1,284
2014 (March)	557
Total	18,474

Source: NEC Board paper 1/14

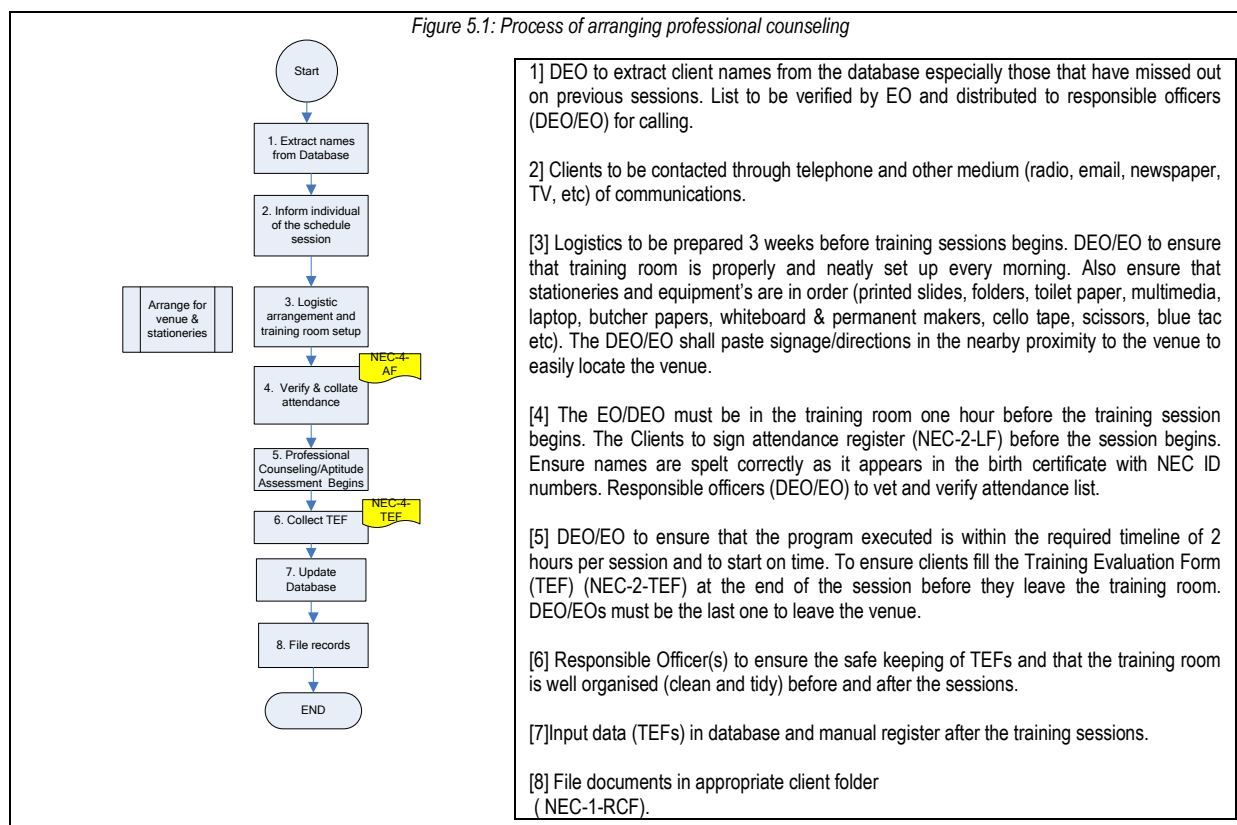
The NEC SOP provides the process of arranging professional counselling. Refer Figure 5.1 below for details.

⁴⁷ NEC Decree s 46(1)

⁴⁸ NEC Decree s 46(2)

⁴⁹ NEC Decree s 39(3)

Figure 5.1: Process of arranging professional counseling



- 5.2.7 Under the NEC Decree 2009 the NEC Secretariat must engage quality counselling services and must engage professional counsellors registered under the appropriate registration body to conduct counselling services for the registered unemployed persons⁵⁰.
- 5.2.8 Audit gathered that NEC Secretariat has engaged the Kuruleca consultants for its professional counselling services since 2010. The Kuruleca Consultants according to NEC Secretariat is recognized by the American Counselling Association. Verification of the consultant's qualification as stated in the curriculum vitae confirmed that the consultant is qualified to provide the services. However, audit could not locate any certified certificates in the Kuruleca consultant folder to substantiate its credentials.
- 5.2.9 Audit also found that the NEC selection or engagement of counsellors are vetted and scrutinized by the MLIRE Executive Managers and endorsed by the Permanent Secretary. However no evidence existed to indicate that a criterion is in place governing engagement of counsellors.
- 5.2.10 In addition, audit noted from reports submitted by the consultant that NEC needs more proper planning in the organising and scheduling of counselling sessions. Complaints were received from the NEC clients confirmed that phone calls were made to them the evening before the meeting informing them about the counselling session with specified venues and time.
- 5.2.11 Furthermore, scrutiny of the consultant's report revealed that there were sessions that had exceeded the limit of clients that should attend as per the MOU ranging from 40 to 50 NEC clients per session.

⁵⁰ NEC Decree 2009 Part 6 s.27

- 5.2.12 Lack of proper planning and monitoring of counselling services can result in the wastage of government resources. In addition, the non-existence of criteria for selection of counsellors indicates the lack of transparency in the engagement process.

Furthermore, having consultants to provide counselling outside the requirement of the agreement may have an effect on the efficient provision of services provided by the consultant.

5.3 Data management and use

- 5.3.1 The National Employment Centre shall establish and maintain an efficient data management system on the labour market including the registration of unemployed persons and the supply and demand of labour in the labour market.⁵¹
- 5.3.2 The existing NEC database was developed specifically for the Centre by a Consultant from India. The database allows NEC to capture a wide variety of information for individuals wishing to find employment.
- 5.3.3 Audit noted that although the NEC database captures a wide range of data, the database has limited ability to generate some essential and required reports. The following reports are required by the NEC officers for data analysis purpose but cannot be generated by the NEC database.

Table 5.4: Reports cannot be generated by the existing NEC database

Report name	Limitation of the database	Audit Comment
Registration by name by NEC number by registration date by age group	Age is present in the reports but there is no way of selecting a particular age group.	NEC officers need to select an age group for the database to display all candidates within that age group. This report cannot be generated from the database
Registration by name by NEC number by registration date by postal address by towns/districts	There is no postal address in the reports generated	Other contact information like a secondary phone contact is not displayed in the reports. NEC officers need the secondary phone contact when the primary phone contact is not reachable
Registration by name by NEC number by registration date by living arrangement	Living arrangements is not in any reports	NEC officer need to determine if a candidate has accommodation arrangements
Registration by name by NEC number by registration date by driving license number by class by status by expiry date	No. Reports does not state if clients have a driving license or details of driving license	Usually employers request for candidates with driving license.
Registration by name by NEC number by registration date by bank name by account number	Bank name and account number is not on any reports	The bank details are a necessary for salary payment to the candidate
Registration by name by NEC number by registration date by FNPF number by age	FNPF number is not on any reports	The FNPF number is necessary for the candidate just in case they secure permanent employment.
Registration by name by NEC number by registration date by TIN number	No. TIN number is not on any reports	TIN number for a candidate serves as an identification
Registration by name by NEC number by registration date by passport number by expiry date by country by work permit by PR date	Passport number and its details is not on any reports	The Passport details is essential for candidates seeking foreign employment
Registration by name by NEC number by registration date by degree of literacy (read/write/spoken/English/arithmetic/Braille/Sign language/etc.)	Degree or literacy levels is not generated in any reports	Some employers prefer candidate who have medium to higher literacy level thus it becomes crucial for NEC officers to have this report
Registration by name by NEC number by registration date by employment status	No. Employment status is not generated in any reports	Employment status is an important information which NEC staff need in other to allocate them to an employment opportunity
Registration by name by NEC number by	Secondary school details is not captured	Secondary school details is an

⁵¹ NEC Decree 2009 Part 7 s. 51(1)

registration date by secondary by school by year – FJC/FSLC/FSFE	in any reports	important information which NEC staff need in other to allocate them to an employment opportunity
Registration by name by NEC number by registration date by work experience by employer by occupation by duration	Work experience is not generated into any reports	NEC staffs need the work experience to be in reports or current work details so that they will not have to send their contact details to employers if they have an employment
Registration by name by NEC number by registration date by existing employment skills	Existing employment skills is not generated into any reports	Existing employment skills status is an important information which NEC staff need in other to allocate them to an employment opportunity
Registration by name by NEC number by registration date by registration feedback by area needing improvement	No. Feedback statistics does not show any feedback on improvement	This will allow NEC to gauge there service delivery
Registration by name by NEC number by registration date by registration feedback by recommendation to others	Feedback statistics does not show any feedback on recommendation to others	This will allow NEC to gauge there service delivery
Registration by name by NEC number by registration date by NEC Registration officer	Officer name is not generated into reports	This will allow to monitor the productivity of an officer
Registration by name by NEC number by registration date by NEC Verification officer	Verification Officer name is not generated into reports	This will prove the accountability component for the NEC officer
Registration by name by NEC number by registration date by NEC Authorizing Manager	Authorizing Manager is not generated into reports	This will prove the accountability component for the NEC officer

- 5.3.4 Audit also found that the database cannot generate a NEC Registration number automatically. As a result NEC officers have to follow the excel based register and assign the NEC registration number manually.

Similarly, while interviewing data entry officers, audit found that the database does not prompt the data entry officer with a warning when a double entry for a registration number occurs. This indicates that the database does not assign primary key function to the registration details unlike the normal databases.

There is also difficulty to add the applicant's passport size photograph into the database.

- 5.3.5 Discussion with the senior administrative officer found that the NEC database was a tailor made database which was designed to suit the basic functions of NEC at the time of its inception 2010. The NEC database has since not been upgraded.
- 5.3.6 An out dated database impairs the entities ability to achieve its intended objective. It can also impair critical decision making for NEC officers by not providing adequate data analysis and modelled reports.

5.4 Public awareness campaign

- 5.4.1 The National Employment Centre shall provide quality advice, media marketing, annual expo shows and awareness programmes and training to employers and the general public on the development role of the National Employment Centre, including the legal requirements and incentives associated with enrolment of unemployed persons at the Centre and workplace attachments with the Employment Creation Services.⁵²
- 5.4.2 Audit found that public awareness is currently conducted by the Ministry to inform the public on the role of the National employment Centre and the benefits of registering with NEC, how to

⁵² NEC Decree Part 7 s 54

register with NEC and to inform the employers on their statutory obligation as part of the NEC Decree.

- 5.4.3 Public awareness is mainly focused on a number of groups including non-governmental organisations, government departments, religious groups, private and corporate organisations, secondary schools and tertiary institutions. Our review of the Annual Corporate Plan of the Ministry over the past four years found that a total of 70 awareness campaigns were targeted to be conducted by NEC yearly. No breakdown was however provided as to the number of awareness to be conducted for each of the target groups.
- 5.4.4 It was gathered that the awareness campaigns are done throughout the year upon request of any particular stakeholder group instead of NEC taking the initiative to reach out to the various stakeholders. The Centre conducts this awareness through presentations, emails and through phone conversations.
- 5.4.5 For the past four years from 2010 – 2013, NEC has conducted a total of 457 public awareness campaigns throughout the country. NEC has managed to surpass their targeted number of awareness for every year except for 2012 where there able to only conduct a total of fifty three awareness.

While there were 457 awareness conducted over the four year period, audit noted that no awareness was conducted in tertiary institution in Fiji.

- 5.4.6 Audit was informed that due to lack of funds and human resources, NEC was not able to meet their 2012 awareness target and conduct awareness for tertiary institutions.
- 5.4.7 There is every potential for NEC to increase the awareness of its operations if the Centre is well-resourced.

5.5 Life Skills Training (LST) – NEC Secretariat

- 5.5.1 A Formal Employment Service designated and established under section 56 must provide a quality life skills training course compatible with the needs of unemployed persons and recognised under the national qualification framework.⁵³ A life skills training course provided under subsection (1) must be designed and conducted as prescribed with the aim of promoting the holistic development of unemployed persons enabling them to become disciplined and productive workers.⁵⁴ A trainer conducting any part or the whole of the employment skills training course must be an accredited trainer.⁵⁵
- 5.5.2 A Self-Employment Service designated and established under section 66 must provide a quality life skills training course compatible with the needs of unemployed persons and retirees and recognised under the national qualification framework.⁵⁶ A life skills training course provided under the subsection (1) must be designed and conducted as prescribed with the aim of promoting the holistic development of unemployed persons and retirees enabling them to

⁵³ NEC Decree 2009 Part 8 s 57(1)

⁵⁴ NEC Decree 2009 Part 8 s 57(2)

⁵⁵ NEC Decree 2009 Part 8 s 57(3)

⁵⁶ NEC Decree 2009 Part 8 s 67(1)

become disciplined and productive workers and entrepreneurs.⁵⁷ A trainer conducting any part or the whole of the employment skills training course must be an accredited trainer.⁵⁸

- 5.5.3 The Fiji Volunteer Service designated and established under section 77 must provide a quality life skills training course compatible with the needs of unemployed persons and retirees and recognised under the national qualification framework.⁵⁹ A life skills training course provided under subsection (1) must be designed and conducted as prescribed with the aim of promoting the holistic development of unemployed persons and retirees enabling them to become disciplined and productive volunteers.⁶⁰ A trainer conducting any part or the whole of the employment skills training course must be an accredited trainer.⁶¹
- 5.5.4 The Foreign Employment Service designated and established under section 86 must provide a quality life skills training course compatible with the overseas employment needs of unemployed persons and retirees and recognised under the national qualification framework.⁶² A life skills training course provided under subsection (1) must be designed and conducted as prescribed with the aim of promoting the holistic development of unemployed persons and retirees enabling them to become disciplined and productive foreign employment workers.⁶³ A trainer conducting any part or the whole of the employment skills training course must be an accredited trainer.⁶⁴
- 5.5.5 The Life Skills Training is a multi-component proactive curriculum addressing social, psychological, cognitive, and attitudinal factors with the aim of promoting the holistic development of unemployed persons enabling them to become disciplined and productive workers.

The rationalization of this training is to allow clients to understand the universal values, good faith and social justice principles that one should understand and apply. The LST is a competency value based one week program.

- 5.5.6 The life skill training package includes 11 units outlined as follows:
- i. the study and application of core values in real life;
 - ii. NEWSTART programme
 - iii. religion and cross-cultural matters;
 - iv. fundamental principles and rights;
 - v. prevention of or limiting the spread of HIV/AIDS and drug abuse;
 - vi. first aid skills;
 - vii. adolescent training;
 - viii. financial literacy training;
 - ix. technological literacy training; and
 - x. a disciplined life style, teamwork and survival skills.

- 5.5.7 NEC currently conducts life skills training for FES, FORES and FVS. The following table illustrates the process involved in arranging clients for life skills training.

⁵⁷ NEC Decree 2009 Part 8 s 67(2)

⁵⁸ NEC Decree 2009 Part 8 s 67(3)

⁵⁹ NEC Decree 2009 Part 8 s 78(1)

⁶⁰ NEC Decree 2009 Part 8 s 78(2)

⁶¹ NEC Decree 2009 Part 11 s 78(3)

⁶² NEC Decree 2009 Part 11 s 87(1)

⁶³ NEC Decree 2009 Part 11 s 87(2)

⁶⁴ NEC Decree 2009 Part 11 s 87(3)

Table 5.5: Process of arranging clients for the training

Process	Description
<pre> graph TD Start([Start]) --> Extract[Extract names [1]] Extract --> Setup[Setup room [2]] Setup --> Conduct[Conduct LST Training [3]] Conduct --> Take[Take attendance & Verify [4]] Take --> Forward[Forward attendance to AA/EO/Managers for Certificates [5]] Forward --> Fill[Fill & collect TEF [6]] Fill --> Present[Present certificates to clients [7]] Present --> Collate[Collate & submit weekly report [8]] Collate --> File[File records/documents [9]] File --> End([END]) </pre>	<p>[1] DEO/EO to extract names from Professional Counselling & Aptitude Assessment List and also include clients that have missed out on previous sessions. Call and inform clients on training venue, date and time.</p> <p>[2] Responsible officer to set up training room one hour prior to start of training, including organisation of stationeries and equipments (Workbook, Training Manual, Toilet paper, multimedia, laptop, butcher papers, whiteboard & permanent makers, cello tape, scissors, blue tac).</p> <p>[3] Before commencement of training, Trainer to announce housekeeping matters to participants. LST must be conducted within 6 hours per day (30 hours per week), excluding breaks. Certificates will only be awarded to participants attending the full 30 hours.</p> <p>[4] Clients to sign attendance register daily. Ensure name's are spelt correctly as it appears in the birth certificate with NEC ID numbers.</p> <p>[5] Trainer to verify & type attendance list and submit to EO/Managers for printing of certificates.</p> <p>[6] Ensure clients fill the TEF/MOU and collect forms at the end of the session before they leave the training room</p> <p>[7] Present LST certificates to clients at the end of the session. Input data (TEFs) in database and update manual register after the training session.</p> <p>[8] DEO to collate and submit Weekly Report (WR) to EO. [8a] DEO to update database after forwarding the WR to EO. EO to verify and submit WR to Manager. Manager to add value and submit to AA for compilation.</p> <p>[9] File documents in appropriate folder.</p>

5.5.8 For the period 2010 to 2014 NEC has engaged 10,216 clients through this program. Refer to the table 5.6 for details.

Table 5.6: Clients engaged for the LST program for the period 2010-2014

Year	Number of unemployed persons
2010	2,351
2011	5,431
2012	1,333
2013	1,014
2014 (March)	87
Total	10,216

Source: NEC Board paper 1/14

5.5.9 The qualification of this training milestone is reflected in the behavioural change of clients absorbed into work attachments.

5.5.10 Audit noted that NEC has only managed to achieve the targeted number of 2,500 annually in 2011. Discussions with senior officers revealed that the Centre has not been able to conduct the

LST regularly throughout all the centres. The unavailability of a suitable venue has been a major hindrance since NEC has to identify and book the venue in advance.

- 5.5.11 Audit also established that curriculum for the life skills training was developed as part of the Labour Reform in 2010. The main objective was that a value based training be developed and train the unemployed before employment so that the sustainability of employment is stable. The training was aimed at providing a basic nurturing program for unemployed candidates. The Life Skills Training package has not been reviewed since 2010.

In addition audit found that all the LST units offered are not well suited for the Foreign Employment Services in view of the fact that clients under this Service will be engaged abroad.

- 5.5.12 There is a risk that the use of the out-dated training program may not achieve the intended objective and thus will be unsuccessful in adding value.

5.6 Employment Skills Training (EST)

- 5.6.1 A Formal Employment Service designated and established under section 56 must provide quality employment skills training course compatible with the needs of unemployed persons and recognized under the national qualification framework.⁶⁵ An employment skills training course provided under subsection (1) must be designed and conducted as prescribed with the aim of developing generic and specific employment knowledge and skills that are relevant to the demand of the employment market to facilitate the absorption of unemployed persons into formal employment.⁶⁶ A trainer conducting any part or the whole of the employment skills training course must be an accredited trainer.⁶⁷
- 5.6.2 A Fiji Volunteer Service designated and established under section 77 must provide quality employment skills training course compatible with the needs of unemployed persons and retirees recognized under the national qualification framework.⁶⁸ An employment skills training course provided under subsection (1) must be designed and conducted as prescribed with the aim of developing generic and specific employment knowledge and skills that are relevant to the needs of volunteers and the demands of the project they are assigned to.⁶⁹ A trainer conducting any part or the whole of the employment skills training course must be an accredited trainer.⁷⁰
- 5.6.3 A Foreign Employment Service designated and established under section 56 must provide quality employment skills training course compatible with the foreign employment needs of unemployed persons and retirees and recognized under the national qualification framework.⁷¹ An employment skills training course provided under subsection (1) must be designed and conducted as prescribed with the aim of developing generic and specific employment knowledge and skills that are relevant to the needs demand of unemployed persons and retirees and the demands of the targeted foreign employment market.⁷² A trainer conducting any part or the whole of the employment skills training course must be an accredited trainer.⁷³

⁶⁵ NEC Decree 2009 Part 8 s 58(1)

⁶⁶ NEC Decree 2009 Part 8 s 58(2)

⁶⁷ NEC Decree 2009 Part 8 s 58(3)

⁶⁸ NEC Decree 2009 Part 10 s 59(1)

⁶⁹ NEC Decree 2009 Part 10 s 59(2)

⁷⁰ NEC Decree 2009 Part 10s 59(3)

⁷¹ NEC Decree 2009 Part 11 s 88(1)

⁷² NEC Decree 2009 Part 11 s 88(2)

⁷³ NEC Decree 2009 Part 11 s 88(3)

- 5.6.4 The Employment Skills Training is intended to develop suitable skills for clients to pursue for employment relevant to the demand of labor market. The following table 5.7 illustrates the process involved in the EST.

Table 5.7: Process of engaging clients for EST

PROCESS	DESCRIPTIONS
<pre> graph TD Start([Start]) --> Step1[Confirm dates, venues & EST Trainer, sort names [1]] Step1 --> Step2[Extract name and verify [2]] Step2 --> Step3[Sort names in alphabetical order & place 35 in each class [3]] Step3 --> Step4[Inform & confirm clients of EST [4]] Step4 --> Step5[Finalize class list and send to trainer [5]] Step5 --> Decision{EST training begins and daily attendance registered [6]} Decision -- Y --> Step7[EST Certificates provided to clients [7]] Decision -- N --> Step3 Step7 --> Step8[Training provider provides EST report [8]] Step8 --> Step9[Report sent to Registry [9]] Step9 --> End([End]) </pre>	<p>1] Confirm dates, venues & EST trainer. Extract names from Database (DB), customer services book and LST attendance list by year</p> <p>[2] DEO/EO verify if client have completed C/A & LST and match clients Aptitude Assessment and enlist them for EST.</p> <p>[3] Sort names in alphabetical order and place 35 in each class as per MOU agreement (NEC & training provider).</p> <p>[4] DEO/EO informs and confirms with clients for their availability. You may interview client for special purposes (genuine cases).</p> <p>[5] DEO/EO finalizes class listing and send to trainers .</p> <p>[6] EST begins and attendance list is issued to the trainer. If no LST Certificate produced, then go back to No.3. DEO/EO to ensure attendance list is filled/signed by clients in the morning & afternoon sessions.</p> <p>[7] Issue of certificates to clients after completion and receipt of certificate is signed by clients.</p> <p>[8] Training providers provides EST report to DNEC and DEO updates client database profile and client file.</p> <p>[9] Hard copy of client Report sent to registry.</p>

- 5.6.5 For the period 2010 to 2014 a total of 2,696 NEC clients have successfully completed training in various discipline offered. The EST targets those without any formal tertiary qualifications. The following table 5.8 illustrates the number of clients for each year.

Table 5.8: Number of clients engaged for EST from 2010-2014

Year	Number
2010	152
2011	2360
2012	184
2013	0
2014	0
Total	2,696

Source: NEC Board paper 1/14

- 5.6.6 Over the period 2010 to 2013 NEC has only managed to meet its annual target of 1,000 per year in 2011. The non-performance of the training in the remaining years is mainly attributed to the cost of the training which has to be met by NEC. The cost per client for NEC to provide the training is \$600.00.

- 5.6.7 Our audit gathered that NEC determines clients for Employment Skills Training by first identifying their need for such training. This is obtained through the Registration Form filled by the clients. Part 41 of the form outline 31 different types of employment skills that the NEC clients are required to select. Refer to table 5.9 below for details:

Table 5.9: Employment skills listed in the NEC registration form

Employment skills			
Accounting & Finance	Arts & Craft	Automotive heavy	Automotive integrated
Automotive light	Carpentry	Communication	consumer electronics
Electronics automotive	Electrical engineering	Engine service & repairs	Farming
Graphics design	Information technology	Joinery	Management
Manufacturing	Maritime	Motor Vehicle machine	Office administration
Painting	Panel Beating	Plumbing	Refrigeration & air con
Spray painting	Security	Tour Guide	Tourism
Welding and fabrication	Wet trades	others	

- 5.6.8 The information gathered are then collated by the NEC Secretariat staffs to identify the courses that NEC needs to offer through the training providers. Due to the costs involved and the limitation in funding, NEC prioritises the training to be offered mainly focusing on a skill which will benefit a lot of clients. The training courses are then advertised to allow the identification of the most suitable training providers which are then submitted for approval of engagements.

According to NEC the Employment Skills Training is provided by Vocational Training Institutions and not Academic Training Institutions who are accredited providers that are recognized under the Fiji National Qualification Framework. However, audit was not provided with the list of training providers during the audit thus we were not able to ascertain the arrangements pertaining to their engagement. .

- 5.6.9 Discussion with the officers revealed that the current system of identifying the suitable employment skill training is not effective as there are still more NEC clients not being absorbed into the permanent workforce.

NEC conducted a survey in 2012, interviewing most employers that are not involved in taking NEC clients and found that NEC needs to review its strategy. Instead of identifying clients for EST by obtaining their need as indicated in their registration form, NEC should provide EST for areas that are of demand in the market so as to guarantee their absorption into the workforce.

- 5.6.10 The limitation in funding has a detrimental impact on the number of EST provided by NEC.

5.7 Workplace attachment- NEC Secretariat

- 5.7.1 A Formal Employment Service designated and established under section 56 must arrange with employers or employers' organisations to provide quality workplace attachments of unemployed persons enrolled under the Service.⁷⁴

⁷⁴ NEC Decree 2009 Part 8 s 59(1)

- 5.7.2 Workplace attachment allows clients to acquire hands on experience on real-life work situations. As discussed under Section 4.0 it's a legal obligation for employers who employ 50 or more workers to recruit at least 5% of the total number of workers as attaché's.
- 5.7.3 For the period 2010 to March 2014, NEC has engaged a total of 3,304 clients processed through this program. Refer to table 5.10 below for details.

Table 5.10: Clients engaged by NEC on attachment from 2010-2014

Year	Number of clients
2010	72
2011	1,012
2012	762
2013	1,256
2014	202
Total	3,304

Source: NEC Board paper 1/14

- 5.7.4 It can be inferred from the above table that NEC has met its target of 200 per year for the period 2011 and 2014. This is encouraging as the success of workplace attachment is heavily reliant on the willingness of employers to take in clients under the program.
- 5.7.5 Without the commitment of these employers the sustainability of the program is not assured in the long run.

5.8 Permanent Employment

- 5.8.1 The ultimate aim of the National Employment Centre is to reduce the unemployment rate from 8.6% to 4.3% by 2015. A way in which this aim can be achieved is through the absorption of NEC clients into permanent employment.
- 5.8.2 The total quantity of unemployed persons absorbed into permanent employment is reflected in table 5.11 below.

Table 5.11: Total number of unemployed persons absorbed into permanent employment from 2010-2014

Employment Creation Services	Quantum 2010-2014	Comments
Formal Employment Services	2,719	Employed in the formal sector
Fiji Volunteer Services	581	Employed in the formal and informal sector
Self-Employment Services	17,133	Employed in the informal sector
Foreign Employment Services	75	Employed overseas
Total	20,508	

Source: NEC Board paper 1/14

- 5.8.3 For the 75 clients finding employment through the FORES, 47 skilled workers have been deployed for overseas assignments and 28 are expected to leave by July 2014. The following table 5.12 provide further details:

Table 5.12: Unemployed persons absorbed into permanent employment under FORES from 2010-2014

Country	Quantum	Year	Area
United Arab Emirates	16	2013 & 2014	Tourism
Canada	25	2014	Agriculture

New Zealand	3	2014	Transportation
Others	31	2010-2014	

- 5.8.4 Government agencies administering SES have contributed to the development and monitoring of small and micro enterprises. Refer to table 5.13 below for details:

5.13: Results of contribution of agencies to SES

Type of Assistance	Quantum
Cluster projects	6,711
Employment Created	17,133
Livelihoods improved	36,499
Wealth created	\$69,797,800

- 5.8.5 The number of permanent employment has the potential of increasing further if all related stakeholders work together under the NEC umbrella.

5.9 National Employment Centre Trust Fund

- 5.9.1 The object of this Part is to establish a National Employment Centre Trust Fund to be held in trust by the nominated representatives of the National Employment Centre Board as trustees of the Fund. The Fund may be applied by the Minister on the advice of the Board for the purposes of defraying the expenses of the National Employment Centre and the promotion and creation of employment and business opportunities in the formal employment market, self-employment market, Fiji Volunteer Service or foreign employment market including the incentivisation of green jobs, green growth and green productivity.⁷⁵
- 5.9.2 There shall be established in the special deposits account within the Ministry a National Employment Centre Trust Fund.⁷⁶ The Fund shall consist of-
- (a) Any money provided by Cabinet or Parliament for the purposes of the Fund or required to be paid into the Fund by or under this or any other law;
 - (b) Any grant or donation paid into the Fund from any local, regional or international agency or charity;
 - (c) Any grant paid into the Fund from any Government;
 - (d) Any grant, contribution or donation paid into the Fund from any local, regional or international corporate entity or individual;
 - (e) Any donation paid into the Fund from the public;
 - (f) Any donation paid into the Fund from any philanthropist or by bequest or fund raising activity;
 - (g) Any investment return on any of the Fund's assets;
 - (h) Any prescribed user-pay services revenue acquired by the NEC or any of its ECS;
 - (i) Any grant, contribution or donation paid into the Fund from any local, regional or international training institution; and
 - (j) Any other donation or contribution paid into the Fund.⁷⁷
- 5.9.3 There shall be paid out of the Fund all amounts payable under section 97 of this Decree and all other amounts required to be paid out of the Fund by or under this Decree.⁷⁸ The management

⁷⁵ NEC Decree 2009 Part 12 s 95

⁷⁶ NEC Decree 2009 Part 12 s 96(1)

⁷⁷ NEC Decree 2009 Part 12 s 96(2)

of the Fund, including the receipt of monies in the Fund, the payment of monies out of the Fund and investment of the Fund, shall be in accordance with international accounting best practice as prescribed.⁷⁹

- 5.9.4 The Amendments to the NEC Decree allowed other financial institutions to donate fund to the NEC Trust Fund. As at March 2014, the Trust Fund balance was \$517,533.29.
- 5.9.5 Audit found that in 2011 the NEC and Fiji National University signed an MOU to donate \$3.0 m to the NEC Trust Fund Account. This Fund was distributed on a yearly basis until 2013. In 2012 NEC was given \$1m and by 1st October 2013 the NEC had utilised \$484,000.77.
- 5.9.6 Our review of the Board papers for 2014 found that NEC made a recommendation to the Board to endorse an appointment of a Financial Sub-Committee to implement section 95 of the NEC Decree 2009 which requires that the Trust Fund to be held in trust by the nominated representatives of the NEC Board as trustees of the Fund.

RECOMMENDATIONS

- As a form of control NEC should issue identification cards to all customers registered under NEC.
- NEC should review the process of registering its customers outlined in the SOP to capture the verification and authorisation of registration forms before being entered into the database.
- NEC should ensure that a proper and transparent process is followed in engaging consultants for counselling services. In this regard it should ensure that appropriate documentations are available to justify consultant's engagement as well as the criterion utilised to select them.
- NEC should improve on its scheduling and organising of counselling sessions and also ensure that the terms and conditions of the contract with the consultants are complied with.
- NEC should re-assess the capability of its database and address the areas that pose a threat to the effective and efficient management of its data.
- NEC should allocate its awareness targets in the ACP to cover all its intended target groups which it believes it can reach annually with the available level of resources.
- NEC should review its training package for LST to ensure that it suits all clients under the four ECS. In this regard training packages should be tailor made to the needs of each Service.
- In view of funding limitations NEC should review its strategy for provision of EST to ensure that the program is successful.

Management Comments

- *The initial phase NEC was issuing ID card but due to financial constraint, the decision was to stop and only issue letter of confirmation. We will re-activate if budget is allocated.*
- *The new SOP under ISO 9001;2008 will include this verification and authorization of registration.*
- *The NEC is complying with the Office of Procurement new requirements in related to the hiring of Consultants to provide services to the NEC.*
- *The consultant's Terms of References (TOR) is clearly stated in the MOU or MOA.*
- *Since the commissioning of the NEC database in 2011, we have come across some teething problems. The IT Team is working on it including the new reporting template.*
- *The NEC team is very aggressive is promoting the NEC Decree requirements and with new recruit volunteers will enhance this area.*

⁷⁸ NEC Decree 2009 Part 12 s 96(3)

⁷⁹ NEC Decree 2009 Part 12 s 96(4)

- *The introduction of ISO 9001; 2008 standard had brought in new initiatives to revamp all training package and SOPs. The NEC operation will be efficient, effective and economical.*
- *The Employment Skill Training activity will be obsolete after we trained all unemployed persons with no tertiary qualifications registered with the NEC. The free education and free/available scholarship will take care of this cost. We will focus on up-skilling of specialized discipline only.*

6.0 MONITORING AND REPORTING ACTIVITIES OF NEC

This section looks into the monitoring and reporting of NEC activities. It is crucial that proper and effective monitoring and reporting mechanisms are in place to monitor and report activities of NEC in providing quality skills training, human resource development and utilisation services that enhance the employability of unemployed persons, retirees and volunteers, as only then can performance be established.

6.1 Performance reports

- 6.1.1 The 2009 NEC Decree requires all of the employment creation services to prepare and submit their performance reports to the National Employment Centre Secretariat, the chairperson of the NEC Board and the Minister.
- 6.1.2 The NEC Decree 2009 requires that these performance reports are to be prepared and submitted by the various Employment Creation Services agencies to the above parties on a quarterly, bi-annual and annual basis. Refer to table below for details:

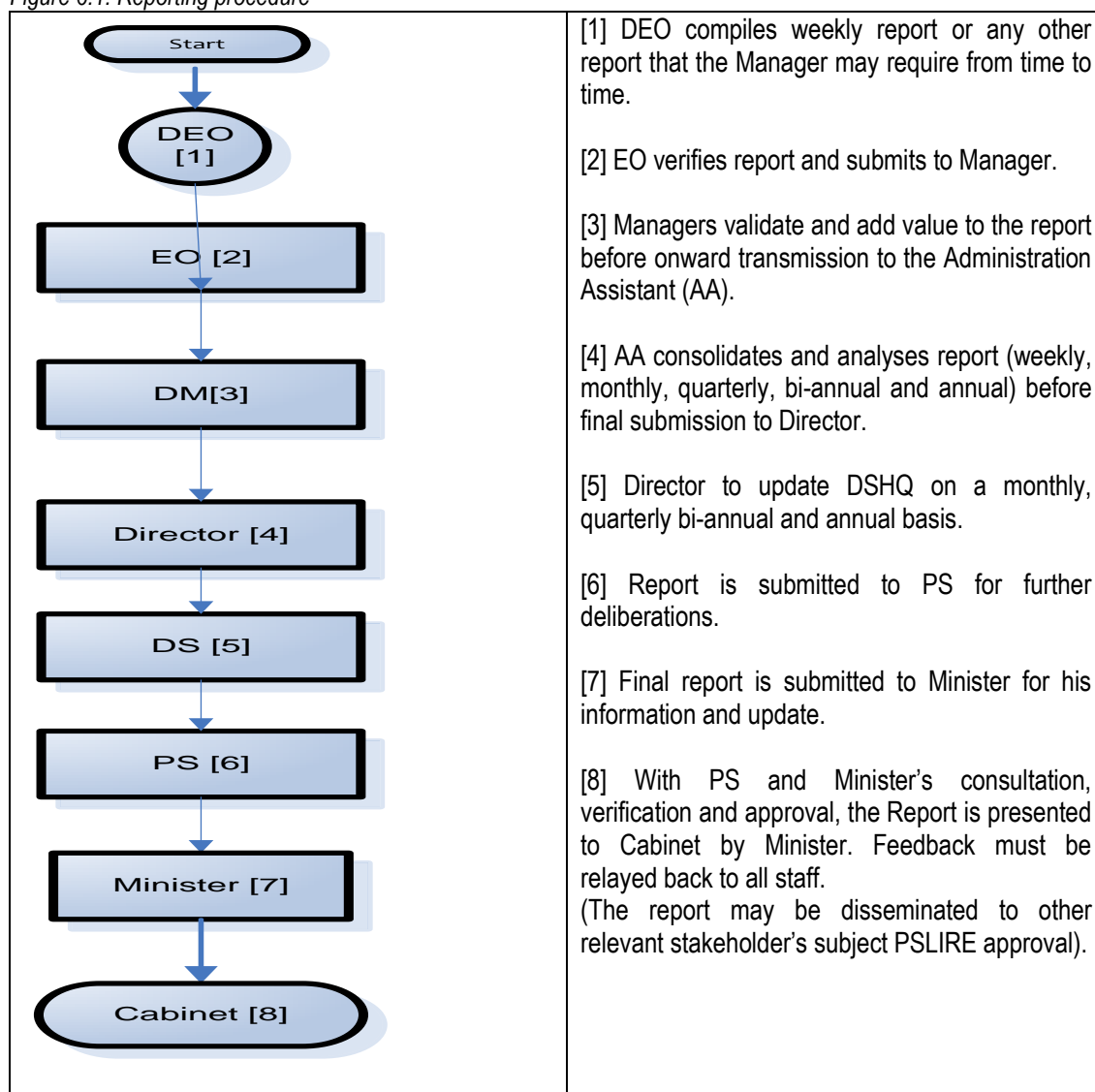
Table 6.1: Requirements of NEC Decree 2009 on preparation of performance reports by ECS

ECS	Legislative Provision	Ministry Responsible
Formal Employment Service	NEC Decree 2009, Section 63(1)(2)	Ministry for Labour, Industrial Relations & Employment through the National Employment Centre
Self-Employment Service	NEC Decree 2009, Section 73(1)(2)	The SES is currently being administered by various ministries and agencies which include: <ul style="list-style-type: none"> • National Centre for Small Micro Enterprises Development (NCSMED) • Centre of appropriate Technology and Development (CATD) • Ministry of Youth and Sports • Ministry of Social Welfare and Poverty Alleviation • Ministry of Agriculture • Department of Forestry • Department of Fisheries • Integrated Human Resources Development Program
Fiji Volunteer Service	NEC Decree 2009, Section 83(1)(2)	Public Service Commission
Foreign Employment Service	NEC Decree 2009, Section 93(1)(2)	Ministry for Labour, Industrial Relations & Employment through the National Employment Centre

- 6.1.3 The National Employment Centre Secretariat is required to consolidate the performance reports of all the employment creation services and submit them to the NEC Board and the Minister.

Audit gathered that NEC has developed a reporting procedure in their SOP which serves as a guide for preparations, submission and consolidation of their required reports. Refer to table below for details;

Figure 6.1: Reporting procedure



- 6.1.4 Audit gathered from the SOP that NEC submits its report to the Minister after verification and validation from the NEC Managers and Director. This report includes all the ECS that NEC is currently responsible for which entail FES, FORES and FVS. The report is prepared on a monthly basis. Once the report is endorsed it is then submitted to the Secretariat for its submission to the Board.

Our review of the Board Papers found that performance reports are also presented to the Board on an annual basis.

Interview with responsible officers noted that the Centre has not prepared quarterly or bi annual performance reports as required under the given legislation.

- 6.1.5 Audit was not able to ascertain whether reports from the two agencies providing services not managed by NEC were prepared and submitted quarterly, bi-annually and annually by the responsible agencies.

- 6.1.6 In addition, our review of the NEC Board papers prepared for the Board's recent meeting found errors in the performance update of certain activities of the NEC. In particular, audit found that Annexure 2.0 Table 6.0 attached as part of the performance report provided to the Board did not agree with the discussion made as part of the Board Paper contents.
- 6.1.7 In the absence of a performance report, the Centre will not be able to evaluate how effectively they are implementing and managing the employment creation services. In addition, errors in the performance report included in the Board papers may result in the members of the Board being mis-informed of the performances of NEC.

6.2 Annual reports

- 6.2.1 The 2009 NEC Decree requires all of the ECS to also prepare and submit their annual reports to the National Employment Centre Secretariat, the Chairperson of the National Employment Centre Board and the Minister including the host Minister of the Service.
- 6.2.2 The following table outline the specific sections of the NEC Decree 2009 in respect to the preparation and submission of Annual Reports.

Table 6.2: Requirements of NEC Decree 2009 on preparation of annual reports by ECS

ECS	Legislative Provision	Ministry Responsible
Formal Employment Service	NEC Decree 2009, Section 64(1)(2)	Ministry for Labour, Industrial Relations & Employment through the National Employment Centre
Self-Employment Service	NEC Decree 2009, Section 74(1)(2)	The SES is currently being administered by various ministries and agencies which include: <ul style="list-style-type: none"> • National Centre for Small Micro Enterprises Development (NCSMED) • Centre of appropriate Technology and Development (CATD) • Ministry of Youth and Sports • Ministry of Social Welfare and Poverty Alleviation • Ministry of Agriculture • Department of Forestry • Department of Fisheries • Integrated Human Resources Development Program
Fiji Volunteer Service	NEC Decree 2009, Section 84(1)(2)	Public Service Commission
Foreign Employment Service	NEC Decree 2009, Section 94(1)(2)	Ministry for Labour, Industrial Relations & Employment through the National Employment Centre

- 6.2.3 Our examination noted that apart from NEC the other ECS agencies do not submit their annual report to the Secretariat to enable the Secretariat to consolidate the reports in its annual report for NEC.
- 6.2.4 The non-submission of annual reports by the various ECS agencies limits the information provided to users of the report on the performance of NEC.

6.3 Monitoring clients finding employment for recovery purposes

- 6.3.1 The National Employment Centre has in place a repayment programme. The programme is applicable to all unemployed persons who have registered under the NEC and have undertaken professional counselling, aptitude assessment, life skills training, employment skills training and work attachment including business attachment and have been absorbed into permanent employment.
- 6.3.2 The following table outlines the conditions of repayment, responsibilities of NEC and responsibilities of NEC trainee in respect to the repayment programme.

Table 6.3: Conditions for Repayment

1. Maximum amount payable is 50 percent of the total costs of training fees incurred by the NEC.
2. Repayments may be made to the NEC through direct deduction of the employee's wages to the Centre's trust fund account number 7788265 with the Bank of the South Pacific (BSP) or by manual repayment at any of the Centre's divisional office located in the Central/Eastern, Western and Northern divisions.
3. Repayment may begin at any stage of the training upon agreement of the trainee.
4. Repayment may be made in installments upon discussion and agreement between the trainee and the NEC.

Responsibilities: NEC

1. The NEC shall sign an MOU for repayment with all NEC trainees during life skills training
2. The NEC shall follow up with all individual trainees who are on work attachment for more than 6 months on the NEC trainee's work, business attachment or foreign employment status for the purpose of repayment.
3. The NEC shall discuss and agree with each trainee on the proposed method of repayment and the period of repayment before any repayment is made.
4. The NEC shall provide a designated revenue collector who shall be responsible for collecting and receipting all payments received from trainees.

Responsibilities: NEC Trainee

1. The trainee shall report any change to his or her employment status to the NEC within 7 working days
2. The trainee shall inform the Centre of the updates to his or her contact details including residential, postal, phone and email details
3. The trainee shall apply good faith principles during the term of engagement with NEC
4. The trainee shall demand for a receipt for the NEC when making repayments.

- 6.3.3 As can be interpreted from the table a Memorandum of Understanding is signed between NEC and the trainee to repay 50% of the fees paid by the Centre. The MOU is required to be signed by the trainee during the life skills training.
- 6.3.4 Audit gathered that the mechanism in place to monitor absorption of clients into permanent employment is not quite effective. NEC conducts follow ups on all individual trainees for more than six months on the NEC trainee's work, business attachment or foreign employment status for the purpose of repayment. The mechanism in audit's opinion is highly unreliable.
- 6.3.5 There is a risk that large amount of monies invested by the Government through NEC may not be recovered due to absence of an effective monitoring system.

RECOMMENDATIONS

- The Centre should ensure that the requirements of the NEC Decree are complied with in respect to the preparation and submission of performance reports.
- The Centre should ensure that proper checks are made to the performance audit report before being endorsed and submitted as Board Paper for the Board's discussion.
- NEC should send requests to all agencies managing the Services not under their responsibility to send their annual reports for activities relating to NEC within a specified timeline.
- NEC should put in place an effective monitoring system to establish employment of customers under its programme. A suggested approach is for NEC to work with FRCA by submitting the names of customers and requesting FRCA to inform them once a TIN is issued. A Memorandum of Understanding should be pursued with FRCA if NEC wishes to pursue this option.

Management Comments

- *At this point in time, the NEC Decree is not fully implemented due to the delay in gazetting of the seven (7) Regulations, resource capacity and establishing of SES. The existing strategy is to establish the Secretariat to roll out in phases the NEC Decree obligations. At the moment, we are reporting to PS and our NEC ACP is inculcated in the MLIRE ACP.*
- *A mechanism is in place on all management level to verify and check on Board and Cabinet papers. The new procedure is that the final copy is vetted by PS before delivered to the Honorable Minister for external stakeholders.*
- *We are liaising with relevant agencies to identify responsible officer to prepare this report and submit to the NEC.*
- *We had met with FRCA this year related to tax rebate. This tax incentive is in place and only applies to employers employing new NEC recruits.*

7.0 CONCLUSION

- 7.1 In view of the limited funding and staffing the audit acknowledges the great work done by the Ministry of Labour so far on the establishment and operations of the NEC. The NEC Board has also played a critical role over the years on the establishment and implementation of the NEC.
- 7.2 Cabinet's commitment on the program is also evident through the endorsement of Cabinet Papers on the NEC submitted by the Ministry.
- 7.3 However, the success and sustainability of the program is heavily reliant on the finalisation of the draft Regulations and the co-operation and commitment of other agencies that are part of the initiative.

8.0 REFERENCES

1. CP (09) 237 of 30th October 2009
2. CP (09) 45 of 28th May 2009
3. CP (10) 154 of 4th June 2010
4. CP (10) 160 of 4th June 2010
5. CP (10) 161 of 4th June 2010
6. CP (10) 162 of 4th June 2010
7. CP (10) 163 of 4th June 2010
8. CP (10) 164 of 4th June 2010
9. CP (10) 165 of 4th June 2010
10. CP (10) 166 of 4th June 2010
11. CP (12) 70 of 9th March 2012
12. Cabinet Decision No.59 of 2nd June 2009
13. Cabinet Decision No.85 of 13th March 2012
14. Cabinet Decision No. 303 of 3rd November 2009
15. Cabinet Decision No. 200 of 7th June 2010
16. Cabinet Decision No. 204 of 7th June 2010
17. Cabinet Decision No. 205 of 7th June 2010
18. Cabinet Decision No. 206 of 7th June 2010
19. Cabinet Decision No. 207 of 7th June 2010
20. Cabinet Decision No. 208 of 7th June 2010
21. Cabinet Decision No. 209 of 7th June 2010
22. Cabinet Decision No. 200 of 7th June 2010
23. National Employment Centre Decree 2009
24. National Employment Centre Standard Operating Procedures
25. NECB Paper 18/10 of 9th July 2010
26. NECB Paper 01/11 of 29th September 2011
27. NECB Paper 03/11 of 29th September 2011
28. NECB Paper 04/11 of 29th September 2011
29. NECB Paper 05/11 of 29th September 2011
30. NECB Paper 06/11 of 29th September 2011
31. NECB Paper 07/11 of 29th September 2011
32. NECB Paper 1/12 of 17th December 2012
33. NECB Paper 3/12 of 17th December 2012
34. NECB paper 1/14 of 5th June 2014

APPENDIX 1.1: NEC CORE BUSINESSES

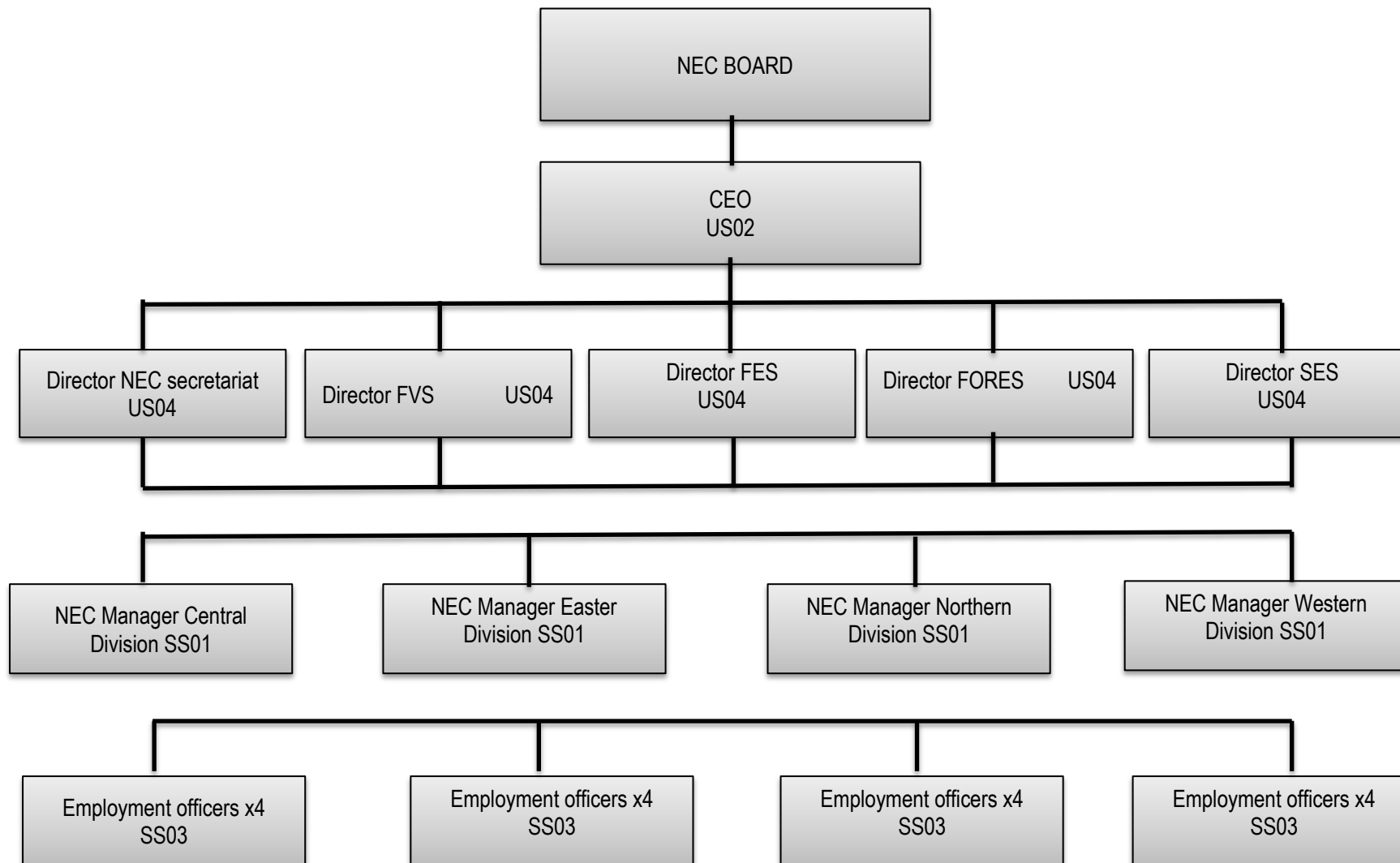
- (i) Integrated Human Resources Development Programme for Employment Promotion (IHRDPEP) and its 7 sub programmes managed by the NEB secretariat under the ministry of Labour (agreed at DSC and ERAB for the IHRDPEP employment promotion programmes to be shifted from the Ministry of National Planning to Labour Ministry for logistics and governance reasons.)
- (ii) Life skills and employment skills training and work attachments for absorption into formal and informal local employment with the National Youth Service Scheme (NYSS)
- (iii) Entrepreneurial skills training and creation of small businesses locally through seed funding and technical support services with the National Centre for small & micro Enterprises Development (NCMED)
- (iv) Promotion of overseas employment opportunities by the NEB Secretariat via Ministry of Foreign Affairs protocol.
- (v) Volunteer service under Fiji first National volunteer Scheme managed by the NEB secretariat for those wishing to promote civic responsibilities to the various sectors both in Fiji and also in the pacific region and overseas
- (vi) networking and strategic partnerships with training agencies and authorities such as TPAF, FIT, TVET, Ministry of education and the National Qualification Authority for the provisions of skills training and re-training or up-skilling of unemployed persons and workers; and
- (vii) Collation and analysis of labour market 'supply and demand' information & data to facilitate the effective delivery of the NEB core business, and advise on priority disciplines for scholarship funding.

APPENDIX 1.2: FUNCTIONS OF NEC BOARD

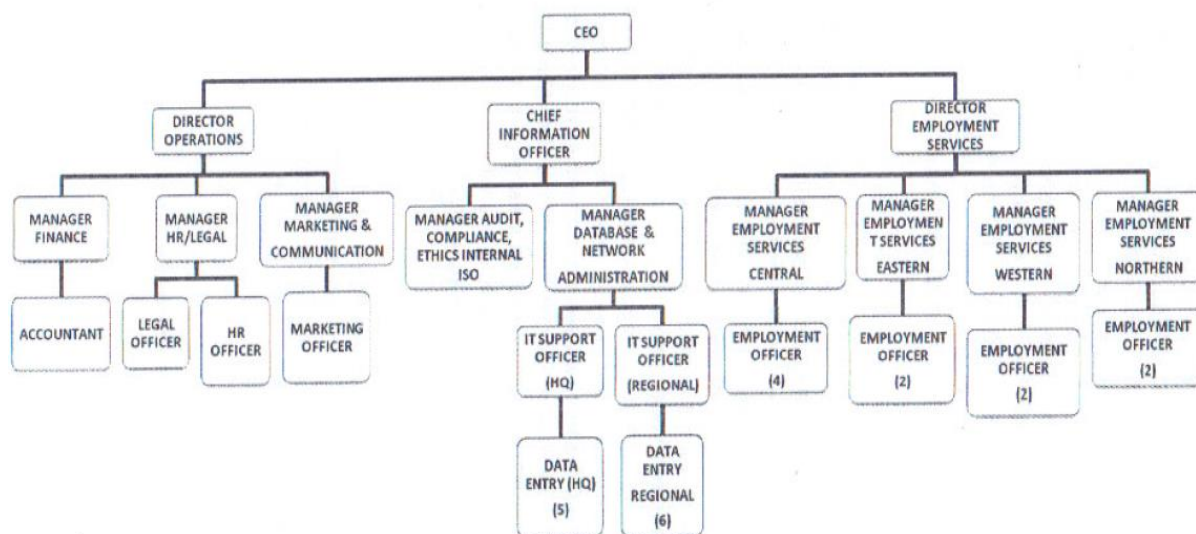
<ul style="list-style-type: none"> to establish the overarching National Employment Centre's strategic plan and corporate plan vision, mission, values, targets and strategies, rationalizing and integrating the strategic plans and corporate plans of the Formal Employment Service, the Self-Employment Service, the Fiji Volunteer Service and the Foreign Employment Service;
<ul style="list-style-type: none"> to ensure the achievements of the Centre's overarching strategic plan and corporate plan targets every year, compatible with national unemployment needs and Government's commitments to the Peoples Charter for Change, Peace and Progress;
<ul style="list-style-type: none"> to ensure an efficient and effective National Employment Centre established under the Ministry by this Decree;
<ul style="list-style-type: none"> to ensure the efficient and effective consolidation of all existing employment creation services within or under the jurisdictions of Government ministries and departments under the National Employment Centre Secretariat umbrella, operating under the Ministry's jurisdiction;
<ul style="list-style-type: none"> to ensure the efficient and effective operations of all the Employment Creation Services established under this Decree;
<ul style="list-style-type: none"> to ensure the efficient and effective implementation of employment creation policies of Government through the various Employment Creation Services by way of effective facilitation, coordination and monitoring roles;
<ul style="list-style-type: none"> to ensure efficient and effective strategic partnerships with vocational training and other training institutions, including the disciplined forces to realize quality competency-based skills training for all attachés, volunteers and unemployed persons;
<ul style="list-style-type: none"> to ensure an efficient and effective national registration system for all the unemployed throughout the Fiji Islands;
<ul style="list-style-type: none"> to ensure the provision of quality and professional counseling services to all unemployed persons;
<ul style="list-style-type: none"> to ensure the establishment and sustainability of the Fiji Volunteer Service and the Foreign Employment Service through the National Employment Centre Secretariat;
<ul style="list-style-type: none"> to search and find innovative ways or secure partnerships to significantly create and boost employment opportunities for the unemployed, such as the adoption of progressive information and communication technologies in training and development;
<ul style="list-style-type: none"> to boost entrepreneurship skills training and the creation of small businesses locally through the provision of seed funding and technical support services;
<ul style="list-style-type: none"> to effectively promote, facilitate and boost local and overseas employment opportunities through progressive media marketing and other effective strategies;
<ul style="list-style-type: none"> to effectively promote, facilitate and boost participation in the Fiji Volunteer Service for services locally, regionally and internationally;
<ul style="list-style-type: none"> to effectively promote and facilitate quality skills training and re-training or up-skilling of unemployed persons and workers;
<ul style="list-style-type: none"> to ensure the timely collation and analysis of labour market 'supply and demand' information and data relating to employment and unemployment to facilitate the effective delivery of the National Employment Centre and Employment Creation Services' core businesses;
<ul style="list-style-type: none"> to provide and maintain an efficient and current national human resources database system on employment and unemployment to ensure quality policy advice to the Minister and also to facilitate the Government's human resources planning, including the allocation of scholarships;
<ul style="list-style-type: none"> to periodically advise the Minister on the performances of all the Employment Creation Services in terms of employment creation growth;1396
<ul style="list-style-type: none"> to assume and rationalise the employment creation responsibilities of existing boards or bodies established by any of the Employment Creation Services operating within the jurisdiction of any Government ministry or department for the purposes of organisation reform under this Decree;
<ul style="list-style-type: none"> to decide on the allocation and distribution of human resources, operating and capital budgets and assets amongst the Employment Creation Services and the National Employment Centre Secretariat in accordance with the Government policy to establish the National Employment Centre and associated restructuring reform;
<ul style="list-style-type: none"> to decide, in consultation with the Minister, on the employment creation core businesses of the Employment Creation Services during the establishment or designation of the Formal Employment Service, the Self-Employment Service, the Fiji Volunteer Service or the Foreign Employment Service;
<ul style="list-style-type: none"> to decide, based on the determination of employment creation core businesses under subsection (1)(v), the rationalisation of organisation structures and positions in these Services, their numbers, grades, salary levels, contractual terms and conditions of employment and performance management systems to be adopted that are compatible with the market demands of the various employment and business markets to ensure that these Services are market-driven, cost-efficient and cost-effective;
<ul style="list-style-type: none"> to inquire into and report to the Minister on matters relating to employment creation referred to it by the Minister;
<ul style="list-style-type: none"> to provide the Minister with bi-annual reports on the progress in implementing the employment creation policies of Government under this Decree; and
<ul style="list-style-type: none"> to advise the Minister on any other employment creation matter as well as matters provided for by this Decree and any other written law;

APPENDIX 1.3: OBJECTIVES AND GOALS OF FORMAL EMPLOYMENT SERVICES AGENCIES

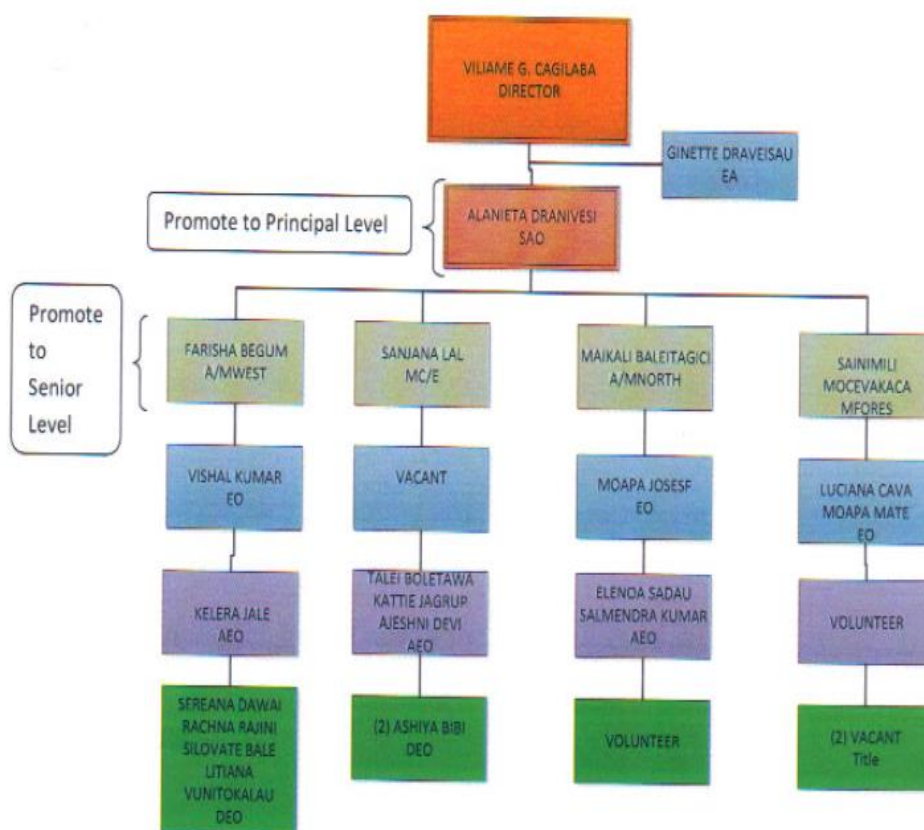
Formal Service	Employment	Relevant section of the Decree	Objectives	Goals
Formal Service	Employment	Part 8 sections 55 and 56	To provide quality human resource development service to unemployed persons to facilitate their absorption into the formal employment market and boost productivity including green productivity.	<ul style="list-style-type: none"> To provide quality human resource development service to unemployed persons to facilitate their absorption into the formal employment market and boost productivity including green productivity.
Self-Employment Service		Part 9 section 65 and 66	To provide quality human resource development service to unemployed persons and retirees to help them start and sustain their own small or micro enterprises, local economic development programmes or social enterprises as empowered entrepreneurs to boost employment creation and productivity including green productivity and green jobs.	<ul style="list-style-type: none"> Provide quality business skills training and advise for unemployed persons and retirees to facilitate their active participation in the formal, informal, urban and rural employment markets through the creation and sustaining of their own small and micro enterprises of other forms of self-employment.
Fiji Volunteer Service		Part 10 section 75 and 76	To promote a strong sense of service and civic pride amongst the people of the Fiji Islands	<ul style="list-style-type: none"> To engage unemployed persons and retirees who wish to serve society in the spirit of volunteering in any local, regional or international undertakings, including green growth projects. Develop a strong sense of civic pride and alleviate social problems in the nation.
Foreign Service	Employment	Part 11 section 85 and 86	To provide quality human resource development service to unemployed person and retirees to facilitate their absorption into decent and environmentally responsible overseas employment to boost employment creation and productivity.	To provide quality foreign employment services which involve orientation training to the unskilled, semi-skilled or skilled employed persons and retirees to facilitate their recruitment into the foreign employment market.

APPENDIX 1.4: STRUCTURE OF NEC INCLUDED IN CP (10) 154

APPENDIX 1.5: REVISED STRUCTURE



APPENDIX 1.6: EXISTING ORGANISATION STRUCTURE





CONTRACTUAL ENGAGEMENTS BY MUNICIPAL COUNCILS



**A Performance Audit Report of the Office
of the Auditor General of the Republic of
Fiji**

The audit looks into contractual engagements by Municipal Councils in Fiji. The audit focused on three areas which include:

- Policy framework governing contractual engagements;
- Key elements of contractual engagements; and
- Managing contractors' performance.

The audit covered seven of the thirteen municipal councils in Fiji located within the Central and the Western Divisions.

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1.0 EXECUTIVE SUMMARY

Background Some of the Municipal Councils service deliveries to the rate payers are performed by contractors mainly due to the lack of resources within the Councils. These contractors enter into contractual agreement with respective Councils with the common aim to provide quality service to raise living standards amongst the rate payers and the general community.

Coverage The audit on *Management of contracts in Municipal Councils* focused on three main areas including policy framework governing contractual engagements, key activities of contractors' engagements and managing contractors' performance.

The audit covered seven of the thirteen municipal councils in Fiji.

Overall conclusion None of the Councils visited have developed a policy governing the management of contractual engagements. Most the Councils visited were following tender procedures outlined in the Manual of Accounts for Municipal Councils in Fiji which was endorsed in 1992. Detailed planning of outsourced services were lacking in six of the Councils visited. Further to this risk assessment of contractual activities were not conducted by all the Councils visited.

Generally records maintained on activities relating to contractual engagements needs to be improved. It is pivotal that contract files contain information relating to tender evaluations, contractual agreement, correspondences between the Council and the contractor and other key activities of the engagement. Equally important is the compilation of contracts inventory and contracts register to evidence the contracts undertaken by the Councils over the years.

There is also a need to separate parties currently involved in the evaluation and approval of tender proposals to ensure transparency in the tender process. The criteria for tender evaluation is also lacking in most of the Councils. Contractual agreements being entered into by most of the Councils needs to be reviewed to incorporate other key items highlighted in this report. A few of the Councils also need to have their agreements vetted by a solicitor. Stringent controls also need to be put in place to ensure payments made to contractors are within the requirements of the contract agreement.

Some evidence of monitoring of contractual engagement was noted to have been conducted by most of the Councils; however there have been lack of proper documentations to indicate the results of monitoring works. This anomaly was mainly attributed to the absence of a monitoring policy in place and non-specification of monitoring requirements in the contractual agreements. The evaluation of the contractors' performance and preparation of a contract performance report was not conducted by all the Councils. Such is the case mainly due to the non-inclusion of the requirement in the existing contractual agreement.

Key findings***Policy framework governing contractual engagements***

- The Department of Local Government has no standard guideline in place governing contractual engagement to be used by all Municipal Councils.
- The Department Local Government has not reviewed the existing 1992 Manual of Accounts used by the Councils to reflect changes and development in the Councils
- Most of the Councils do not have detailed planning such as done by Suva City Council to cover all activities at the commencement of, during and after the contract period are conducted.
- None of the Councils have conducted risk assessment of contractual activities.

Key elements of contractual engagements

- Nausori Town Council did not have an engineer and head of the health to provide technical input in the identification of contracted works.
- Responsibility of tender evaluations and approving tenders are not separated.
- Most of the Councils did not have evaluation criteria to evaluate tender proposals.
- Contractual agreement did not incorporate key items.
- Existing contracts approaching expiry term were not reviewed prior to their renewal.
- Contractual agreements were not vetted by a solicitor in some Council.
- Documentation of contractual activities was generally lacking.
- Internal controls in the payment of contractors were lacking in some Councils.

Managing contractors' performance

- Documentation of monitoring of contracted works were lacking in most Councils.
- Nausori Town Council engaged a project manager to monitor works conducted by five contractors without proper provisions in the agreement on monitoring and reporting of the project manager.
- None of the Councils conducted an evaluation of contractors' performance following expiration of contracts.
- Monitoring, reporting and evaluation of contractors' performance were not included as part of the contractual agreement in most of the Councils.
- Complaints register were not updated in a timely manner in most of the Councils.

General Recommendation

The audit recommends that each Council covered in this audit look into the issues raised in this report and work towards addressing the anomalies identified for their Councils.

2.0 INTRODUCTION

This section of the report provides a brief overview of contractual engagements by Municipal Councils as well as reasons for the conduct of the audit.

2.1 Background

- 2.1.1 Local governments play an important role in improving living standards of communities located within their municipal boundaries. In this context Councils are required to ensure that resources are used efficiently and effectively and services are provided to best meet the needs of the community and to improve the overall quality of life of people within the community.
- 2.1.2 Municipal Councils provide a wide range of services that improve standards of living for its rate payers, such as collection of household rubbish, maintenance of drainage and roads infrastructure, provision and maintenance of public utilities, sports facilities, recreation facilities, etc. The wide range of services required to be provided by Councils, and given the limited resources available to them, has led many Councils to contract some of its services to private contractors. Payments of contracts for such services constitute a significant portion of a municipal councils' expenditure.
- 2.1.3 The fundamental best practice principles that Councils should apply to every contractual engagements irrespective of the value and complexity of the arrangement include:
- **Value for money**
Obtaining value for money does not mean a Council is obliged to accept the lowest price. The concept of value for money takes into account both costs and non-cost factors including quality, service and support and advancing the Council's priorities.
 - **Open and fair competition**
All prospective contractors must be treated fairly in an open and transparent manner.
 - **Accountability**
Council staffs are responsible for the actions and decisions they take in relation to contractual engagements and for the resulting outcomes. Staffs must ensure that they provide adequate and reliable advice to the relevant authorities to allow sound decisions are made on contractual engagements.
 - **Risk management**
All contractual engagement carries some level of risk. It is vital for Councils to recognise these risks and develop appropriate strategies to deal with them.
 - **Probity and transparency**
Councils must conduct their business in a fair, honest and open manner demonstrating the highest level of integrity consistent with the public interest.

2.2 Legislation governing municipal councils operations

2.2.1 Although they vary in sizes, geographies, populations and resources, all municipal councils are governed by the Local Government Act (Cap 125). Altogether there are a total of 13 Municipal Councils established around the country, consisting of eleven (11) town councils and two (2) city councils.

2.2.2 Under Section 90 of the Act, Municipal Councils are required to;

- (a) promote or establish and maintain public utility services including public transportation;
- (b) construct or maintain any public works which in the opinion of the council may be necessary or beneficial to the municipality; and
- (c) contribute to the cost of the matters referred to in paragraphs (a) and (b).

2.2.3 Every Council is required to undertake activities lawfully and may expedient to promote the health, welfare and convenience of the inhabitants of the municipality and to preserve the amenities or credit thereof.

A Council may make by-laws prescribing forms, fees, matters and things which are contemplated by this Act or are required or permitted by this Act to be prescribed, or which appear to the council to be necessary or convenient for the peace, good order and government of the municipality and for the purpose of effectually carrying out the provisions of this Act, or for better effecting the operation, objects and purposes thereof.

2.3 Reasons for undertaking the audit

2.3.1 The choice of contracting services to deliver programs and services required is considered a risk. Since payments of contract services constitute significant expenditures, it is susceptible to collusion and mismanagement.

2.3.2 Previous financial audits conducted have highlighted a number of deficiencies with regards to how contracts are tendered, issued, managed and controlled by Municipal Councils, and have raised some concerns on non-compliance with required policies, laws and regulations.

2.3.3 The contracting process and directives on contracting have not changed and as such an audit in the area could also lead to some improvements such as policy reviews or development, and improved contracting practices in municipal councils.

3.0 AUDIT OBJECTIVES SCOPE AND METHODOLOGY

This section of the report describes the objective and scope of the audit. It also discusses the methodology utilised to gather information for the audit.

3.1 Audit objectives

- 3.1.1 The overall objective of the audit is to determine the effectiveness of municipal councils in managing contracts of services by examining:
- the policy framework governing contractual engagements;
 - key elements of contractual engagements; and
 - managing contractors' performance.

3.2 Audit scope

- 3.2.1 The audit focused on contracts executed by 7 of the 13 municipal councils [i.e. 4 from the Central division and 3 from the Western division] for the years 2012 to 2014. The Councils are listed in the table below:

Table 3.1: Councils visited

Division	Councils
Central	<ul style="list-style-type: none"> • Suva City Council • Nausori Town Council • Nasinu Town Council • Lami Town Council
Western	<ul style="list-style-type: none"> • Lautoka City Council • Nadi Town Council • Ba Town Council

- 3.2.2 The audit did not look into any contracts entered into under the old local government set up i.e. prior to 2008, however the audit may use any guideline or system from those years that is currently valid and used by the Councils.

3.3 Audit methodology

The audit used the following methodology to gather information for the audit:

- *Documentary review*

The audit reviewed various documents to gather information on the management of contracts in the municipal councils. The major documents reviewed are listed below:

Table 3.2: Details of documents reviewed and source during audit

Municipal Council	Documents
Ba Town Council	<ul style="list-style-type: none"> • Annual Corporate Plan 2011 • Strategic Plan 2010 – 2015 • Contract file • Complaints register
Lami Town Council	<ul style="list-style-type: none"> • Annual Corporate Plan 2010 • Annual Corporate Plan 2012 • Strategic Plan 2010 – 2014 • Contract Agreement between Nasinu, Lami and Nausori Town Councils • Contract file • Complaints register
Lautoka City Council	<ul style="list-style-type: none"> • Annual Corporate Plan 2011 • Annual Corporate Plan 2012 • Contract Agreement • Contract file • Complaints register
Nadi Town Council	<ul style="list-style-type: none"> • Corporate Plan 2003 – 2012 • 5 Year Strategic Plan 2010 – 2014 • Contract file • Complaints register
Nasinu Town Council	<ul style="list-style-type: none"> • Contract documents • Payment vouchers to contractors • Minutes of tender meetings • Complaints register
Nausori Town Council	<ul style="list-style-type: none"> • Contract documents • Payment vouchers to contractors • Minutes of tender meetings • Complaints register
Suva City Council	<ul style="list-style-type: none"> • Contract documents • Payment vouchers to contractors • Minutes of tender meetings • Annual Corporate Plan 2010 • Annual Corporate Plan 2012 • Strategic Plan 2010 – 2014

- *Interviews*

Interviews were carried out with the following individuals in the various municipal councils.

Table 3.3: List of Interviewees

Municipal Council	Officer
Ba Town Council	<ul style="list-style-type: none"> • Chief Executive Officer • Accountant
Lami Town Council	<ul style="list-style-type: none"> • Acting Town Clerk • Acting Senior Accounts Officer
Lautoka City Council	<ul style="list-style-type: none"> • Manager Finance • Accounts Officer • Manager Health

Nadi Town Council	<ul style="list-style-type: none"> • Manager Finance • Manager Health • Manager Engineering
Nasinu Town Council	<ul style="list-style-type: none"> • Internal Auditor • Engineer • Health Inspector
Nausori Town Council	<ul style="list-style-type: none"> • Special Administrator • Finance officials
Suva City Council	<ul style="list-style-type: none"> • Acting Chief Executive Officer • Director Engineering Services • Administration Secretary

- *Other*

Correspondences through e-mails were also made to clarify issues.

4.0 POLICY FRAMEWORK GOVERNING CONTRACTUAL ENGAGEMENTS

This section of the report looks into the policy aspect governing the identification, awarding, execution and management of contractual engagements within the municipal councils. The area also covers contract planning and risk assessment.

- 4.0.1 All Councils should have a documented contract policy in place to assist them in managing contractual arrangements. The purpose of a documented contract policy is to promote value for money, reduction of risk and fraud, waste or other irregularities.
- 4.0.2 Contract planning and management covers all activities at the commencement of, during and after the contract period. It is the process that ensures both parties to a contract fully meet their respective obligations as effectively and efficiently as possible, in order to continually deliver both the business and operational objectives required from the contract.
- 4.0.3 Risk assessment should be an integral part of all aspects of contractual engagements. This requires the identification of risks and where appropriate the implementation of risk treatment. This in turn involves identifying the events where risks are likely to be the highest and/or adverse effect of an event or occurrence is likely to be the greatest.
- 4.0.4 Success in contract management occurs when the arrangement of service delivery continues to be satisfactory to both customer and supplier, expected business benefits and value for money are being delivered and realized, the supplier is co-operative and responsive, disputes are rare and the contract is fully compliant and satisfies both legislative and audit requirements.

4.1 Existence of effective policy framework

- 4.1.1 A written policy should be in place for all Municipal Councils to provide guidance on aspects of contractor selection, management and monitoring of contractors and the legal issues pertaining to contract implementation.
- 4.1.2 Suitable policies to support the management of contract should be established, maintained and communicated.
- 4.1.3 The Manual of Accounts for municipal councils should be reviewed to take into account changes in developments and expectations having an effect on the subject matter.
- 4.1.4 Discussions with responsible officers in the Municipal Councils revealed that there is no uniform policy for all municipal councils governing the contractual engagements.
- 4.1.5 None of the Councils visited have a policy in place to govern the management of contracts. Most of the Councils have developed and adopted preferable Tender Policies to guide the respective tender processes.

In addition, all Councils have been using the Manual of Accounts that was introduced in 1992. The idea behind this Manual was to provide an accounting manual for municipalities originated from a discussion that took place between the Auditor General and the Local Government Association some 10 years back. The idea was suggested by the Auditor General at the time because of the obvious need to institute uniform and appropriate accounting standards and procedures for the effective control and management of municipalities' finances. For various reasons the municipalities have been using different accounting standards which over the years have proved somewhat inadequate for proper control of their finances.

- 4.1.6 The table below summarises our findings on existence of a contract policy within the Councils visited.

Table 4.1: Existence of contract policy

Council	Is a contract policy in place?	Audit comments
Ba	No	Accounting manual is in draft form and it has a section on contract and contractual payments. The manual is yet to be presented to council for approval
Lami	No	The Council uses the Manual of Accounts.
Lautoka	No	The Council's accounting policies and procedure manual is in a draft form and is yet to be approved by the Council.
Nadil	No	The Council operating procedures is yet to be approved by the Council. The Council is following the Manual of Accounts.
Nasinu	No	The Council has a Tender Policy and the old Manual of Accounts in place to guide them.
Nausori	No	The Council is currently using a tender policy which is currently under review.
Suva	No	There is a procurement instruction but staffs were not using it.

It can be interpreted from the above table that there is no specific policy on management of contracts. Most of the Council are following tender procedures stated in the Manual of Accounts for municipal council which was endorsed in 1992.

- 4.1.7 The use of draft policies in some of the Council indicates that such policies have been adopted without proper endorsement of management. In addition untimely review of the existing manual indicates that required changes and developments relating to contract management are not incorporated as part of the document.

4.2 Existence of contract planning

- 4.2.1 Contract planning ensures delivery of desired project outcome. It considers a broad range of factors including driving continuous improvement, value preservation and additional value creation, performance management, risk mitigation, role clarity, and the value of contractors' relationship, and quality assurance.
- 4.2.2 Our review on the contract planning gathered that most of the Municipal Councils have plans for capital projects and development in their jurisdiction. This is incorporated in the

form of capital works program and with some Council and is inserted as part of the capital budget. The respective Councils formulated a 5 years Strategic Plan for 2010 – 2014 which incorporates the strategic plan for capital projects. However, audit noted at this planning stage, most of the Councils have not decided on the project works that will be contracted.

Plans for capital projects usually planned out by the different departments within one Council. For example, the engineering department provides plan for the construction works such as ground development, roads infrastructure repairs, etc. while the building department provides plan for any building development projects, repairs and maintenance.

4.2.3 For the Councils that were visited, except for Suva City Council all other Councils showed no evidence of detailed project planning conducted on contractual works undertaken. For the Suva City Strategic Capital Project Plan, when a project is identified, the following details were specified:

- i. Different tasks name with an identification number
- ii. Duration of the project
- iii. Starting date
- iv. Finishing date
- v. Work schedule that shows the time period when a task ID needs to be completed.

4.2.4 For the remaining Councils visited the following were noted after our review of the contract planning system;

Table 4.2: Observations on contract planning system

Councils	Existence of contract planning?	Audit comments
Ba	No	The project planning for the Council is covered in the 5year strategic plan from 2010 – 2014. The plan has been prepared after consultation with the stakeholders. The plan covers the review of the current process and the identification of infrastructure and implementation and changes that has to be made in a five year period.
Lami	No	Capital projects identified with its estimated costs incorporated in the Strategic Plan 2010-2014.
Lautoka	Yes but no specifications provided	The Council has a strategic plan (5yr plan) for improvement of infrastructure. The formulation of the strategic plan involves various stakeholders and their views were also incorporated in the plan.
Nadi	No	Indications were made that a strategic plan exists but no copies were provided to audit.
Nasinu	No	No capital project plan was provided from Engineering Department; however capital expenses were incorporated in the budget.
Nausori	No	No capital project plan was provided. There were no HODs for Engineering, Health, and Building to prepare the plans. However, capital expenses were incorporated in the budget but no project work details provided.

- 4.2.5 Absence of key details in project planning may lead to projects not delivered as planned by the Council.

4.3 Risk assessment

- 4.3.1 Risk assessment for contractual purposes comprises those activities associated with identifying and controlling the risks that may potentially affect the successful fulfilment of the contracted work.
- 4.3.2 The following table detailed some of the key sources of risk and examples of risks that needs to be considered when contracting services to an external party.

Table 4.3: Sources and examples of risk

Sources of risk	Examples of risk
Contract management knowledge and capability	<ul style="list-style-type: none"> • Lack of understanding of Council contractual policies and reporting requirements. • Lack of experience in the management of contracts. • Lack of training in the area of contract management.
Resourcing	<ul style="list-style-type: none"> • Inability to obtain and retain necessary level of resources including staffing advice. • Failure to obtain senior management support and involvement. • Insufficient time to develop contractual agreement.
Contract performance measurement	<ul style="list-style-type: none"> • Failure to specify performance indicators that can be cost effectively measured. • Failure to link contract payment to satisfactory performance. • Failure to establish cost-effective performance monitoring and assessment arrangements.
Contract management capability	<ul style="list-style-type: none"> • Failure to have sufficiently skilled and experienced resources to effectively manage contractual services • Failure to act on contractor under-performance
Contractor performance	<ul style="list-style-type: none"> • Failure to provide services on time to agreed quality and standards • Failure to adhere to agreed budget • Failure to comply with contractual agreement provisions • Fraud and/or unethical conduct by a contractor
Changes in circumstances and/or requirements	<ul style="list-style-type: none"> • Contract changes not dealt with as contract variations • Contractor not prepared to agree to contract variations to accommodate changes in entity requirements • Changes in circumstances not managed in a timely manner

- 4.3.3 Our audit at the seven Councils visited gathered no evidence to indicate that risk management has been addressed in detail in all activities relating to contracting of services.
- 4.3.4 The effective management of risks attached to contractual activities has the potential to save the Councils considerable monies as well as ensuring that the Councils are deriving maximum return from monies invested in contractual works.

RECOMMENDATIONS

Department of Local Government

- The Department should review the existing Manual of Accounts used by the Councils to reflect changes and development in the Councils. The revised Manual should include a standard guideline on contractual engagements.

Ba Town Council/Lami Town Council/ Lautoka City Council/Nadi Town Council/ Nasinu Town Council/Nausori Town Council

- The above Councils should ensure that proper project planning is conducted. Project plans should include programmed objective and description, plan of work and methodology, sources of information, deliverables of the programme, required expertise of the service provider, time schedule and management structure and reporting.

All Councils

- All Councils should conduct continuous risk analysis and assessment throughout the contractual period in order to effectively manage the risks that arise.

Management Comments

Department of Local Government comments

No comments received

Ba Town Council comments

Policy Framework Governing Contractual Engagements - The above Councils should ensure that proper project planning is conducted. Projects plans should include programmed objective and description, plan of work and methodology, sources of information, deliverables of the program, required expertise of the service provided, time schedule and management structure and reporting. Council will follow the advice from Auditor General and will monitor and continuously assess the contractual works

Nadi Town Council comments

Policy Framework Governing Contractual Engagements - The Council does not have a separate policy for managing contractual agreements but merely follows the Manual of Accounts. Nadi Town Council agrees that there is no detailed project planning schedule but has the following details as mentioned below:

- Different Task Name
- Budget Allocation.

We will make sure that the details as outlined on page 11(4.2.3) will be incorporated in the future projects.

Nasinu Town Council

The Nasinu Town Council fully support the recommendation made that the existing Manual of accounts for the Municipal Councils in Fiji should be reviewed. It would be of great benefits to the Councils if the revision also takes into account all the financial, administrative and any other issues related to the operations of Municipal Councils. In this way the Municipal Councils will have a uniformed policy for running the Councils.

The recommendation on the proper project planning will be discussed with the section concerned and will be implemented immediately.

Risk analysis and assessment throughout the contract period will now be carried out by our Internal Auditor.

Nausori Town Council

1. *A special monitoring policy shall be established by council to ensure amongst other things requirements of documentation of monitoring activities.*
2. *Council has established a resolution where overall evaluation of a contractual arrangement (including Human Resource) is undertaken following expiration of the contract.*

Suva City Council comments

Auditor General's comments are noted that the Council is generally in compliance. In absence of a revised Contract Policy in place by MLG, we do have the Procurement Procedure in place. We'll ensure all staff handling procurement issues are trained and follow same.

At the outset, as a municipality, proactively our most desirable goal is where possible to completely eliminate the risks and at places where it cannot be eliminated is to minimize it. Risk assessment is somewhat a new concept now being factored into Contract management which was not separately incorporated into conventional contracts but mostly embedded in. This does not mean that we do not manage risks. Under the Agreements it is a prerequisite that each Contractor provides following Certificates of Insurance as a strategy to transfer greater percentage of the risk;

- *Performance Bond*
- *Public Liability coverage*
- *Workmen's compensation*

Besides because Council is a public entity we have our own comprehensive Public Liability coverage with our Insurance Company. With regards to maintenance Contract administration, claims arising out of non-performance by the ratepayers against Council is very minimal. The type of work we do is basic municipal services through engagement of Contractors. A service contract generally includes terms about a contractor's labour, time or effort to perform a service. This is really a day-to-day cleansing service issue does not directly constitute of financial loss to Council, Contractor or the ratepayer. In essence if service is delayed by the Contractors, then Council has a contingency plan as a back-up flying gang who quickly move in to complete. Substantial potential risks are eliminated in our rigid screening process when we choose the right Contractor.

Again, the contract is a primary document, which is reviewed as & when required to help those involved to know and respect the roles of the parties to the contract, among other things. Needless to stress that appropriate and timely performance monitoring and documentation, and maintaining a business relationship are important contributors to successful service contract administration. When choosing a municipal entity as a service provider, the Municipality retains accountability for service provision and the success of the municipal entity despite the fact that the Municipality has outsourced the function. The Council is explicitly obliged to ensure the municipal entity is managed responsibly and transparently, and meets its statutory, contractual and other obligations. Some strategies adopted by the Council to minimize risks are as follows

Meetings - *We conduct Contractors meetings before the contract work begins. Such meetings may help clarify the procedures to be used during the performance of the contract work and enable management & contractors involved to better understand various perspectives and expectations.*

This approach may help build a strong relationship based on cooperation and mutual respect. Such a relationship may later help the contractor and municipal staff to reach a mutually satisfactory resolution to any contract performance issue should it arise. Besides we also have quarterly meetings where all the Contractors are present to discuss issues concerning work performance and other contractual related issues. These face-to-face meetings are all important in building a close healthy working relationship. When the municipal staff and the contractor already have a professional relationship in place, these

preliminary meetings often focus on changes in the work environment since the previous contract work was carried out.

Performance Monitoring - *Monitoring the contractor's performance provides information needed to help ensure that contracted services are being delivered. It may also strengthen accountability, help improve performance, stimulate productivity and creativity. We have in place an acceptable level of performance system in place on daily basis, through checklist and reporting mechanism.*

Relationship Management - *Relationship management is about understanding the needs of contractors and satisfying those needs while building trust between all parties. Sound contract administration is held together by people, not by forms, surveys, diaries or other monitoring tools. It often depends more on the skills of the contract monitors than on particular monitoring methods or forms used. With many years of experience our Field Staff are able to attain this essential expertise.*

There is always an element of "trust" we understand as a non-written agreement between parties, based on friendship, respect, past experiences, convenience. It is less specific than the contract in terms of regulations, price, expected return and way of managing disagreement. From our experience even the most stringent of the Contract will practically become difficult to manage if the element of trust is missing. In municipal service delivery contract the services must go on as opposed to practical solution on Contracts being abandoned, taking legal action against the party is both cumbersome and costly and if anything financial pay-back hardly comes our way.

Payment system - *Our payment system is on a retrospective mode meaning the Contractors invoice upon completion of works on a monthly basis. There is no advance payment released. So always we pay for the value of works done, which in any case will always be below the Contractual price. More over there is provision in the Contract for penalty clause where appropriate deduction is made for work/activities not done or for that matter not performed up to standard.*

Further OAG Comments

- **Suva City Council**

The Council's initial response only described processes and procedures followed by the Council for tender and contracts. Following further consultation, the Council agrees that it will incorporate risk management in future contracts and tenders.

- **Nausori Town Council**

Further discussions with the Council's Chief Executive Officer confirmed that initial assessments for project planning are conducted by technical personnel from engineering and building sections. Considerations determine how the projects will be implemented (methodology) and resourced, that is, whether projects will be fully outsourced (i.e. General contracts whereby contractor provides all labor and materials, and the Council's technical officer will supervise works); partly outsourced (i.e. Labour contract where the Council provides materials and the contractor provides labour only); or the project is completely undertaken by the Council (in-house work).

The Council agreed that continuous risk analysis and assessment is not done throughout the contractual period. However the Council considers in house works as having high risk compared to outsourced contracts as projects are managed internally and all resources are provided by the Council. Fully outsourced contracts pose less risk as they only require overview monitoring and validation of work at the end of the contract.

5.0 KEY ELEMENTS OF CONTRACTUAL ENGAGEMENTS

This section of the report looks into key elements encompassing contractual engagements by the Councils. This includes the human resources involvement, tendering of contractual works, records management and payments of contractors.

- 5.0.1 Human resources play a critical role in the proper management of contracts within the Councils. As such the Councils should ensure that staffs have the capability to effectively administer activities relating to contractual engagements.
- 5.0.2 It is pivotal that tenders are called for all contracting works planned by the Councils. Tendering of such works clearly indicates transparency in the contractual engagements and ensures value for money is achieved.
- 5.0.3 All records that are created and received in contractual arrangements, whether paper based or electronic, should be captured in the Councils recordkeeping system. A systematic approach to recordkeeping at the beginning of the contractual engagement and throughout the contracting cycle will assist the Council to provide evidence of business conducted and decisions made, manage legal and other risks, and meet its accountability obligations. As such, keeping good records should be seen as an integral part of, rather than incidental to, contracting activity.
- 5.0.4 Payment of contractors by the Councils should follow a proper process. The Councils should ensure that payments are made when works or services are conducted to the satisfaction of the Council and within the requirements of the contractual agreement.

5.1 Human resources involvement in contractual works

- 5.1.1 Staffs involved in contracting arrangements should have at a minimum a broad understanding of the policy framework as well as practical work knowledge of contracting practices that apply to the particular contracting activity in which they are engaged.
- 5.1.2 Technical expertise should be sought externally by the Council if it is not available in-house or if required.

5.1.1 Technical expertise in the identification of contracted works

- 5.1.1.1 The identification of works or projects to be contracted by a Council should follow a rigorous and detailed consultation and evaluation process. Technical expertise is critical in the identification of such works.
- 5.1.1.2 Under the current practice in most Council, the responsibility of identifying the contract of services is done by the different Departments within the Councils. It was noted that all works contracted out by the Councils were results of initiations proposed by the technical personnel in their various Departments.

- 5.1.1.3 The different projects contracted out by the councils are directly related to the various departments that exist within the Council. Tabulated below are the three main departments that commonly exist in most council with details of works to be contracted:

Table 5.1: Main departments in councils visited and works identified to be contracted out

Department within council	Responsible Personnel	Technical	Works usually identified by the department
Health & Environment	<ul style="list-style-type: none"> • Director Health Service • Senior Health Inspector • Health Inspector 		<ul style="list-style-type: none"> • rubbish collection • transportation to the rubbish dump • other hygiene service.
Works	<ul style="list-style-type: none"> • Director Engineering Service • Senior Engineer • Engineer 		<ul style="list-style-type: none"> • cutting of the grass. • maintenance work on the roads. • upgrading of public utility facilities e.g. picnic parks, walkways inside the town and city boundaries.
Building	<ul style="list-style-type: none"> • City/Town Planner 		<ul style="list-style-type: none"> • maintenance or repair of existing buildings. • construction of new building. • renovation and upgrading of buildings.

- 5.1.1.4 Audit noted that for all Councils visited only Nausori Town Council did not have an Engineer and Health Head for certain period but there has been continuous project work on both departments contracted out indicating the absence of technical input in the identification of projects for contracted purposes for the two departments.
- 5.1.1.5 In the absence of technical expertise the Council may end up identifying the wrong projects to be contracted out which may result in the Council incurring additional costs on the specific work then that initially planned.

5.1.2 Contract management skills and knowledge

- 5.1.2.1 A range of skills and knowledge are required throughout the contracting stages. The types of skills and knowledge required vary with the different stages of contracting services and with the size and nature of the services required. As such it is critical that officers of the Councils involved in managing contracts are appropriately trained in the areas of contract management.
- 5.1.2.2 The successful management of contractual works would generally require skills and knowledge in the areas outlined below:

Table 5.2: Contract management skills and knowledge

Skills and knowledge	Details
Interpersonal and relationship	<ul style="list-style-type: none"> • Undertake tasks in a motivated and professional way • Build strong relationships. • Encourage co-operation and communicate orally in writing.
Project management	<ul style="list-style-type: none"> • Plan, schedule, organise work, manage tasks and consult with stakeholders • Establish relationships to get tasks done in a timely way

Managing contractors	<ul style="list-style-type: none"> • Understand tender criteria and evaluations • Able to understand and ensure compliance of contractual agreements.
Performance measurement	<ul style="list-style-type: none"> • Provide feedback both positive and negative
Problem solving	<ul style="list-style-type: none"> • Have positive approach to solving problems • Encourage mutual co-operation to address issues • Have the ability to make decisions in circumstances where there may not be full knowledge of all relevant facts in the available timeframe

5.1.2.3 It was noted that the Councils officers involved in the contract works process generally lack some of the skills and basic knowledge of contractual works. Officers in charge of handling tenders have not undertaken any formal training on contracts management and/or tender process including monitoring of contractual works.

5.1.2.4 Training of officers on contract management has the potential to ensure proper and effective management of contracts by officers of the Councils.

5.2 Tendering of contractual works

5.2.1 The Councils should ensure that tenders are called for all contracting works/services. Tendering of such works indicates transparency in the contracting services and allows the Councils to secure the right contractor to carry out the work.

5.2.2 A proper and transparent process should be in place governing the evaluation of tenders. This requires the existence of a proper evaluation criteria and transparent evaluation of all tender proposals.

5.2.3 It is also important that the Councils maintain proper documentation to evidence all activities relating to the contractual engagement.

5.2.1 Responsibility of evaluating and approving tenders

5.2.1.1 To ensure transparency in a Council setting it is important that the responsibility of evaluating tenders and approving tender allocations are conducted by two separate parties.

5.2.1.2 Scrutiny of the tender minutes in most Council revealed that Council officials made up the committee members that make decisions on the opening and vetting of tenders received. The members of the committee mainly comprise of Heads of Departments (HODs) who are also the parties responsible for proposing works to be contracted.

5.2.1.3 Audit further noted that in most of the Councils visited the Heads of Departments are also the main party regarded as the Council that deliberate on the awarding of tender. Refer to the following table for details:

Table 5.3: Details of tender deliberations

Municipal Council	Details of tender deliberations
Ba	Council has two meetings. The first meeting is the tender committee meeting where they analyse and prepare a report on the applicants. Tender reports is discussed in the staff and tender board meeting. The final approval is sought from the council meeting and once approved the approved tender letter is issued to the successful tenderer.
Lami	The tender committee analyses the tenders and submit the report either to the ordinary council meeting before its onward submission to the full council meeting.
Lautoka	Tender committee opens the tenders which comprises of the Heads of Sections who analyses the applicants and a report is prepared during the Development and finance committee meeting. Once they approve on the tenderer the final approval is sought from the full council meeting before the tender letter is being issued.
Nadi	Two meetings are conducted. First meeting is the tender committee meeting where they open the tender box and analyses the applicants. Once the report is presented either the following meetings the Development, Finance or Engineering depending on the nature of the tender.
Nasinu	A meeting titled " <i>Finance & Tender Sub-Committee Meeting</i> " is called where all HODs are committee members. The SA usually chair the meeting and the HODs will have to provide proposals on the respective projects contracts which favor the Council to undertake.
Nausori	<p>The Council has two separate meetings held to discuss the tender for contracts.</p> <ul style="list-style-type: none"> • The first meeting is called "<i>Opening of Tender Documents Meeting</i>" where there is no restriction to the members of the Committee and any of the TC officials present at the meeting can chair the meeting. • The second meeting is made up of the individual Department's "<i>Sub Committee Meeting</i>" where the Special Administrator usually chairs the meeting.
Suva	<ul style="list-style-type: none"> • The day and time a tender closes a meeting is held where the tenderers and public are present as well. The staffs from S.C.C are present including Directors of each section, City Lawyer, Administration Secretary and the Special Administrator. Tenders are opened and announced. As soon as the bids are announced the meeting ends. • All the tenders submitted are evaluated on the documents furnished. This is discussed in the monthly council meeting held each month.

5.2.1.4 The above observations question the independence of the tender committee and the ultimate awarding of tenders.

5.2.2 Evaluation and documentation of tender

5.2.2.1 The evaluation of tender responses is the most important aspect of the value for money consideration. As such it is essential that decisions should be taken strictly on the basis of evaluation criteria to appropriately evaluate tender responses and justify selection of the successful supplier.

- 5.2.2.2 Tenders should also be evaluated by an officer competent to do so. Where expertise is not available within the Council for evaluation of tenders, local and/or overseas consultants, if necessary, will be engaged to evaluate tenders, local and/or overseas consultants, if necessary, will be engaged to evaluate tenders.
- 5.2.2.3 Appropriate documentation tender evaluations should be made to ensure that the process has been adhered to in a transparent manner. Risk assessment also needs to be undertaken on tenders received.
- 5.2.2.4 The common tender evaluation criteria used by most the councils are that the lowest bidder usually awarded with the contract. However, the lowest bidder approach cannot be applied if there are high technical works that require high cost equipment and service providers. Our audit at the various Councils visited noted the following observations in respect to the existence of tender evaluation criteria:

Table 5.4: Details of evaluation criteria

Councils	Existence of documented tender evaluation criteria?	Audit comments on criteria
Suva	Yes	<ul style="list-style-type: none"> Criteria are quite limited and do not extend to include evaluation of the suppliers' experience, capability and capacity, technical support, evaluation of performances in engaged contract with the Council etc. No scaling and points allocation to each criterion.
Lami	No	<ul style="list-style-type: none"> Council apply the lowest tender criteria
Nausori	No	<ul style="list-style-type: none"> Council apply the lowest tender criteria
Nasinu	No	<ul style="list-style-type: none"> Council apply the lowest tender criteria
Lautoka	No	<ul style="list-style-type: none"> Council apply the lowest tender criteria
Ba	No	<ul style="list-style-type: none"> Council apply the lowest tender criteria
Nadi	Yes	<ul style="list-style-type: none"> Council has a detailed criteria in place outlining the following: <ul style="list-style-type: none"> <input type="checkbox"/> Contract sum <input type="checkbox"/> Within approved budget <input type="checkbox"/> Performance if engaged in previous contracts with the Council <input type="checkbox"/> Insurance <input type="checkbox"/> Work knowledge and experience <input type="checkbox"/> Tools plants and machinery Scaling and points system are applied to each criteria.

- 5.2.2.5 In addition, the overall documentation of the tender evaluation was lacking in some of the Councils visited. Report summary on the tenders and their selection were not included in the file.
- 5.2.2.6 The absence of tender evaluation criteria in most of the Councils may indicate that the selection of a contractor with the most appropriate capability and capacity is not a priority in the allocation of tender. Furthermore, the lack of documentation in the evaluation

process indicates lack of transparency and accountability in the tender process followed by the Councils.

5.2.3 Contractual agreement

5.2.3.1 A formal contract for contractual engagement should be entered into with the Contractor who has been approved to carry out the contracted works.

5.2.3.2 Contractual agreements are legally binding and are drawn up to ensure that required works are carried out in accordance to its requirements. A contract is required where the nature of the relationship with the supplier involves the need to specify certain requirements that the contractor should be aware of.

Format and contents of the agreement

5.2.3.3 When drafting a contract it is important to include clauses that protect the interests of the Council. These same clauses frequently also offer protection to the contractor.

5.2.3.4 Review of existing contractual agreements provided by the Councils visited found that all of the contracts included requirements covering insurance, liabilities and indemnities and payment arrangements. However a number of key items were not included as part of the contracts. Also most of the contracts did not have a proper format. Refer to the following table for details:

Table 5.5: Contract anomalies pertaining to format and contents of Councils visited

City/Town Council	Contract (s) examined	Audit comments
Ba	Ba Town Council and Lalesh Naidu trading as Laka Transport for the disposal of garbage	<ul style="list-style-type: none"> Contract is not appropriately divided up into different sections with specific headings. A number of key items are not included as part of the contract. The items include: <ul style="list-style-type: none"> <input type="checkbox"/> Contract variations - formal procedures specifying the mechanism to be used if the contract needs to be varied. <input type="checkbox"/> Disputes - provisions specifying the requirements on both parties if a dispute arises during the performance of the contract. <input type="checkbox"/> Termination and contract end dates- provision that allows the Council to terminate a contract for convenience. The end date of the contract should also be specified. <input type="checkbox"/> Confidential information - clauses relating to how confidential information is to be identified, dealt with and returned on completion of the contract.
Lami	Lami Town Council and Construction Equipment Hire Limited for the Backfill	<ul style="list-style-type: none"> Contract is not appropriately divided up into different sections with specific headings. A number of key items are not included as part of

	and leveling of Tikaram Park	<p>the contract. The items include:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Disputes - provisions specifying the requirements on both parties if a dispute arises during the performance of the contract. <input type="checkbox"/> Termination and contract end dates - provision that allows the Council to terminate a contract for convenience. The end date of the contract should also be specified. <input type="checkbox"/> Confidential information - clauses relating to how confidential information is to be identified, dealt with and returned on completion of the contract.
Lautoka	Lautoka City Council and Ambika Nand for grass cutting and cleaning of drains in Waiyavi Ward Area 'B'	<ul style="list-style-type: none"> • The General Condition of the Contract is not appropriately divided up into different sections with specific headings. The Special Condition of the Contract is divided up into sections. • A number of key items are not included as part of both the General and Special Condition of the contract. The items include: <ul style="list-style-type: none"> <input type="checkbox"/> Contract variations - formal procedures specifying the mechanism to be used if the contract needs to be varied. <input type="checkbox"/> Confidential information - clauses relating to how confidential information is to be identified, dealt with and returned on completion of the contract. <input type="checkbox"/> Disputes - provisions specifying the requirements on both parties if a dispute arises during the performance of the contract.
Nadi	Nadi Town Council and M.Y.Azaad Transport for the collection and removal, cartage and disposal of garbage at LCC's rubbish dump.	<p>A number of key items are not included as part of both the General and Special Condition of the contract. The items include:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Confidential information - clauses relating to how confidential information is to be identified, dealt with and returned on completion of the contract. <input type="checkbox"/> Termination and contract end dates - provision that allows the Council to terminate a contract for convenience. The end date of the contract should also be specified. <input type="checkbox"/> Penalties - penalties for contractor under-performance.

Nasinu	<p>Nasinu Town Council and Kinoya Old Boys Association Company Limited for the grass cutting on road side and cleaning of drain.</p> <p>Nasinu Town Council and Waste Clear Fiji for the collection of garbage and removal to Naboro landfill.</p>	<p>The contracts are appropriately divided into sections with specific headings. Apart from the confidential information clause the contracts include all other key requirements.</p>
Nausori	<p>Nausori Town Council and Viti e Loma Youth Club for the raking and maintaining the drains, mowing the lawns and road verges.</p> <p>Nausori Town Council and e-Care Environmental Consultants for the initial environmental examination.</p> <p>Nausori Town Council and Tahila Group for the pre-feasibility study for the proposed relocation of the market and transport terminal</p>	<ul style="list-style-type: none"> • The three signed contracts all have different formats. • The General Condition of the first contract did not divide requirements into sections and with separate headings. The Specific Condition divided up requirements into sections and under separate headings. • The first contract did not specify confidential information and termination, penalties and contract end dates requirements. • The second contract did not specify confidential information, disputes and penalty requirements. • The third contract did not specify contract variation and penalty requirements.
Suva	<p>Suva City Council and Constructive Builders for the construction of compost site building</p>	<ul style="list-style-type: none"> • Contract is not appropriately divided up into different sections with specific headings. • A number of key items are not included as part of the contract. The items include: <ul style="list-style-type: none"> <input type="checkbox"/> Disputes - requirements on both parties if a dispute arises during the performance of the contract. <input type="checkbox"/> Termination and contract end dates- provision that allows the Council to terminate a contract for convenience. The end date of the contract should also be specified. <input type="checkbox"/> Confidential information- clauses relating to how confidential information is to be identified, dealt with and returned on completion of the contract.

5.2.3.5 The non-inclusion of several key requirements in the existing contracts by most of the Councils indicates that their interests may not be adequately protected in the contractual arrangements.

Vetting of contracts by a solicitor

5.2.3.6 As contracts are legal documents it is pivotal that all contractual agreement between a Council and its contractors are vetted by a solicitor.

5.2.3.7 Our review of the contracts entered into by the Municipal Councils revealed that some of the Councils do not have their contracts with the contractors vetted by a solicitor. Refer to the table below for details.

Table 5.6: Details of contract vetting by a solicitor

Councils	Contract vetted by solicitor?
Ba	No as the contracts are on-going
Lami	Yes
Lautoka	Yes
Nadi	No
Nasinu	Not vetted by solicitor despite having a legal section in the Council
Nausori	No legal section to vet contracts but Council outsourced any legal service required
Suva	Yes vetted by the city solicitor

5.2.3.8 Non vetting of contract agreements by a solicitor could expose the Councils to future lawsuits.

Contractor engaged and re-engaged through a formal letter

5.2.3.9 Upon expiration of a contract the terms and conditions of the existing contract should be reviewed before the contract is renewed. Also the contractor's performance should be appropriately evaluated before the decision of extension of the contract is made.

5.2.3.10 It is important that a contract is drawn up and signed by both the Council and the contractor before the services are rendered or continued to be rendered.

5.2.3.11 The audit found that contractual agreements between the Lautoka City Council and two contractors had expired and the contractors were informed through a letter to continue providing the service without the contract being renewed.

In addition the audit found that Nasinu Town Council engaged a contractor without a contractual agreement signed. The contractor was only provided with the letter indicating award of contract. The following table provides further details of these engagements:

Table 5.7: Anomalies noted in the existing contracts

Council	Contractor/Services	Remarks
Lautoka City Council	Sheik Mohammed-cleaning of the Park	Contract expired on Jan 10 th 2014 and the Council vide letter dated 3 rd Jan 2014 to continue until 29 th June 2014.
	Ravindra Kumar Collection and disposal of refuse	Contract had expired on 10 th Jan 2013 and the Council advised the contractor to continue till Feb 1 st 2013 and then continue till June 2013 where a new contract was later awarded to the supplier.
Nasinu Town Council	Hire of Truck - Collection and disposal of garbage – A Kumar Transport	No contract was developed for this contractor. On 13 th May, 2011, the Nasinu Town Council provided a letter to acknowledge the receipt of A Kumar Transport tender and

		<p>also on the same letter agree to award him with the contract. For the past 3 years, Nasinu Town Council has paid A Kumar Transport with the following amount:</p> <table><tr><th>Years</th><th>Amount \$</th></tr><tr><td>2011</td><td>124,825</td></tr><tr><td>2012</td><td>106,000</td></tr><tr><td>2013</td><td>125,712.5</td></tr><tr><td>2014 (first 4 months)</td><td>113,755</td></tr></table> <p>The total amount paid annually to this contractor is substantial when compared to the total budget of the council e.g. in 2014, the Health Service Department have been allocated with \$978,700 but within the first 4 months, the Nasinu TC has paid almost 12% of its total annual budget allocation to the contractor.</p>	Years	Amount \$	2011	124,825	2012	106,000	2013	125,712.5	2014 (first 4 months)	113,755
Years	Amount \$											
2011	124,825											
2012	106,000											
2013	125,712.5											
2014 (first 4 months)	113,755											

5.2.3.12 The use of existing contract without proper renewals indicates that the Councils engagement of contractors for the extended period has no proper legal basis.

Engagement of Ravindra Singh & Company by Nausori Town Council

5.2.3.13 A contractual agreement was entered into by Nausori Town Council and Ravindra Singh & Company.

5.2.3.14 Our review of the contractual agreement relating to the engagement of the contractor noted the following:

- the agreement was not dated and not signed by either parties but the Council had paid \$178,643.22 to the contractor in 2013 alone. Refer to the following table for details of payments made.

Table 5.8: Payments made to Ravindra Singh and Company in 2013

Date	Cheque Number	Amount
13.06.13	310217	168,643.22
20.11.13	310239	10,000.00
Total		178,643.22

- The nature and scope of the service provided was not clearly outlined in the contract. The term used in the contract is "Service Provider" but the type of service was not mentioned. The accounts section stated that the contractor was involved in some construction work and the work was verified by another contractor namely "E-Designs".
- Our review conducted at the Registrar of Company's Office found that the company just commenced business on 11/03/12 and is based in Matei, Taveuni raising questions as to why a similar contractor in the Central Division was not engaged for the service.

5.2.3.15 The above findings raises questions of transparency in the engagement of the contractor by the Council.

5.3 Records Management

5.3.1 Records management is crucial to all organisations unless to account for what has happened in the past or to make decisions about the future. Records are a vital, corporate asset and are required:

- to provide evidence of actions and decisions;
- to support accountability and transparency;
- to comply with legal and regulatory obligations, including employment, contract and financial law,
- to support decision making;
- to protect the interests of staff and other stakeholders.

5.3.2 Recordkeeping involves making and maintaining complete, accurate and reliable evidence of business transactions and is primarily the responsibility of all staffs within an organisation.

5.3.1 Maintenance of file on contractual works

5.3.1.1 A file should be maintained for all tenders received in respect of what the tender is for and all the documented work carried out up until the tender is awarded. All the relevant supporting documents to substantiate the award of tender should be contained in the files.

5.3.1.2 Key documents that should be retained during the contract management phase and contained in the file include the following:

- Copy of the contract signed by both parties
- Risk assessments
- Contract management plan or checklists
- Records of payments
- Records of performance
- Variations to the contract
- Assistance or expert external advice received

5.3.1.3 It is important that the most up to date version of the contractual agreement incorporating any variations is appropriately maintained in the file as it provides the basis for making payments to the contractor.

5.3.1.4 A review of the files maintained at the Councils revealed the following observations:

Table 5.9: Observations on maintenance of records by Councils

Council	Audit Comments
Ba	File maintained for the contracts but all the necessary information pertaining to the tenders not in the file. Papers filed in the files are not serially numbered.
Lami	File maintained but does not have all the necessary information pertaining to the tenders. Papers filed in the file are not serially numbered.
Lautoka	Files maintained for the individual tenders with contracts but the papers in the file

	are not serially numbered.
Nadi	Files maintained by the respective sections pertaining to the tenders of the contracts were given for audit. Record maintenance was poor Papers filed in the file were not serially numbered.
Nasinu	No copies of contracts maintained by the Registry Section but maintained by respective Departments but not completed. The SA's secretary maintained all the minutes in regards to any contracts undertaken.
Nausori	The Accounts Section maintaining all the operational contract files whilst the big capital project contract files are maintained by the Project Manager. All the minutes are kept by the SA's secretary.
Suva	Files maintained for the individual tenders with contracts etc. Files are serially numbered. Documents filed in the file are not sequentially numbered.

5.3.1.5 In the absence of proper records there would be no clear trail of contractual activities undertaken and Council management would not be in a position to make timely decision regarding tender and contract engagements.

5.3.2 Existence of contracts inventory and register

5.3.2.1 Councils should compile a contracts inventory which lists and classifies all contracts. A classification system must be established which identifies the classifications of contracts taking into account at least the contract type or nature, strategic importance of the goods and services, contract value, contract duration and contract complexity.

5.3.2.2 The contracts inventory should be entered into a register. A register containing all contracts of the Council should be maintained centrally and a number of sub-registers maintained by various departments of the Council that collectively represents the Council's contract register centrally maintained.

5.3.2.3 Our examination at the Councils visited found no existence of contract inventory. In addition all Councils visited did not maintain a contract register detailing all contracting works/service of the Councils over the years.

5.3.2.4 In the absence of a contract inventory Councils would not be in a position to adequately and efficiently establish the number of the contracting services they have engaged in.

5.3.2.5 The maintenance of contract register facilitates the effective monitoring of contract end dates and opportunities to exercise contract extensions.

5.4 Payments of contractors

All payments authorised and payable to the contractor should be made strictly in accordance with the provisions of the contract.

The Council should ensure that payments are made to contractors after proper evaluation of work performed.

5.4.1 Controls in payments of contractors

- 5.4.1.1 Internal controls can generally be classified under the headings of approval, authorization, verification, reconciliations, and segregation of duties, analytical review, physical controls, management controls, processing controls, computer controls and monitoring controls.
- 5.4.1.2 Before payment is made, a supplier invoice should be checked and approved by the person who placed the original order to ensure it shows: the correct goods, the correct quantity and correct price (including any agreed discounts).
- 5.4.1.3 Our review of the payment process revealed that all the Councils have a process in place for payment; however there were lack of general internal controls in most Council. Refer to the table for further details.

Table 5.10: Details of internal controls on contractual payments

Councils	Process of Payments	Remarks on the internal control in payment process
Ba	Payments are made fortnightly for garbage collection services and weekly for security services.	<ul style="list-style-type: none"> The Council uses MYOB for the payment process. The Department of Health signs on the invoice certifying the work have been done. No reports were provided to substantiate the verification done by the Department of Health. Copies of payment vouchers were not filed in the individual contract file.
Lami	After completion of work invoices are raised and passed on to finance for payment.	<ul style="list-style-type: none"> No evidence in the payment voucher to show that verification that the work was done according to the contract before payment is done.
Lautoka	After completion of work, invoices are raised and passed on to the finance department to prepare the cheque. The cheque is then forwarded to the signatories for signing.	<ul style="list-style-type: none"> Payments are made after review of supporting documents, work done according to standard requirements, certification and authorization. For grass cutting contract inspection measurement form are filled by the Horticulture Department to indicate that the work has been done by the contractor and the garbage contract invoice are certified by the department of Health. No reports to substantiate the verification done by the Council. Copies of payment voucher not filed in the individual contract file.
Nadi	The invoices are submitted by the Engineering and the Health Department signed off. Payments clerk prepare the payment vouchers and checks that the amount in the invoice matches the monthly contract amount to be paid to the contractor	<ul style="list-style-type: none"> No supporting document is attached when the invoices are submitted to accounts. The accounts clerks always check for sign offs. Work done according to standard requirements is checked by the department concerned. When the invoices are forward Finance Department it is assumed that every process is being followed because the invoice is signed off which signifies that the invoice is ready for payment. Insufficient documentation to support the verification of the work done by the contractor. No contract payment register to record payments made to the contractor.

Nasinu	Invoices are first verified by the supervisors in the fields before cross checked by HODs and submitted to Finance Section for payments.	<ul style="list-style-type: none"> • In some capital work construction, members of the local communities near work sites were paid by the council to supervise the work on behalf of the council. • Documentation from the field officials is satisfactory. • Internal controls in the Finance Section are good.
Nausori	Invoices are first verified by the supervisors in the fields before cross checked by HODs and submitted to Finance Section for payments.	<ul style="list-style-type: none"> • The Council does not have the capacity to check or verify the capital projects works under ITP, thus the reliance on the project manager to verify on behalf of the council • The Council paid the Project Manager without any independent verification on the work undertaken by the Project Manager
Suva	<p>Any claims by contractors are checked before any payment is made. The percentage of work or schedule of works as stipulated in the contract must be completed for any payments are to be made.</p> <p>For grass cutting and drainage cleaning contracts, payments are made after reporting and validating officers check the areas. Then this is certified by the certifying officer. After all this then payment is authorized.</p>	<ul style="list-style-type: none"> • Ward inspectors check the respective works in the ward daily. Reports are prepared and sent to the Health Inspectors. • Internal controls in the Finance Section are functioning well as supporting documents are checked before payments are authorized.

5.4.1.4 The payment process practiced by the various Councils is guided by the Manual of Accounts. Some of the Councils visited have also developed their policies including accounting manuals and procedures.

5.4.1.5 The non-compliance to the internal controls in place within the various Councils could encourage fraudulent practises amongst the Council officials.

5.4.2 Deposit payments made by Suva City Council to Construction Builders

5.4.2.1 The Suva City Council entered into a contract with Construction Builders for the construction of Compost Site Building on the 31st of May 2013. The funding for the construction works was provided by the Japanese Embassy.

5.4.2.2 The contractual agreement between the Council and the contractor indicated provisions for progressive payments as follows:

“That the SCC shall pay consideration to the Contractor for its services in the total sum of Twenty Four Thousand dollars (\$24,000) inclusive of Value Added Tax. The consideration shall be paid in progressive stages payments as set out in the Schedule of payments and upon the completion of the contract having being satisfactorily performed of completion of the specified works and upon producing a Certificate of Practical Completion to that effect issued by the Director Engineering Services or his authorised representative.”¹

5.4.2.3 The Schedule of payments included as Annexure C of the contract outlined the breakdown of the amount agreed between the two parties as follows:

Table 5.11: Contractual sum agreed

Description	Amount (\$)
Deposit	7,920.00
<ul style="list-style-type: none"> • Site clearance • site layout and profiling • footings and pad layout • pole arrangement and filing concrete • floor layout for shed • floor layout for office. 	5,500.00
<ul style="list-style-type: none"> • Office layout • Shed structure layout • Shed roofing • Shed finishing • Office side wall fixing 	7,200.00
<ul style="list-style-type: none"> • Office interior finishing • Sink, WC, table, door fixing, window fixing • Office painting 	2,360.00
Finishing	1,020.00
TOTAL	\$24,000.00

5.4.2.4 Audit found that the Council made the deposit payment of \$7,920 to the contractor as stipulated in the contract. However, the contractor did not complete the work and the Council had to complete the project from where the contractor had left of.

Our discussion with the Council management gathered that the reason the deposit payment was included in the agreement to be made were due to the following reasons:

- that it was required by contractors as a protection for non-payment; and
- suppliers may not have enough capital to purchase the item.

5.4.2.5 The Council's monetary calculation of the work conducted by the Contractor totaled \$5,278.59 indicating that the Council had been overcharged by \$2,091.41. Audit gathered that the amount was not re-imbursed by the Contractor to the Council. Our review of the contractual agreement found that such situation was not addressed in the contract. The Council however did not make any further payments to the contractor as stipulated in the contract.

¹ Clause 2

5.4.2.6 The above deficiency indicates that the Council did not conduct a thorough evaluation of the Contractor's capability in terms of both financial standing and technical knowhow to effectively carry out the construction works.

RECOMMENDATIONS

All Councils

All Councils should:

- ensure that staffs involved in contractual works are adequately trained with the appropriate skills and basic knowledge of contractual engagements.
- create contracts inventory to identify control management at the various levels of the contracts undertaken.
- ensure independence and transparency in the allocation of tender. All Councils should ensure that the authorizing party making the decision of tender allocation does not entail all officers included as the members of the tender committee. The authorizing party should include:
 - ☐ the Special Administrator;
 - ☐ the head of the section whose services is required to be contracted;
 - ☐ the head of the Finance section and
 - ☐ two representatives from the ratepayers.
- ensure that proper documentation is maintained to adequately reflect tender evaluations.
- ensure that key items specified in this report are integrated as part of their existing contractual agreement.
- ensure that proper records are maintained to evidence activities relating to contractual works. Files should be appropriately numbered for ease of reference.
- ensure that a contract inventory is maintained which should be entered into a register. The contracts must be classified in terms of contract type or nature, strategic importance, contract value, contract duration and contract complexity. The register should be updated on a regular basis as and when contracts expire or new contracts are entered into by the Council.
- ensure that stringent internal controls are in place on the payment of contractors. Payments made to contractors should be properly supported with relevant documentations. Proper documentation should be maintained to evidence payments made.

Nausori Town Council

The Nausori Town Council should:

- ensure that an Engineer and Health Head are recruited to facilitate proper identification of projects to be contracted out.
- develop tender evaluation criteria to use for evaluating tenders received. A scaling system should be used to apply the criteria when evaluating tenders.
- ensure a standard format is used for its contractual agreement. The contracts should be appropriately divided into sections with proper headings.
- ensure that contractual agreements are vetted by a solicitor.
- ensure that all contractual agreement drawn up for services to be rendered to the Council are signed and properly dated. In addition the contract should specifically state the services agreed to be provided by the contractor.
- ensure that all contractual engagements are conducted in a proper and transparent manner.
- ensure that contractors engaged to conduct services are based within the Central Division to avoid charging of additional costs to the Council.

Lami Town Council

The Lami Town Council should:

- develop tender evaluation criteria to use for evaluating tenders received. A scaling system should be used to apply the criteria when evaluating tenders.
- ensure that its contractual agreements are appropriately divided into sections with proper headings.

Nasinu Town Council

The Nasinu Town Council should:

- develop tender evaluation criteria to use for evaluating tenders received. A scaling system should be used to apply the criteria when evaluating tenders.
- ensure that contract agreements are vetted by its solicitor.
- ensure that a contract is drawn up before engaging a contractor and making payments for the services required.

Lautoka City Council

The Lautoka City Council should:

- develop tender evaluation criteria to use for evaluating tenders received. A scaling system should be used to apply the criteria when evaluating tenders.
- ensure that the General Conditions of its contractual agreements are appropriately divided into sections with proper headings.
- ensure that existing contracts approaching expiry term are first reviewed before the contract is renewed. The performance of the contractor should also be reviewed prior to renewing the contract.

Ba Town Council

The Ba Town Council should:

- develop tender evaluation criteria to use for evaluating tenders received. A scaling system should be used to apply the criteria when evaluating tenders.
- ensure that its contractual agreements are appropriately divided into sections with proper headings.
- ensure that contractual agreements are vetted by a solicitor.

Suva City Council

The Suva City Council should:

- improve its tender evaluation criteria and include other factors such as the experience of the contractor, contractor's capability and capacity and past performances in contracts with the Councils. A scaling system should be used to apply the criteria when evaluating tenders. *[The issue pertaining to engagement of Constructive Builders as raised in this report is directly related to the weakness in the existing tender evaluation criteria]*
- ensure that its contractual agreements are appropriately divided into sections with proper headings.
- improve its contractual agreement to address issues pertaining to payment of deposit as in the case of Constructive Builders.

Nadi Town Council

The Nadi Town Council should:

- ensure that contractual agreements are vetted by a solicitor.

Management Comments

Ba Town Council comments

When Council will make new contract with the garbage contractor the specific details as advised by the Auditor will be included. Ba Town Council will engage Solicitor on vetting of contracts in future. Council will follow as per auditor's comments. However, Council has a voucher file where all the vouchers are kept. Council will keep separate file for all contract payments and monitoring comments.

Ba Town Councils will develop tender evaluation criteria for evaluation of tenders received. Ba Town Council will follow the advice of Auditor in the developing tender evaluation criteria for tender and the contractual engagement will be properly divided when new contract are made which has to be vetted by Solicitor.

Ba Town Council has a complaint register whereby all the complaints are recorded. However, Council will ensure that it is maintained and monitored on regular basis.

Lautoka City Council comments

Details of tender deliberations - *The Tender Opening Committee responsible for opening the tenders comprising of the Special Administrator, Chief Executive Officer, Manager Finance Administration and Human Resource Services and the Secretary opens the tender box after closing of tender. The results of the tender are recorded in the minutes of the Tender Opening Committee and handed to the respective Head of Departments for preparing a detailed report on the tenders and report is submitted to the respective development committee for evaluation and assessment. The development committee then makes its recommendation to the full council meeting for approval. Independence is maintained at all levels of the tender process.*

Evaluation criteria - *The tenders at the Council are normally evaluated against the following general criteria.*

- *Technical/Quality - overall level of compliance with the technical specifications.*
- *Price – consideration of costs and obtaining best value-for-money.*
- *Qualification of suppliers - business capability and capacity, including viability, staff resources, commercial management, commercial terms, risk management, and company quality systems.*
- *Relevant experience – the proven ability to supply or deliver the goods, services or works.*
- *Support service/warranty – providing warranty and long-term service support over the duration of the contract, life of the product, etc.*

Weighting given to cost and quality is dependent on the risk and value of the contract to be awarded. The Council does not necessarily consider the lowest bidder but evaluates and selects a contractor based on the above criteria.

Contract anomalies - *The Council will ensure that it incorporates the recommended key items in the newly updated contracts.*

Anomalies in existing contracts - *The contracts had expired and took longer than expected to finalise tender and since it is an essential service the council has to request the current contractor to continue performing the work under the same terms and conditions existing whilst it finalise its tender process.*

Maintenance of file on contractual works - *Henceforth, the Council will ensure that the documents in the files are serially numbered.*

Existence of contracts inventory and register - *The Council maintains and updates the contract register which contains all the details of contractors on a timely basis.*

Controls in payments of contractors - The payment vouchers are prepared and filed in chronological order in the payment voucher files which maintained by the Finance department, for this requirement the council will make copies of payment voucher and file it in individual contract files.

Nadi Town Council comments

Activities of contractual engagements - Currently, it is true that the different capital works are identified by the different departments but in Nadi Town Council the Engineering department is always consulted before the council decides to go ahead with the project. This is further discussed at the monthly committee meeting and from there decisions are also made on whether we will contract out the project or have the work done in house. Certain areas are taken into account like the urgency of the project, the cost and also the type of expertise task that is needed to complete the project. (When a Special Administrator exists).

This process slightly changes when a council is run by nominated members from the different parties. It is usually the different elected parties who suggest the projects with the consultation of the Engineers and the Chief Executive Officer.

I do not agree with the report that the absence of technical expertise may result in the Council identifying the wrong projects to be contracted out because at Nadi Town Council, the respective department with the Engineering department itemizes the costing with the materials and the Finance department checks the calculations. If the Engineering department and the respective department gives the wrong details to the Finance department there will always be wrong computations done because the Finance department only checks the calculations and the technical expertise can always under quote and over quote.

I agree that there needs to be two separate parties involved in the evaluation and also the authorizing party. It is good to note that this was identified as per your report and we at Nadi Town Council will work towards implementing the audit finding so that we can better manage the tenders and contracts. This will be highlighted in the Council meeting so we as a Council can adhere to certain findings.

On the vetting of the agreements by a solicitor, Council is currently sending all contracts to the office of the Solicitor General and this practice only started in 2014.

Nasinu Town Council comments

While we agree and will implement seven of the eight recommendations made, we feel that for bullet point three, it would be wise to select one from a government agency and one from a statutory body instead of two representatives from the ratepayers as we have seven Wards in our council.

We agree with all the recommendations made and we will implement them.

Nausori Town Council comments with respect to all Councils

1. Nausori Town Council has been drawing contracts through input from respective technical areas having appropriate experience and basic knowledge to provide relevant expertise. We have on board two staff with Diploma in Civil Engineering (structural and civil) with experience who would provide relevant expertise in technical area to draft contracts. For some contract we use standard agreements and where specifically new contracts are to be designed we would get a solicitor to design a contract.
2. Contract performance and payment recommendation would be by technical officers (assigned responsibility) and relevant reports on the same would be tabled at council sector committee meeting by relevant supervising officer.
3. For Nausori town council performance and appraisal of contracts reports would be maintained by relevant technical section such as financial matters relevant to the contracts with finance department, supervision and performance with technical department and administration matters with the administration department.
4. Tender opening, analysis and recommendation would be through special tender committee established. Tenders committee recommendation would be then evaluated and recommended by Chief

Executive Officer to full council. Currently under the review of Local Government period all tender committee recommendations would directly be placed to full council. Please note that Local Government Act – Cap 125 Section 27 (2) restricts ordinary citizens and rate payers to sit in committees to decide on financial matters. Finance committee members are strictly to be appointed Council members.

5. *For all contracts, tender and specifications form part of the contract which would very much established key result and required output areas. The tender and specification documents would describe the work, resources required, supervision methodology and person supervising.*
6. *All contractual agreements entered into are to national standard and quality to be competent under law. Usually council would standard agreement to avoid reduce solicitors expenditure.*
7. *All contract entered into by Nausori Town Council are properly signed by the service provider and council. In reference to Ravindra Singh and Nausori town council, the agreement was signed by both parties and before this an offer letter was sent to Ravindra which was accepted.*

The contract agreement was based on:

- *Tender design and specification drawn by Engineering Designs*
- *Expression of interest called through media advertisement*
- *Interested bidders evaluated and short listed by engineered designs based on criteria established*
 - *Short listed bidders given tenders, specifications and designs*
 - *Contractors placing tenders before closing date at Tender Box located at Council main office*
 - *Tender box opened by consultants and council, evaluated and awarded*

Nausori Town Council comments

1. *Council has employed from 2010 two (2) Senior Health/Building Inspectors and two Diploma in Civil Engineering (structure and civil) staffs with experience to guide on relevant key technical areas including contract awards and supervision.*
2. *For the Transport Project Council has outsourced technical services to a number of personals to assist council in various areas as follows:*
 - a. *Project management*
 - b. *Project architecture*
 - c. *Project engineering*
 - d. *Project quality surveying*
 - e. *Project services engineering*
 - f. *Project financial consultants*
3. *The consultants have designed and recommended all construction works to Council which had been tabled in twelve technical committee meetings having Council and relevant government agencies as members. Consultants have been engaged using various international professional standard agreements designed for eleven areas.*
4. *For all relevant works, council has established a benchmark for entry. Assessments would be carried out before work commences and qualified bidders will be evaluated based on tenders received and available internal pre assessment.*
5. *Council shall consistently review its Procurement Policy and work closely with the department of Local Government to review the existing Manual of Accounts. In 2012, a new procurement policy has been established with an improve procurements in totality.*
6. *Tender process, award and performance process have been consistently reviewed to ensure that contractual engagements are conducted in a proper and transparent manner. In 2012, council prepared and adapted to a Procurement Policy document.*

Suva City Council comments

Agreed that the Policy governing the management of Contracts (existing 1992 Manual of Accounts by MLG) is an out-dated document and needs to be revised urgently.

Evaluation process - *Currently the evaluation is done in-house by Senior Managers in consultation with respective Dept HOD's thence recommendation submitted to the Council. A weighting & scaling system is in place for HSD which will be replicated across in other Depts. To improve upon in terms of transparency, as a way forward we will possibly rope in external party/agency like MLG staff; Solicitor General's Office or a senior staff of sister municipality. Our tender awarding policy is of acceptable level if not the best as captured elsewhere in your report. As a premier municipality we do manage many contracts across.*

Contractual Agreements to be in sub-headings – *Changes will be accommodated in new Contracts*

Issues relating to Constructive Builder - *The one highlighted involving Constructive Builders needs further elaboration. The Contract Document was drawn exactly in line with other similar Contracts involving small building works and of course vetted by our City Solicitor.*

In this instance Embassy of Japan wished to sponsor SCC Compost Project by assisting in acquiring a Shredder and providing a Compost Shed. They had allocated a budget of \$90,000 for this. They asked Council to facilitate quotations from suppliers preferably with small Contractors already engaged with Council. The Shredder was not an issue since it was already decided by sponsors to purchase from Niranjans who had earlier supplied similar machines to Lautoka City Council through JICA. As for the Compost Shed we as recipient were obliged to facilitate this request and we did so by obtaining quotations based on our plans, from a handful of reputable Contractors. Constructive Builder at that time was doing small works for Council and on that strength was approached and did oblige. Their quotation of \$24,000 VIP being the lowest was accepted by the Embassy since they had \$ 24,000 to work with realizing that out of \$89,000, \$65,000 was paid to Niranjans for Shredder.

The Embassy did all the documentation work and forwarded preliminary Contract documents to Council to enter into agreement with the two chosen suppliers namely Niranjans & Constructive Builder. As a recipient we did not have much choice but cooperate with the Embassy in good faith. However we felt to strengthen our position and entered into a formal Agreement with the Builder. The upfront deposit formed part of the agreement endorsed by the Embassy which was a normal practice with all their chosen Contractors in all Embassy sponsored Projects.

Essentially we did not have any obligatory input to decide the Contractors but was solely a decision by the Sponsor. The response by the Second Secretary Mr Kuroki of Embassy of Japan via email dated 24th July, 2013 is self-explanatory. They followed their procurement procedures and because of the budgetary limitation chose the lowest bidder in this case Constructive builder. Since the Builder abandoned the project with approx. 30% works completed, Council had to move in to complete the project on timely basis (project delivery date of February, 2014 was around the corner) in maintaining our healthy relationship with the Embassy and more importantly to see this new initiative/model of sustainable municipal composting through for the City. We were confident that the benefits derived from the project will far outweigh the monetary input the Council was forced to take on.

Transparency in Tender evaluation process

Agreed in principal. A standard policy guideline to be implemented across all municipalities is most desirable. In absence of one we comply with whatever at our disposal the "Manual of accounts for Municipal Councils" by MLG. We recommend that MLG come with a new standard manual for all municipalities. Agreed that the Manual has to be revised and not only that but as expressed elsewhere standardized to be applicable to all municipalities across. The recommendation from your Office has to be put to MLG.

Further OAG Comments**Suva City Council**

Following further consultation, the Council agreed that advance payment will be avoided as much as possible and in the future contracts would contain provisions where the Council could take the contractor to court for works not completed.

Nausori Town Council

The following matters were clarified following further consultations with the Council's Chief Executive Officer on 31/10/14.

With respect to recommendations directed at all Councils, the Council is currently developing an electronic contract register. The Council agrees with the audit recommendation to maintain independence between the Tender Committee that evaluates tender applications and makes recommendations, and the Finance Committee that endorses tenders recommended by the Tender Committee. Tender Committee members include all section heads/technical officers and the Finance Manager, whilst the Finance Committee comprises of the Special Administrator, the Chief Executive Officer and the Finance Manager.

However the Council maintains that representation of ratepayers in the Finance Committee is unacceptable as this contradicts requirements of the Local Government Act. In agreeing with the audit recommendation that documentation is important, the Council has proposed that it will develop an index system to boost their current documentation system. Furthermore the Council agrees with the audit recommendation to maintain a contract inventory and will be developing an electronic database which will consider incorporation of specific fields identified by the auditors.

The Council has concurred with most of the recommendations proffered. It proposes to develop a more detailed and comprehensive tender awarding process. The Council intends to have a standardized format for all contractual agreements but which will explicitly define the nature and scope of works to be conducted. The council proposes to have contract agreements for major projects vetted by the Office of the Solicitor General whilst contract agreements for minor projects can be dealt with by the Council's Prosecutor.

6.0 MANAGING PERFORMANCE

CONTRACTORS

This section of the report looks into the management of contractors' performance by the Councils. In particular the section seeks to determine whether the Councils have effective system to monitor and evaluate the performance of the contractors to ensure that value for money has been obtained and the intended outputs have been attained from such contractual arrangements. The section also covers management of complaints by the Councils.

- 6.0.1 Performance management should be undertaken throughout the contractual stages. Performance management involves:
- performance monitoring - collecting data on performance;
 - performance assessment - deciding whether performance meets the organisation's needs; and
 - taking appropriate action - understanding and extending features of good performance, correcting areas of under-performance or amending contract requirements to meet changing needs.
- 6.0.2 Along with performance indicators and standards, arrangements for monitoring and assessments should be set out and agreed in the contractual agreement along with action that should be taken in instances of non-performance. Clear links should be established in the contractual agreement between payments for performance and the effect of non-compliance or under-performance on these payments and the intent to invoke penalties contained in the agreement if necessary.
- 6.0.3 Systematic monitoring underpins performance assessment and they do not occur in isolation from one another. In practice, performances are assessed and feedback and reports provided throughout the monitoring process.

6.1 Monitoring system

- 6.1.1 Monitoring provides a means for ensuring that implementation goes according to plan. As such Councils should have a monitoring system in place to effectively monitor the work of contractors.
- 6.1.2 Effective monitoring should be reinforced by policies and procedures that present a framework for Councils to ensure that financial and operational performance of the contractual work is measured against established targets.
- 6.1.3 Different approaches to monitoring may be used at different phases in contract delivery or for particular aspects of performance. Whatever monitoring arrangements are determined they should be cost effective to implement and manage and the necessary skills should be available.

- 6.1.4 Audit gathered that the different Councils visited have different monitoring systems in place. The general observation on the monitoring of contractual works found that most Council have some system in place to monitor contractual works. However, the notable weakness in the Councils is the lack of a monitoring policy governing monitoring works of all their capital projects including projects arising out of contractual engagements.
- 6.1.5 Discussions with the officers at the respective Councils revealed that monitoring of contractors work were conducted on a regular basis. However, there were specific issues noted in relation to certain Councils which are detailed below.

Table 6.1: Monitoring of contractors' work

Council	Frequency of monitoring	Audit comments
Ba	Daily	No documented evidence of monitoring noted.
Lami	Daily	No documented evidence of monitoring noted.
Lautoka	Daily	No documented evidence of monitoring noted.
Nadi	Daily	No documented evidence of monitoring noted.
Nasinu	Daily	Field officers have log books which are cross checked with the invoice sent by invoices before submitted for payments.
Nausori	Daily supervision on operational contracts	Monitoring reports maintained by respective Department.
Suva	Daily	There are monitoring reports which is prepared when payments are made progressively. Records maintained by the Ward Managers on daily inspection.

- 6.1.6 The accepted practice utilized over the years requires that the respective sections document monitoring of contracted works under their department. However, as can be gathered from the table lack of proper documentation of monitoring works is still in existence in most of the Councils visited.
- 6.1.7 Lack of documentation of monitoring works may result in the Council's management not being able to make prudent and timely decisions on matters pertaining to contracted engagements.

6.2 Monitoring of contracted works by an external party

- 6.2.1 On the 20th of December, 2012, the Nausori Town Council entered into an agreement with a Consultancy Company namely G.A. Consultants Ltd, which acts as Project Manager on behalf of the Council. The Project Manager was engaged to monitor few of the Integrated Transport Project (ITP) contracts for the Council with the objective of achieving the Council's scope, time, costs and other specified objectives.
- 6.2.2 Annexure C to the contract indicates the Council have engaged the services of the Project Manager at the agreed sum of \$110,000 (VEP).
- 6.2.3 The Project Manager monitored the work of five contractors. The following table summarises the five contractors and the amount that have been paid by the Council to the various contractors for their contractual services as at the end of April 2014:

Table 6.2: Contractors monitored by the Project Manager with amount paid to them by the Council

Contractors	Service provided	Amount Paid (\$)
Ashok Balgovind	Architect	201,362.47
E-Designs	Geo Tech & structure	46,158.25
Erwin Alsop	Service Engineer	57,509.00
William & Associates Ltd	Quantity Surveyor	128,546.11
Ragwan	Construction	Not provided
Total		\$433,575.83

6.2.4 Audit noted that even though a contract was signed between Nausori Town Council and the company the Council did not regard the Project Manager as a contractor but as part of the Nausori Town Council organisation employee.

6.2.5 The Council paid a total of \$81, 852.93 to the Project Manager as at the end of April 2014. The following table provide details of the amount paid.

Table 6.3: Breakdown of amount paid to the project manager as at 30th April 2014

Date	Cheque No.	Amount (\$)
13.06.13	310215	7,441.18
31.07.13	310221	22,323.54
08.10.13	310233	14,882.36
13.11.13	310238	7,441.18
04.12.13	310240	7,411.18
03.03.14	310246	14,882.36
26.04.14	310250	7,441.13
Total		81,852.93

6.2.6 Considering the magnitude of the amount paid to the Project Manager the audit found the following anomalies in the engagement.

- the provisions in the Contract/Agreement have no requirements to compel the Council to monitor the work of Project Manager. Thus the Council did not verify the monitoring works conducted by the project manager.
- the contract did not include a requirement for reporting of results of monitoring by the project manager.
- payments were made to the project manager on the strength of the invoice without documentary evidence of monitoring works conducted on each of the five contractors.

6.2.7 There is a risk that the Council may be paying more than the actual monitoring work conducted by the project manager.

6.3 Evaluation of contract performance

6.3.1 An evaluation should be undertaken by the Councils at the end of the term of a contract. Contract evaluation should encompass the overall performance of the contractor and the Council. Such evaluation should be conducted so that any problems that have occurred with aspects of the contractual arrangement are identified and where appropriate, improvements made in future contractual arrangements.

- 6.3.2 To get the best out of the evaluation Councils should review all aspects of contract performance and its management, provide feedback to the contractor and identify lessons learnt. The evaluation should consider both the effectiveness and efficiency of the contractual arrangement.
- 6.3.3 A contract performance report should be prepared to evidence the evaluation results. In addition to specific requirements outlined in the contractual agreement the following table outline key activity where the evaluations should be concentrated.

Table 6.4: Key activities for performance evaluation

Activity	Details
Administration of contractual agreement	<ul style="list-style-type: none"> Timely responses to correspondence between the parties Timeliness of any required approvals
Contract documents	<ul style="list-style-type: none"> Clarity and adequacy of scope
Delivery of services	<ul style="list-style-type: none"> Completion time Quality of work
Progress payments	<ul style="list-style-type: none"> Fairness and reasonableness of claims Timeliness of payments
Claims management	<ul style="list-style-type: none"> Processing of claims in a timely manner and in accordance with the contract. Assessment of claims was fair and reasonable.

- 6.3.4 Our examination found that none of the Councils visited conducted a performance evaluation of contractors upon expiration of the terms of their contracts on services rendered to the Council. In addition audit found no evidence that any of the Councils prepared a contract performance report.
- 6.3.5 Conduct of evaluation and preparation of contract performance report would assist the Council in identifying areas for improvement for future contractual engagements.

6.4 Monitoring, reporting and evaluation of performance requirements included in the contract agreement

- 6.4.1 Contractual agreement should generally contain provisions for monitoring progress and evaluation of the performance of a contractor. In this regard contracts should include provisions that cover the person responsible for undertaking performance monitoring including the responsibility for collecting and analysing data, the frequency of monitoring, the reporting arrangements; and any processes to review the performance of the contractor.
- 6.4.2 Our review of contracts gathered from various Councils visited gathered the following observations in respect to the integration of monitoring requirements.

Table 6.5: Details of integration of monitoring requirements in contracts

Council	Audit observation
Nadi Town Council	Monitoring requirements, reporting arrangements and review process to review the performance of the contractor were not included in the contract.
Ba Town Council	Monitoring requirements, reporting arrangements and review process to

	review the performance of the contractor were not included in the contract.
Lami Town Council	<p>Clause 32 of a contract reviewed requires that routine inspections be carried out randomly by the Building Inspector and Work Supervisor of the Council with the representative of the contractor and a report to be submitted weekly to the Council.</p> <p>Contract however did not incorporate requirements to conduct overall evaluation of the contractor's performance.</p>
Nasinu Town Council	<p>Clause 9 of a contract drawn by the Council incorporates performance and monitoring. The requirement includes identification of officer responsible for monitoring and reporting of contractor's performance. In addition the requirement provides that any deficiency identified should be brought to the attention of the Contractor and which should be rectified within 24 hours to the satisfaction of the Council but at the expense of the Contractor.</p> <p>The clause however did not incorporate requirements on the frequency of reporting and processes to review the performance of the contractor.</p>
Lautoka City Council	<p>Clause 4.3 of the Special Conditions of Contract requires that the works shall be inspected by the Director Engineering Services or his representative and any shortcomings to be rectified within 24 hours. Inspection work required in the contract to be conducted daily for the duration of the contract.</p> <p>However, there is no specific requirement on the reporting of contractual works by the responsible officer. Also neither the general nor the special condition contract outlines requirements on the process governing evaluation of the contractor's performance.</p>
Nausori Town Council	<p>The special conditions under one of the three contracts examined included requirements on inspection of works to be conducted by the Field Supervisor of the Council or nominee and any short comings to be rectified within 24 hours or no later than 7 days. The frequency of inspection is also indicated under the condition.</p> <p>There is however no specification on the reporting arrangement and process to evaluate the Contractor's performance.</p> <p>The remaining two contracts did not provide any requirements on the monitoring requirements, reporting arrangements and review process of contractual arrangement to review the performance of the contractor.</p>
Suva City Council	<p>Clause 26 provide requirement for routine inspections to be carried out by the Engineering Department of the Council.</p> <p>There is however no specification on the frequency of inspection, the reporting arrangement and process to evaluate the Contractor's performance.</p>

- 6.4.3 It can be noted from the above table that not all Councils integrated monitoring, reporting arrangements and performance evaluation of the contractor as part of the contractual agreement.

- 6.4.4 The anomaly clearly indicates that the various Councils do not place emphasis on monitoring and evaluating performances of contractors once they are engaged.

6.5 Managing complaints on contractors work

- 6.5.1 Complains are an important way for the management for the Council to be accountable to the ratepayers as well as providing valuable prompts to review organisational performance and the conduct of people that work within and for it. As such Councils should maintain a register to record complaints from ratepayers for inadequate services conducted by contractors.
- 6.5.2 An effective complaint handling system provides three key benefits to an organisation which includes the following:
- resolves issues raised by a person who is dissatisfied in a timely and cost-effective way;
 - provides information that can lead to improvements in service delivery; and
 - improve the reputation of an organisation and strengthen public confidence in an organization's administrative processes.
- 6.5.3 Complaint handling should have sound processes that embody the five fundamentals principles of fairness, accessibility, responsiveness, efficiency and integration as its basis. The aim is to ensure that complaints are dealt with efficiency and effectively and the clients have confidence in the Council's complaint system.
- 6.5.4 Our review gathered that except for Suva City Council all other Councils visited maintain a complaint register where all complaints raised concerning their operations are entered into. Such information entered into the register also includes complaints relating to contractors engaged by the Councils.

In addition audit gathered the following findings in the management of complaints within the Councils visited.

Table 6.6: Monitoring of contractors' work

Council	Audit Comments
Ba	<ul style="list-style-type: none"> • The register was not appropriately maintained and updated on a regular basis.
Lautoka	<ul style="list-style-type: none"> • The Council carries out inspections, gives out notices and even take legal action where necessary. When complaint is received by the ratepayer, an inspection is carried out and a notice sent. If there is still non-compliance, a second notice may be sent or legal action taken • Complaint register maintained however register was not updated in a timely manner.
Nadi	<ul style="list-style-type: none"> • The Council informs the complaint about the processes and the cycle and the contractor is informed to address the complaint and if it is not done by the contractor the task is carried out by the contractor and the cost is deducted from the sum agreed to be paid to the contractor. • The register was not appropriately maintained and updated on a regular basis.
Nasinu	<ul style="list-style-type: none"> • Scrutiny of the complaints register revealed that the Council has been attending to the complaints received satisfactorily. • Dates of complaints received and attended to with the details of work provided by the Council are provided in the complaints register.

Nausori	<ul style="list-style-type: none"> The Council maintains both a manual and electronic copy of complaints register. Audit review of both registers found that both registers were not updated on a regular basis.
Suva	<ul style="list-style-type: none"> When complaint is received by the ratepayers an inspection is carried out and a notice sent. If there is still non-compliance, a second notice may be sent or legal action taken.
Lami	<ul style="list-style-type: none"> Council has a register in place and is updated in a timely manner.

6.5.5 It can be noted from the above table that some Councils do not update the status of the complaints raised.

6.5.6 The non-update of the complaints register disallows the Council from establishing the effectiveness and efficiency in addressing complaints.

RECOMMENDATIONS

All Councils

All Councils should:

- ensure that a monitoring policy is developed which should include monitoring of contractors' work. The policy should cover amongst other things requirements of documentation of monitoring activities. Such policy once developed and endorsed by management should be strictly complied with by the Councils.
- ensure that an overall evaluation of a contractual arrangement is undertaken following expiration of the contract. A contract performance report should be prepared to detail the results of the evaluation.

Ba Town Council

The Ba Town Council should:

- ensure that monitoring works conducted are documented in the form of a report. The report should be included in the relevant contract's file for reference.
- ensure that contractual agreements with contractors should integrate requirements on monitoring, reporting arrangements and review of contractor's performance. The frequency of monitoring and reporting should be specifically outlined in the agreement.
- ensure the proper documentation of complaints in the complaints register. The register should be updated on a regular basis such that the Council is aware of the status of complaints at a particular point in time.

Lami Town Council

The Lami Town Council should:

- ensure that monitoring works conducted are documented in the form of a report. The report should be included in the relevant contract's file for reference.
- improve its contract with contractors to incorporate requirements on the evaluation of contractor's performance following completion of the contract.

Lautoka City Council

The Lautoka City Council should ensure that:

- monitoring works conducted are documented in the form of a report. The report should be included in the relevant contract's file for reference.
- its contract with contractors be improved to incorporate requirement of the reporting of the results of inspections by the Director Engineering Services and the evaluation of contractor's performance following completion of the contract.
- proper documentation of complaints in the complaints register. The register should be updated on a regular basis such that the Council is aware of the status of complaints at a particular point in time.

Nadi Town Council

The Nadi Town Council should ensure that:

- monitoring works conducted are documented in the form of a report. The report should be included in the relevant contract's file for reference.
- for future engagements of consultants to monitor contractual engagements the contractual agreement should incorporate requirements of monitoring works by the project manager to be checked by an officer of the Council and the provision of reports by the project manager evidencing monitoring activities. In addition, the Council should ensure that any claims made by the project manager should be supported by a progress report of monitoring works in addition to the invoice and that such reports should be verified before payment is made.
- contractual agreements with contractors should integrate requirements on monitoring, reporting arrangements and review of contractor's performance. The frequency of monitoring and reporting should be specifically outlined in the agreement.
- proper documentation of complaints in the complaints register. The register should be updated on a regular basis such that the Council is aware of the status of complaints at a particular point in time.

Nasinu Town Council

The Nasinu Town Council should improve the clause of its existing contract on monitoring and performance to include the frequency of reporting by the Council Liaison Officer and also the requirement to conduct evaluation of the contractor's performance upon expiration of the contract.

Suva City Council

The Suva City Council should:

- improve its contracts with contractors to include requirements on the frequency of inspection, the reporting arrangement and process to evaluate the contractor's performance.
- maintain a complaints register to record all complaints received in the provision of its services including services provided by contractors.

Nausori Town Council

The Nausori Town Council should ensure that:

- all its contractual agreements with contractors should integrate requirements on monitoring, reporting arrangements and review of contractor's performance. The frequency of monitoring and reporting should be specifically outlined in the agreement.
- the complaints register (both the manual and electronic record) are updated on a regular basis such that the Council is aware of the status of complaints at a particular point in time.

Management Comments

Ba Town Council comments

Council noted the comments by auditors regarding the monitoring works of contractors. Council has been monitoring the performance before the payments are made but proper documentations on performance were not kept. In future, performance report will be recorded and kept by the Health Department.

Council has a Complaint register whereby all verbal and written complaints received are recorded in the complaints register and actions are taken. The register is updated on regular basis.

Lautoka City Council comments

Monitoring system - *Currently the contracts are monitored by the respective departments they fall under and their performance is part of the department's report tabled in the monthly council meeting. For non-performance and breach of any contract conditions the council decides on the appropriate corrective action to take and if it decides to terminate the contract then it will also determine how the work will be carried out in the interim while it tenders the contracts. These are filed in the council minutes. For this purpose we will extract minutes pertaining to contract performance to be filled in the individual contract file.*

Monitoring, reporting and evaluation of performance requirements included in the contract agreement - *The condition though not explicitly stated on the contract, the responsible officer's report is tabled in the council meeting as in 6.1.5 above. However we are reviewing our contract documents we will include this requirement with other conditions that the council has already resolved to incorporate in our contract documents.*

Managing complaints on contractors work - *The Council always maintain and update its complaint register on regular basis and complaints are attended to promptly.*

Nadi Town Council comments

Managing contractors' performance - *Absence of proper documentation to assess the monitoring of contractual works exists at Nadi Town Council. We are currently working towards this and at the moment we have a government funded project (New Nadi Market Extension and Vendor Hostel) and have engaged a reputable consultant to monitor the works and the consultant has provided a detail plan with the costing together with the percentage and this is done in joint consultation with the project officer who may be from the Engineering or Building department before the invoice is forwarded to the Finance department to pay. With the current market project, the building department has kept a separate file which accommodates the agreement, plans and all other details.*

Nasinu Town Council comments

Nasinu Town Council agree with the two recommendation made for all Councils and we will implement them. The recommendations to improve some clauses in our existing contract agreements to include monitoring, performance, evaluations and reporting will be implemented.

Nausori Town Council comments

A special monitoring policy shall be established by council to ensure amongst other things requirements of documentation of monitoring activities.

Council has established a resolution where overall evaluation of a contractual arrangement (including human resource) is undertaken following expiration of the contract.

Suva City Council comments with respect to recommendation to all councils

Contract performance system is essential to closely follow with Contractors performance for a value for money service. Performance-based service contracting emphasizes that all aspects of an acquisition be structured around the purpose of the work to be performed as opposed to the manner in which the work is to be performed or broad, an objective assessment of contractor performance. It is designed to ensure that

contractors are given freedom to determine how to meet the Council's performance objectives that appropriate performance quality levels are achieved, and that payment is made only for services that meet these levels. The use of these methods should lead to more cost-effective acquisitions, better value, and greater competition. They should have the net effect of shifting some of the manageable performance risk from the municipality to the contractors. Contractors will be given more latitude for determining methods of performance, with more responsibility for performance quality. By doing this the Council should experience fewer cost overruns, schedule delays, and performance problems. This creates a "win/win" situation for both agencies and contractors.

It is important to focus monitoring activity on the key deliverables; very detailed monitoring can be costly and can unduly shift the focus away from achieving the contract outcomes. One thing we need to capture is often it is not practical to neither objectively measure nor document all the works that is required to be done as per scope. This may vary in different sectors/zones/wards largely depending on external factors whereas our Contracts are consistent for all sectors. Having a systematic approach to monitoring, which includes the sort of information required and when it is required, can assist in identifying any potential problems and allow early remedial action to be taken. It also allows timely reporting to senior management and other stakeholders. Obtaining relevant information and data may need to be supported by management information systems or databases. It is important to collect and analyse all the relevant information needed to assess performance. After analysing the information, feedback should be provided to the contractor in a professional and constructive manner and in line with any communications protocol that exists.

Suva City Council

The Council agrees to some extent with the findings:

- 1) We have in place a rigid performance management system of the Maintenance Contractors, such as daily checklist, fortnightly and monthly report compilation for evaluation & processing of payments. We are working closely with Fiji Roads Authority on this. For now this is being of acceptable level to them. Regardless we will strive to improve upon same to eliminate possible gaps.*
- 2) Current practice is that each Department (Health & Engineering) deals with Contracts under their respective responsibility. At Department level Health Department does maintain Inventory of Maintenance Contractors. In addition we do maintain a Complaint Register as well. Likewise we will ensure that the Engineering Department also complies with above. Apart from this the Copies of all contract documents are kept by our Central Registry Section. We are in the process of updating the one kept by Central Registry.*

Further OAG Comments

Suva City Council

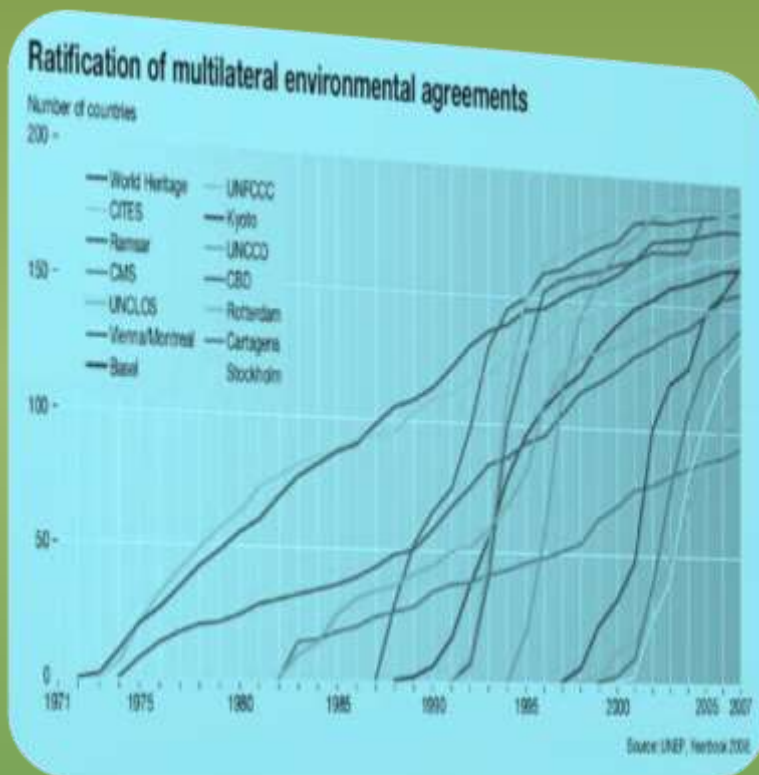
Following further consultations, the Council agreed that the Engineering Department does not conduct performance evaluation of contractors. It intends to develop a Monitoring Policy and to conduct overall evaluation and prepare performance reports for contract works undertaken.

7.0 CONCLUSION

- 7.1 None of the Councils visited have developed a policy governing the management of contractual engagements. Most the Councils visited were following tender procedures outlined in the Manual of Accounts for Municipal Councils in Fiji which was endorsed in 1992. Detailed planning of outsourced services were lacking in six of the Councils visited. Further to this risk assessment of contractual activities were not conducted by all the Councils visited.
- 7.2 Generally records maintained on activities relating to contractual engagements needs to be improved. It is pivotal that contract files contain information relating to tender evaluations, contractual agreement, correspondences between the Council and the contractor and other key activities of the engagement. Equally important is the compilation of contracts inventory and contracts register to evidence the contracts undertaken by the Councils over the years.
- 7.3 There is also a need to separate parties currently involved in the evaluation and approval of tender proposals to ensure transparency in the tender process. The criteria for tender evaluation is also lacking in most of the Councils. Contractual agreements being entered into by most of the Councils needs to be reviewed to incorporate other key items highlighted in this report. A few of the Councils also need to have their agreements vetted by a solicitor. Stringent controls also need to be put in place to ensure payments made to contractors are within the requirements of the contract agreement.
- 7.4 Some evidence of monitoring of contractual engagement was noted to have been conducted by most of the Councils; however there have been lack of proper documentations to indicate the results of monitoring works. This anomaly was mainly attributed to the absence of a monitoring policy in place and non-specification of monitoring requirements in the contractual agreements. The evaluation of the contractors' performance and preparation of a contract performance report was not conducted by all the Councils. Such is the case mainly due to the non-inclusion of the requirement in the existing contractual agreement.

8.0 REFERENCE

1. Better Practice Guide, Developing and managing contracts getting the right outcome paying the right price (2007); Australian National Audit Office.
2. Contract Management Framework; (2010) Department National Treasury- Republic of South Africa.
3. Contract Management Guide (2007); The Chartered Institute of Purchasing and Supply; Contract Management Guide.
4. Contract Management Guidelines” Supporting Councils in developing a sound, consistent and effective approach to managing their diverse range of contracts; Victoria Local Government.
5. Contract Management Policy (2008); Frances BAARD District Municipality.
6. Manual of Accounts (1992); Department of Local Government.



Management of Multilateral Environmental Agreements



A Performance Audit Report of the Office of the Auditor General of the Republic of Fiji

Multilateral environmental agreements [MEA] are legal instruments with binding effects on countries that have agreed to become parties to a particular agreement through ratification or accession. Currently, Fiji has acceded to and is a member of thirteen Multilateral Environmental Agreements of which ten are international and 3 regional.

This report contains findings on the actions taken by the Department of Environment as the focal agency and related stakeholder agencies in ensuring commitment to the MEAs are met.

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Acronyms

ACP	Annual Corporate Plan
BP	Business Plan
CBD	Convention on Biological Diversity
CBH	Central Board of Health
CFC	Chlorofluorocarbon
CITES	Convention on International Trade of Endangered Species
CMS	Convention on Migratory Species
COP	Conference of Parties
DoE	Department of Environment
EIA	Environment Impact Assessment
EMA	Environment Management Act
EPS	Endangered and Protected Species
GEF	Global Environment Facility
HCFC	Hydro chlorofluorocarbon
IF	Implementation Framework
IWP	Individual Work Plan
MEAs	Multilateral Environmental Agreements
MoP	Meeting of Parties
NBSAP	National Biodiversity Strategy and Action Plan
NGO	Non-Government Organisations
NIP	National Implementation Plan
NOU	National Ozone Unit
NSWMS	National Solid Waste Management Strategy
ODS	Ozone Depleting Substances
OEWG	Open-ended Working Group
POPs	Persistent Organic Pollutants
RMU	Resource Management Unit
SAICM	Strategic Approach to International Chemicals Management
SOP	Standard Operating Procedures
SPREP	Secretariat of the Pacific Regional Environment Programme
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WMU	Waste Management Unit

1.0 EXECUTIVE SUMMARY

Background	<p>Multilateral Environmental Agreement” or MEA is a broad term that relates to any of a number of legally binding international instruments through which national governments commit to achieving specific environmental goals. These agreements may take different forms, such as “convention,” “treaty,” “agreement,” “charter,” “final act,” “pact,” “accord,” “covenant,” “protocol,” or “constitution” (for an international organization). Put simply an MEA is a legally binding instrument between two or more nation states that deals with some aspect of the environment</p> <p>The Department of Environment is the focal agency for these agreements and is responsible for the administration and implementation of these agreements. The department with its stakeholders plays the pivotal role in coordinating and managing strategies for ensuring the effective implementation and compliance to the requirements of the conventions.</p>
Coverage	<p>The audit on Management of Multilateral Agreements focuses on two areas namely <i>“Implementation arrangements for honouring requirements for MEA’s and its implementation and Accountability and Reporting Relationships.”</i></p> <p>The audit looked into records held at the Department of Environment for the years 2011 -2013.</p>
Key findings	<p><i>Implementation arrangements for honouring requirements for MEA’s</i></p> <ul style="list-style-type: none"> • Lack of legislations for the implementation of MEA’s • Absence of SOP to outline the processes and how a task is to be implemented. • Non-existence of national plans for the MEA’s • Diversion of funds for the implementation of NIP for the Stockholm convention • Lack of alignment between individual and the organisational strategy • Failure to adequately conduct education and awareness on MEA’s • Failure to conduct timely and appropriate reviews on the MEA’s • More capacity building is needed for the MEA’s • Lack of in-house and capacity building for the MEA’s • Adequate management is needed to handle the tasks. <p><i>Accountability and reporting relationships</i></p> <ul style="list-style-type: none"> • Lack of commitments noted at the COP • Information from the COP needs to be disseminated to the stakeholders regularly. • Lack of coordination amongst stakeholders • Unclear roles and accountabilities of focal and implementing agencies • Reports both internal and external needs to be maintained by the department. • Monitoring of activities in the implementation of the MEA’s needs to be maintained
Overall Conclusion	<p>The effectiveness of the implementation of the requirements of the multilateral agreements is weakened by a lack of legislations and policies and the absence of SOP and the national plans to support the implementation of certain environmental agreements. There is a lack of formal</p>

arrangements between the DOE and other stakeholders responsible for the implementation of the requirements of the conventions. However despite all the above and the lack in resources, the DOE and implementing agencies are adequately implementing requirements of multilateral environmental agreements.

General**Recommendations**

The audit recommends that the Department of Environment intensely pursue the review of the necessary legislation and policies and draft standard operating procedure to empower and ensure consistency in practices undertaken by all stakeholders. Awareness on the conventions and its requirements should be created amongst all stakeholders. Apart from strengthening the management of conventions by ensuring all required documentation are maintained, records management system and reporting system for the conventions are improved, the DOE need to be adequately resourced to enable it to effectively implement the requirements of the MEAs

2.0 INTRODUCTION

This section of the report provides a brief overview on the management of Multilateral Environmental Agreements in Fiji and the reasons for conducting the audit.

2.1 An overview

- 2.1.1 Since environmental issues entered the international agenda in the early 1970s, global environmental politics and policies have been developing rapidly. Global environmental governance can be defined as “the sum of organizations, policy instruments, financing mechanisms, rules, procedures and norms that regulate the processes of global environmental protection”.¹ Multilateral Environmental Agreements or “MEAs” are one of the most prominent features that regulate this process.²
- 2.1.2 MEAs are a subset of the universe of international agreements. What distinguishes them from other agreements is their focus on environmental issues, their creation of binding international law, and their inclusion of multiple countries. Multilateral environmental agreements is a broad term that relates to any of a number of legally binding international instruments (such as convention, treaty, agreement, charter, final act, pact, accord, covenant, protocol, or constitution) through which national governments commit to achieving specific environmental goals³. MEAs are international treaties signed by two or more nation states to deal with environmental issues crossing national boundaries.
- 2.1.3 Multilateral environmental agreements are legal instruments with binding effects on countries that have agreed to become parties to a particular agreement through ratification or accession.⁴ As a principle of international law, MEAs (as with other international agreements) usually bind only those States that have agreed to be bound by the MEA. However, an MEA can affect non-Parties, for example by prohibiting or restricting trade by Parties with non-Parties. For the countries which have only signed and not as yet ratified, they are nonetheless expected not to do anything that will affect the aims and purposes of the MEA. They are not declarations of intention or avowals (which are non-binding); they are rules of law. As such, they are a powerful tool for the implementation of policies directed at environmental protection and sustainable development goals. MEAs must conform to international public law (as must all international instruments of this type). Legally binding and non-legally binding agreements come in many shapes and forms.⁵ They can inter alia be of the following types or denominated as follows:

¹ Global Environmental Governance: A Reform Agenda, International Institute for Sustainable Development, 2006,p3

² Auditing the implementation of Multilateral Environmental Agreements: A Primer for Auditors, p4

³ UNEP Manual on Compliance and Enforcement of MEAs

⁴ Auditing the implementation of Multilateral Environmental Agreements: A Primer for Auditors, p4

⁵ Auditing the implementation of Multilateral Environmental Agreements: A Primer for Auditors, p5

Table 2.1: Types of MEAs (legally or non-legally binding)

Legally binding (MEAs)	Non-legally binding
Treaties	Resolutions
Conventions	Decisions
Agreements	Declarations
Protocols	Recommendations
Accords	
Pacts	
Charters	
Amendments	

- 2.1.4 MEAs may be between two States, in which case they are usually termed “bilateral.” However, most MEAs are between three or more States, and thus “multilateral.” [For the purposes of this Primer, MEA includes bilateral agreements]. MEAs are multilateral in the sense that they involve many nations. However, for the purposes of this Primer an MEA can be any treaty between two or more nation-states if and when this instrument deals with direct environmental objectives.⁶

2.2 Key benefits of an MEA

- 2.2.1 The key benefits of an MEA are usually environmental, but may also be economic, socio-political (e.g., empowering the public to become involved), and administrative. The clearest benefits of any particular MEA usually relate to the specific goals of that MEA.⁷
- 2.2.2 In addition to there are some general benefits of ratifying, implementing, complying with, and enforcing MEAs — and costs associated with not complying. Refer to the following for details:
- *Protecting Public Health and the Environment:* MEAs have a range of environmental and public health benefits, the specifics of which vary from MEA to MEA and State to State. These benefits tend to be both short- and long-term.
 - *Improving Governance:* In addition to providing substantive norms of environmental protection, many MEAs improve environmental governance, as well as generally promoting transparency, participatory decision making, accountability, and conflict resolution. Moreover, MEAs often seek to avoid or limit resource-driven conflicts by promoting equitable arrangements, for example regarding access to fresh water within an international watercourse basin.
 - *International Political Comity and Respect:* Most MEAs address environmental and public health challenges that are shared by many nations. Many nations contribute to the problem, and many suffer the consequences. Sometimes, they are the same nations; sometimes, the States causing the harm are different from those most affected.
 - *Solidarity:* States may wish to become a Party to an MEA to support other States in the environmental challenges they face. In such instances, the particular goals of the MEA might be noble, worthy, and of great importance to other States (for example in the same region), but may be a lower domestic priority.

⁶ Auditing the implementation of Multilateral Environmental Agreements: A Primer for Auditors, p5

⁷ Auditing the implementation of Multilateral Environmental Agreements: A Primer for Auditors, p5

- *Financial Assistance*: Often, a State needs to be a Party to an MEA in order to access funding from the MEA Secretariat, multilateral sources and certain bilateral sources. Moreover, if a State is not complying with an MEA, this could jeopardize existing funding.
- *Technical Assistance and Networking*: In addition to financial assistance, MEAs often facilitate technical assistance, for example through technology transfer. Additionally, MEA Secretariats often build capacity of governmental authorities to implement the MEA by fostering regional and global networks through which members share experiences.
- *Long-term Economic Benefits*: Analyses by the OECD, the World Bank, and others indicate that in many instances it is economically preferable to develop within the context of environmental regulation. Otherwise, States frequently have had to make large expenditures to redress environmental and public health consequences of environmental neglect. Thus, while the priority of many States may be on development, participation in MEAs can enhance the long-term sustainability of development initiatives.
- *Trade*: In certain instances, MEAs contain provisions that impose obligations on Parties vis-à-vis their trade with non-Parties.
- *Facilitating Changes in Domestic Environmental Law*: While environmental problems may be evident, a Government or Parliament may be reluctant to develop the necessary laws and institutions to address the problems.⁸

2.3 Management of MEAs in Fiji and responsible implementing agency

- 2.3.1 Once MEAs are ratified they become legally binding and indicate a Government's serious commitment to achieving specific environmental goals. Following the ratification of MEAs, national governments are required to identify focal and implementing agencies which will be responsible for administering the implementation of obligations under each agreement.
- 2.3.2 Fiji as part of the global community has acceded and is a party to 13 MEAs, reflecting its commitment to environmental protection. The Department of Environment as the focal agency administers twelve of the thirteen MEAs, whilst the Ministry of Foreign Affairs administers the United Nations Climate Change Convention (UNCCC).

Reflected in Figure 2.1 are the nine international and three regional agreements administered by the Department of Environment.

⁸ Auditing the implementation of Multilateral Environmental Agreements: A Primer for Auditors, p6

Figure 2.1: Multilateral environmental agreements Fiji is a party to

<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 10px; text-align: center; width: 20%;"> Multilateral Environmental Agreements </div> <div style="border: 1px solid black; padding: 10px; text-align: center; width: 20%;"> Signed on </div> <div style="border: 1px solid black; padding: 10px; text-align: center; width: 20%;"> Ratification/ Accession </div> <div style="border: 1px solid black; padding: 10px; text-align: center; width: 20%;"> Entry into Force </div> </div>			
1. Convention on Biological Diversity	June 5, 1992	25/02/1993	29 Dec 1993
2. Cartagena Protocol on Biosafety	May 2 2001	05/06/2001	11 September 2003
3. Nagoya Protocol	-	24/10/2012	23/01/2013
4. Convention on international trade in endangered species of wild fauna and flora (CITES)	11/1997	30/09/1997 (A)	29/12/1997
5. Convention on Migratory Species	-	01/04/2013	01/07/2013
6. Ramsar Convention on Wetlands	11/04/2006	11/04/2006	11/08/2006
7. Vienna convention on the protection of the ozone layer	23/10/1989	23/10/1989	<ul style="list-style-type: none"> • London Amendment (1990) - 09.12.1994 (Ac) • Copenhagen Amendment (1992) - 17.05.2000 (Ac) • Montreal Amendment (1997) - 19.02.2007 (Ac) • Beijing Amendment (1999) - 19.02.2007 (Ac)
8. Montreal Protocol on substances that deplete the ozone layer	23/10/1989	23/10/1989	22/01/1990
9. Stockholm Convention on Persistent Organic Pollutants	14/06/2001	20/06/2001	17/05/2004
10. Waigani Convention	16/09/1995	18/04/1996	21/10/2001
11. Apia Convention	-	08/09/1989	07/12/1989
12. Noumea Convention		08/09/1989	08/10/1989

- 2.3.3 The above table indicate that the first international MEA that was signed by Fiji was the Vienna Convention on the protection of the ozone layer and the Montreal Protocol which was both signed on the 23rd of October 1989.

2.4 Reasons for undertaking the audit

- 2.4.1 As a party to multilateral environmental agreements, Fiji is required to comply with certain requirements of such Agreements. Poor implementation, monitoring and enforcement of multilateral environmental agreements requirements imply non-compliance which may have legal implications for the country.
- 2.4.2 Furthermore, non-compliances may lead to criticisms from other international governments which can undermine Fiji's credibility and erode the willingness of other governments to take action on other, unrelated matters such as trade, development, security, or social issues. In addition, Fiji's inability to comply with both national and international reporting requirements may affect the availability of future funding and hinder the successful implementation of projects and activities under respective MEAs

3.0 AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

This section of the report describes the objective and scope for this audit. It also discusses the methodology utilised to gather information for the audit.

3.1 Audit objectives and scope

- 3.1.1 The overall objective of the audit is to assess the efficiency and effectiveness of focal and implementing agencies in implementing multilateral environmental agreements by examining:
- implementation arrangements in place for honouring requirements of MEA, and
 - accountability and reporting relationships including the effectiveness in monitoring implementation.
- 3.1.2 The audit focused on the management of multilateral agreements administered by the Department of Environment over the past three years from 2012.

3.2 Audit methodology

- 3.2.1 The audit was conducted using the following evidence gathering techniques:

1. *Documentary Review*

The audit reviewed all multilateral environmental agreements ratified and managed by the Department of Environment together with related documents.

2. *Interviews*

Interviews were carried out with the following officers from various Units within DOE.

Table 3.1: Details of interviews conducted

UNIT	OFFICERS
Department of Environment- Management	<ul style="list-style-type: none"> • Director
Waste Management Unit	<ul style="list-style-type: none"> • Principal Environment Officer • Senior Environment Officer • Environment Officers
Resource Management Unit	<ul style="list-style-type: none"> • Senior Environment Officer • Environment Officer • Assistant Project Officer
Ozone Depleting Substances Unit	<ul style="list-style-type: none"> • ODS National Coordinator • ODS Project Inspector • ODS Project Assistants
Education and Awareness Unit	<ul style="list-style-type: none"> • Environment Officer

3. *Questionnaire*

A questionnaire was also answered to capture certain issues that were not in any way documented

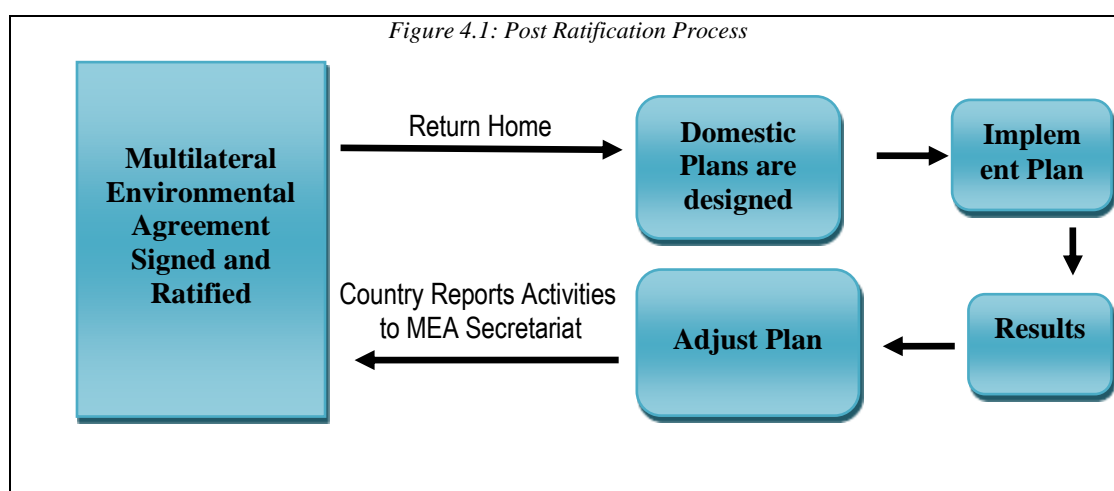
4. *Other*

Correspondences through emails were also made to clarify certain issues.

4.0 IMPLEMENTATION ARRANGEMENTS FOR HONOURING REQUIREMENTS OF MEA'S

This section of the report seeks to establish the implementation arrangements in place that define responsibilities amongst key agencies in managing, implementing and enforcing government's obligations for each MEA. It also seeks to determine whether the implementation arrangements have been implemented, implementation is effectively coordinated across key agencies, and the sufficiency of resources to ensure effective implementation.

- 4.0.1 Environmental agreements articulate international approaches to address environmental challenges. Once a country ratifies or accedes to an agreement, all necessary measures need to be taken to ensure compliance to respective MEA obligations.
- 4.0.2 The UNEP Guidelines on Enforcement and Compliance to MEA's defines "**implementation**" as all relevant laws, regulations, policies, and other measures and initiatives, adopted or taken to meet obligations under an environmental agreement.
- 4.0.3 Whilst the respective MEA Secretariats are responsible for preparing and servicing meetings of the parties, coordinating with relevant international bodies and overseeing the overall implementation of MEA obligations, the member countries are responsible for the development of appropriate legislations, strategies and plans to effectively implement MEA obligations. General process outlining post ratification activities are outlined in Figure 4.1 below.



The following paragraphs discuss findings on implementation arrangements.

4.1 Absence of adequate implementing legislation for MEAs

- 4.1.1 According to their respective national legal frameworks, states should enact laws and regulations to enable implementation of multilateral environmental agreements where such

measures are necessary for compliance. Laws and regulations should be regularly reviewed in the context of the relevant international obligations and the national situations⁹.

- 4.1.2 Development of appropriate specific legislation is usually required to give the force of law to environmental agreement obligations to ensure that they are adequately implemented.
- 4.1.3 There are currently 10 multilateral environmental agreements being implemented by the Department of Environment. Audit established that only four out of the ten environmental agreements currently implemented are supported by enabling legislations. Out of the remaining six MEAs implemented without supporting enabling legislations, three MEAs are implemented on the provisions of other legislations. Listed in table 4.1 below are MEAs implemented with relevant supporting legislations.

Table 4.1: MEAs implemented and their supporting legislations

MEAs	Specific Legislations	Audit Comments
Convention on Biological Diversity	No specific legislation	The convention relies on several pieces of legislations that cover different aspects of conservation and sustainable use of biological resources. These legislations include the Endangered and Protected Species Act 2002, Environment Management Act 2005, Fisheries Act Cap 158, Forest Decree 1992, Land Use Decree 2010, and Ozone Depleting Substances Act 1998.
Cartagena Protocol on Bio safety	No specific legislation	The convention is legislated through the Biosafety Promulgation 2008, Food Safety Act 2003 and, Customs Act No.11 of 1986 Rev. 2010, Customs Regulations 1986.
Convention on international trade in endangered species of wild Fauna and Flora (CITES)	<ul style="list-style-type: none"> Endangered and Protected Species Act 2002 (enforced in 2003) Endangered and Protected Species Regulations 2003 	The EPS Regulations is in the process of being reviewed. Legislation is currently with Solicitor General's Office for the review of fees charged to traders for the registration of companies trading endangered species.
Ramsar convention on Wetlands	No specific legislation	The Convention relies on the Environment Management Act 2005 for its implementation. Appropriate legislation is yet to be developed.
Vienna convention on the protection of the ozone layer	<ul style="list-style-type: none"> Ozone Depleting Substances Act 1998 Ozone Depleting Substances Regulations 	The ODS Act 1998 is currently being reviewed.
Montreal Protocol- substances that		

⁹ UNEP Manual on Compliance and Enforcement of MEA's, section 20

deplete the ozone layer		
Stockholm Convention on Persistent Organic Pollutants	<ul style="list-style-type: none"> • Environment Management Act 2005 • Environment Management (Waste Disposal and Recycling) Regulations 2007 	<p>Reliance is also placed on the following pieces of legislation:</p> <ul style="list-style-type: none"> • Health and Safety at Work Act 1996 – for registration of industrial chemicals • Pesticides Act 1971 – registration of pesticides • Public Health Act 1937 – management of public health • Pharmacy and Poisons Act 1985 – registration, control, distribution and sale of pharmaceuticals
Waigani Convention	No specific legislation	
Apia Convention	No specific legislation	
Noumea Convention for the Protection of natural resources and environment of the South Pacific	No specific legislation	

- 4.1.4 Audit noted that the absence of national laws have hindered the effectiveness of implementation of Conventions. For instance, the lack of legislation to support implementation of the Waigani Convention hinders the effective monitoring and enforcement of trans-boundary movement of hazardous waste.

In addition, reports submitted have also reflected this deficiency. For instance the 2012 RAMSAR national report to the COP 11 meeting in Romania disclosed that the absence of specific legislation for the RAMSAR convention has duly led to the deterioration in the national state of Fiji's only wetland site.

- 4.1.5 Audit also noted that principal legislations were also lacking in defining key elements of managing MEAs. For instance, although the Environment Management Act 2005 and Environment Management Regulations 2007 are the principal legislations for the Stockholm Convention, responsibilities of the DOE with regards to POPs management are not clearly defined. Although the Stockholm convention also requires the development of legal and administrative arrangements to reduce or eliminate releases from the intentional and unintentional production and use of POPs chemicals outlined in Annex A – Annex C of the Convention, audit noted that the banning and control of all chemicals listed in the Stockholm Convention were not stipulated under the Environment Management Act and Regulations despite these laws being the governing legislations.
- 4.1.6 In the absence of specific enabling legislations, principle concepts, obligations, rights and duties and other institutional arrangements in regards to each Convention will not be clearly defined thus MEA obligations may not be implemented in a coordinated and cohesive way.

4.2 Absence of standard operating procedures

- 4.2.1 Standard Operating Procedures (SOP) should exist to support the implementation of programs and activities required to meet obligations under respective MEAs. Such procedures provide detailed explanations of how a policy, program or task is to be implemented. The detail in the

SOP standardizes the process and provides step-by-step how-to instructions that enable the performance of a specific task in a consistent manner.

- 4.2.2 As the focal point to 10 international and regional environmental agreements, the DOE is responsible for the effective management and implementation of obligations under the respective agreements. Activities and programs are undertaken by the six main business units of the Department, namely:

- the Education and Awareness Unit
- the Resource Management Unit (RMU)
- the Environment Impact Assessment Unit (EIA)
- the Waste Management and Pollution Control Unit (WMU)
- the National Ozone Depleting Substances Unit (NOU) and;
- Corporate Support Services

However, the day to day management of the respective agreements is the responsibility of the WMU, RMU and NOU as outlined in table 4.2 below.

Table 4.2: Responsible Units for Managing MEA's within DOE

Business Unit	Relevant Conventions
Resource Management Unit [RMU]	<ul style="list-style-type: none"> • Convention on Biological Diversity • Cartagena Protocol • CITES • Ramsar Convention on Wetlands
Waste Management Unit [WMU]	<ul style="list-style-type: none"> • Stockholm Convention • Waigani Convention • Noumea Convention
National Ozone Depleting Substances Unit [NOU]	<ul style="list-style-type: none"> • Montreal Protocol • Vienna Convention
No allocated Unit	<ul style="list-style-type: none"> • Apia Convention

- 4.2.3 Based on their respective objectives and targets, different MEAs outline different obligations. The obligations then require member parties to undertake activities that will support the achievement of the overall objective of the agreement. Accompanying SOPs are developed to provide guidance to the Department for the facilitation of day to day management of MEAs.

Audit noted that there were no Standard Operating Procedures in place for eight out of the ten agreements i.e. CITES, Stockholm, RAMSAR, CBD, Waigani, Apia, Noumea and Cartagena protocol. Only the Vienna and Montreal Protocols had SOPs providing guidance on the clearance of imported and exported ODS commodities and equipment containing ODS.

- 4.2.4 From interviews held, audit gathered that a lack of proper handing over during staff resignations and the lack of documented procedures have impacted on the ability and effectiveness of new employees designated in performing assigned tasks.
- 4.2.5 Interviews with key personnel confirmed that the Department as part of its corporate plan would develop SOPs relevant to all business units by December 2014.

- 4.2.6 In the absence of SOPs, work may not be carried out in a consistent and timely manner. New staffs may not be aware of how to perform certain activities thus affecting the effective achievement of obligations under respective MEA's.

4.3 Existence and adequateness of national plans for implementing MEAs

- 4.3.1 National implementation plans (NIPs) should be required in a multilateral environmental agreement, which should include environmental effects monitoring and evaluation in order to determine whether a multilateral environmental agreement is resulting in environmental improvement¹⁰.

NIPs are important in integrating MEA obligations into domestic legal, policy and institutional frameworks. They can be used to identify strategies, policies, programmes, and plans in related sectors through which specific measures need to be taken in order for the MEA to be effectively implemented.

- 4.3.2 The need for developing plans or strategies are usually provided in the respective multilateral environmental agreements itself. Whilst some agreements do not specify the need to develop appropriate plans others have specific provisions outlining the need for the member country to develop and implement them.
- 4.3.3 The specific process for developing a NIP and the contents of a NIP are usually set by the particular MEA and the MEA Secretariat. However financial mechanisms such as the Multilateral Fund and the Global Environment Facility (GEF) that provide funding to nations to develop country programmes and NIPs may also develop guidelines covering the preparation of such plans.
- 4.3.4 The development of NIPs usually follows a consultative, participatory, multi-stakeholder process. This is usually coordinated by the Department of Environment through the appointed steering committees. Audit found that fifty percent of the agreements managed by the Department of Environment did not have appropriate plans/strategies in place to ensure they are effectively implemented. Refer table 4.3 below for details.

Table 4.3: Policies, Plans and Strategies for the Implementation of MEA's

Multilateral Environmental Agreement	Obligation to develop plan		Strategies/Plans in place	Audit Comment
	Yes	No		
Montreal Protocol		✓	<ul style="list-style-type: none"> Methyl bromide Phase out Management Plan CFC Phase out Management Plan HCFC Phase out Management Plan 	The Methyl bromide Phase out Management Plan and CFC Phase out Management Plan has been completed. Department through the NOU is currently implementing the HCFC Phase out Management Plan.
Vienna Convention	✓			
Convention on Biological Diversity	✓		<ul style="list-style-type: none"> National Biodiversity 	Upon expiry of the NBSAP implementation framework in 2014,

¹⁰ UNEP Guidelines on Compliance and Enforcement of MEA's, section 13(b)

			Strategy and Action Plan 2007 (NBSAP) <ul style="list-style-type: none"> Implementation Framework 2010 - 2014 for the National Biodiversity Strategy and Action Plan 	another project is underway for its review. This project is known as the NBSAP Add on Project funded by UNDP
Cartagena Protocol	✓		No policy or plan currently exists	The National Bio Safety Framework is currently being drafted and yet to be approved.
Convention on International Trade in Endangered Species of wild Fauna and Flora (CITES)		✓	No specific policy, plan or strategy is in place.	Management of CITES is conducted through EPS Act and Regulations however, strategies have also been incorporated into the NBSAP IF 2010 – 2014 under thematic area 5 for species conservation.
Ramsar Convention on Wetlands	✓		Regional Wetland Action Plan for the Pacific Islands 2011 - 2013	Strategies and actions are also incorporated into the NBSAP IF 2010 – 2014 under thematic area 7 for Inland Waters. The National Wetland steering committee is in the process of identifying other wetland areas after which appropriate policies and plans will then be developed.
Stockholm convention	✓		National Plan for Implementation of the Stockholm Convention on Persistent Organic Pollutants in Fiji Islands 2006 (NIP)	The NIP for the Stockholm convention outlined action plans for the years 2006. The NIP became out-dated after 2007 and no other strategies and NIP's have been developed since then.
Waigani Convention	✓		No specific policy or plan in place to deal with the trans boundary movement of hazardous waste	Despite the NSWMS acknowledging Fiji's membership to the Waigani convention, the strategy does not outline specific objectives, activities, roles and indicators required for monitoring and evaluation of implementing the Waigani Convention.
Noumea convention	✓		No specific policy, plan or strategies in place	
Apia Convention		✓	No specific policy, plan or strategies in place	

4.3.5 Audit also found that the National Implementation Plan for the Stockholm Convention has been out-dated since 2006. No other policies, plans or strategies were in place to outline activities required for the effective management of POPs as required by the Stockholm convention.

Furthermore, as required by the Environment Management Act 2005, DOE under the Waste Management and Pollution Control Unit was required to *establish the National Chemical*

*Management Plan based on the National Chemical Profile*¹¹. Audit found that no chemical management plan has been prepared to ensure the sound management and disposal of chemicals in Fiji.

Interview with the responsible officer noted that implementation of the Stockholm convention had ceased after the completion of the POPs project in 2006. The absence of an officer to manage the convention and the failure to review and update the NIP contributed to the failure to appropriately implement the convention. Audit however, noted that in 2013, the updating of the NIP has been approved and included as one of UNEP's regional project.

- 4.3.6 Review of the NBSAP Implementation Framework 2010–2014 also noted that the framework failed to clearly identify indicators for each action, thus there was no basis of identifying the effectiveness of monitoring and evaluating the implementation of actions indicated under various thematic areas.
- 4.3.7 Failure to prepare appropriate national policies, plans or strategies directly impedes on the successful implementation of MEA obligations.

4.4 Diversion of funds provided for the implementation of the NIP for the Stockholm Convention

- 4.4.1 Article 7 of the Stockholm convention requires that each party should develop and endeavour to implement a plan for the implementation of its obligations under this Convention¹² and review and update, as appropriate, its implementation plan on a periodic basis and in a manner to be specified by a decision of the Conference of the Parties¹³.
- 4.4.2 A national implementation plan for the Stockholm convention was developed and approved by Cabinet for implementation in 2006. The plan was developed with the financial assistance from the Global Environment Facility and provided a number of specific action plans with specific goals and objectives that reflects the requirements of the Stockholm convention. Implementation of the plan was undertaken from 2003 to 2006.

In 2007 subsequent to the completion of the POPs project, tasks related to the management of the Stockholm convention were absorbed into the Waste Management and Pollution Control Unit. No funding was provided for the management of the convention for the years 2007 to 2009; however from 2010 government allocated \$80,000 annually for the national implementation plan of the Stockholm convention.

- 4.4.3 Audit found that despite the funding provided by government to the DOE for the NIP of the Stockholm convention, no commitments were made for the review and update of the national implementation plan. Audit however noted that these funds were used for other purposes not related to the intentions it was specifically allocated for, as reflected in table 4.4 below.

¹¹ Environment Management Act 2005, section 14(3)(f)

¹² Stockholm convention, Article 7(1)(a)

¹³ Stockholm Convention, Article 7(1)(c)

Table 4.4: Diversion of funds allocated for the NIP for the Stockholm convention

Year	Payment Description	Amount \$	Voucher No
2013	Air fares for Minister & Acting Deputy Secretary to India	20,745.00	031693
2013	Provision of Transportation during the Pacific Island Conference	4,914.45	034617
2013	Purchase of Air Tickets for Minister – Travel to Nairobi for UNEP seminar	9,784.00	031093
2012	Air tickets for Minister and PS travelling to Nairobi, Kenya 17/02 – 27/02/12	26,575.90	025604
2012	UN Sustainable development Conference Per diem allowance – Honnin Kwosing	15,926.64	027273
2012	Air tickets – India Trip: Taina T and Sarah T	13,419.00	029086
2011	Air Fare for Fiji Delegation to the Solomon Islands – Pacific Expanded Constituency Meeting	6706.40	023606

4.4.4 Audit also noted that the Department failed to appropriately monitor and report on the progress made with regards to the implementation of the convention for each year budget was provided.

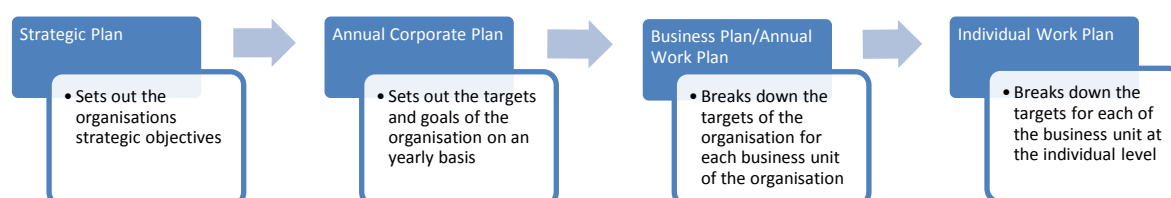
4.4.5 Failure to appropriately use funds for its intended purpose indicates a lack of emphasis and commitment to government's contractual obligations.

4.5 Alignment of MEA implementation activities and targets in organizational plans

4.5.1 Work planning provides a way of coordinating the work that needs to be done with an emphasis on continuous improvement and innovation. In planning the organisations work, emphasis should be placed on aligning and documenting its goals and related activities throughout its organisational plans.

As such work plans at all levels within the organisation should incorporate performance objectives that identify tasks/activities and expected results in relation to the management of respective conventions.

4.5.2 Alignment of organisational goals from its strategic plan through to individual work plans are important to ensure agreement obligations are effectively met. The following diagram illustrates this alignment.

Figure 4.2: Alignment of IWP with organizational plans

4.5.3 Audit review of the agency's annual corporate plans found that strategies relating to the implementation of environmental agreements were not clearly defined for the years 2011 and 2013 despite being indicated as one of the agency's output. The 2012 ACP however, clearly

outlines the Department's outputs, strategies, KPI's, targets and relevant timelines for each of the agreement managed by the DOE.

- 4.5.4 Furthermore, despite the identification of the management of regional and international Conventions as one of the outputs in the agency's annual corporate plans, audit noted that business plans failed to clearly define outputs and activities related to the management of the Stockholm, Waigani, Noumea and Apia Conventions to ensure they were effectively implemented.

However, strategies and activities with regards to the implementation of a number of agreements such as CITES, Ramsar convention, CBD convention, Nagoya and Cartagena protocols managed by RMU and the Vienna and Montreal Protocol managed by NOU were aligned to the outputs of the agency's corporate plans.

- 4.5.5 Audit also noted that Individual Work Plans (IWP) did not clearly specify responsibilities (activities/tasks) to be undertaken by responsible officers in the implementation of the Stockholm, Waigani and Noumea conventions.

Furthermore, signed copies of IWP's were not provided to each officer responsible for managing the implementation of respective agreements to ensure they were well aware and accountable for all tasks assigned. Review of employees' personal files also noted that IWP's for 2011 and 2013 were not filed.

- 4.5.6 At the time of audit, the Apia convention was still yet to be allocated to a Unit within the Department for national implementation. Interview with key officers noted Fiji's participation in regional meetings of the Convention, however there was no reports prepared on the progress of national implementation of the Convention.
- 4.5.7 Lack of alignment between individual and group roles and the broader organisational strategy may lead to uncertainty in role focus and unclear organisational expectations of their performance.

4.6 Public awareness and education on MEA obligations

- 4.6.1 Multilateral environmental agreements communicate international governments' commitment to environmental protection. Despite the foremost responsibility falling on governments to implement the agreement, overall compliance to an MEA is dependent on the combined efforts of many stakeholders including NGO's, industries, local communities and individuals.

As such, to promote compliance, parties could support efforts to foster public awareness about the rights and obligations under each agreement and create awareness about the measures needed for their implementation, indicating the potential role of the public in the performance of a multilateral environmental agreement¹⁴.

- 4.6.2 Although the Department has an Awareness and Education Unit, education and awareness creation activities on each MEA are developed and conducted by the Units responsible for each respective MEA in coordination with the Awareness and Education Unit.

¹⁴ UNEP Manual on Compliance and Enforcement of MEA's, section 31

4.6.3 Audit noted that the Awareness and Education Unit has in place an “Integrated Communication Strategy for the years 2010–2014” which integrates all education and awareness components of the DOE’s sections/units and focuses on eight target areas, namely:

1. Information dissemination and technology
2. Formal education
3. Community awareness
4. Partnership and networking
5. Capacity building/ training
6. Coordinating and integrating
7. Media outreach
8. Informal education

Annual action plans are then developed from the strategy which outlines the specific activities, objective, target audience, method, responsibility, timeline and budget for respective target areas. Audit noted that no action plans were developed for the years 2011 and 2013, however annual reports prepared for the respective years noted that education and awareness were conducted for the Vienna convention, Montreal Protocol, Ramsar convention, CITES and CBD.

Education and awareness include trainings and presentations provided to stakeholders, meetings with local communities, media outreach through television broadcasts, talk back shows and development and updating of the CHM website.

4.6.4 Furthermore, audit noted that awareness activities were not conducted for a number of conventions namely the Stockholm, Waigani, Apia and Noumea conventions, for the years 2011 to 2013. These were attributed to lack of policy support and coordination hindering the effective implementation of each agreement.

4.6.5 Failure to adequately conduct educational and awareness programs on MEAs may directly impede upon the effective fulfilment of respective MEA obligation.

4.7 Review of National Measures in implementing MEAs

4.7.1 At the institutional level, the Conference of the Parties (COP) represents the primary decision making body for a given MEA. Implementation however, at the national level is the responsibility of the focal agency in coordination with other designated implementing agencies and the assistance of the MEA Secretariat with donor agencies.

4.7.2 As the focal point, the Department is responsible for communications, dissemination of information, representation at meetings, responding to various requests, collaboration with other stakeholder groups, monitoring, promoting and facilitating national implementation of these Conventions.

To ensure a convention is implemented in the most effective, efficient and economical manner periodic reviews should be conducted on the measures and activities in place in implementing an agreement.

4.7.3 Audit found that reviews on implementation of the agreements managed by DOE were adequately conducted for CBD, CITES, Ramsar, Vienna Convention and the Montreal Protocol.

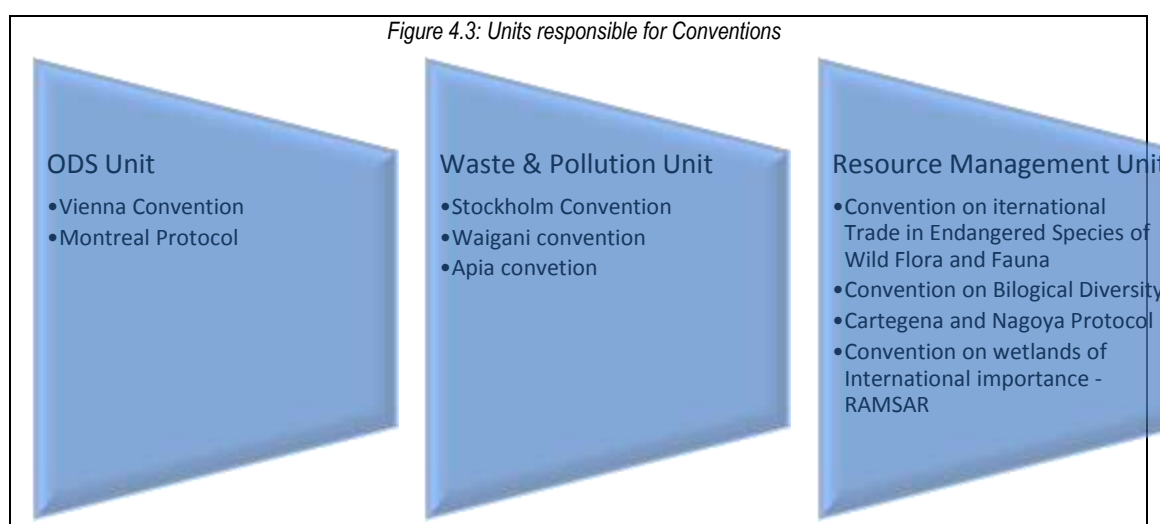
These reviews were conducted through annual review meetings between relevant stakeholders, internal ad hoc meetings by Unit staff and through the meeting and Conference of Parties.

Audit noted that national review of the remaining five agreements (Stockholm, Waigani, Cartagena, Apia and Noumea conventions) was lacking and which were attributed to the lack of implementation on each of the convention, out-dated plans and the lack of coordination between the relevant implementing agencies.

- 4.7.4 Failure to conduct timely and appropriate reviews may contribute to the risk of continuously employing ineffective measures thus impeding on the overall effective, efficient and economical implementation of respective MEA's.

4.8 Lack of in-house and capacity building

- 4.8.1 Capacity building and the technology transfer should be consistent with the needs and strategies and priorities of the country concerned for enhancing compliance and assisting such countries in meeting their obligations under their respective agreements.¹⁵
- 4.8.2 Capacity building at the institutional (or organisational) level focuses on the overall organisational performances and functioning capabilities. It aims to develop the institution as a total system including individuals, groups and the organization itself.
- 4.8.3 The Department of Environment has a total of more than 40 staffs who attend to the various conventions under their respective Units. This is an additional task to the current duties under their Units' responsibilities as they don't have a fulltime officer attending to the work required under the Conventions. Respective units assigned for the respective Conventions are illustrated in figure 4.3 below:



- 4.8.4 The audit gathered responses from staffs responsible for the respective conventions, to establish extent of capacity building. Refer to the table 4.5 for responses:

¹⁵ (UNEP Guidelines, s.33(b))

Table 4.5: Capacity building

Conventions	Capacity Building
Ramsar Convention on Wetlands	<ul style="list-style-type: none"> • In-house awareness programs on the agreements for staff information.
Waigani Convention Stockholm Convention	<ul style="list-style-type: none"> • There were a few regional meetings/workshop on the conventions over the past years; however staffs involved has resigned from the Department. • COPs meetings for the previous years were attended by former management. • Strategic Approach to International Chemicals Management (SAICM), meetings were attended by other stakeholders in particular Min of Labour. • Last year, Senior Environment Officer (waste management) attended an inception workshop for an upcoming regional project including Fiji to assist countries in meeting objectives of the convention and this has also provided capacity building.
Vienna Convention on the Protection of the Ozone Layer Montreal Protocol on Substances that Deplete the Ozone Layer	<ul style="list-style-type: none"> • The staff has been continuously involved in international/ regional technical meetings and workshops related to implementation of Country Programme with respect to the agreements; and • On a national basis, staffs have been sent for trainings to fill in gaps in order for effective implementation of national laws.
Convention on Biological Diversity, NAGOYA and Cartagena Protocols	<ul style="list-style-type: none"> • there has been adequate capacity building in house on MEA's however what lacks in this matter is the understanding on how each MEA links to the other and our implementation and operations of work. With the current restructure this understanding reflects better.
CITES	<ul style="list-style-type: none"> • DOE Staffs have been attending CITES enforcement training organized in the Oceania region.

- 4.8.5 Attending workshops has been beneficial in providing knowledge and a platform for exchange of ideas and experiences with other countries in the implementation of their respective strategies that could be tailor made to suit Fiji's implementations
- 4.8.6 Commitment by government as a party to the conventions in implementing legal, organizational and environmental management measures in order to ensure compliance with the requirements of the convention is seen to be lacking.
- 4.8.7 The lack of commitment on providing training on continuous basis may lead to staff not being at par with the current developments relating to the conventions.

4.9 Lack of technical knowledge and skills

- 4.9.1 Participation of a wide range of stakeholders can be promoted, taking into consideration the need for developing institutional strengths and decision-making capabilities and upgrading the technical skills of parties for enhancing compliance and meeting their training and material requirements¹⁶.
- 4.9.2 Analysis of the questionnaire distributed to DoE staff managing MEAs revealed that staffs are knowledgeable on the requirements of the multilateral agreements as most of them have gained a lot of knowledge on the respective agreements from exposures to meetings and

¹⁶ UNEP Manual s.33 (c)

workshops. The staffs attend the regional as well as overseas workshops and meetings in regards to the respective multilateral agreements.

- 4.9.3 Audit gathered that whilst trainings are being conducted for the convention on biological diversity trainings in the other environmental agreements are not being done. Trainings and workshops are conducted at various intervals based on the necessity of parties in their various work programs. Staff who attend this training then share the information learnt with the staff in their sections.
- 4.9.4 Conduct of training on the agreement would facilitate ensuring compliance to their requirements.

4.10 Lack of manpower to handle tasks

- 4.10.1 Adequate human resources must be provided to ensure all tasks related to the management of environmental conventions are undertaken.
- 4.10.2 Audit noted that there is no designated staff specifically assigned for the management of environmental agreements. However in addition to their normal work, DOE staffs are also required to undertake work related to the implementation of MEAs and ensuring that the requirements of Environmental agreements are complied with.
- 4.10.3 It was confirmed from discussions with staff currently administering the MEAs that the lack of personnel had hindered the effective implementation of requirements of the agreements and monitoring of progress of implementation. Outlined in the table 4.6 below is a breakdown of the staff of DOE and their workload.

Table 4.6: Department of Environment Staff

Business Unit	Staff personnel	Agreements & Projects	Further comments
Waste Management and Pollution Control (WPC)	<ul style="list-style-type: none"> • 1 SEO – Waste Management • 2 EOs • 1 vacant EO 	<ul style="list-style-type: none"> • Stockholm Convention • Waigani Convention • Noumea Convention 	There is no staff designated for the implementation of the three conventions. At present, the Senior Environment Officer (Waste Management) is responsible for the implementation of the Stockholm and Waigani Conventions. Issues in respect to the Noumea Convention are attended to on an ad hoc basis
Resource Management Unit (RMU)	<ul style="list-style-type: none"> • 1 SEO – RMU • 1 Environment Officer-Awareness • 2 Technical Assistants 	<ul style="list-style-type: none"> • CITES • CBD • Cartagena • Ramsar 	The SEO-RMU is responsible for administering the Conventions and assisted by the EO-Awareness and the technical assistants.

National Ozone Depleting Substance Unit	<ul style="list-style-type: none"> • 1 ODS Project Office • 1 ODS Inspector • 4 ODS Project Assistants • 1 vacant ODS Project Assistant 	<ul style="list-style-type: none"> • Montreal Protocol • Vienna Convention 	UNEP funded project
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4.10.4 An additional 20 staffs have been approved to the Department's staff establishment which is anticipated to alleviate the current work load.

4.10.5 The lack of personnel to manage specific MEAs adversely impact on the effective implementation and monitoring of the Agreements.

RECOMMENDATIONS

The Department of Environment should ensure that:

- A gap analysis is conducted which includes the examination of all existing legislations supporting the implementation of respective agreements. Due considerations should be made for the development of specific legislations or, the review of existing mandates to incorporate provisions relevant to the effective achievement of obligations under each of the Agreements.
- Appropriate SOPs are developed to serve as an instructional resource that allows employees to carry out basic tasks in an efficient and effective manner. Communicating procedures that can easily be followed will ensure the attainment of consistent results contributing to the effective achievement of MEA obligations.
- Appropriate policies, plans or strategies for each agreement are developed in coordination with relevant stakeholders. Plans should clearly articulate the strategies, objectives, actions and indicators to allow monitoring and evaluation of each activity. Together with this, plans should also indicate the agency responsible for each activity to avoid confusion, overlap and duplication of duties.
- Conventions are implemented where funds are provided, and seek explanations from the line Ministry as to why funds were diverted.
- Goals and activities relevant to the effective management of MEA's are incorporated into all levels of the organisational plans and clearly communicated at all hierarchical levels.
- Education and awareness programs are well planned and coordinated. Adequate attention should also be placed on the obligations of the Stockholm, Waigani, Apia and Noumea conventions, whereby, awareness and education programs should be designed accordingly based on the individual needs of the respective Conventions.
- Proper review measures are in place for the Stockholm, Waigani, Cartagena, Apia and Noumea conventions. Reviews should be conducted on a defined periodic basis to ensure agreements are implemented in the most effective, efficient and economical manner.
- Additional staff are recruited to ensure that the obligations under each agreement is being adhered to, for enforcement of monitoring and to ensure compliance to the Convention.

Management Comments

Absences of SOP

SOP for Ramsar, CBD, CITES – It is true that we don't have SOP's for the convention because implementation of these Convention is many fold from policy level to project activities. However where necessary for instance for CITES we have a SOP for issuance of permits and SOP for uploading information on database in the Clearing House Mechanism under the CBD. Development of SOP has been on case by case based on necessity. 11 SOPs have been developed so far this year covering CITES and ODS.

Existence and adequateness of NIP's on MEA's

The need for National Implementation Plan has been recognized by DoE. NBSAP is an overarching strategy for all biodiversity related MEA's. We have the NBSAP Implementation Framework 2010-2014 which serves as the NIP and work is ongoing for its review.

Yes it was a very early stage after ratification to CBD that Fiji had prepared its NBSAP. Now we are in the process of reviewing NBSAP and one of the key things that is to be looked at is inclusion of measurable targets and indicators. This is the same situation everywhere around the globe and that is why CBD has allocated funding through GEF for NBSAP revision so that lessons learnt are shared and a more workable NBSAP is formulated as a result of the revision. Fiji had its indicators in the NBSAP however it was confusing the readers so the hope is that clearly identified indicators to be used. Also work from SoE will be consolidated in terms of indicators.

*We agree and support the recommendations provided after 4.10.6 for **Implementation Arrangements for honouring requirements of MEA's except** for the last bullet recommendation which should specify the staff posts that should be recruited (pg 24). E.g. field, technical etc.*

5.0 ACCOUNTABILITY AND REPORTING RELATIONSHIPS

This section of the report seeks to establish accountability and reporting relationships, and whether key agencies are meeting accountability and reporting requirements for each MEA. It also seeks to assess whether the effectiveness of implementation is monitored.

- 5.0.1 The competent body of a multilateral environment agreement could, where authorized to do so, regularly review the overall implementation of obligations under the multilateral environment agreement and examine specific difficulties of compliance and consider measures aimed at improving compliance. Multilateral environmental agreements can include provisions for reporting, monitoring and verification of the information obtained on compliance¹⁷.
- 5.0.2 Parties may be required to make regular, timely reports on compliance, using an appropriate common format. Monitoring involves the collection of data and in accordance with the provisions of a MEA can be used to assess compliance with an agreement, identify compliance problems and indicate solutions. Verification involves verification of data and technical information in order to assist in ascertaining whether a party is in compliance, and in the event of non-compliance, the degree, type, and frequency of non-compliance¹⁸.
- 5.0.3 Accountability is essential to ensuring that promises on environmental protection and sustainable development produce credible results. The existence of accountability reporting systems enable evaluations of key policy choices and instruments. Evaluations of key policy choices and instruments enable government to report and measure their progress towards environmental protection and sustainable development or to identify whether further key policy action is required.
- 5.0.4 Reporting requirements are defined by the terms of each MEA. Information gathered is collated and submitted as national report to the Secretariats of the respective MEA. These may be supplemented by independent data (often from NGOs) or some form of inspection. Information gathered can be used to assess compliance with respect to implementation of commitments for each MEA, or to monitor breaches. The provision of periodic reports as required under each MEA in a timely manner is indicative of government meeting its international commitment.

5.1 Monitoring implementation of Conventions

- 5.1.1 Monitoring involves the collection of data in accordance with the provisions of each respective MEA and can be used to assess compliance with an agreement, identify compliance problems, and indicate solutions¹⁹.
- 5.1.2 Monitoring provides a means for ensuring that implementation goes according to plan. Similarly evaluation enables the determination of whether the Conventions have fulfilled their objectives or not. Monitoring and evaluation are therefore essential elements for any process.

¹⁷ UNEP Guidelines on compliance with and enforcement of MEAs s.13

¹⁸ UNEP Guidelines on compliance with and enforcement of MEAs s.14(c)

¹⁹ UNEP Guidelines on compliance with and enforcement of MEAs s.14(c)

- 5.1.3 The Department of Environment as focal agency is responsible for the collation of data in coordination with relevant stakeholders. Audit noted that no Memorandum of Understanding (MOU) is in place between the DoE and the respective agencies except for the Montreal and Vienna Conventions. The DoE has an MOU with the NGOs and the Fiji Customs Authority for the two Conventions.
- 5.1.4 Audit noted that meetings are being conducted with the DoE and the stakeholders via the various committees formed in respect to the various Conventions. These meetings convened between the DoE about the stakeholders discuss compliance issues, mechanisms and procedures regarding the Conventions.
- A challenge faced by the DoE is that the Department is not always being involved in the initial stages of negotiation but once things are formalised then the DOE is being informed to draw up policies needed for the conventions without being a party to the discussion from the beginning. The communication lines are not clearly defined thus posing a lot of problems amongst the stakeholders.
- 5.1.5 Audit gathered from discussions held with officers responsible that the monitoring of the implementation of the Conventions is a challenge for the DOE as it is quite huge to monitor and its scope quite difficult to define. Monitoring the implementation of conventions is also hindered by a lack of resources and manpower. Audit noted that the current staffing levels are not sufficient to enable efficient monitoring.
- 5.1.6 The lack of staffs to conduct monitoring of implementation of the conventions indicate a lack of consideration of resource capabilities to handle requirements for implementation of Conventions at the outset by the negotiating parties when agreeing to be a party to the Conventions.
- 5.1.7 In addition lack of coordination between relevant stakeholder agencies may result in inconsistencies in work procedures, overlapping of roles and duplicate use of resources.

5.2 Internal Reporting

- 5.2.1 Cabinets/Parliaments should be informed regularly on the activities undertaken by the implementing and focal agencies of respective conventions. Information can be relayed through reports which can be used to assess in a transparent manner the measures that have been taken to implement commitments, consider the effectiveness of those measures and deliberate on areas of improvement.
- 5.2.2 The DOE normally prepares Cabinet Papers for internal reporting purposes to Government. The existence of internal reporting process exists for Biodiversity whereby a reporting mechanism has been developed (national process) plus at intervals the MEAs themselves require parties to submit national reports which are undertaken through a consultative process. The other Conventions have yet to establish a reporting process.
- 5.2.3 The DOE is required to submit for Cabinet's endorsement reports describing compliance with the MEA requirements which are to be forwarded to the respective Convention Secretariats. It is also required to provide and update to Cabinet through its line Ministry undertakings from

meetings attended. Table 5.1 reflects responses on whether the monitoring units within DOE are submitting reports to Cabinet prior to and after attending meetings.

Table 5.1: Submission of reports

Conventions	Submissions to Cabinet	Frequency of reporting
Ramsar Convention on Wetlands	Yes	Before CoP meeting
Waigani Convention Stockholm Convention SAICM	Reports were prepared back in 2006 through the POPs Project Unit and submitted to Cabinet. However, from 2007 till to date, the unit is not aware of any reports prepared and submitted to Cabinet after COPs.	Seldom
Vienna Convention and Montreal Protocol	No, only the focal agencies prepare reports as and when the need arises.	Based on national importance which requires policy directions for the country or submission to Cabinet for information purposes. For example, any changes to the Conventions, strategies that needs to be implemented, etc.
Convention on Biological Diversity	Yes in the past we have submitted reports on biodiversity and also for various other work programs emanating from the convention	Based on the need or when there is something that needs to be drawn to Cabinet's attention such as important national reports, national consultative summaries, meetings etc.
CITES	Yes	Before CoP Meetings

- 5.2.4 During the course of audit it was also revealed that most of the reports and papers prepared for submission to Cabinet have been misplaced due to the many relocations of the DoE's office and a lack of storage space to properly store the Department's documentary records.
- 5.2.5 Proper maintenance of documentary records ensure the availability of information which supports accountability and contributes towards corporate knowledge.

5.3 External Reporting

- 5.3.1 The conference of the parties of a multilateral environment agreement regularly review the overall effectiveness of the agreement in meeting its objectives, and consider how the effectiveness of a multilateral agreement may be improved²⁰.

Parties may be required to make regular, timely reports on compliance, using an appropriate common format. Simple and brief formats could be designed to ensure consistency, efficiency and convenience in order to enable reporting on specific obligations²¹.

- 5.3.2 The DOE as the focal agency for most of the Conventions is required to submit reports to the Secretariat of each respective Convention. The reports are discussed at the CoP meetings held for each Convention.

²⁰ UNEP Guidelines on compliance with and enforcement of MEAs s. 15

²¹ UNEP Manuals s 14(1)

The reporting requirement and reporting format for reports submitted to CoPs varies amongst the Conventions because of the nature of information each MEA seeks from the Parties. The formats of the reports submitted to CoPs for each of the Conventions are standardised and members are obligated to comply with the reporting requirements. However the reporting submission timelines are not always being adhered to by the DOE as the lead agency for these agreements. Listed in Table 5.2 below are reports submitted to the Secretariat of the various Conventions.

Table 5.2: Reports submitted to the Secretariat of the various conventions

Conventions	Reports submitted to CoP
Convention on Biological Diversity	<ul style="list-style-type: none"> • 4th National report submitted on 8/7/10 • NBSAP implementation framework – 7/8/12 • 2nd national report – 15/5/01 • 1st national report 7/1/98 • NBSAP
Cartagena protocol	<ul style="list-style-type: none"> • Report was due on 11 September 2005 Fiji is yet to submit a report • The meeting of the parties to the protocol (COP-MOP) adopted a reporting format and requested parties to submit reports every 4 years but in the initial 4 year period to submit an interim report after every 2 years after entry into force of the protocol. The first report was due on 11 September 2005 and the first regular national report was due on 11 September 2007
Nagoya Protocol	<ul style="list-style-type: none"> • Protocol is still new and hasn't submitted a report as yet
CITES	<ul style="list-style-type: none"> • Article VIII para 7 says that each party is to submit Annual Report on its CITIES trade containing summary of information. The annual reports submitted are for 2007- 2011. • The party is also required to submit Biennial Reports which is yet to be submitted
Ramsar	<ul style="list-style-type: none"> • National report 2008 COP meeting • National Report for Fiji to the 4th Oceania Regional meeting for RAMSAR
Montreal & Vienna Convention	<ul style="list-style-type: none"> • Country Programme Report submitted to Multilateral Fund Secretariat and Article 7 Report to the Ozone secretariat. This reporting is mandatory that determines the compliance and funding release of countries. Reporting is done on an annual basis on the 1st of May each year and Fiji started reporting as far back as 1986.
Stockholm Convention - SAICM	<ul style="list-style-type: none"> • Not aware of meeting reports prepared by the former Director or by Ministry of Labour as there were no proper handing over of meetings attended and/or reported.

5.3.3 Audit was not able to obtain most of the reports from the DOE due to unavailability of records at the DOE, thus the other reports were obtained from the Conventions' respective websites. Copies of the report were not always maintained by the Department of Environment and which were aggravated by the fact that no proper handing over was done when staff moved out of the Department of Environment.

5.3.4 In addition to reports submitted to CoPs, the Department of Environment being the focal agency is also required under strategy output 3 of its annual corporate plan (ACP) to prepare compliance reports on the Conventions and submit to the line Ministry. Audit gathered that

such reports have not been done. Reflected in table 5.3 below are responses provided on whether compliance reports are submitted.

Table 5.3: Submission of compliance reports

Conventions			Submission of compliance reports
Convention on Biological Diversity			None
Cartagena protocol			None
Nagoya Protocol			None
CITES			None
RAMSAR			None
Montreal & Vienna Convention			No, as the implementing agency/ Ozone Secretariat/ Multi-lateral Fund Secretariat does the non-compliance reporting.
Stockholm Convention			Not aware of any report prepared for non-compliance on the conventions over the past years.

- 5.3.5 Failure to prepare consistent and compliance reports will lead to the lack of knowledge as to the progress on the implementation of the conventions. Failure to prepare and submit compliance reports will also lead to withholding of funds by secretariats and also non-compliance to the treaties

5.4 Participation in international and regional meetings

- 5.4.1 To build and strengthen capacities for enforcement, states should participate in international meetings, courses and training programs, as well as in regional and global networks to facilitate sharing information and access to implementation and training materials²². Apart from its participation, states should ensure that it is well and appropriately represented in these meetings.
- 5.4.2 The Conference of the Parties (CoP) is the forum for discussion of the Conventions, and advances implementation of the Convention through the decisions it takes at its periodic meetings. All States that are Parties to the Convention are represented at the CoP. Matters for discussion at the meetings include reviews of implementation of the Conventions, and any other legal instruments that the CoP adopts. The CoP makes decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements. Audit gathered from discussions with the Director of Environment that Fiji has been an active member in the chairmanship of the CoP meetings.
- 5.4.3 The meetings of CoPS for most Conventions are scheduled on an annual basis whilst some Conventions have their CoP meeting every two years. In addition to the COPS meetings, other meetings are also held during the year. For example the Vienna Convention and the Montreal Protocol have various meetings before the Meeting of Parties.
- 5.4.4 Attendees at meetings are required to prepare a report on matters discussed during the meetings.

²² UNEP Guidelines, s.49e

5.4.5 Audit gathered that the Department of Environment as the focal agency represents the Government of Fiji to the CoPs meetings for most of the Conventions except SAICM, which is attended by Ministry of Labour officials. Listed in Table 5.4 below are the types of meetings held for each Convention attended by the focal agencies.

Table 5.4: Meetings held for respective Conventions

Convention	Meetings held	Attendees at meetings
RAMSAR	1 regional and 1 international	Senior level management
Waigani Convention	COPs for the Waigani Convention meet every two years.	Former Director DOE
Stockholm Convention	COPs for the Stockholm Convention meet every three years.	Former Director DOE attended the last meeting of the Stockholm convention in 2009
SAICM	-	Attended by Ministry of Labour officials
Vienna Convention and Montreal Protocol	<p><u>1 International:</u> Meeting of Parties [MOP] (1);</p> <ul style="list-style-type: none"> • Open- Ended Working Group [OEWG] (1); • Executive Committee [ExCom] to the Montreal Protocol Meetings- co-opted member for 2014 (1); • South-East Asia and the Pacific Network [SEAP] Mtg (1); • Joint South Asia [SA]/ South-East Asia & Pacific Network Mtg (1). <p><u>2. Regional:</u></p> <ul style="list-style-type: none"> • Pacific Island Countries Network Meeting (1) 	<p>Minister/ Permanent Secretary/ Deputy Secretary/ Director of Environment and ODS Project Office</p> <p>Deputy Secretary/ Director of Environment and ODS Project Officer, and ODS Project assistant</p> <p>ODS Project Officer and ODS Project Assistant</p> <p>ODS Project Officer and ODS Project Assistant</p> <p>ODS Project Officer and ODS Project Assistant</p> <p>ODS Project Officer and ODS Project Assistant</p>
Convention on Biological Diversity	COP is held at intervals of either 2 years or 4 years. However they have at least 3-4 different types of meeting such as technical meetings, regional meetings	attended by DOE officers
CITES	1 regional and 1 international	Senior level management

5.4.6 Fiji only attended the CoP meeting for the Waigani Convention and did not attend the joint COP meeting for the Stockholm Convention, Basel Convention and Rotterdam Convention in 2010 and in 2013. Audit confirmed that Fiji last attended the CoP for the Stockholm Convention in

2009. Attendances prior to this could not be established due to a lack of records maintained by the Unit.

- 5.4.7 In addition audit noted that attendees submitted their reports for meetings attended except for those attending the Strategic Approach to International Chemicals Management (SAICM²³) meetings. Reflected in table 5.5 below are responses to whether reports were submitted for attendances at meeting and the dissemination of outcomes of meetings.

Table 5.5: Feedback to questionnaire on whether reports were submitted

Convention	Report submitted
Ramsar Convention on Wetlands	Yes
Waigani Convention	Not aware of meeting reports prepared by the former Director or by Minister of Labour as there were no proper handing over of meetings attended and/or reported.
Stockholm Convention	
SAICM	
Vienna Convention and Montreal Protocol	Yes, reports are prepared and sent to Public Service Commission to the Permanent Secretary of the Ministry on the outcomes of each respective meeting.
Convention on Biological Diversity	Yes, the report is sent to management for information, PSC and also shared with stakeholders on important matters
CITES	Yes reports are prepared

The DOE only maintains copies of reports on meetings attended by the DOE staff. Reports on outcomes from the SAICM meetings attended by the Ministry of Labour officers were not produced for audit scrutiny. Audit was not able to obtain confirmation on the issue from the Ministry of Labour despite follow ups with the Principal Technical Officer OHS.

- 5.4.8 The non-submission of reports is indicative of a lack of accountability by the Ministry of Labour in communicating to the DoE outcomes of meetings attended that would enable the sharing of experiences to enhance management and disposal of chemicals.

5.5 Dissemination of outcome of meetings and conference of parties

- 5.5.1 Dissemination of information on the deliberations and outcomes of conventions and meetings should be undertaken to ensure all relevant stakeholders are aware of decisions and outcomes of such meetings affecting the implementation of MEA's²⁴.
- 5.5.2 Meetings are held with respective stakeholders to deliberate on issues discussed at the meetings of conference of parties. Stakeholders include Government Ministries and departments, non-government organisations (NGOs), tertiary institutions, oil companies, and statutory bodies i.e. Fiji Islands Revenue and Customs Authority (FRCA) and Bio Security Authority of Fiji (BAF). Stakeholders are then required to proactively implement requirements of the Convention.

²³ The Strategic Approach to International Chemicals Management (SAICM) is a policy framework fostering the sound management of chemicals which was adopted in Dubai (UAE) on the 6th of February 2006.

²⁴ Good Practices

5.5.3 Responses to questionnaire issued regarding regularity of meeting with stakeholders are tabled in table 5.6 below.

Table 5.6 Dissemination of Information

Conventions	Frequency of meetings	Issues discussed	Do the agency conduct meetings to discuss the issues deliberated from the meetings of COP?
RAMSAR	Biannually	<ul style="list-style-type: none"> • Ramsar site • Management plan • Information sheet on the Ramsar site 	Yes
Waigani Convention Stockholm Convention	No meeting has taken place for the past 8 years on the outcome of COPs.	No meeting has taken place for the past 8 years on the outcome of COPs.	No meeting has taken place for the past 8 years on the outcome of COPs.
Vienna Convention and Montreal Protocol	During contact group meetings, side- events and bilateral meetings especially for OEWG and MOP.	Normally, a Conference Room Paper[CRP] by concerned party is circulated for discussion during the contact group meeting while the outcomes of side- events that are relevant to the focal agency is included in its respective reports.	Yes, the outcomes are disseminated within the Ministry as well as the respective stakeholders.
Convention on Biological Diversity	Biodiversity Stakeholders meet at least 4 times in a year apart from the smaller working groups that meet more often, at least once in 2 weeks (These meetings have different focus but same groups)	The DOE is the Secretariat and makes minutes for all these meetings. Issues of concern on various thematic areas that have been derived from these MEAs such as for CBD on the 7 thematic areas of NBSAP.	Yes, for the CBD there is always a national standpoint, national priorities discussed before and after the COP's. COP deliberations, discussions and resolutions play an important role in national meetings.
CITES	Quarterly	Thematic 5 and Issues on the Endangered species	Yes

From the analysis above it can be seen that the only Conventions that has not met with its stakeholder for the past 8 years is the Stockholm Convention which needs to be strengthened to ensure that they are made aware of the progress of the implementation of the Conventions.

5.5.4 Non dissemination of outcomes of meetings will result in stakeholders being unaware of the happenings with the other member countries in regards to the Conventions.

5.6 Maintenance of a database to provide information on environmental agreements

- 5.6.1 A database should be created and appropriately maintained to provide an efficient information network nationwide for the environmental agreements. The database should be coordinated to enhance its ability to monitor and control and also ease the work in the assessment of the implementation stages of the Conventions.
- 5.6.2 The information should include among other things, the number of reports issued, awareness programs made in respect to the conventions, the level of compliance in respect to the requirements of the convention, the number of stakeholders and their roles in the implementation of the conventions. The database should also include the number of meetings attended, trainings, workshops conducted and the dissemination of outcomes of meeting with the stakeholders.
- 5.6.3 The Department of Environment does not have a database on the multilateral agreements that the Department is the focal agency of.
- 5.6.4 The absence of a database is a hindrance to the effective sharing of vital information regarding Conventions between concerned stakeholders. Having a database will ensure the timely monitoring of the progress of implementation the Conventions.

RECOMMENDATIONS

The Department of Environment should ensure that:

- an effective monitoring strategy to include the frequency of monitoring as well as the roles and responsibilities of respective officers is developed.
- effective coordination is being maintained to ensure that there is no duplication of work amongst stakeholders;
- documented copies of the reports sent to the Cabinet, Convention Secretariats, etc; are maintained and filed in the relevant subject files maintained for each convention for records purposes and for ease of reference, and for ease of work of new staff assuming roles of reporting on the conventions
- reports are consistently prepared including the compliance reports on the conventions.
- a copy of reports for attendances at meetings is being maintained in the respective subject file maintained for each Convention for ease of reference. This will also ensure that desk officers for the respective conventions are aware with the issues being deliberated at the meetings.
- outcomes of meeting are disseminated to all stakeholders so that all concerned parties are aware of the progress and the new challenges ahead of them in regards to the conventions.
- a database is established for effective sharing of information and for ease of reference.

Management Comments

We agree and support the recommendations.

6.0 CONCLUSION

- 6.1 Although there are arrangements in place for the implementation of the multilateral environmental agreements that Fiji is a party to, the effectiveness of implementation of requirements of certain Conventions are impacted by lacks in certain aspects of the arrangements in place for honouring MEA and which need to be strengthened. For instance, the absence of adequate implementing legislations, SOPs and national plans for some agreements impact the effectiveness of implementation of the Conventions.

Effective implementation is also thwarted by inactions such as failures to update and implement the national implementation plan despite funding provided by Government [Stockholm Convention], and failure to adequately review the implementation of a number of agreements.

However, despite the lack of capacity building for a number of the conventions and lack of manpower to effectively carry out tasks with regards to the implementation of the conventions, the Department of Environment has made tremendous efforts in implementing relevant MEAs given its available resources.

- 6.2 The effectiveness of monitoring of the conventions is adversely affected by a lack of funds and a lack of resources available to the Department of Environment. The Department needs to comply with the Conventions reporting requirements and ensure that reports are sent in a timely manner.

7.0 REFERENCES

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2. Biosafety Promulgation 2008
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4. Convention on Biological Diversity
5. Convention on International Trade of Endangered Species
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7. Customs Act No. 11 1986 Rev. 2010
8. Customs Regulation 1986
9. Department of Environment – Annual Report 2013
10. Department of Environment – Business Plans 2013
11. Department of Environment Annual Report 2013
12. Endangered and Protected Species Act 2002
13. Endangered and Protected Species Regulations 2003
14. Environment Management (Waste Disposal and Recycling) Regulations 2007
15. Environment Management Act 2005
16. Implementation Framework 2010 – 2014 for the National Biodiversity Strategy and Action Plan 2007
17. Integrated Communication Strategy 2010 – 2014
18. Manual on compliance with and enforcement of Multilateral Environmental Agreements
19. Ministry of Local Government, Urban Development, Housing and Environment - Annual Corporate Plan 2011
20. Ministry of Local Government, Urban Development, Housing and Environment - Annual Corporate Plan 2012
21. Ministry of Local Government, Urban Development, Housing and Environment - Annual Corporate Plan 2013
22. Montreal Protocol on substances that deplete the Ozone Layer
23. National Biodiversity Strategy and Action Plan 2007
24. National Implementation Plan for the Stockholm convention 2006
25. National Solid Waste Management Strategy
26. Noumea Convention for the protection of the Natural Resources and Environment of the South Pacific Region
27. Ozone Depleting Substances Act 1998
28. Ozone Depleting Substances Regulations 2010
29. Ramsar Convention on Wetlands
30. Standard Operating Procedures for the clearance of Imported and exported ODS commodities and equipment containing ODS
31. Stockholm Convention on Persistent Organic Pollutants
32. UNEP Guideline on compliance with and enforcement of Multilateral Environmental Agreements
33. Vienna Convention on the protection of the Ozone Layer
34. Waigani Convention

MANAGEMENT OF RURAL ELECTRIFICATION PROGRAM



*A Performance Audit Report
of the Office of the Auditor
General of the Republic of
Fiji*



Demand for electricity has increased significantly in the past few years, especially in the rural areas. The power sector ensures that the entire population has access to electricity through the extension of Fiji Electricity Authority (FEA) grid network, stand-alone systems by the Department of Energy (DOE), and extensions from government stations by the Public Works Department (PWD). There is an expectation that by 2011 the country would have 90% national electrification coverage where the urban areas would have 100% access to electricity and the rural areas 85% access.

The Rural Electrification Unit (REU) within the Department of Energy (DOE) administers and controls the rural electrification program, a Government initiative aimed at electrifying rural areas. This report assesses the effectiveness of the REU in managing the implementation of this initiative by examining:

- the management framework of rural electrification program;
- the administration and implementation of rural electrification program; and
- the monitoring and inspection of projects under the REP.

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Acronyms

AWP	Annual Work Plan
DOE	Department of Energy
FEA	Fiji Electricity Authority
GTB	Government Tender Board
HR	Human Resource
IWP	Individual Work Plan
MQR	Minimum Qualification Requirement
NGO	Non-Government Organisations
OIC	Officer in Charge
PSC	Public Service Commission
PSIP	Public Sector Investment Program
PTO	Principal Technical Officer
PV	Photo Voltaic
PWD	Public Works Department
RE	Rural Electrification
REP	Rural Electrification Program
RESCO	Renewable Energy Service Companies
REU	Rural Electrification Unit
SGH	Supervisor Higher Grade
SHS	Solar Home Lighting System
SOP	Standard Operating Procedures
TA	Technical Assistant
TNK	Turaga ni koro
TOR	Terms of Reference

1.0 EXECUTIVE SUMMARY

Background Energy is of crucial importance for the socio-economic development of Fiji. Access to energy services has been identified as a necessary prerequisite for sustainable development, since it can lead to improvements in household health, education and income levels. Thus it's important to the public and government.

The Rural Electrification Program (REP) is a rural empowerment program, where the government through the Department of Energy, cost share with the recipient rural communities on the funding of rural electrification projects for their communities.

The programs were intended to support Government Rural Development policy aimed at improving living standards in the rural areas through electrification, so that disparity of living conditions between the urban centres and the rural areas can be reduced. It was also aimed at reducing rural urban drift of rural population

Coverage The audit on Management of Rural Electrification Program looked into three areas namely "*Management Framework of Rural Electrification Projects*", "*Administration and Implementation of Rural Electrification Projects*", and "*Monitoring and Inspection of Projects under the REP*".

The audit examined records for the rural electrification program for the 5 years 2008 to 2012 maintained by the Rural Electrification Unit. Audit also extended its scrutiny to 2013 records for the current period.

Key findings *Management Framework of Rural Electrification Program*

- Framework for the management of rural electrification projects exists and is defined through the Rural Electrification Policy 1993 and Standard Operating Guidelines. These however need to be reviewed to incorporate current practices, roles and responsibilities.
- The current structure of the Department of Energy has been in existence for more than 20 years and has an effect on the effective implementation of the program.
- There is a need for recruitment of more staff and the provision of adequate training for employee skills enhancement and development.

Administration and Implementation of Rural Electrification Program

- Applications are not always supported by required documentation as required.
- Once installed, use of diesel generator schemes are not always exploited by beneficiaries.

- There is no approval for variations in parts installed for solar systems and requirements as per the Policy. Recoveries of monthly fees under the RESCO are not evident.
- Recoveries of community contributions could not be ascertained.
- Records maintenance and security of records is lacking.

Monitoring and Inspection of projects under the REP

- Contradictory reports on inspections
- Improvements noted in monitoring processes include revision to regularity of contractual payment.
- Monitoring activities are hindered by a lack of resources
- Monitoring and evaluation reports were not submitted for audit scrutiny.

**Overall
Conclusion**

Management of rural electrification program is adequately managed despite resource constraints. Legal and institutional framework exists to provide guidance on the proper implementation and management of the rural electrification program even though they may require reviews to keep them relevant and authoritative.

In addition, deviations in the administrative issues such as adherences to requirement of the application process, records maintenance, etc.; need to be strengthened to ensure accountability.

**General
Recommendation**

To ensure effectiveness of management of rural electrification program, audit recommends that the DOE review its current policy and guidelines to incorporate current practices to ensure its relevance and authoritativeness.

It should also ensure adequate resources are provided to enable efficient and effective program implementation and monitoring.

2.0 INTRODUCTION

This section of the report provides a brief background of the topic being audited and also provides reasons for conducting the audit.

2.1 Background

- 2.1.1 The great demand for electricity by rural areas in the early 1970s arising out of changing lifestyles and the desire for gaining a better standard of living for the rural population prompted Government to implement the rural electrification program. The rural electrification program was initially directed by the 1973 Rural Electrification Policy with the intention of improving the well-being of the rural population.
- 2.1.2 The REP is a rural empowerment program, where the government through the Department of Energy (DOE), cost share with the recipient rural communities on the funding of the REP for their communities. These programs were intended to support the Government Rural Development policy aimed at improving living standards in the rural areas through electrification, so that disparity of living conditions between the urban centres and the rural areas would be reduced. It was also aimed at reducing rural urban drift of rural population.¹
- 2.1.3 The RE Policy developed in 1973 provided for the implementation of the schemes based on a 2/3 contribution from the government and 1/3 (or 33%) from the local community. Under this arrangement the government owned the schemes and maintained them. This policy was restricted to the supply of stand-alone diesel generators with servicing carried out by the DOE for an annual fee of \$100 from the community.
- 2.1.4 The Rural Electrification Unit (REU), a unit within the DOE was established to spearhead the implementation of the rural electrification projects aimed at equitable regional distribution of electricity and increasing rural electricity access to almost 100% by 2014 as per the 1993 RE policy. As of to date the estimated connectivity to electricity is 90%.

2.2 Reasons for the audit

- 2.2.1 Energy is of crucial importance for the socio-economic development of Fiji. Access to energy services has been identified as a necessary prerequisite for sustainable development, since it can lead to improvements in household health, education and income levels.
- 2.2.2 Government has invested substantial amount of money in providing electricity throughout the country. Accessibility of electricity in the rural areas is challenging in terms of the cost involved. Budget provided to the Rural Electrification Unit and actual expenditure incurred for the REP over the past 5 years 2008 to 2012 are outlined Table 2.1 below.

¹ CP(10)07 – s. 2.0 paragraph 2.2

Table 2.1: Budget and actual expenditure for 2008 to 2012

Year	Budgeted Expenditure \$	Actual Expenditure \$	Savings \$
2008	6,000,000.00	5,337,238.85	662,761.15
2009	18,887,719.00	18,769,062.52	118,656.48
2010	5,892,405.00	5,723,004.57	169,400.43
2011	6,307,991.00	5,711,711.82	596,279.18
2012	6,963,460.00	6,963,035.68	424.32
Total	44,051,575.00	42,504,053.44	1,547,521.56

The above table shows significant amount spent on the alternative energy source and they managed to save in the past five years.

- 2.2.3 A performance audit on the topic has never been conducted. Annual regularity audits conducted and internal audits by the Ministry of Finance have raised numerous anomalies. Some of the major anomalies include paying contractors for incomplete projects; improper budgeting for the following year's project; villages and individuals not giving initial payment; procurement done without involving store man; splitting of payment vouchers for payments for projects; items not recorded in Fixed Asset Register and Expendable Items Register; cannibalisation of generators; late installation of generators after purchase; lack of REU database to record completed projects; tender procedures not followed; contract recommendation not made after each completed phase; inspection of projects not done after each phase; revision made to initial payment calculation; wiring on houses not done; and survey not properly carried out; etc.

Thus an audit of this topic would identify improvements for strengthening the management of rural electrification programme.

3.0 AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

This section of the report describes the objective and scope for this audit. It also discusses the methodology utilised to gather information for the audit.

3.1 Audit objectives and scope

- 3.1.1 The objective of the audit is to assess the efficiency and effectiveness of the management of the rural electrification program by examining:
- the management framework for the rural electrification program;
 - the administration and implementation of the rural electrification program; and
 - the monitoring and inspection of projects under the REP.
- 3.1.2 The audit covered records of the rural electrification programs managed by the Rural Electrification Unit for the years 2010 to 2013.
- 3.1.3 The audit focused on all the rural electrification schemes managed by the REU that provide electricity through the following means:
1. Stand-alone diesel schemes
 2. Extensions of FEA grid network
 3. Renewable energy based schemes i.e. solar power and non-grid electrification systems
- 3.1.4 The audit did not cover the provisions of electricity through extensions from government stations, and renewable energy based scheme using hydro power.

3.2 Audit methodology

- 3.2.1 The audit was conducted using the following evidence gathering techniques.

i. Interviews

Interviews were carried out with relevant officers of the Department as listed in table 3.1 below.

Table 3.1: Details of officers interviewed

Officer
Director REU
Principal Technical Officer REU
Senior Technical Officer REU
SHS officer in charge

ii. Documentary review

The audit reviewed a number of documents to gather information on rural electrification projects. The major documents reviewed are outlined in table 3.2 below:

Table 3.2: Details of documents reviewed and source during the audit

Document	Source
Rural Electrification Policy (1993)	Department of Energy
Cabinet Papers and Cabinet Decisions	Cabinet Office Department of Energy
Applicants file	Department of Energy
Contract files	Department of Energy
Tender files	Department of Energy
Project excel spread sheet	Department of Energy
SHS report	Department of Energy

iii. Site visits

Site visits were also undertaken. The areas visited together with the date of visits are outlined in table 3.3 below.

Table 3.3: Details of site visits

Site	Dates
Waivaka	24/09/13
Narukunibua	24/09/13
Nasigatoka	24/09/13
Namosi village	25/10/13
Navunibau	25/10/13
Nawailevu	01/10/13
Nasarawaqa	01/10/13
Seaqqa	01/10/13
Dreketilailai	02/10/13
Wairiki	02/10/13
Saqani secondary	02/10/13
Labasa REU office	03/10/13- 4/10/13
Nayaroyaro	05/10/13
Nasinu	05/10/13
Viani Primary	05/10/13
Bagasau	06/10/13
Vunikura	06/10/13
Bucalevu	06/10/13
Waimaqera	09/10/13
Wairiki	11/10/13

4.0 MANAGEMENT FRAMEWORK OF RURAL ELECTRIFICATION PROGRAM

This section of the report discusses the sufficiency and effectiveness of the management framework in providing and planning for rural electrification program by the REU. It looks into the institutional arrangements in place for implementing the rural electrification projects and the sufficiency of funding and resourcing to enable effective implementation of the projects identified.

- 4.0.1 The Rural Electrification Program is a development program that is influenced by several factors such as the regulatory and legal framework, involvement of various stakeholders, high dependence on socio economic factors, bureaucratic red tape and financial constraints. The management of such programs requires consideration of these factors within the project/program planning framework in order to achieve successful implementation.
- 4.0.2 A framework is necessary to define the design, planning, implementation and operations of rural electrification projects. The framework identifies the involvement of stakeholders, identifying responsibilities of all parties involved that may ultimately result in communities owning outcomes

4.1 Policy and Procedures for the Rural Electrification Program

- 4.1.1 The Rural Electrification Policy (REP) developed and approved by Cabinet in 1993 provides the guidelines for electrifying rural areas². Under the policy any rural village or settlement is entitled to request government assistance for electrification.
- 4.1.2 Reviews of the 1973 Rural Electrification Policy in 1991 led to the development of the Rural Electrification (RE) Policy 1993. The aims of the RE Policy 1993 was to:
- a) electrify all rural villages within a period of approximately eleven years and number of villages to be electrified each year to be at least 90;
 - b) have an annual programme of electrification for the above to be approximately \$6million per annum;
 - c) develop rural electrification primarily for social development but economic development to also be promoted wherever possible;
 - d) examine all existing and new types of electrification in the various areas of Fiji to find out their applicability;
 - e) grouping areas close to the FEA grid into schemes and electrify through the extension of the grid;
 - f) have consumers contributing 10% of the capital cost of installing an electrification project and 90% of the capital cost of the project to be met by Government;

² Cabinet Decision No.121 of 23rd March 1993

- g) develop a user-pay system in the long term, and to have villages to be fully responsible for the maintenance, the repair and replacement cost of the electrification scheme after a grace period of 3 years from the date of the completion of the project;
 - h) establish a Rural Electrification Unit to administer and control the rural electrification program; and
 - i) have Government subsidising house wiring for 3 villages to be connected to the Bukuya mini hydro scheme, and to supply surplus electricity from this scheme to nearby villages.
- 4.1.3 Under the revised policy, the responsibility of planning and implementation of the Government rural electrification programme was shifted from the PWD to DOE. Contribution required from the local communities was reduced from 33% to 10% with Government being responsible for maintaining the schemes only for the first 3 years from installation, and ownership of the schemes being transferred to the local communities who would be responsible for the operations, maintenance and replacement of the schemes.
- 4.1.4 The policy aims at streamlining the provision of electricity services into the rural areas. However the methods of generation and supply of electricity have been expanded to include a wider range to choose from. The electrification options available under the 1993 policy framework include:
- (a) diesel scheme;
 - (b) distributed solar scheme;
 - (c) focal solar scheme;
 - (d) hydro scheme;
 - (e) connection to the FEA grid; and
 - (f) connection to a Government power supply system
- 4.1.5 The RE Policy 1993 also provides for the establishment of the Rural Electrification Unit (REU) as well as guidance and instruction for the staff of the REU in facilitating the implementation of the RE Policy.
- 4.1.6 Although the RE Policy 1993 has not been reviewed, certain clauses have been amended over the years to progress the initiative such as the reduction of customers' contribution from 10% to 5% of the total cost of the projects, and corresponding increase in Government's contribution from 90% to 95%.
- Apart from the RE Policy, the DOE uses a Standard Operating Procedure (SOP) which provides guideline to the REU officers. The Rural Electrification Unit Guidelines was developed in 2005 and adopted from 2006 and incorporates the policies that govern rural electrification work and the standard operational procedures required to be adhered to by all individuals and parties involved in the implementation of the rural electrification project. The SOP was developed considering all the existing standard procedures in Government's mechanisms that the RE Unit has to adhere to and how best it can serve its customers. Other guideline includes directives from the Ministry and also from the Department that include the use of Biofuels and the Minimum Energy Performance Standards and Labelling.
- 4.1.7 According to the officer in charge there is a limitation to the policy and SOP in terms of achieving its goal. The goal of DOE is to have 100% electrification of the Nation by 2016 with 100 projects

being implemented each year. However, with the existing RE policy not being reviewed and the program being customer driven, the target is somewhat difficult to achieve.

- 4.1.8 Although the policy and guidelines do not incorporate the current practices that have evolved since their development, the framework provides sufficient guidance to the REU in implementing the rural electrification program.

4.2 Implementing agency

- 4.2.1 The Rural Electrification Unit within the Ministry of Energy and Rural Electrification administers and controls the rural electrification program³.
- 4.2.2 The Rural Electrification Unit was established in 1993 following Cabinet approval 121(4) of 23 March 1993 under the Ministry of Lands, Mineral Resources and Energy and is currently a unit operating under the Department of Energy.

Although the Department of Energy was responsible for overseeing the implementation of the RE policy from 1974 to 1993, the Public Works Department was responsible for the technical and practical activities of the projects until 2005⁴. The Department of Energy took over full responsibility of the rural electrification project from the beginning of 2005.

- 4.2.3 In providing for the establishment of the Rural Electrification Unit, the RE Policy 1993 defined the activities, duties and responsibilities of the Unit which are listed in Table 4.1 below.

Table 4.1: Activities, duties and responsibilities of the Rural Electrification Unit

	Duties and Responsibilities
[a]	To administer the funds for rural electrification as allocated by the annual budget of the Government;
[b]	To fully inform prospective rural consumers of the opportunities for rural electrification which must include all costs and all benefits of each option
[c]	To receive and record applications by the rural consumers for their choice of rural electrification scheme;
[d]	To receive deposits for the capital works of rural electrification schemes;
[e]	To design, estimate, document and construct the electrification schemes as selected by rural consumers (refer [s] below);
[f]	To maintain records - operation, maintenance and accounts of rural electrification schemes;
[g]	To provide training for rural consumers to enable them to maintain and repair at the lowest possible cost rural electrification schemes;
[h]	To set up a maintenance and repair network throughout rural areas in Fiji;
[i]	To collect contributions from rural consumers for replacement of rural electrification schemes;
[j]	To manage, invest, disburse and account for funds received for the contributions stated in [i] above;
[k]	To arrange for replacements of rural electrification schemes;
[l]	To assess the resources and potential for certain types of rural electrification schemes (e.g. hydro, solar) in given areas of Fiji.
[m]	To design, construct, operate, maintain and repair without subsidy, electricity supply schemes including Government stations which are outside the areas of supply by the Fiji Electricity Authority;

³ Cabinet Decision 121(4) of 23rd March 1993

⁴ Department of Energy website

[n]	To design and apply appropriate cost covering electricity tariffs at Government stations/load growth centres including the collection of monies received for the sale of electricity to consumers connected to schemes referred to in [m] above;
[o]	To develop and expand Government station electricity supply systems into load growth centres;
[p]	To promulgate information about the activities of the REU to all rural consumers, to advise them about any Government policies which may affect rural electrification and to respond positively to requests, comments and enquiries from rural consumers;
[q]	To comply with the requirements of the Electricity Act, Cap 180, and its Regulations;
[r]	To be solely accountable for all rural electrification activities to the Minister responsible for the Energy portfolio of the Government - this will include amongst other things, the submission of annual, accounting, audit and performance assessment reports;
[s]	To arrange for the execution of the duties of the REU by the most cost effective means either by its own staff or by means of private sector accountants, consultants, contractors or other such organizations.

4.2.4 The policy also provides details for the following:

- i. Procedures to be followed by the REU and the villages/ settlements when making an application for an electricity scheme;
- ii. Arrangements pertaining to local support activities, commissioning, and other requirements for the construction of schemes [diesel generator and hydro-electric schemes, solar lighting schemes, FEA schemes, and Centralised Generating Schemes].
- iii. Procedures to be followed by the REU and the villages/ settlements when operating their electricity schemes;
- iv. Procedures to be followed by the REU and the villages/ settlements for the maintenance of their electricity schemes;
- v. Procedures to be followed by the REU and the villages/ settlements for sustaining their electricity schemes;
- vi. Procedures to be followed by the REU in responding to applications by villages/settlements to extend their electricity schemes; and
- vii. Procedures to be followed when changing schemes to a continuous supply.

4.2.5 Audit noted that since the RE policy came into effect in 1993, technologies have changed and advanced over the years thereby expanding DOE's responsibilities. However, no revisions have been made to the RE policy 1993 to incorporate the additional duties and responsibilities.

4.2.6 The Unit's planning documents and individual work plans were not provided for audit. Thus audit was unable to assess the effectiveness of the strategies implemented with the requirements of the 1993 policy.

4.2.7 The lack of review with regards to DOE duties and responsibilities may result in certain activities in the DOE's planning documents not being aligned and consistent with the 1993 policy and which may also be irrelevant.

4.3 Human resources

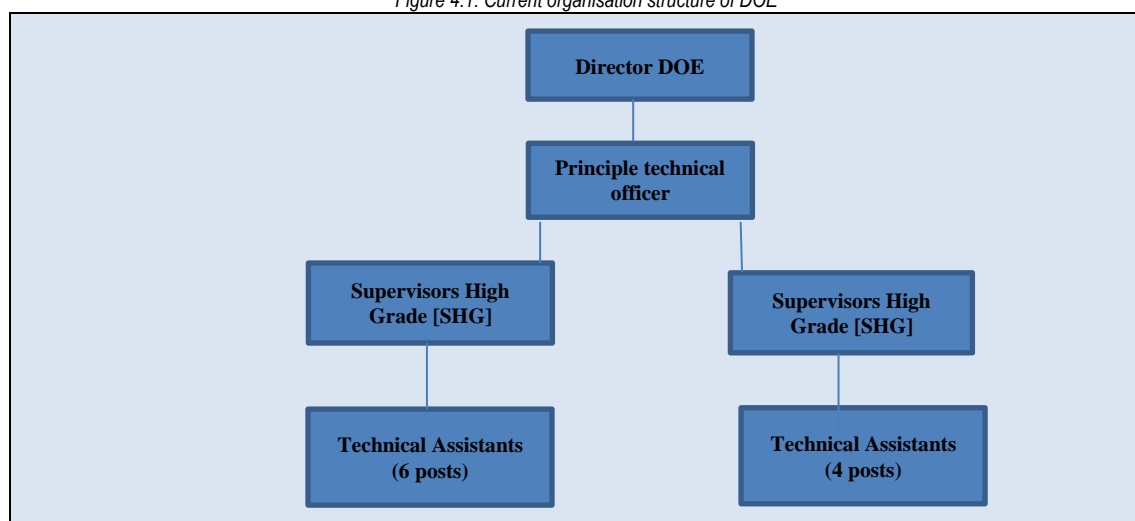
- 4.3.1 The Rural Electrification Unit set up within the Ministry of Energy and Rural Electrification to administer and control the electrification programme requires appropriately qualified persons⁵.
- 4.3.2 The revised RE Policy 1993 describes the proposed HR structure and requirements of the RE Unit. Based on the assumption that the Unit would be established as a statutory body, specialised posts were identified in the HR structure to enable efficient and effective management of the rural electrification projects for the different schemes implemented in the various regions. The proposed specialised positions included those of Manager of REU Regional managers – Vitilevu, Vitilevu-West, Kadavu, Savusavu, Lau; Senior Project Engineer; Senior Engineer Electrical; Supervisor Electrical; Technical Officer Electrical; Contracts Officer; Surveyor/ Estimator; Field Officers; and Stores Officer.

However, audit noted that the proposed post and structure described in the revised policy has not eventuated. Audit gathered from its interview with the officer in charge at DOE that the proposed structure stated in the 1993 RE policy did not eventuate due to a lack of funding, thus the continued existence of the Unit as a government department rather than a statutory body.

With more than 20 years existence, the current DOE structure poses a constraint in terms of it adapting to changes or new innovations that have taken place in the energy sector both locally and globally.

- 4.3.3 The REU as at to date is established as a government unit under the Department of Energy and is therefore bound by General Orders and all the other relevant rules and regulations guided under the PSC regulations in terms of its HR establishments. The current work structure is illustrated in Figure 4.1 below.

Figure 4.1: Current organisation structure of DOE



- 4.3.4 The REU is headed by the Principal Technical Officer (PTO) who oversees the overall operations of the RE Unit.

⁵ Cabinet Decision No. 121 of 23rd March 1993

The Supervisor Higher Grade supervises the Technical Assistants [TAs] in their field work ensuring that the works carried out are done in accordance with the required standards and procedures. The Unit currently has two Supervisors High Grade of which one is responsible for all contracts, and the other the implementation of projects.

Technical Assistants serve the rural customers and process applications for electricity supply. They conduct field trips; ascertain scopes of work; design and estimate costs of schemes. The TAs also provides technical and practical assistance to other sections of the Department.

- 4.3.5 From the documents provided audit noted that the supervisors and the technical assistant posts were graded at the same level. Although OIC REU revealed that a tentative HR structure had been drafted to improve the Unit's HR structure and assist in reducing the rate of staff turnover, the draft tentative HR plan was not provided for audit scrutiny.
- 4.3.6 As per the person to post listing dated 31st July 2013, the REU currently employs a total of 13 staffs from the approved staff establishment of 15. Of the two vacant posts, only one has been advertised. Refer to table 4.2 below for details of staffing for REU.

Table 4.2: Current staffing of REU

Post	Number of post approved	Number of post filled	Post Title	Audit comments
SS05	1	0	Typist	The post have been temporarily filled
ST01	1	1	Principal Technical officer (PTO)	The post have been filled
ST03	1	0	Technical Officer (SLO)	The post is vacant and not advertised
ES03	2	2	Supervisor higher grade	filled
ST05	10	9	Technical assistant	One post vacant and post has been advertised
Total	15	13		

- 4.3.7 Audit noted that most officers were recruited at the prevailing MQR at the time the post was filled. Most appointments were based on the officers' years of practical experiences with relation to the work required.

Audit gathered from its discussion with the team leader at the REU that although the current staffs are able to carry out the work required they would need further training both locally and abroad to develop their capacities.

- 4.3.8 Staff developments through appropriate trainings will enhance officers' skills that enable them to carry out their work efficiently and effectively.

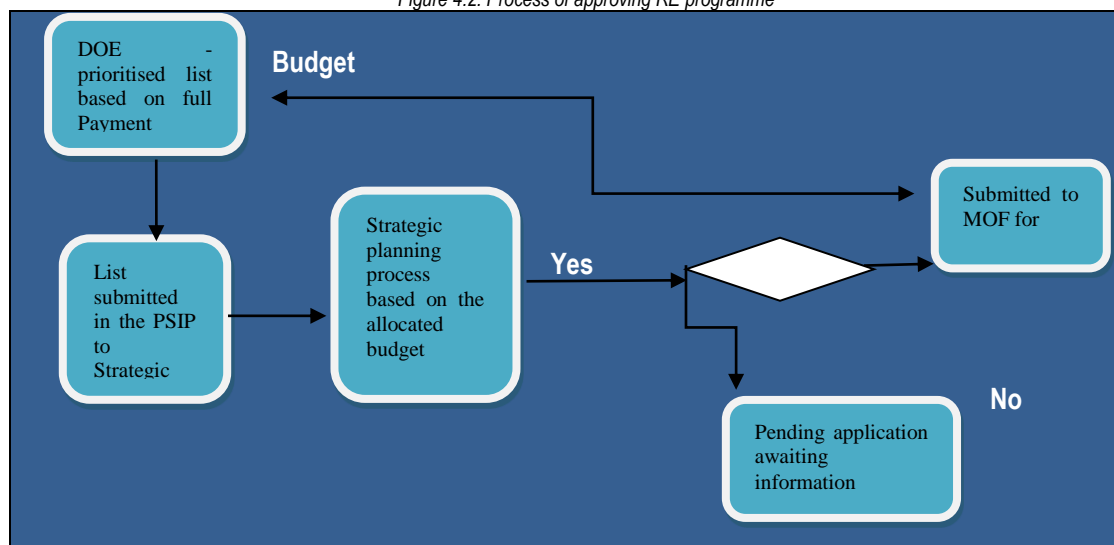
4.4 Planning for Rural Electrification Projects

- 4.4.1 A plan in which the institutional, financial and technical aspects are covered is a precondition for successful and sustainable rural electrification activity. A plan consisting of a well-coordinated multiplicity of significant stakeholders from which all the financial and technical aspects are incorporated would facilitate for an efficient and effective national plan consisting of the identification of all the relevant resources that is required for the full implementation in the government objective.
- 4.4.2 During the planning of RE projects to be undertaken, the total number of projects to be assisted needs to be determined and a comparative analysis to determine the least cost of implementation should be carried out.
- 4.4.3 The Department of Energy is responsible for the overall energy policy and planning, promoting the development of renewable energy resources and renewable energy service companies (RESCOS), energy conservation and the coordination of rural electrification activities through the Rural Electrification Programme.
- 4.4.4 The rural electrification programme largely, provides a facility that enables rural communities to be provided or assisted with the provision of electricity. The rural electrification program is drawn on a yearly basis.

According to REU the programme drawn is based according to a prioritised list and not on a planned list of a total number of communities that are yet to be electrified.

The prioritised list includes only villagers or communities that have fully paid their contribution to the DOE. The programme is updated every year and submitted to the Ministry of Finance for approval. Refer to the figure 4.2 below for the process involved in the approval of the RE programmes.

Figure 4.2: Process of approving RE programme



- 4.4.5 The prioritised list is included in the PSIP submission to the Ministry of Strategic Planning. The Ministry of Strategic Planning vets the submission to ensure that it is consistent and in line with the national planning. Once approved by the MSNP it is submitted to the Ministry of Finance for inclusion in the REU's budget.

4.4.1 Funding of REU programs

- 4.4.1.1 In envisaging the accomplishment of the electrification of the country within a span of 11 years, Government allocates a budget of \$6.0 million per year for the purpose.

However audit noted that actual funding over the years averaged at around \$3 million per year. Provided in Table 4.3 below is a summary of the budgetary allocation over the years from 1994 to 2013.

Table 4.3: Budget allocation for the years 1994 to 2013

Year	Amount (\$)	Number of village/settlement assisted
1994	1,000,000	19
1995	1,000,000	35
1996	1,000,000	37
1997	1,000,000	31
1998	3,100,000	77
1999	3,280,000	135
2000	1,500,000	34
2001	3,000,000	86
2002	5,000,000	112
2003	6,000,000	140
2004	6,000,000	116
2005	6,000,000	101
2006	6,000,000	95
2007	6,000,000	129
2008	6,000,000	273
2009	7,000,000	654
2010	7,700,000	700
2011	3,700,000	144
2012	10,000,000	In progress (~ 220)
2013	8,500,000	Data not provided to audit
TOTAL	84, 280,000	3,138

Source: 2012-2014 Public Sector Investment Program REU Project Documentation

- 4.4.1.2 Furthermore DOE confirmed that allocated budget for 2013 was not fully utilised. Even though projects had been committed, requests made to Ministry of Finance to enable payments were unsuccessful as funds were not available. Thus outstanding payments for 2013 would be drawn from the 2014 budget.
- 4.4.1.3 Inability to pay contractors in a timely manner instil vendor mistrust and contributes to deferment of completion of projects, and the inability of the Unit in accomplishing its planned outputs.

RECOMMENDATIONS

The Department of Energy should:

- review the 1993 Rural Electrification policy and the standard operating procedures to incorporate all current practices not included in the existing documents. In its review, it should consider reviewing clauses pertaining to its duties and responsibilities to accommodate the changes in technology that have arisen over time and the additional activities/responsibilities required to address such changes.
- review the staff structure at the REU that identifies career paths for its officers and promotes staff retention;
- identify the training needs of its staff and send them to appropriate trainings that will enhance their knowledge and skills; and
- ensure that it utilises funding's provided to it in the year appropriated so that it does not impinge on the following year's budget and adversely impact the anticipated activities budgeted for.

Management Comments

No management comments received.

5.0 ADMINISTRATION AND IMPLEMENTATION OF RURAL ELECTRIFICATION PROGRAM

This section of the report looks into the efficiency of administering and implementing rural electrification program. This includes a scrutiny of the administrative processes and the implementation of the projects identified in accordance with planned requirements.

- 5.0.1 The Rural Electrification Unit (REU) is responsible for Schemes powered by stand-alone diesel generators, and FEA Schemes whereby electricity supply is obtained from the Authority's national grid. It also administers the Solar Home Systems (SHS) scheme which is aimed at providing affordable electricity services to very remote communities that are unlikely to have access to the national grid and also where fuel supply is limited.
- 5.0.2 Good coordination, understanding and collaboration amongst stakeholders are important as they ensure that commissioned projects meet the needs of customers and are also within the minimum safety standards and regulations of the Fiji Electricity Authority (FEA).

5.1 Rural Electrification applications

- 5.1.1 Application for assistance to the programme can be made through the standard application available at the Department which is also disseminated to the 14 provincial and district offices around the country.⁶
- 5.1.2 Interested rural villages, communities and households requiring rural electrification assistance under the RE programme submit their application to the REU using the appropriate form. Application forms are available at the various provincial and district offices around the country as well as on the Department's website.

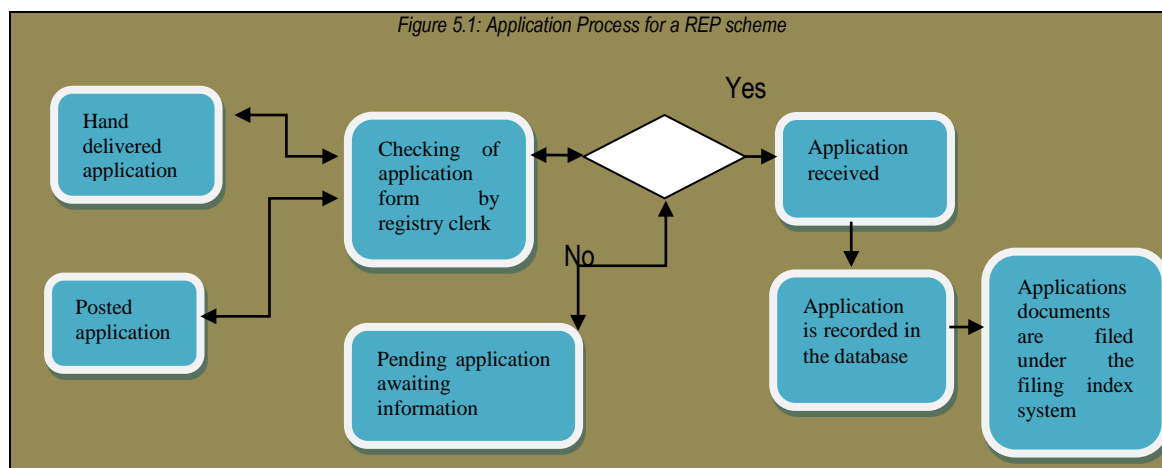
The 1993 Policy offers 3 types of rural electrification schemes which are as follows:

- 1) a diesel generator with mini-grid system for evening lights and small electrical appliances;
- 2) renewable energy systems: solar photovoltaic (PV) or small hydro for evening lights; and
- 3) extension of the FEA grid or government station mini-grid to provide 24 hours per day service.

The electrification schemes are classified as either major or minor schemes. The major scheme involves the extension of grids located more than 300 meters from the nearest FEA low voltage using transformers. Minor schemes include diesel and solar schemes, and extensions to FEA low voltage line which are located 300 meters from site of installation.

⁶ REU Guidelines Policy Summary & Standard Operational Procedures- Section 5.0 (a) (A) paragraph 1 page 11

5.1.3 The DOE receives and records applications for rural electrification schemes from interested applicants. Illustrated in Figure 5.1 below is the process followed when receiving applications.



The application process above is further described in table 5.1 below.

Table 5.1: Description of REP application process

Steps	Description
1. DOE-receives application	Applications forms for assistance to the programme are disseminated to the 14 provincial and district offices. Applicants are required to fill and submit the form to either of the two DOE offices in Suva or Labasa.
2. Survey, Scheme Estimated cost	Once the application is received by DOE, the DOE officers would then carry out their survey to confirm the most suitable type of scheme and make estimation on the total cost for the project.
3. Inform Community on Contribution	After the cost of the project is identified, the households are informed on their 5% contribution that should be made to the DOE.
4. DOE receives the full contribution	Once the full contribution is received by DOE. The application is confirmed and is added into the list to be supported under the scheme in the next year's budget.
5. DOE Tender Process	Once the list is approved by cabinet to be supported. The government tender process is followed.
6. Approve of tender by FPO	FPO does the evaluation and DOE provides the recommendation on the contractor. Contract is signed by DOE and the contractor.
7. Commencement of REP	The RE project is implemented as per the contract and DOE tender specification.

- 5.1.4 Applicants are also required to submit evidences of required documents to support their applications. Documents required to be attached to applications are listed in table 5.2 below.

Table 5.2: Documents required supporting applications

Requirements for FEA diesel and Grid extension	Requirements for Solar scheme
<ul style="list-style-type: none"> • FEA form filled • Copy Of Title/TNK Letter • Tin Letter • Birth Certificate • Passport Size Photo 	<ul style="list-style-type: none"> • Copy Of Title/TNK Letter • Tin Letter • Birth Certificate • Passport Size Photo

- 5.1.5 However, audit verifications of sample applications received noted that some applications did not have all the required supporting documents such as copies of Title/TNK Letter or birth certificate. In addition, sketches describing location or address of applicant were also not provided. Refer table 5.3 below for examples.

Table 5.3: Applications without supporting documents

Applicants name	Documents not submitted
Rafaele Naqiomila	TNK letter/stamp, birth certificate, sketch for home location.
Filisi Limau	TNK letter/stamp, birth certificate, sketch for home location.
Marisila Waqali	TNK letter/stamp, birth certificate, sketch for home location.
Alesi Bulivou	No photo, TIN letter, birth certificate
Teresia Lewasewa	No sketch of residence location

- 5.1.6 In addition audit noted that REU officers during their inspection found details provided in the application form that did not correspond with the situation.
- 5.1.7 The lack of documentation provided or the inaccuracy of details provided in the application forms imply an obvious weakness in the vetting process and the recording system which also has impacts on the Unit's resources such as time and money.

5.2 Diesel generator scheme

5.2.1 Diesel scheme arrangements

- 5.2.1.1 Diesel generator is a single device that functionally converts diesel fuel into electricity. Requirements for installation of diesel schemes include the following major equipment items⁷:

- *Generator house*
 1. Wooden structured power house
 2. Diesel engine driven generator, 240V 1-phase or 415V 3-phase 50 Hz, with starting system, fuel system and steel base frame;
 3. Underground cable distribution incorporating ground level distribution pillars and underground service cables to buildings.

⁷ REU Policy 1993 Part B Chapter 1 Sheet 1: Information sheet diesel generator scheme s.1.0: Scope of equipment

- *House wirings*
4. For each individual house, a wiring installation includes;
 - i. 2 - 18W (2 ft.) fluorescent lights,
 - ii. (II) 1-10A power point and
 - iii. (III) A meter box with main switch and circuit fuses.
 5. For one community hall, a wiring installation including appropriate lighting, 1-10A power point and a meter box with main switch and circuit fuses.
 6. One 200 litre drums of diesel fuel to commission the diesel generator.

These generator systems are also required to be housed in a well-ventilated and shady area.

5.2.1.2 Audit noted during its site inspection that the generator schemes installed had the basic equipment required which complied with the above requirements. Equipment's were also provided with adequate shelter. Refer to Appendix 1 for illustrations of generators sighted during the site surveys.

5.2.1.3 Compliance with equipment requirements and maintenance promotes longevity of equipment.

5.2.2 Utilisation of diesel schemes

5.2.2.1 New applicants requesting for assistance under the Rural Electrification Policy 1993, and villages/communities assisted under the program prior to 1993 can opt for electrification through the following means:

- an upgrade with the existing diesel scheme or
- renewal energy or
- the grid extension

Applicants can only be assisted once

5.2.2.2 According to DOE, diesel generators were once the preferred source of generating electricity in past years⁸ for rural villages because of its cheap price. However the prevailing high costs of fossil fuel costs have impacted much on rural communities using diesel generator operated schemes.

With most of the rural electrification project sites situated in the outer islands and the interiors of Viti Levu and Vanua Levu, rural communities not only have to pay for the expensive diesel fuel but also for the transportation costs of carting the diesel fuel from the urban centres to their villages. Some remote interior villages have to use various modes of transportation just to transport fuel, that is, by foot, horseback, boat, and/or vehicle to their villages, thus purchasing fuel is quite an expensive exercise for such communities.

5.2.2.3 From discussions with Turaga ni Koro of villages assisted with diesel generator schemes, audit noted that not all villages fully utilise their diesel generator system. It was revealed that villages

⁸ From 1974 to the late 1990s

would operate their generators for only two to three hours a day or only on special community occasions or village functions. This is mainly attributed to the high costs of fuel.

5.2.2.4 Apart from environmental considerations, Government is promoting the use of renewable energy to reduce the nation's reliance on diesel and other carbon based fuels that are imported.

5.2.2.5 The DOE is currently converting existing diesel generators to run on biofuels or pure coconut oil. Discussions with DOE revealed that installations of generators with dual oil filters where both diesel and bio fuel can be used have been installed in villages on outlying islands. Listed in table 5.4 below are 7 villages operating bio fuel generators.

Table 5.4: Villages installed with bio fuel generators

Biofuel Mill	Commissioned By	Date commissioned	Comments
Koro Biofuel Cooperative Ltd	Prime Minister Com Frank Bainimarama	10/03/2010	In Operation
Rotuma Biofuel Company Ltd	HE the President Ratu Epeli Nailatikau	14/05/2011	In Operation
Cicia Biofuel Ltd	Prime Minister Com Frank Bainimarama	08/09/11	In Operation
Gau Biofuel Company Ltd	Prime Minister Com Frank Bainimarama	16/03/13	Await Start-Up Capital
Rabi Biofuel Company Ltd	Minister for Works Col. Timoci L. Natuva	14/08/13	Await Start-Up Capital
Vanuabalavu Biofuel Company Ltd	Minister for Works Col. Timoci L. Natuva	15/08/13	Await Start-Up Capital
Lakeba Biofuel Company Ltd	Minister for Works Col. Timoci L. Natuva	16/08/13	Await Start-Up Capital

5.2.2.6 Since under the current revised policy villages and/or communities are not permitted to request for an upgrade to other alternative scheme, some villages would not be able to fully utilise their schemes because of the high cost of fuel thus defeating the objective of the government initiative.

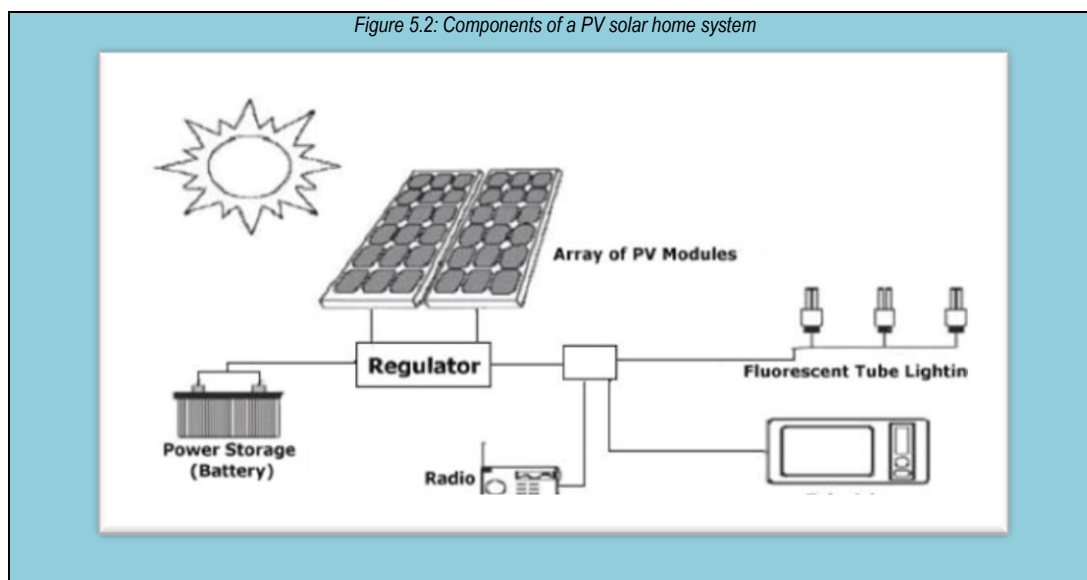
5.3 Solar Scheme

5.3.1 Solar radiation can be used to generate electricity either through photovoltaic (PV) or thermal technology. The Government through DOE utilizes PV systems technology under the Solar Home Lighting Systems (SHS) project for providing electricity to rural areas in Fiji.

5.3.2 The Solar PV systems convert sunlight directly into electricity using solar cells. The size of the solar system and available sunlight determines how much electricity is available for use.

The typical solar home system consists of a panel, a collection of solar cells where the more light that hits a cell, the more electricity it produces, a battery for storing the energy generated during the day, a battery charge controller to avoid excessive charging and discharging and fluorescent lights. Refer to figure 5.2 for Components of a PV solar home system.

Figure 5.2: Components of a PV solar home system



The following paragraphs discusses observations noted in the solar scheme

5.3.1 Installation of equipment

5.3.1.1 Under the 1993 RE policy the solar scheme should include the following major equipment items for each individual household:

- a) Solar panels installed on a wooden pole with adjustable tilt brackets
- b) Two 11W and one 7W fluorescent lights
- c) One 12V lead acid battery
- d) One battery controller

5.3.1.2 From site visits conducted, audit noted that selected items currently installed varied from equipment requirements described in the 1993 RE policy. Refer to table 5.5 for variations noted.

Table 5.5: Variations between equipment requirements as per the policy and actual verification

Audit comments	Items required under the 1993 policy	Actual items installed
Verified correct	solar photovoltaic panel	1 x 135 Wp solar photovoltaic panel
Verified correct	1 12V lead acid battery	1 x 100 Ah deep cycle battery
Verified correct	1 battery controller	1 x 10 Amps 12 VDC controller/regulator
Not specified in the 1993 RE policy	no	1 x 12 VDC voltage reducer
Not specified in the 1993 RE policy	no	1 x .5 Watt LED light with switch
Verified correct	1 x 7 watt light with switch	1 x 7 watt light with switch
1 additional from what specified in the 1993 RE policy	2 x 11 watt lights each with switch	3 x 11 watt lights each with switch
Verified correct	House wiring	House wiring

5.3.1.3 Discussions with the officer in charge at DOE confirmed that the Department has been installing such equipment since 2005 and not as per the requirements of the 1993 RE policy. Illustrated in figure 5.3 below are the equipment items installed as sighted during the audit inspection.

Figure 5.3: Equipment currently installed

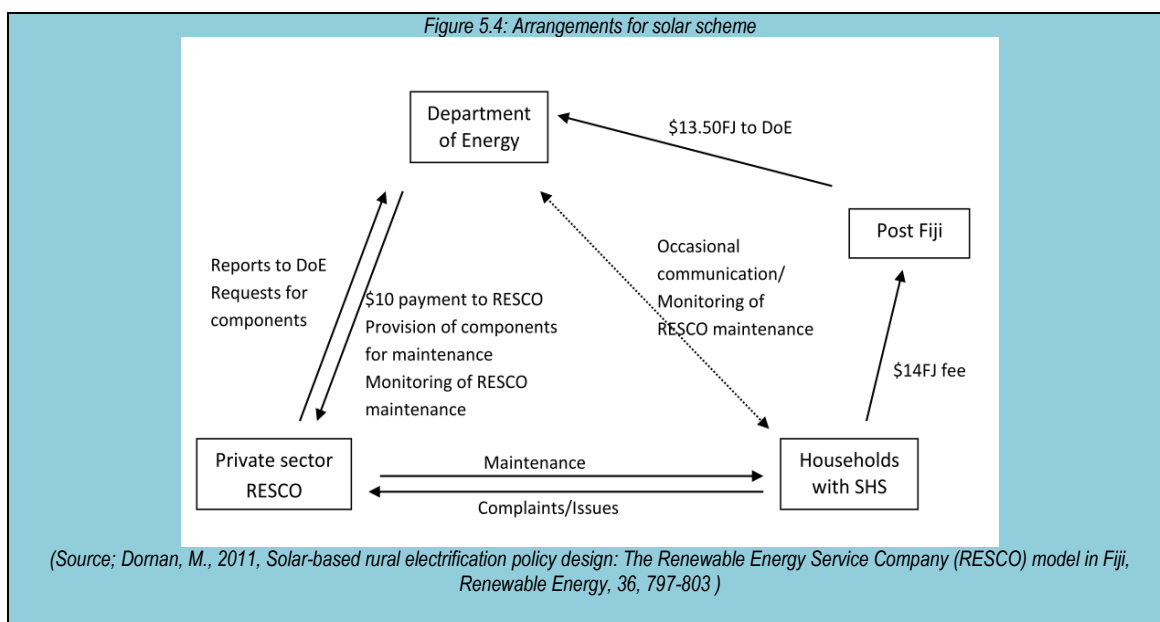
 <p>1 x Wp solar photovoltaic panel</p>	 <p>1 x 100 Ah deep cycle battery</p>
 <p>1x10 amps 12 VDC controller/regulator</p>	 <p>3 x 11 watt lights each with switch</p>
 <p>1 x .5 Watt LED light with switch</p>	 <p>1 x 7 watt light with switch</p>
 <p>1 x 12 VDC voltage reducer</p>	 <p>House wiring</p>

5.3.1.4 Audit could not ascertain whether variations in equipment requirements as per the Policy and those installed from 2005 are authorised since endorsements for variations were not provided for audit verification.

5.3.2. Installation arrangements – Renewable Energy Service Company (RESCO)

5.3.2.1 Under the solar based rural electrification scheme, equipment is owned by Government, but is installed and maintained by a private company selected through competitive tendering.

5.3.2.2 According to DOE, remote villages and settlements that cannot be connected to the FEA grid and houses that are located further apart are given the option for solar home lighting system (SHS). The arrangements under the solar scheme are illustrated in Fig. 5.4 below.



5.3.2.3 The aim of the scheme is to remove the high upfront capital costs associated with solar technologies and encourages public private sector partnership for maintenance.

5.3.2.4 Each user pre-pays a monthly fee that covers the maintenance and component replacement as well as the initial capital cost.

Audit noted that a household pays an initial deposit of \$50, thereafter 'renting' the SHS for a monthly fee of \$14, which is paid at the local post office in return for a token that must be entered into the SHS prepayment meter. This amount is supposed to cover all maintenance costs and 5 percent of the capital cost of SHS, consistent with Fiji's Rural Electrification Policy.

The Department then pays the RESCO approximately \$10 per month for each household under its maintenance contract. Payments to the RESCO are made every two months, during which time the RESCO is expected to visit every household with an SHS once.

5.3.2.5 In addition to the RESCO model, the REU has come up with a new billing and rent payment structure that was implemented for the new installations made from 2012 onwards. Refer to table 5.6 below for the billing structure extracted from DOE solar system awareness paper.

Table 5.6: Billing and rent payment structure

System Type	Period of payment	Amounts per unit	Details
Type 1 (100 Wp)	Pre-installation	\$70.00	Advance 5 months' rent
		\$84.00	Refundable security deposit
	Post-installation	\$84.00	Rent to be paid at the beginning of every six months period. First payment due at the end of the first six months from installation date.
Type 2 (270 Wp)	Pre-installation	\$90.00	Advance 5 months' rent
		\$68.00	Refundable security deposit
	Post-installation	\$108.00	Rent to be paid at the beginning of every six months period. First payment due at the end of the first six months from installation date.

5.3.2.6 From 2012, the Department of Energy has been implementing two types of SHS as described in table 5.7 below:

Table 5.7: Types of SHS

Funding	Quantity	Capacity per system	Target area	Rental Fees per month	Progress
Government of Fiji Rural Electrification (Type 1)	2000	100 Wp	Viti Levu and Vanua Levu	\$14	Installation of first batch of 1000 ongoing April – Sept.
Pacific Environment Community Fund (Type 2)	1000	270 Wp	Maritime zones (excl. Taveuni and Rotuma)	\$18	Supply of equipment ongoing April - August

5.3.2.7 Scrutiny of documents revealed that the upfront cost of installing each system per household varied from \$2742.67 in 2008, then increased in 2009 to \$2944.47 and decreased again to \$2700 in 2012 to 2013. Refer to Appendix 2 for details of cost of solar system installations per household. Reasons for variations in the costs were not provided to audit.

5.3.2.8 Villages/ communities having solar systems are required to pay \$14 each month to assist with funding of maintenance of equipment. However, audit noted that the villagers/ communities have stopped paying their \$14 monthly subscription due to the prepayments machine not working and certain equipment gone bad and have not been replaced.

5.3.2.9 Without the monthly rentals payments the government would not be able to sustain the projects.

5.4 Community Contribution

- 5.4.1 Once the survey has been completed, the community is informed of the contribution that they have to pay. Upon payment of the contribution the scheme is placed on the Department's priority list in terms of actual construction or assistance to the scheme.⁹
- 5.4.2 In order to maintain fairness, consistency, and also ensure that the rural electrification funds are put to optimum utilization, a ceiling or maximum allocation of \$4000 per customer is being used as a guideline for those aspiring to be supplied with electricity from the FEA power lines. Schemes having total costs below the maximum allocation of \$4000 / customer are considered viable and customers are required to pay 5% of the total costs with Government funding the remaining 95%. Schemes having total costs above the maximum allocation of \$4000 per customer require communities to pay the difference whilst the Government would provide the maximum assistance of \$4000 per customer.¹⁰
- 5.4.3 During its verifications, audit could not establish whether customers assisted under schemes costing more than the maximum allocation had paid the differences in costs as required under the policy since no records reflecting these were provided for scrutiny. Reflected in table 5.8 below are examples of customers assisted under the schemes costing more than \$4,000 for which repayments could not be established.

Table 5.8: Customers assisted under the schemes costing more than \$4,000

Village/settlement	No of Houses	Amount Paid	Amount Paid per household	Amount paid per household in excess of \$4,000	Total excess paid per village / community (\$)
		(\$)	(\$)		
2009					
Bangladesh Settlement	8	32,932.00	4,116.50	116.50	932.00
Qelemumu Primary School	172	710,865.00	4,132.94	132.94	22,865.00
Daku Settlement	24	126,758.00	5,281.58	1,281.58	30,758.00
Vunika Settlement	235	1,348,514.00	5,738.36	1,738.36	408,514.00
Nuknuk/Tabia	4	21,397.00	5,349.25	1,349.25	5,397.00
Maravu/Benau Settlement	2	12,051.00	6,025.50	2,025.50	4,051.00
Vatulele Village	4	21,997.10	5,499.28	1,499.28	5,997.10
Laselevu Junction To Nadovu & Others - Stg3&4	1	11,978.00	11,978.00	7,978.00	7,978.00
Laselevu Junction To Matainasau Village - Stg1	17	246,079.00	14,475.24	10,475.24	178,079.00
2012					
Beleki Settlement - Vitogo	5	21,231.00	4,246.20	246.20	1,231.00
Matanisiga Settlement	2	8,908.00	4,454.00	454.00	908.00
Gaunavou Settlement - Naduri	2	9,218.00	4,609.00	609.00	1,218.00

⁹ REU Guidelines Policy Summary & Standard Operational Procedures- Section 5.0 (a) (A) paragraph 3 page 12

¹⁰ REU Guidelines Policy summary & Standard Operational Procedures- Section 2.2 (c) paragraph 3 page 7

Nakasa Village And Settlement	80	389,360.00	4,867.00	867.00	69,360.00
Navisudina Settlement, Savu,	1	8,275.00	8,275.00	4,275.00	4,275.00
Draladamu Settlement	4	42,279.00	10,569.75	6,569.75	26,279.00
Beleki Settlement - Vitogo	5	21,231.00	4,246.20	246.20	1,231.00
Vatukacevaceva	92	387,876.00	4,216.04	216.04	19,876.00
Koroua	18	81,774.00	4,543.00	543.00	9,774.00
Nakasa Village and Settlements	80	455,940.00	5,699.25	1,699.25	135,940.00
Yawe District School	10	79,130.00	7,913.00	3,913.00	39,130.00
Vuna District School	12	97,800.00	8,150.00	4,150.00	49,800.00
Lumiboso	13	112,095.00	8,622.69	4,622.69	60,095.00
2013					
Balevuto Settlement, Ba	9	37765	4,196.11	196.11	1,765.00
Jaina Settlement, Tokaimalo, Ra	13	55131.95	4,240.92	240.92	3,131.95
Vuci Irrigation Road, Nausori, Tailevu	4	17355	4,338.75	338.75	1,355.00
Qelewaqa Settlement, Macuata	11	49710.8	4,519.16	519.16	5,710.80
Wairiki Catholic Mission	34	165780	4,875.88	875.88	29,780.00
Natawatawadi Village, Navosa	21	115185	5,485.00	1,485.00	31,185.00
Naloto Settlement, Verata, Tailevu	4	24160	6,040.00	2,040.00	8,160.00
Logavatu Nasau, Mokani, Tailevu	1	6241	6,241.00	2,241.00	2,241.00
Nawaqabena Village, Naitasiri	35	221809	6,337.40	2,337.40	81,809.00
Chandra Wati, Votualevu, Nadi, Ba	1	7065	7,065.00	3,065.00	3,065.00
Calia, Navua, Namosi	4	31476.6	7,869.15	3,869.15	15,476.60
Viani Primary school	6	78392.25	13,065.38	9,065.38	54,392.25
Total	934	5,057,759.70	217,281.52	81,281.52	1,321,759.70

5.4.4 As indicated by the table above, amounts exceeding approved maximum allocation for the above schemes which have to be repaid by customers totalled \$1,321,759.70. The amount if not reimbursed would incur an unauthorised additional cost to Government.

5.4.5 Sum over-expended has impinged on the authorised budget and could have been utilised for implementation of other schemes.

5.5 Records maintenance

5.5.1 As part of the Unit's filing system, a comprehensive filing index has been created to cater for each of the scheme. The filing system is intended to contain all information for anyone scheme. Any

written material addressed to the files is to be stored in the relevant files no more than 3 days since being despatched from the respective officer¹¹.

- 5.5.2 The most efficient and economical filing system is one that works well for the office and is easily understood by its users. When establishing a filing system factors to be considered include the ready identification and retrieval of individual records and files; and the segregation and security of information requiring special protection.

5.5.1 Filing arrangements

- 5.5.1.1 The REU file records are arranged by subject. For examples refer the following:

- Contract document files
- Applicants Cannot be Assisted through REP
- Western division surveyed and paid
- Western division surveyed not yet paid
- Central division surveyed and paid
- Central division surveyed and not yet paid
- Central division paid not surveyed

- 5.5.1.2 Audit noted that the subject files maintained do not provide an adequate audit trail. For example, contract document files provided for audit verification only contained contract agreements and did not contain evaluations for successful tenderers, considering that the tenders were of significant amounts. Audit was not able to ascertain the basis of decisions on the awarding of tenders to Powerlite Generators Fiji Limited for the supply and installation of solar systems in 2012 for 1,693 houses worth \$5,491,500, and in 2013 for 1,233 houses worth \$3,638,500. The lack of audit trail hindered audit verifications.

- 5.5.1.3 It was also observed that there was no security over files maintained and that they were accessible to all persons entering the REU section. A scrutiny of the subject files maintained revealed some subject files did not contain all relevant documents.

- 5.5.1.4 The current lack of security over records maintained poses a risk over records being manipulated or getting lost.

5.5.2 Data recording

- 5.5.2.1 Currently the REU does not maintain a database as required under the SOP but maintains records of projects in an excel spread sheet. However, items in the spreadsheet are not recorded in a systematic manner and do not contain all the information pertaining to a project such as contractual amount, the individual contractors that were awarded the various works required under a project, detail of total cost identifying the community's contribution and governments contribution. Refer to Appendix 3 for illustration of fields not filled for entries in the Excel spread sheet maintained.

¹¹ REU Guidelines Policy Summary & Standard Operational Procedures- Section 5.0 B paragraph 1 page 12

- 5.5.2.2 A total of 2,604 schemes have been implemented since the inception of the policy in 1994 to 2010. A breakdown of number of schemes implemented from 1994 to 2010 is outlined in table 5.9 below.

Table 5.9: Number of schemes implemented from 1994 to 2010

Year	FEA-connected scheme	Diesel Scheme	Solar Scheme	Hydro Scheme	Government Station Extension	Total
1994	5	9	4	1	0	19
1995	10	20	4	1	0	35
1996	17	17	3	0	0	37
1997	16	12	1	0	2	31
1998	38	39	0	0	0	77
1999	56	75	1	3	0	135
2000	19	14	1	0	0	34
2001	52	33	0	1	0	86
2002	52	58	2	0	0	112
2003	60	79	0	0	1	140
2004	68	42	6	0	0	116
2005	80	11	10	0	0	101
2006	55	30	8	0	2	95
2007	96	33	0	0	0	129
2008	251	15	7	0	0	273
2009	495	15	142	0	2	654
2010	117	10	402	1	0	530
TOTAL	1,487	512	591	7	7	2,604

Source: 2012-2014 Public Sector Investment Program REU Project Documentation

The Unit however was unable to provide audit with data for the years 2011 to 2013 due to misplacement of records, indicating a nonchalant attitude towards record keeping and its significance. Thus, audit was not able to establish the number of schemes implemented for the years 2011 to 2013.

- 5.5.2.3 Audit understood from discussions held with the OIC REU that a submission was made by the REU for the purchase of a database but which was withdrawn. The GTB did not approve the tender as the Information Technology and Computing (ITC) Services was not consulted on the intended purchase. No further information was given to audit on the status of the process on acquiring the Unit's database.
- 5.5.2.4 The use of a database as a records management tool would benefit the Unit as it maintains high volumes of records which contain significant information that not only convey how public funds are expended but also funds that need to be recovered back by government. It also allows for ease of access to information required.
- 5.5.2.5 In addition incomplete data provided limits sufficiency of information available to decision makers to make well informed decisions.

5.6 Public Awareness Activities

- 5.6.1 The DOE should conduct public information and outreach awareness by public education and awareness campaigns and upload the requirements and guidelines on the DOE website.
- 5.6.2 Audit noted that the public information and outreach by REU is inadequate. The only information DOE has is placed on its website. The villagers/individuals interviewed during the inspection of REP projects revealed that they were not aware of DOEs Rural Electrification Projects.
- 5.6.3 Inadequate awareness campaigns on rural electrification activities leave an information gap which hinders the rural population from taking on the program initiatives.

5.7 Completion of projects

- 5.7.1 The overall objective of the Rural Electrification Policy 1993 is to provide electricity primarily for social benefit to all rural residents in Fiji¹². It is the intention of government that social benefit of electricity shall be made available to all rural areas in the shortest time possible. This means that social benefit of electricity is provided to as many villages and settlements as possible within the bounds of funds allocated annually by government or aid.¹³
- 5.7.2 Audit verifications for projects completed from 2010 to 2013 revealed the following discrepancies:
 - ✓ there was no list of applicants for the number of houses in the scheme; and
 - ✓ signed copies of contracts between the DOE and contractors were not in the file. Files only had unsigned copies.

Attached as Appendix 4 is a list of projects completed without signed contracts or other necessary documentation as described above.

- 5.7.3 Explanations provided to audit clarified that former clerks did not maintain the files properly and records may have gone missing when the Unit was relocating from Nasilivata House to Government Supplies Yard, Walu Bay.
- 5.7.4 Audit also noted that amendments to amounts quoted on the signed contracts were not endorsed. For example, the amount quoted in the contract for the rural electrification of 100 houses for Viria Village & Settlement in Tailevu of \$21,338.19 was crossed off and altered to \$106,703.91 and amendment attributed to "typing error".
- 5.7.5 Contracts are documents which once signed are legally binding. Alterations require appropriate approval.

¹² REU Policy 1993 Part A Chapter 2 s.2 paragraph 1

¹³ REU Policy 1993 Part A Chapter 2 explanatory notes on principles of the policy item 7

RECOMMENDATIONS

The Department of Energy should:

- be more vigilant in its vetting process when receiving applications to ensure that forms are complete in all respect and that all supporting documents are provided so that applicants are not deprived of receiving assistance;
- in its review of the RE Policy as recommended under Section 4.0 of the report consider incorporating options that are viable for rural communities, in view of prevailing or rising costs of fuel;
- ensure that documents sanctioning any changes to requirements of the RE Policy is maintained for evidentiary audit purposes. The RE Policy needs to be reviewed to incorporate changes with respect to equipment requirements currently installed;
- ensure that all appropriate maintenance is carried out and prepayment machines replaced if necessary. Follow up with communities that are not paying their monthly installments should also be carried out;
- ensure that requirements of the policy are adhered to and recoup sums over-expended from customers. In addition the Accounts Department needs to be proactive in its functions to ensure timely recovery of monies owed to government over the past 5 years from customers, or imposing surcharge actions against officers responsible for the incurrence of unauthorised expenditure and the delayed recovery of dues;
- take stock of the Unit's files and maintain records to keep track of file movements to minimize misplacement of files. The Unit should also pursue the purchase of a data base for its records management purposes;
- strengthen its awareness creation activities; and
- maintain contract files properly. All the signed copies of the contract should be filed properly and kept in a secure place. Each contract should be complete with all the proper documents attached to it such as sketches, number of applicants and tender specifications.

Management Comments

No management comments received.

6.0 MONITORING AND INSPECTION OF PROJECTS UNDER THE REP

This section of the report discusses the effectiveness of the REU in monitoring rural electrification projects and looks into whether projects implemented are monitored and reported accordingly by the REU.

- 6.0.1 Monitoring of rural electrification projects is conducted via inspections to the sites where REU projects are installed. Inspections are conducted during installations of projects as well as progressively.
- 6.0.2 Monitoring and evaluation of projects is a means of generating information necessary for making project improvements throughout its life. It allows the identification of key areas requiring management's attention for improvement.

6.1 Monitoring during installation

- 6.1.1 There are times when projects will have to be inspected progressively or at various stages of the work. Officers will have to identify that the right quantum of work specified in the contract is satisfactorily done before vouching that a percentage of the job is complete, and that the appropriate payment as per the contract.¹⁴
- 6.1.2 Inspections are done at the following stages of the projects, that is, at 70%, 95% and when the project is completed. Projects that cost substantial amount are inspected at every stage.
- 6.1.3 Inspection reports are prepared by officers summarising what they have inspected and what their recommendations are. The inspection reports are then passed onto Supervisor High Grade and after their assessment it is passed for comments to the Principal Technical Officer (PTO).
- 6.1.4 From inspection reports scrutinised audit noted instances where inspection reports issued contradicted inspection reports submitted for prior inspections. For example, the respective reports of 3 inspections carried out In Keiyasi & Natawatawadi contradicted each other as follows:
- 1st inspection-recommended brands were used as specified in the contract.
 - 2nd inspection-the inspection report showed unspecified brands were used.
 - 3rd inspection-was not necessary but was carried out to address the contradicting reports.
- 6.1.5 The above indicates a lack of guideline to assist the inspectors and provide uniformity of work approaches and requirements.

¹⁴ REU Guidelines Policy Summary & Standard Operational Procedures- Section 5.0 (b) (D) Page 23 paragraph 3 & 4

6.2 Inspection of Projects

- 6.2.1 Progressive inspection requires REU officers to be familiar with the terms and conditions set out in the contractual agreements that exist between the Department and the outside company or contractor in relation to the particular job being inspected.¹⁵
- 6.2.2 Audit noted that the quarterly progress reports from 2010 to 2013 (2nd Quarter) were analysed by the Unit. Although budgets are provided annually, projects are not always completed in the current year and are carried forward to the following year.
- 6.2.3 Previously, advance payments were made to contractors for works to be done prior to any actual work carried out. Reflected in Table 6.1 is the composition of contractual payments at each stage of the contract works carried out.

Table 6.1: Composition of payments at each stage of the contract

Percentage of work completed	Percentage Paid to Contractor (%)
Award of contract	20
Completion of 70% of work	50
Completion of 30% of remaining work	10
Tender Specification and Contract Compliance	10
Retention Component	10
Total	100

Under this arrangement, there was a risk that Department would lose the advance payments made should the contractor wind up or closed down business before any work was actually done

- 6.2.4 So upon the establishment of the Fiji Procurement Office (FPO), the composition of contract payments were amended as described in table 6.2 below.

Table 6.2: FPO required composition of payments at each stage

Percentage of work completed (Stages)	Percentage Paid to Contractor (%)
Completion of 20% of work	20
Completion of 70% of work	50
Completion of 30% of remaining work	10
Tender Specification and Contract Compliance	10
Retention Component	10
Total	100

- 6.2.5 The current payment schedule now addresses the risks associated with advance payment and contractor absconding as payments are only made if the work is done in accordance with the terms of the contract agreement.

¹⁵ REU Guidelines Policy summary & standard operational procedures section 5.0 (b) (D) Page 23 paragraph 3

6.3 Monitoring resources

- 6.3.1 Adequate level of resources should be in place to effectively monitor REU related activities.
- 6.3.2 Audit noted that the current level of staffs is not adequate to effectively monitor the REP even despite the merging of the Renewable Energy section with the Rural Electrification Unit.
- 6.3.3 The REU also does not have a vehicle exclusively for its use but uses the department's vehicle. For inspections in inland terrain, vehicle is requested from the Ministry as the Department does not have a vehicle that can travel through rugged terrains.
- 6.3.4 Furthermore audit noted that the amount budgeted for the REU section for the years 2008 to 2012 were not fully utilized. Details of saving are listed in table 6.3 below.

Table 6.3: Savings for years 2008 to 2012

Year	Budgeted Expenditure	Actual Expenditure	Savings
2008	6,000,000	5,337,239	662,761
2009	18,887,719	18,769,063	118,657
2010	5,892,405	5,723,004	169,400
2011	6,307,991	5,711,711	596,279
2012	6,963,460	6,963,036	424
Total	44,051,575	42,504,053	1,547,521

Such savings could have been used for improving monitoring resources.

- 6.3.5 There is a risk that projects implemented may not be effectively monitored due to the lack of resources which may impede on the monitoring activities of the Unit.

6.4 Monitoring and evaluation of rural electrification projects

- 6.4.1 Monitoring and evaluation of projects and contracts allows the identification of key areas requiring management's attention for improvement.
- 6.4.2 Monitoring and evaluation of Rural Electrification Projects activities is critical in ensuring that the specifications set in the contract and the guidelines is complied with and that applicable courses of actions are taken if they are not complied with.
- 6.4.3 The monitoring and evaluation reports were not produced for scrutiny. The evaluation of the REU's performance was not done, but annual performance was always reported in annual report.
- 6.4.4 The management of REU has not been able to evaluate its performance in rural electrification; to identify challenges, track progress and develop corrective measures and this may affect the achievement of the rural connections set in the corporate plan.

RECOMMENDATIONS

The Department should:

- adequately resource the REU with a vehicle and sufficient personnel to fill vacant posts; and
- maintain records of monitoring and evaluations of REU's performance.

Management Comments

No management comments received

7.0 CONCLUSION

- 7.1.1 Although management of the rural electrification program is guided by policies and operating guidelines, these documents need to be reviewed. Most current practices need to be documented and included in the policies and guidelines to bolster its authoritativeness. Well documented practices ensure relevance, compliance and accountability.
- 7.1.2 Despite a lack of resources, the Unit has been able to administer and implement the rural electrification program. However maintenance and security over records are lacking. Follow up action on recoveries of user pay systems and community contributions were not evident.
- 7.1.3 The effectiveness of monitoring activities is hindered by a lack of resources. The REU monitors projects implemented under the rural electrification program within the resources available to it.

8.0 REFERENCES

1. Cabinet Decision No. 121 o 23rd March 1993
2. Cabinet Memorandum CP(10)07 of 15th January 2010
3. Cabinet Memorandum CP(11)59 of 25th February 2011
4. Cabinet Memorandum CP(11)292 of 9th September 2011
5. Department of Energy Annual Reports 2006-2007, 2008, 2009
6. Department of Energy Website
7. National Energy Policy 2006
8. REU Guidelines Policy Summary and Standard Operational Procedures 2005
9. Review of the Fiji National Energy Policy Final Inception Report April 2013, Economic Consulting Associates, SMEC (New Zealand)
10. Rural Electrification Policy 1993

APPENDIX 1: GENERATORS INSPECTED AND POWERHOUSES

 <p><i>Diesel engine driven generator</i></p>	 <p><i>Diesel generator with starting system</i></p>
 <p><i>Switches</i></p>	 <p><i>Underground cable distribution incorporating ground level distribution pillars</i></p>
 <p><i>Fuel system and steel base frame</i></p>	 <p><i>Controller</i></p>
 <p><i>Viani Primary: Basic Wooden structured power house not located under a shady area</i></p>	 <p><i>Nayaroyaro: Basic Wooden structured power house not located under a shady area</i></p>

APPENDIX 2: COST OF SOLAR SYSTEMS PER HOUSEHOLD

SHS installed in 2008

Village/Settlement	Province	No of Applications	Amount Quoted \$	Amount Paid By DOE \$	Cost Per System	Funded By
Loa	Cakaudrove	43	2,150.00	7,852.66	182.62	GOV
Nanuca	Cakaudrove	6	300.00	16,456.02	2742.67	GOV
Kasavu	Cakaudrove	33	1,650.00	90,508.11	2742.67	GOV
Drekeniwai	Cakaudrove	6	300.00	16,456.02	2742.67	GOV
Viani	Cakaudrove	44	2,200.00	120,677.48	2742.67	GOV
Kanakana	Cakaudrove	67	3,350.00	183,758.89	2742.67	GOV
Valeni	Macuata	10	500.00	27,426.70	2742.67	GOV
TOTAL		209	10,450.00	463,135.88		

SHS installed in 2009

Village/Settlement	Province	No of Applications	Amount Quoted \$	Amount Paid By DOE \$	Cost Per System	Funded By
Nakawakawa	Bua	10	500	27,426.70	2,742.67	GOV
Daria	Bua	5	2500	13,713.35	2,742.67	GOV
Saolo	Bua	12	600	32,912.04	2,742.67	GOV
Nawaisomo	Bua	4	200	10,970.68	2,742.67	GOV
Korokadi Settlement	Bua	22	2,100	60,338.74	2,742.67	GOV
Vunivere	Macuata	21	2,050	57,596.07	2,742.67	GOV
Malawai Settlement	Macuata	30	1,5000	82,280.10	2,742.67	GOV
Muanidevo Settlement	Macuata	15	7500	41,140.05	2,742.67	GOV
Matainadoi	Macuata	12	6000	32,912.04	2,742.67	GOV
Nabiti	Macuata	3	150	8,228.01	2,742.67	GOV
Namuka-I cake	Macuata	4	200	10,970.68	2,742.67	GOV
Nabubu	Macuata	1	50	2,742.67	2,742.67	GOV
Visiqo		3	150	8,228.01	2,742.67	GOV
Total		142	9,1000	389,459.14		

SHS installed 2010

Village/Settlement	Province	No of Applicants	Amount Quoted \$	Amount Paid by DOE \$	Cost Per System \$	Funded By
Batiri	Macuata	17	850.00	50,055.99	2944.47	GOV
Ucunivatu	Cakaudrove	19	950.00	55,944.93	2944.47	GOV
Navutuvutu	Cakaudrove	21	1,050.00	61,833.87	2944.47	GOV
Dromuninuku	Cakaudrove	56	2,800.00	164,890.32	2944.47	GOV
Nasinu Village	Cakaudrove	37	1,850.00	108,945.39	2944.47	GOV
Nasinu Settlement	Cakaudrove	31	1,550.00	91,278.57	2944.47	GOV

Navakacoea	Cakaudrove	35	1,750.00	103,056.45	2944.47	GOV
Vuya	Bua	23	1,150.00	67,722.81	2944.47	GOV
Batiniuciwai	Bua	11	550.00	32,389.17	2944.47	GOV
Yauvula	Bua	4	200.00	11,777.88	2944.47	GOV
Wainivesi	Bua	3	150.00	8,833.41	2944.47	GOV
Taraqiloqilo	Bua	6	300.00	17,666.82	2944.47	GOV
Daria	Bua	1	50.00	2,944.47	2944.47	GOV
Nautoloulou	Bua	6	300.00	17,666.82	2944.47	GOV
Tadema	Bua	1	50.00	2,944.47	2944.47	GOV
Nabelovuso	Bua	1	50.00	2,944.47	2944.47	GOV
Paptea	Rotuma	13	650.00	38,278.11	2944.47	GOV
Eveve, Uanheta	Rotuma	41	2,050.00	120,723.27	2944.47	GOV
Total		403	20,150.00	1,186,621.41		

SHS installed 2012

Village/Settlement	Province	No of Applications	Amount Quoted \$	Amount Paid By DOE \$	Cost Per System	Funded By
Navaga, Magodro	Ba	20	1,680.00	54,000.00	2700.00	GOV
Droca, Nasarawaqa	Bua	2	168.00	5,400.00	2700.00	GOV
Nakalavo	Bua	5	420.00	13,500.00	2700.00	GOV
Namalata	Bua	27	2,268.00	72,900.00	2700.00	GOV
Nasarawaqa Sett	Bua	30	2,520.00	81,000.00	2700.00	GOV
Natokelau, Kubulau	Bua	28	2,352.00	75,600.00	2700.00	GOV
Navunievu	Bua	14	1,176.00	37,800.00	2700.00	GOV
Nawaca / Wailele	Bua	8	672.00	21,600.00	2700.00	GOV
Savusomo, Nasarawaqa	Bua	1	84.00	2,700.00	2700.00	GOV
Sawani	Bua	2	168.00	5,400.00	2700.00	GOV
Soti	Bua	10	840.00	27,000.00	2700.00	GOV
Viligau	Bua	1	84.00	2,700.00	2700.00	GOV
Vuniuto, Nasarawaqa	Bua	6	504.00	16,200.00	2700.00	GOV
Waibunabuna, Lekutu	Bua	23	1,932.00	62,100.00	2700.00	GOV
Bagasau	Cakaudrove	48	4,032.00	129,600.00	2700.00	GOV
Burotu Sett, Taveuni	Cakaudrove	5	420.00	13,500.00	2700.00	GOV
Dawara Village	Cakaudrove	16	1,344.00	43,200.00	2700.00	GOV
Drekeniwai	Cakaudrove	4	336.00	10,800.00	2700.00	GOV
Dreketi village, Taveuni	Cakaudrove	1	84.00	2,700.00	2700.00	GOV
Karoko Village, Tunuloa	Cakaudrove	61	5,124.00	164,700.00	2700.00	GOV
Koroni Sett, Taveuni	Cakaudrove	3	252.00	8,100.00	2700.00	GOV
Lea	Cakaudrove	3	252.00	8,100.00	2700.00	GOV
Malake, Saqani	Cakaudrove	22	1,848.00	59,400.00	2700.00	GOV

Nagasauva	Cakaudrove	21	1,764.00	56,700.00	2700.00	GOV
Saqani Settlement	Cakaudrove	10	840.00	27,000.00	2700.00	GOV
Nalele Sett, Taveuni	Cakaudrove	1	84.00	2,700.00	2700.00	GOV
Natokalau Sett, Taveuni	Cakaudrove	3	252.00	8,100.00	2700.00	GOV
Niuwea	Cakaudrove	6	504.00	16,200.00	2700.00	GOV
Salia, Tunuloa	Cakaudrove	44	3,696.00	118,800.00	2700.00	GOV
Sese Saqani	Cakaudrove	49	4,116.00	132,300.00	2700.00	GOV
Udukacu Sett, Taveuni	Cakaudrove	11	924.00	29,700.00	2700.00	GOV
Valeni	Cakaudrove	20	1,680.00	54,000.00	2700.00	GOV
Waimaqera Subdiv., Taveuni	Cakaudrove	43	3,612.00	116,100.00	2700.00	GOV
Wainigadru Village	Cakaudrove	31	2,604.00	83,700.00	2700.00	GOV
Waitete Sett, Taveuni	Cakaudrove	5	420.00	13,500.00	2700.00	GOV
Ura Estate	Cakaudrove	1	84.00	2,700.00	2700.00	GOV
Waivula, Navatu	Cakaudrove	9	756.00	24,300.00	2700.00	GOV
Caurokodrika	Macuata	23	1,932.00	62,100.00	2700.00	GOV
Cawaro, Udu	Macuata	47	3,948.00	126,900.00	2700.00	GOV
Daku Village, kia Island	Macuata	12	1,008.00	32,400.00	2700.00	GOV
DruaDrua Isl.	Macuata	43	3,612.00	116,100.00	2700.00	GOV
DruaDrua school	Macuata	10	840.00	27,000.00	2700.00	GOV
Kawakawavesi, Seaqaqa	Macuata	27	2,268.00	72,900.00	2700.00	GOV
Matainadoni	Macuata	2	168.00	5,400.00	2700.00	GOV
Muanidevo/Malawai	Macuata	26	2,184.00	70,200.00	2700.00	GOV
Namakomako, Macuata	Macuata	3	252.00	8,100.00	2700.00	GOV
Naqaraniqoli, Dreketi	Macuata	32	2,688.00	86,400.00	2700.00	GOV
Naua, Namuka	Macuata	4	336.00	10,800.00	2700.00	GOV
Navai, Seaqaqa	Macuata	25	2,100.00	67,500.00	2700.00	GOV
Qaranivai	Macuata	22	1,848.00	59,400.00	2700.00	GOV
Vitina, Dogotuki	Macuata	30	2,520.00	81,000.00	2700.00	GOV
Vudibasoga Catholic Pri. Sch	Macuata	9	756.00	24,300.00	2700.00	GOV
Vunikodi, Udu	Macuata	13	1,092.00	35,100.00	2700.00	GOV
Vunivere	Macuata	12	1,008.00	32,400.00	2700.00	GOV
Nabutautau	Navosa	21	1,764.00	56,700.00	2700.00	GOV
Ovalau, Nasau	Ra	30	2,520.00	81,000.00	2700.00	GOV
Naibalebale, Viwa, Yasawa	Ba	48	3,264.00	192,000.00	4000.00	PEC
Dalomo, Yasawa	Ba	25	1,700.00	100,000.00	4000.00	PEC
Teci, Yasawa	Ba	21	1,428.00	84,000.00	4000.00	PEC
Gunu, Yasawa	Ba	68	4,624.00	272,000.00	4000.00	PEC
Yanuya village, Malolo	Ba	33	2,244.00	132,000.00	4000.00	PEC
Natia, Viwa Yasawa	Ba	30	2,040.00	120,000.00	4000.00	PEC
Nalotu, Yawe	Kadavu	53	3,604.00	212,000.00	4000.00	PEC
Naikorokoro, Kadavu	Kadavu	18	1,224.00	72,000.00	4000.00	PEC

Kavala Bay Pri School	Kadavu	13	884.00	52,000.00	4000.00	PEC
Naivakarauniniu	Kadavu	28	1,904.00	112,000.00	4000.00	PEC
Rakiraki, Yale	Kadavu	36	2,448.00	144,000.00	4000.00	PEC
Lagalevu, Nakasaleka	Kadavu	18	1,224.00	72,000.00	4000.00	PEC
Matasawalevu, Nakasaleka	Kadavu	34	2,312.00	136,000.00	4000.00	PEC
Soso, Naceva	Kadavu	19	1,292.00	76,000.00	4000.00	PEC
Nauciwai, Nakasaleka	Kadavu	13	884.00	52,000.00	4000.00	PEC
Vutuna, Nairai	Lomaiviti	14	952.00	56,000.00	4000.00	PEC
Waitoga, Nairai	Lomaiviti	32	2,176.00	128,000.00	4000.00	PEC
Somosomo, Sawaieke	Lomaiviti	29	1,972.00	116,000.00	4000.00	PEC
Sawaieke District School, Gau	Lomaiviti	9	612.00	36,000.00	4000.00	PEC
Mua village, Batiki	Lomaiviti	16	1,088.00	64,000.00	4000.00	PEC
Daku, Moturiki	Lomaiviti	26	1,768.00	104,000.00	4000.00	PEC
Uluibau, Moturiki	Lomaiviti	51	3,468.00	204,000.00	4000.00	PEC
Nasauvuki, Moturiki	Lomaiviti	45	3,060.00	180,000.00	4000.00	PEC
Wawa, Moturiki	Lomaiviti	7	476.00	28,000.00	4000.00	PEC
Dakuni, Beqa	Rewa	22	1,496.00	88,000.00	4000.00	PEC
Total		1693	\$130,884.00	\$5,491,500.00		

SHS installed 2013

VILLAGE / SETTLEMENT	PROVINCE	NO OF APPLICANTS	AMOUNT QUOTED \$	AMOUNT PAID BY DOE \$	COST PER SYSTEM \$	FUNDED BY
Maloku, Moala	Lau	16	1,088.00	64,000.00	4000.00	PEC
Naceva, Cicia	Lau	40	2,720.00	160,000.00	4000.00	PEC
Malaka, Vanuabalavu	Lau	22	1,496.00	88,000.00	4000.00	PEC
Nukunuku, Lakeba	Lau	37	2,516.00	148,000.00	4000.00	PEC
Salia, Nayau	Lau	57	3,876.00	228,000.00	4000.00	PEC
Lovoni, Qamea	Cakaudrove	13	884.00	52,000.00	4000.00	PEC
Dreketi, Qamea	Cakaudrove	24	1,632.00	96,000.00	4000.00	PEC
Togo Settlement, Qamea	Cakaudrove	21	1,428.00	84,000.00	4000.00	PEC
Korowai Settlement, Qamea	Cakaudrove	8	544.00	32,000.00	4000.00	PEC
Cikobia (Vuninuku/Nalele/Vatulele/Cikobia District School)	Macuata	48	3,264.00	129,600.00	2700.00	GOV
Tadravula, Seaqaqa	Macuata	11	748.00	29,700.00	2700.00	GOV
Valelawa, Batiri	Macuata	6	408.00	16,200.00	2700.00	GOV
Lalakoro/Dagau, Seaqaqa	Macuata	59	4,012.00	159,300.00	2700.00	GOV
Vunimako, Seaqaqa	Macuata	17	1,156.00	45,900.00	2700.00	GOV
Navudi, Seaqaqa	Macuata	10	680.00	27,000.00	2700.00	GOV
Savulutu, Seaqaqa	Macuata	16	1,088.00	43,200.00	2700.00	GOV
Korotolutolu, Seaqaqa	Macuata	32	2,176.00	86,400.00	2700.00	GOV

Vudibasoga Primary School	Macuata	9	612.00	24,300.00	2700.00	GOV
Tikilo, Seaqaqa	Macuata	7	476.00	18,900.00	2700.00	GOV
Natekateka Settlement, Seaqaqa	Macuata	9	612.00	24,300.00	2700.00	GOV
Naocobele/Korolailai Sett, Nadogo	Macuata	15	1,020.00	40,500.00	2700.00	GOV
Vunikodi, Udu	Macuata	4	272.00	10,800.00	2700.00	GOV
Malawai, Dreketi	Macuata	17	1,156.00	45,900.00	2700.00	GOV
Kelikoso, Nadogo	Macuata	4	272.00	10,800.00	2700.00	GOV
Saroni Sett, Nadogo	Macuata	10	680.00	27,000.00	2700.00	GOV
Nasea, Seaqaqa	Macuata	25	1,700.00	67,500.00	2700.00	GOV
Vunimokoso, Navonu	Cakaudrove	28	1,904.00	75,600.00	2700.00	GOV
Navuci Sett, Navonu	Cakaudrove	18	1,224.00	48,600.00	2700.00	GOV
Dawara, Wailevu	Cakaudrove	2	136.00	5,400.00	2700.00	GOV
Naviavia Settlement, Wailevu	Cakaudrove	49	3,332.00	132,300.00	2700.00	GOV
Waisali, Wailevu	Cakaudrove	15	1,020.00	40,500.00	2700.00	GOV
Qaralevu sett, Tunuloa	Cakaudrove	9	612.00	24,300.00	2700.00	GOV
Waivula, Navatu	Cakaudrove	2	136.00	5,400.00	2700.00	GOV
Batiniuciwai, Wainunu	Bua	38	2,584.00	102,600.00	2700.00	GOV
Wainunu Sett	Bua	5	340.00	13,500.00	2700.00	GOV
Nakabuta, Wainunu	Bua	8	544.00	21,600.00	2700.00	GOV
Nakawakawa, Wainunu	Bua	5	340.00	13,500.00	2700.00	GOV
Nadua, Wainunu	Bua	2	136.00	5,400.00	2700.00	GOV
Saolo, Wainunu	Bua	11	748.00	29,700.00	2700.00	GOV
Togalevu, Wainunu	Bua	2	136.00	5,400.00	2700.00	GOV
Nacula Estate, Wainunu	Bua	22	1,496.00	59,400.00	2700.00	GOV
Yaqaga, Lekutu	Bua	21	1,428.00	56,700.00	2700.00	GOV
Cavaga, Solevu	Bua	7	476.00	18,900.00	2700.00	GOV
Nasau, Navakasiga	Bua	39	2,652.00	105,300.00	2700.00	GOV
Nasarawaqa village	Bua	64	4,352.00	172,800.00	2700.00	GOV
Rotuma	Rotuma	121	8,228.00	326,700.00	2700.00	GOV
Dala Sett, Taveuni	Cakaudrove	15	1,020.00	40,500.00	2700.00	GOV
Waitabu, Taveuni	Cakaudrove	27	1,836.00	72,900.00	2700.00	GOV
Waimaqera, Taveuni	Cakaudrove	46	3,128.00	124,200.00	2700.00	GOV
Qarawalu, Taveuni	Cakaudrove	37	2,516.00	99,900.00	2700.00	GOV
Mataniwai, Taveuni	Cakaudrove	5	340.00	13,500.00	2700.00	GOV
Delaivuna, Taveuni	Cakaudrove	3	204.00	8,100.00	2700.00	GOV
Navaca, Taveuni	Cakaudrove	2	136.00	5,400.00	2700.00	GOV
Wainiyaku, Taveuni	Cakaudrove	1	68.00	2,700.00	2700.00	GOV
Nabouono, Taveuni	Cakaudrove	1	68.00	2,700.00	2700.00	GOV
Navunitawa, Vaturu	Ba	6	408.00	16,200.00	2700.00	GOV
Bila, Magodro	Ba	4	272.00	10,800.00	2700.00	GOV

Navaga, Magodro	Ba	4	272.00	10,800.00	2700.00	GOV
Nayavutoka, Nakorotubu	Ra	28	1,904.00	75,600.00	2700.00	GOV
Namara, Nalawa	Ra	15	1,020.00	40,500.00	2700.00	GOV
Narau settlement, Mataso	Ra	34	2,312.00	91,800.00	2700.00	GOV
TOTAL		1233	\$83,844.00	\$3,638,500.00		

APPENDIX 3: INCOMPLETE ENTRIES IN SPREADSHEET

Scheme No.	Description	District	No. of applicants	Quoted amount \$	Date quoted	Expiry date	Date paid	Amount paid	REMARKS
	WESTERN								
NA09/10	MATANISIGA SETTLEMENT	NADI	2	8,908	10/21/2010	10/21/2011	12/7/2011	8,908	Construction completed and commissioned
SG11/09	KOROUA VILLAGE	SIGATOKA		67,374	6/6/2010	6/6/2011	12/12/2011	67,374	Construction completed
LU04/10	BELEKI SETTLEMENT - VITOGO	LAUTOKA	5	21,231			12/12/2011	21,231	Completed and commissioned
SG04/06 B-2	KEIYASI GOVT. STATION - FINAL STAGE	SIGATOKA		265,828			12/12/2011	265,828	Construction in progress
RA04/09	VATUKACEVACE VA VILLAGE	RAKIRAKI	92	313,368			12/12/2011	313,368	Construction in progress
				676,709					
	NORTHERN								
LAB17/10	GAUNAVOU SETTLEMENT - NADURI	LABASA	2	9,218			12/7/2011	9,218	Construction completed and commissioned
SA01/08	NAKASA VILLAGE AND SETTLEMENT	SAVUSAVU	80	389,360			12/12/2011	389,360	Way-leave & Survey
LAB09/09	DRALADAMU SETTLEMENT	LABASA	4	42,279.00			12/12/2011	42,279	Wayleave & Survey
				440,857					
	CENTRAL								
LE01/08	NAUOUO TO RUKURUKU	OVALAU	300	500,000			6/28/2011	500,000	Construction complete and commissioned
SU04/09	VACOKO REHAB CENTRE - NABORO	SUVA	20	2,466	10/5/2009	10/5/2010	12/7/2011	2,466	Way-leave & Survey
KO08/10	NAKOROLEVU VILLAGE - NAMARA	TAILEVU		1,710	8/5/2010	8/5/2011	12/7/2011	1,710	Construction to start soon

APPENDIX 4: COMPLETED PROJECTS

Year 2010

Project	Name of Contractor	Agreement date	Completion date	Amount \$	Audit Comments
Nawakalevu Settlement – Nadi	Power Electric	01/06/10	30/08/12	14,580.00	No list for the number of houses in the scheme
Nawaisomo Village - Kadavu -	Quality Electrical and Refrigeration Services	06/05/10	25/06/12	51,942.03	No list for the number of houses in the scheme
Nayaroyaro Village - Macuata	Quality Electrical and Refrigeration Services	06/05/10	Page missing	30,297.54	The signed agreement by both parties& commencement pages missing.
Saliadrau Village - Namosi	Quality Electrical and Refrigeration Services	06/05/10	27/05/10	73,464.98	No list for the number of houses in the scheme
Nagado Village - Nadi	Power Electric	01/06/10	31/08/10	68,208.77	No list for the number of houses in the scheme
Banisoqosoqo Settlement - Ra	Power Electric	01/06/10	31/08/10	19,440.00	No list for the number of houses in the scheme
Delaiwaimale Village, Naitasiri	Power Electric	01/06/10	31/08/10	12,037.50	No list for the number of houses in the scheme
Bulia Village - Kadavu	Power Electric	20/08/09	31/01/10	67,128.56	No list for the number of houses in the scheme
Nakoronawa Village - Kadavu	Power Electric	20/08/09	31/01/10	35,296.49	No list for the number of houses in the scheme
Navunibau Village - Namosi	Quality Electrical and Refrigeration Services	21/08/09	31/10	45,532.62	No list for the number of houses in the scheme
Mataqali Vunativi – Yanuya Island	Quality Electrical and Refrigeration Services	21/08/09	31/11	33,010.32	No list for the number of houses in the scheme. The contract was wrongly titled attached to Navunibau Village - Namosi
Navunikabi Catholic School	Quality Electrical and Refrigeration Services	20/08/09	31/01/10	34,224.31	No list for the number of houses in the scheme
Vunikoro Village - Cakaudrove	Quality Electrical and Refrigeration Services	06/05/10	06/08/10	59,082.28	No list for the number of houses in the scheme
Saqani Secondary School - Cakaudrove	Quality Electrical and Refrigeration Services	06/05/10	09/07/10	89,972.55	No list for the number of houses in the scheme
Malomalo – Naidiri, Nadroga	Power Electric	01/06/10	31/08/10	62,330.63	No list for the number of houses in the scheme
Total				696,548.58	

Year 2011

Project	Name of Contractor	Agreement date	Completion date	Amount \$	Audit Comments
Bulabula Farming Community – Ba – 30 houses	Quality Electrical and Refrigeration Services	10/11/11	Not filled	26,789.72	Completion date missing.
Nameka & Natuva Village- Tailevu – 85 houses	Quality Electrical and Refrigeration Services	10/11/11	Not filled	53,271.79	Contract copy in file is unsigned by both parties. Filed copy is not the final one
Matamaivere Village- Tailevu – 31 houses	Quality Electrical and Refrigeration Services	10/11/11	Not filled	21,338.19	Contract copy in file is unsigned by both parties. Filed copy is not the final one
Namuka & Nakoroivau Village- Tailevu - 110 houses	Quality Electrical and Refrigeration Services	10/11/11	Not filled	64,308.36	Contract copy in file is unsigned by both parties. Filed copy is not the final one
Viria Village & Settlement - Tailevu – 100 houses	Quality Electrical and Refrigeration Services	10/11/11	31/12/11	106,703.91	The amount stated in the signed contract is \$21,338.19, it was crossed and it's written typing error,

					figure changed.
Installation of Generators – 10 sets	CBS Power Solutions Ltd	18/02/11	30/04/11	22,271.85	File properly maintained.
Nauouo to Rukuruku Villages – Ovalau - 100 houses	Letrik Ltd	10/11/11	30/03/12	125,737.75	File properly maintained.
Nawaka Tramline – Nadi - 20 houses	Letrik Ltd	10/11/11	30/01/12	16,326.12	File properly maintained.
Total				562,363.36	

PUBLIC DEBT MANAGEMENT



**A performance audit report of the Office of the
Auditor General of the Republic of Fiji**

Rising debt levels present problems for Government especially since servicing of such debts have significant impacts on government expenditure. The proper management of public debt is crucial in ensuring sustainability of public debt.

This report discusses findings from an assessment of the effectiveness of public debt management in ensuring sustainability of public debt.

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Acronyms

CPA	Cooperative Performance Audit
CSB	Cabinet Sub Committee to Budget
CS-DRMS	Commonwealth Secretariat – Debt Recording Management System
DCFMU	Debt & Cash Flow Management Unit
FJDs	Fiji Dollars
FRCA	Fiji Revenue and Customs Authority
FSC	Fiji Sports Council
MCFF	Monthly Cash Flow Forecast
MoF	Ministry of Finance
PASAI	Pacific Association of Supreme Audit Institution
PSIP	Public Sector Investment Program
RBF	Reserve Bank of Fiji
MSPNDs	Ministry of Strategic Planning, National Development & Statistics

1.0 EXECUTIVE SUMMARY

Background: The main determinant for borrowings has been the financing of Government's annual deficit, since government revenue has not been able to cover all of government's expenditure, particularly capital expenditure. Over the past 5 years, Government borrowings have increased steadily from \$3.1billion in 2009 to \$3.8billion in 2013. The increasing trends in public debt highlight the importance of public debt management to ensure sustainability of public debt.

Coverage: The audit on "**Public Debt Management**" focused on two areas namely, "*the determination of public borrowing needs*", and "*public debt reporting*".

Public debt management in government is a collaborative effort amongst all government entities and relevant key stakeholders, with the Ministry of Finance as the key agency responsible overall. The audit centers on the Ministry of Finance as the focal ministry responsible for administering borrowings on behalf of Government.

Key findings: *1) Determination of public borrowing needs*

- Government's borrowing needs is determined through the structured annual budget process that involves a significant amount of information and coordination amongst relevant government entities. A conservative approach to budgeting is adopted as evidenced in the disparities reflected between projected deficits and actual deficits, and which distorts the planned projection of government's borrowing needs.
- Over the past 5 years Government borrowings have increased steadily from \$3.1billion in 2009 to \$3.8billion in 2013. However, declining trends or percentage decreases were noted in actual borrowings as a percentage of GDP from 2010 to 2012, and which are less than the fiscal targets forecasted.
- The Debt and Cash Flow Management Unit (DCFMU) has adequately provided information pertaining to debt servicing requirements and for which sufficient provisions have been provided for in the annual budget of government. However, in 2009 and 2012 actual debt servicing for domestic borrowing paid exceeded budgetary provisions. Actual debt servicing for short term borrowing also exceeded budgeted provided in 2010.
- Considerations on the potential impacts of contingent liabilities to the economy are factored in the budget process. Provisions have been set aside in the annual budget over the past 5 years 2009 to 2013 to cater for meeting obligations for contingent liabilities. During the 5 years 2009 to 2013, Government has only had to meet contingent liability of the Fiji Sports Council and the Fiji Sugar Cane Growers Council.

2) Public debt reporting

- Public debt and contingent liabilities of Government have been adequately reported in the whole of government's annual financial statements. Financial disclosures of public debt and contingent liabilities are deemed accurate and reliable as they have been subjected to thorough scrutiny.
- There are sufficient disclosures in the Government Debt Reports and Contingent Liability Reports.

- Overall audit conclusion** Government's borrowing need is determined in view of the current to medium term and is sustainable. The process in place to determine borrowing needs and its debt servicing requirements, and the provision of funds to meet contingent liabilities are sufficient to ensure sustainability in the current and medium term. However, with public debt and contingent liabilities of government steadily increasing over the years, Government may have to reconsider debt management strategies to ensure long term sustainability.
- General recommendation** Although public debt is currently maintained within the projected annual fiscal targets, the Ministry should consider employing strategies that will enable it to achieve the ideal rule of thumb target of 40% of GDP to ensure sustainability in the long term.

2.0 INTRODUCTION

This section of the report provides a brief overview of arrangements in place for acquiring government borrowing as well as provides reasons for the conduct of the audit.

2.1 Background

- 2.1.1 Government debt, also known as public debt and national debt is the debt owed by a central government, and is one method of financing government operations¹. Government usually borrows by issuing securities, government bonds, and treasury bills, as well as borrowing directly from international organisations.

Since government draws its income from much of the population, government debt is an indirect debt of the taxpayers and can be categorised as internal debt. Public borrowing and debt can expand the production and consumption choices of current and future generations, allowing governments to increase investments and distribute the tax burden more fairly between current and future generations². However, public borrowing and debt entail significant risks if they are not managed properly.

- 2.1.2 Sovereign debt on the other hand usually refers to government debt that has been issued in foreign currency. Sovereign debt management is the process of establishing and executing a strategy for managing the government's debt in order to meet any other sovereign debt management goals the government may have set³.
- 2.1.3 A government's debt portfolio is usually the largest financial portfolio in the country, which often contains complex and risky financial structures, and can generate substantial risk to the government's balance sheet and to the country's financial stability⁴.
- 2.1.4 Declining revenues and/or increased government spending/expenditure contribute towards public debt.
- 2.1.5 Public debt impacts on the overall economy and can seriously undermine the financial condition of a government. Therefore it is important to have in place robust public debt management strategies that include sound risk management practices, to achieve long term sustainability and financial stability.
- 2.1.6 Government borrows funds either through external sources i.e. from overseas countries as well internally through the local financial markets.

The Fiji Government's debt position as at 31st December 2013 stood at \$3.83 billion comprising of \$2.74 billion domestic debt and \$1.08 billion external debt.

¹ Wikipedia

² Auditing Public Debt Management – A Practical Guide, IDI 2001

³ Guidelines for Public Debt Management – IMF and World Bank 2001

⁴ Guidelines for Public Debt Management – IMF and World Bank, 2001

2.2 Legislation

2.2.1 Part 9 of the Financial Management Act 2004 empowers the Minister for Finance, on behalf of the State to:

- ✓ borrow money by way of loans, overdrafts or advances in order to fund budget deficits or for other purposes authorised by the House of Representatives⁵;
- ✓ enter into a hedging arrangement, provided it is in accordance with a prescribed debt strategy policy⁶; and
- ✓ guarantee the financial liabilities of a statutory authority or majority government owned company, where authorised by the House of Representatives⁷.

Any pay out of a guarantee by Government is taken as a loan to the state entity whose liability was guaranteed.

2.2.2 In the absence of a Parliament, powers to approve the borrowing of monies to fund budget deficits and the guaranteeing of loans is vested with the Cabinet.

2.3 Administering agency

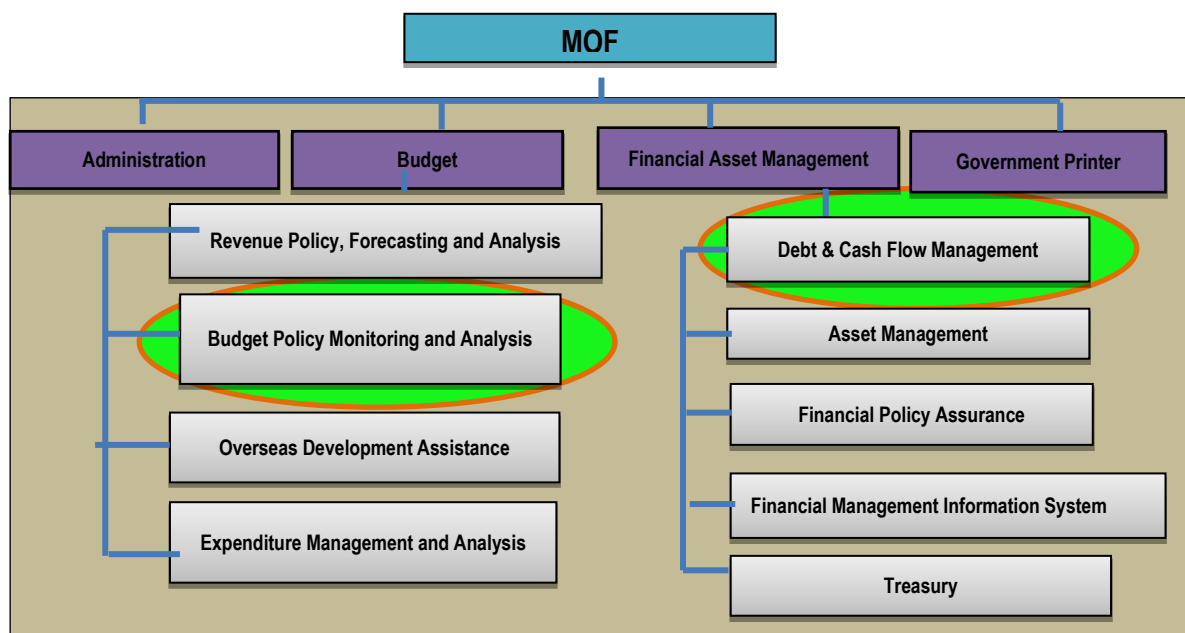
2.3.1 The Ministry of Finance assumes the lead role in the drafting of fiscal and monetary policies in coordination with the Ministry of Strategic Planning, National Development, & Statistics (MSPNDS) and the Reserve Bank of Fiji (RBF) respectively. Policies are formulated at macro level and proposed to Cabinet for approval.

2.3.2 The two key Units within the Ministry of Finance that are responsible for the drafting of policies and the management of public debt are the Budget Division's Budget Policy Monitoring & Analysis Unit, and the Financial Asset Management Division's Debt & Cash Flow Management Unit (DCFMU), as illustrated in figure 2.1 below.

⁵ Financial Management Act 2004 s.59

⁶ Financial Management Act 2004 s.60

⁷ Financial Management Act 2004 s.61

Figure 2.1: Organisation Structure of the Ministry of Finance

2.3.3 The Budget Division adopts the approved policies in the budget process. Fiscal policies influence the level of borrowing depending on which stance government wants for the economy. For example, if the Fiji Government wants to boost economic growth, it would opt for an expansionary fiscal policy, thus requiring more borrowing to improve infrastructure and other sectors. The magnitude of expenditure has an impact on the net budget deficits which determine the level of government borrowing.

2.3.4 The DCFMU is responsible for the management of all Government domestic and foreign debt by identifying lending agencies, securing loans by negotiation, documentation of all loan agreements, monitoring and reporting on the various aspects of the loan and servicing all obligations of the loan on the due date. For domestic debt, this involves the management of the domestic bond and Treasury Bills tenders using the RBF as an agent and servicing all obligations through the registry on the due date. In addition, the DCFMU is responsible for the overall management of cash, investment of surplus cash, recording of contingent liabilities through guarantees and for project finance for statutory bodies as well as management of government's arrears of revenue and lending fund account.

2.4 Other agencies influencing determination of borrowing needs

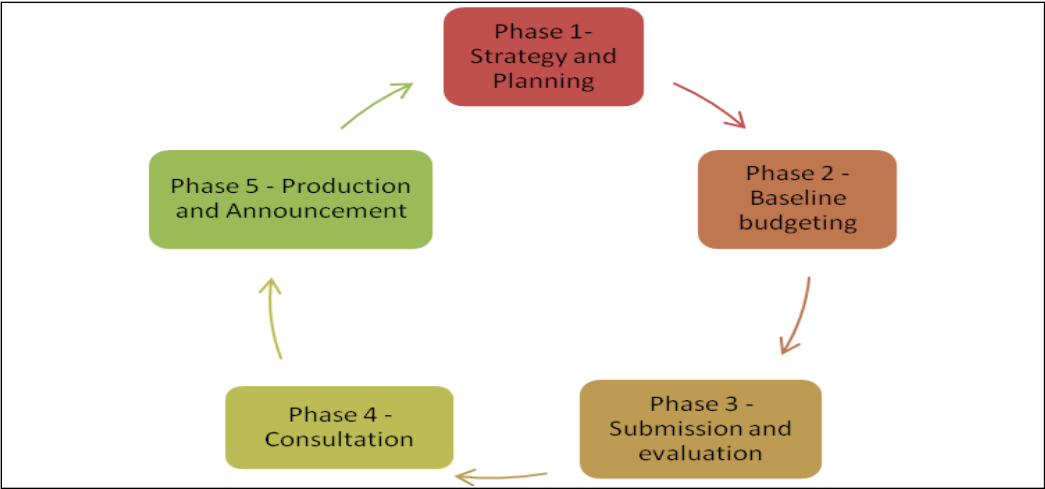
2.4.1 The determination of a government borrowing need is a complex function that requires a significant amount of information and coordination among government agencies in the budget process. A complete, thorough budgeting process results in a more accurate budget⁸ which would lead to an accurate estimate of borrowing.

⁸ Investorwords.com

2.4.2 The central key agencies of Government that are influential in the formulation of macro-economic policies include the Ministry of Finance (MoF), the Ministry of Strategic Planning, National Development and Statistics (MSPNDS); the Fiji Revenue and Customs Authority (FRCA); and the Reserve Bank of Fiji (RBF)

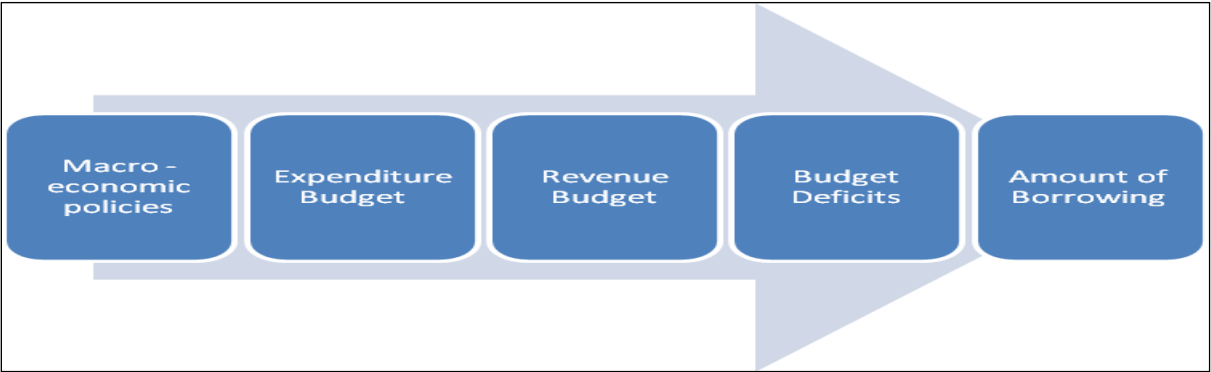
The above central agencies are mostly involved in Phase 1 of the budget process cycle and play a vital role in the planning phase as reflected in Figure 2.2 below.

Figure 2.2: Fiji Government Budget Process Cycle



2.4.3 The MOF takes the lead role in the budget process via the functions of the Budget Division. The MSPNDS contributes to the development of fiscal policies and capital budgeting process whilst the FRCA contributes to the fiscal - revenue policies and revenue budgeting. The RBF is responsible for developing the monetary policies considered in the budget process. Figure 2.4 below illustrates a summary of the relationship between macroeconomic policies and government borrowings.

Figure 2.3: Summary process of relationship between Macroeconomic policies and government borrowing



2.4.4 The other Ministries and Departments are also instrumental in the Budget formulation process and in determining the budget outcome, i.e. a surplus or deficit budget.

2.5 Reasons for undertaking the audit

- 2.5.1 The members of the Pacific Association of Supreme Audit Institutions (PASAI), at its annual congress meeting in 2012 identified rising public debt as an issue of common interest in the member countries, and endorsed the topic “Public Debt Management” for a regional cooperative performance audit.
- 2.5.2 In the past 5 years Fiji has been operating under a deficit budget, implying that Fiji is dependent on loans or borrowings to finance its annual budgets.

The Fiji Government’s reliance on borrowings to finance its normal operations over the years makes it vital to carry out a performance audit on public debt management.

3.0 AUDIT OBJECTIVES, SCOPE, & METHODOLOGY

This section of the report describes the objective and scope of the audit. It also discusses the methodology utilised to gather information for the audit.

3.1 Audit objectives

- 3.1.1 The objective of the audit is to ascertain whether government borrowing needs were determined in view of long term sustainability and financial stability by examining:
- i. the process of determining borrowing needs; and
 - ii. the reporting arrangements of public debt and loan guarantees.
- 3.1.2 In examining the process of determining borrowing needs, the audit sought to establish the effectiveness of the budget system in ensuring that borrowing needs are determined in view to economy and sustainability. Audit aspired to ascertain whether actual borrowings made by government in prior years were based on correct and complete estimates of borrowings needs. It also sought to ascertain whether contingent liabilities were adequately considered and factored into the annual budget estimates of government.
- 3.1.3 With respect to reporting arrangements, the audit sought to establish the effectiveness and efficiency of the reporting system in properly recording and reporting public debt and contingent liabilities through the production of complete, accurate and timely reports which are prepared in accordance with relevant reporting regulations, standards, and requirements.

3.2 Audit scope

- 3.2.1 The audit focused on the Ministry of Finance as the agency responsible for administering borrowing on behalf of Government
- 3.2.2 The audit reviewed records maintained with respect to borrowings and the contingent liabilities of government for the past four years, 2009 to 2013. Records of years prior to 2009 were examined where deemed necessary.

3.3 Audit methodology

- 3.3.1 The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) guidelines 3000 - 3100.

3.3.2 To accomplish the audit objectives the audit team gathered evidence using the following techniques:

i. Documentary reviews

The audit team reviewed all necessary documents relevant to the audit topic. Documents reviewed included the Financial Management Act 2004; Ministry of Finance Circulars on Budget strategies; Annual Budgets of Government with its respective Budget Address Speeches and Supplements; Ministry of Finance Annual Corporate Plans and Annual Reports; Annual Financial Statements for the whole of Government; and Government of Fiji Debt Report; etc.

ii. Interviews

Interviews were carried out with relevant personnel of the various key stakeholder agencies. Person interviewed are listed in table 3.1 below.

Table 3.1: List of persons interviewed

Organisation	Unit	Position
Ministry of Finance	Budget	Deputy Secretary Budget, Principal Economist Budget
Ministry of Finance	DCFMU	Director Debt, Principal Accountant Debt and officials
Ministry of Strategic Planning, National Development and Statistics	Macro Unit	Acting Chief Economic Planning Officer
Fiji Revenue and Customs Authority	Corporate Service & Policy	Principal Revenue & Policy
Reserve Bank of Fiji	Economics	Chief Manager Economics

iii. Analytical review

Analytical reviews of debt management data maintained by the Debt Management and Cash Flow Unit were conducted.

iv. Walk through tests and re-performance

Walk through tests were carried out to verify systems in operation. Debt records were examined and re-performances of calculations of sampled transactions were carried out to verify accuracy and completeness of recording.

v. Internet research

Internet research regarding issues pertaining to government borrowings and audits carried out on the topic were conducted.

vi. Electronic Communication

Communications via e-mails between the audit team and relevant officers in key stakeholder agencies were made to obtain as well as reaffirm information.

4.0 DETERMINATION OF PUBLIC BORROWING NEEDS

This section of the report discusses findings on the assessment of government's capacity to produce and communicate promptly to debt managers the budget figures for the period; and all major contingencies that will be realised during the period.

- 4.0.1 Part 2 of the Financial Management Act 2005 specifies the principles of responsible financial management, which should be considered in managing the financial affairs of the State, amongst which includes managing of revenue and expenditure in such a way as to achieve prudent levels of debt.
- 4.0.2 Assessing the sustainability of public debt is an important task of macroeconomic policy. It is recognised that debt management strategies must be coordinated with monetary, fiscal and exchange rate policies to ensure long term macroeconomic stability.

4.1 Process of determining borrowing need

- 4.1.1 The Minister must table **a strategic policy statement** in the House of Representative on or before the 30th of June in each financial year⁹. The strategic policy statement must include amongst other things a statement of the Government's financial targets or limits for the next financial year and for the following two financial years, relating to the budget result as a proportion of gross domestic product; government debt as a proportion of gross domestic product; government debt servicing as a proportion of gross domestic product, and contingent liabilities as a proportion of gross domestic product.
- 4.1.2 The strategic policy statement (SPS) prepared by the Ministry of Finance and submitted to Cabinet, sets out Government's broad medium-term objectives and fiscal targets, and forms the basis on which the following annual budget is prepared. The fiscal targets set relate to the intended budget result (deficit/surplus); the level of government debt; the level of government debt servicing; and the level of contingent liabilities. All four targets are expressed as a percentage of gross domestic product (GDP) as it provides an indicator of the sustainability of the government's fiscal intentions in relation to the size of the economy as a whole, that is, the higher the percentage the greater the size/impact the public debt has on the economy. The medium term which covers three years, i.e. the following year and the two subsequent financial years, also include the actual/projected results for the previous two financial years for purposes of comparison and trend analysis.
- 4.1.3 Over the 4 years 2009 to 2012 the Ministry of Finance has, upon Cabinet's endorsement of the SPS, effectively disseminated the Budget Strategy to all government entities via issuance of a Circular as listed in table 4.1 below informing government entities of the strategy and broad guidelines for the formulation of the Government's Annual Budget.

⁹ Financial Management Act 2004 s.12

Table 4.1: Ministry of Finance Circulars on Budget Strategy issued for years 2009 to 2012

MoF Circular No.	Date	Subject
10/2008	2/7/2008	2009 Budget Strategy
9/2009	6/7/2009	2010 Budget Strategy
12/2010	10/9/2010	2011 Budget Strategy
8/2011	4/7/2011	2012 Budget Strategy and Baseline Budget

Source: Ministry of Finance Circulars

The Budget Strategy describes the revenue, expenditure and policy measures to be adopted by Government in attaining its broad fiscal policy objectives. To ensure the sustainability of Government's debt position, the Budget Strategy sets annual targets for Government's debt levels. Government's fiscal strategy are developed for the medium term and focus on gradual budget deficits to attain a sustainable debt level while simultaneously allocating adequate resources to raise growth, investment and essential public services.

Since the allocation of resources is a critical input to the achievement of government's growth targets, the Budget Strategy include fiscal frameworks developed to enable the attainment of Government's annual targeted growth rates. For example, the fiscal framework included in the 2012 Budget Strategy as illustrated in table 4.2 below sets the net deficit target at 3% of GDP for the 2012 Budget with gradual reductions to 2.5% in 2013 and 2% by 2014, with anticipated results in declining debt levels from around 53.4% of GDP in 2012 to 50.4% within the medium term.

Table 4.2: 2012-2014 Fiscal frame work

	2009	2010	2011	2012 (Revised)	2013 (Target)	2014 (Target)
Total revenue	1,415.9	1,535.90	1,745.67	1,813.01	1,980.49	2,143.56
% of GDP	24%	26.0%	26.3%	25.6%	26.0%	26.1%
Total Expenditure	1,644.7	1,665.62	1,961.72	2,025.7	2,170.9	2,307.8
% of GDP	28%	28.2%	29.6%	28.6%	28.5%	28.1%
Net deficit	(228.9)	(129.72)	(216.05)	(212.65)	(190.43)	(164.26)
% of GDP	-3.8%	-2.2%	-3.3%	-3.0%	-2.5%	-2.0%
Debt stock	3,376.2	3,382.9	3,575.9	3,788.55	3,978.98	4,143.24
% of GDP	56.6%	57.2%	54.0%	53.4%	52.2%	50.4%
Operating expenditure	4,712.42	1,320.13	1,423.32	1,458.48	1,541.35	1,615.47
as % of Total	24%	26.0%	26.3%	25.6%	26.0%	26.1%
Capital Expenditure	1,252.67	345.48	538.39	567.19	629.57	692.34
as % of Total	24%	26.0%	26.3%	25.6%	26.0%	26.1%
GDP Market prices	5,965.10	5,914.61	6,627.54	7,088.42	7,617.26	8,212.86
GDP growth rate	-3.0	0.6	2.7	3.0	4.0	5.0

Source: 2012 Budget Strategy - Ministry of Finance and Reserve Bank of Fiji

- 4.1.4 Following the dissemination of the Budget Strategy by the Ministry of Finance, Ministries and Departments submit their operating expenditure proposals to the Ministry of Finance (MoF) Budget Division, and their capital expenditure proposals to the Ministry of Strategic Planning, National Development and Statistics (MSPNDS) within the stipulated timelines. Ministries with projects to be funded through direct payments ensure that the total direct payments are within the approved expenditure envelope size for the Ministry.

Consultations on the budget proposals are then held between central agencies and the MoF, the MSPNDS, and the Public Service Commission (PSC). Further consultations are held at the ministerial level with the Cabinet Sub Committee on the Budget (CSB), following which the Budget is finalized and tabled in Cabinet, prior to being announced in November.

- 4.1.5 Audit noted that forecasted ratios as per the budget estimate over the 4 years 2009 to 2012 have been forecasted in view of the budget strategies circulated. Refer table 4.3 below for details.

Table 4.3: Projected targets as per budget strategy and budget estimate

Projections as per budget strategy	2012	2011	2010	2009
Net deficit % of GDP	3	3	3	2
Debt to GDP ratio	54	55.3		46.1
Operating capital expenditure mix	70:30	76:24	77:23	79:21
Projections as per budget estimate	2012	2011	2010	2009
Net deficit % of GDP	1.9	3.5	3.5	3
Debt to GDP ratio	53.4	54.5	56.2	55.8
Operating capital expenditure mix	73:28	72:28	80:20	80:20

Source: Ministry of Finance circulars on budget strategy 2009-2012 and Budget Estimates 2009-2012 and Ministry of Finance Annual Debt Reports 2009-2012

The forecasted net deficit of 1.9% of GDP as per the 2012 budget estimate is well within the budget strategy projection of 3.0% of GDP and the IMF's recommended target of 2percent¹⁰, whilst forecasted net deficits of 3.5% of GDP for 2010 and 2011 were slightly above the projections as per the budget strategy of 3.0% of GDP.

A downward trend was noted in forecasts of debt to GDP ratios. However, despite declining forecasted debt ratio levels from 55.3% of GDP in 2011 to 53.4% in the 2012 budget, debt levels are still considered unsustainable in view of the international "rule of thumb" which requires debt to be within 40% of GDP threshold.

A little more flexibility was noted in the forecasting of the operating to capital expenditure ratios in the annual budget over the 4 years. Although the forecasted operating capital expenditure mix in the 2012 budget was more than the projected budget strategy ratio, it is much lesser than forecasted as per the budgets for years 2009 and 2010, which is reflective of government's efforts towards preventing the need to borrow to finance recurrent expenditure and freeing up additional resources for capital expenditure and debt repayment.

- 4.1.6 The budget estimate is supported by an annual Budget Funding Program (BFP) which provides an estimate of total expenditure and revenue. The budget results (surplus/deficit) arising out of projected revenue and expenditure together with projected debt repayments provide the basis for borrowing need, that is, a deficit budget result would require borrowings by Government. The BFP also identifies sources of borrowings that will finance the forecasted deficit. Reflected in table 4.4 are the forecasted budget results from the BFP and the proposed sources of funding the budget results for the 5 years 2009 to 2013.

¹⁰ 2012 Budget address page 2

Table 4.4: Budget Funding Program

Description	2013 \$	2012 \$	2011 \$	2010 \$	2009 \$
Expenditure	2,327,385,300	2,077,929,300	1,961,718,300	1,706,597,500	1,715,225,400
Revenue	2,108,408,900	1,942,807,000	1,745,672,300	1,486,514,800	1,522,389,100
Net deficit	218,976,400	135,122,300	216,046,100	220,082,700	192,836,300
Debt repayments	179,997,000	203,314,500	518,755,400	276,806,700	329,644,500
Gross deficit	398,973,400	338,436,800	734,801,500	496,889,382	522,480,800
Gross deficit to be financed from:					
Overseas loans	255,000,000	142,500,000	603,000,000	0	0
Domestic loans	143,973,400	195,936,800	131,801,500	496,889,400	522,480,800
	398,973,400	338,436,800	734,801,500	496,889,400	522,480,800

Source: original Budget Estimates 2009 - 2013

The audit noted that financing of gross deficits have been adequately identified. Annual deficits forecasted for the years 2009 and 2010 were anticipated to be financed entirely through domestic loans. A significant proportion of gross deficit for the years 2011 and 2013 were forecasted to be financed through overseas borrowings, whilst 58% of deficit for 2012 was anticipated to be financed through domestic loans. The forecasted budget deficit trend over the 5 years reflect a significant increase from 2010 to 2011 and downward trend in 2012, and is attributed to the substantial provisions for debt repayments in 2011 which included prepayments of 3 loans due in 2030 totaling \$8.7million, and the repayment of bonds totaling \$500,000,000 in the international bond market.

- 4.1.7 To facilitate the deficit budget results the Debt Management and Cash Flow Unit (DCFMU) prepares and submits to the Budget Division a Loan Funding Program (LFP) which identifies borrowing providers and the amount to be drawn down from each provider, either domestically or externally. Listed in table 4.5 below are annual anticipated borrowings as per the Loan Funding Program.

Table 4.5: Loan Funding Program

Source of Loans	2013 \$	2012 \$	2011 \$	2010 \$	2009 \$
OVERSEAS LOANS:					
Direct payment – International Bank Loan					
ADB Loan No. 1530 FRUP III	0	0	8,000,000	0	0
ADB Loan No. 2541 Flood Recovery Loan	15,000,000	0	0	0	0
ADB Loan No. 2603 Supp. Suva Nausori	13,000,000	15,000,000	10,000,000	0	0
ADB Loan No. 2514 Supp. FRUP III	10,000,000	18,000,000	22,000,000	0	0
EXIM China Low Cost Housing Project	13,000,000	10,000,000	10,000,000	0	0
EXIM China Fiji Public Rental Housing Project	6,000,000	6,000,000	6,000,000	0	0
EXIM Malaysia Roads Rehabilitation Project	40,000,000	45,000,000	30,000,000	0	0
EXIM China Roads Improvement Project Sigatoka/ Serea	22,000,000	22,000,000	8,000,000	0	0
EXIM China Roads Improvement Project Buca/Moto	24,000,000	24,000,000	9,000,000	0	0
EXIM China Roads Nabouwalu – Dreketi Road Upgrading Project	80,000,000	0	0	0	0
EXIM Bank of Malaysia Nakasi – Nausori Widening	15,000,000	0	0	0	0

EXIM Bank of Malaysia Nadi – Denarau Road Widening	15,000,000	0	0	0	0
<i>Total direct payments</i>	<i>253,000,000</i>	<i>140,000,000</i>	<i>103,000,000</i>	<i>0</i>	<i>0</i>
Other overseas loans					
ADB Loans – reimbursement to Government	2,000,000	2,500,000	0	0	0
International Bond Market	0	0	500,000,000	0	0
Total overseas loans	255,000,000	142,500,000	603,000,000	0	0
DOMESTIC LOANS					
Fiji Development Loans	143,973,400	195,936,800	131,801,500	496,889,400	522,480,800
Total domestic loans	143,973,400	195,936,800	131,801,500	496,889,400	522,480,800
TOTAL	398,973,400	338,436,800	734,801,500	496,889,400	522,480,800

Source: Budget Estimates 2009 - 2013

The audit noted that whilst anticipated funding from domestic sources declined over the five year period, anticipated sources of and total direct payments from overseas sources increased significantly, indicating a dependence on overseas borrowings to fund its budget deficit. Of the projected borrowings for 2013, four new loans were anticipated whilst eight were drawdowns of existing loans.

- 4.1.8 The structured budget process has enabled Government in determining its borrowing needs, and adequately identifying sources of funds to meet its loan obligations in a sustainable manner for the current and medium term.

4.2 Reliability of budget deficit estimation

- 4.2.1 The Minister must also table in the House of Representative and the Senate ***budget papers for an annual budget*** for the next financial year on or before the 30th of November in each financial year¹¹. The budget papers for a financial year must comprise inter alia one or more budget statements, of which one is to include the estimated budget result for the budget year (as surplus or budget deficit).
- 4.2.2 The estimated budget result determines the extent of government borrowings for any one year. Thus Government provides for borrowings when a budget deficit is estimated since forecasted revenues are insufficient to cover forecasted expenditure of Government for such periods.
- 4.2.3 A comparison of actual borrowings drawn down against forecasted borrowings to finance gross deficit as per the budget estimate noted that actual borrowings were not reflective of forecasts made in the budget estimate, with overall savings in budgets noted ranging from \$33,924,297 (or 7%) in 2010 and \$142,245,965 (or 42.5%) in 2012, indicating a conservative budget approach. For details refer Table 4.2 below.

Table 4.6: Actual borrowings vs. estimated borrowings to fund budget deficit

	2012	2011	2010	2009
Gross deficit	334,436,800	734,801,500	496,889,400	522,480,800
Financed by:				
Overseas loans	142,500,000	603,000,000		
Domestic loans	195,936,800	131,801,500	496,889,400	522,480,800

¹¹ Financial Management Act 2004 s.13

Actual borrowings				
Overseas loans	91,587	569,043,119	10,231,002	1,149,982
Domestic loans	192,099,248	81,470,524	452,734,100	404,239,758
Total borrowings	192,190,835	650,513,643	462,965,103	405,389,740
Variance in actual borrowings against estimated borrowings	(142,245,965)	(84,287,857)	(33,924,297)	(117,091,060)
Percentage variance	42.5%	11%	7%	22.4%

Source: Ministry of Finance Budget Estimates 2009-2012

Actual borrowings drawn from domestic sources in 2009 and 2010 were less than forecasted by \$118,241,042 (or 22.6%) and \$44,155,300 (or 8.9%) respectively. In addition loans of \$1,149,982 and \$10,231,002 were drawn down from overseas borrowings despite forecasts in the budget estimates that gross deficit would be financed entirely by domestic loans for the years 2009 and 2010.

- 4.2.4 The audit noted that actual borrowings incurred to finance anticipated deficits for 2011 and 2012 were less than forecasted borrowings by 11% and 42.5% respectively, indicating overstated budget results. It was noted that actual overseas borrowings recognized in the consolidated fund in 2012 were significantly less than forecasted by \$142,408,413 (or 99.9%) and is attributed to non-inclusions of direct cash disbursed to contractors, non-cash loans and other loan payables (interest and commitment fee) due even though they were provided for in the budget and are being serviced by government. Direct cash disbursements to contractors and related transactions incurred, these are \$137,460,945 in 2012, \$51,718,514 in 2010 and \$24,326,851 in 2009, which are disclosed as notes in the whole of Government's accounts.
- 4.2.5 Misstatements of budget results impact on estimation of borrowing needs of Government, that is, growing public debt and its servicing costs could lead to severe debt burden to the economy in future if not managed properly.

4.3 System for determining debts due

- 4.3.1 The Debt Management & Cash Flow Unit (DCFMU) is responsible for producing the Government's Head 52 forecasts for principal repayments of loans and interest payments on loans for inclusion in the annual Budget Estimate.
- 4.3.2 The DCFMU uses the Commonwealth System–Debt Repayment Management System (CS-DRMS) to record and report all government debt related data. Amounts to be repaid are determined from the External Debt Repayment Schedule generated from the CS-DRMS as well as from the amortisation schedule as per the Loan Agreements.
- 4.3.3 A comparison of actual expenditures against forecasted expenditures for charges on account of public debt over the four years 2009 to 2012 revealed significant variances. Refer to Appendix 1.0 for details of interest and principal repayments provided under Head 52 and the actual debt servicing paid out for years 2009 to 2012.

As can be noted from table in Appendix 1, significant savings were recorded for principal repayments for overseas borrowings in 2009 by 68.9%, in 2010 by 58.5%, and in 2012 by 19.1%. Substantial savings were

also noted for interest payments for treasury bills by 34.2%, 58.37% and 78.7% over the same period respectively.

Also domestic loan interest payments for 2009 and principal repayments for domestic loans for 2012 exceeded forecasted expenditures by \$8,620,307 (or 5.5%) and \$45,020,000 (or 24.56%) respectively.

- 4.3.4 Forecasted overall debt servicing in 2012 decreased by \$320,022,000 from 2011. However actual overall debt servicing for 2012 exceeded forecasts and is attributed to redemptions of domestic borrowing exceeding forecasts by \$45,020,000 (or 24.56%).

4.4 Estimation of contingencies

- 4.4.1 One of the five principles of responsible financial management is to manage contingent liability in a prudent manner¹². The Minister must table **a strategic policy statement** in the House of Representative on or before the 30th of June in each financial year¹³, which must include amongst other things a statement of the Government's financial targets or limits for the next financial year and for the following two financial years, relating to contingent liabilities as a proportion of gross domestic product.

A register of contingent liabilities must be maintained and must include information with respect to the description of the contingent liability; its value (if it can be reliably measured); the way in which the contingency arose; details of any action required to minimise the potential loss; and details of progress in managing the risk¹⁴.

- 4.4.2 As part of the budget formulation process, Strategic Policy Statements (SPS) prepared by the Ministry of Finance and submitted to Cabinet (in the absence of Parliament) by the 30th of June of the preceding financial year include the fiscal targets relating to levels of contingent liabilities for the coming year, and the two following financial years. The actual/projected results for the previous two financial years are also included for purposes of comparison and trend analysis.

Fiscal targets for government contingent liability portfolios for 2011 to 2014 have been set to be contained at below 35% of GDP¹⁵ as per each respective year's ACP.

- 4.4.3 The audit also noted that the Annual Budget Strategy disseminated by the Ministry of Finance to all government entities identifies contingent liabilities as one of the significant risks to Fiji's economy. It discloses that the Ministry finds the increasing size of contingent liabilities and government guarantees of significant concern, as it represents potential claims that have not materialised but could prompt immediate financial obligation from Government¹⁶. Reflected in table 4.7 below are the contingent liabilities of Government's for the five years 2009 to 2012.

¹² Part 2 s.5(d) Financial Management Act 2004

¹³ Financial Management Act 2004 s.12

¹⁴ Finance Instruction 2010 s.56

¹⁵ Ministry of Finance Annual Corporate Plans 2011, 2012, 2013, 2014

¹⁶ Finance circular No. 8/2011 para. 4.2(vi)

Table 4.7: Contingent liabilities

	2009	2010	2011	2012
Total contingent liabilities	1,963,068,505	1,791,461,261	1,931,795,891	2,155,254,122
Contingent liability to GDP (%)	34.3%	29.4%	28.7%	28.8%

Source: Schedule 5 to Whole of Government Financial Statements for years 2009 to 2012

Although minor fluctuations were noted in the fiscal targets of contingent liabilities expressed as a percentage of GDP over the three years 2010 to 2012, contingent liability has increased steadily by 7.8% to 11.5% in 2011 and 2012 respectively.

- 4.4.4 In recognising the potential risks to government's financial position should agencies default on their repayment obligations, provisions for contingent liabilities have been made in the annual budget estimate. Provisions in the annual budget estimate, as provided by the DCFMU for the last five years 2009 to 2013 are reflected in Table 4.8 below.

Table 4.8: Provision for contingents in Budget Estimate

Year	Budget Provision \$
2009	915,800
2010	915,800
2011	1,802,000
2012	1,000,000
2013	1,000,000

Funds in the Budget Estimate are to cater for any contingent liability, and are not provided specifically for explicit or implicit guarantees. Implicit guarantees is assurance given by Government on the financial liability of an entity in respect of a loan or otherwise in the domestic market as well as externally, as approved by Cabinet. Explicit guarantees are assurances given by Government without deeds of guarantee with the other entity such as guarantees of member contributions in the Fiji National Provident Fund, customer deposits in the National Bank of Fiji, and subscriptions held with international Agencies' Securities accounts.

However, Government has only utilised funds provided in the 2010 annual Budget totalling \$500,000. The inability of the Fiji Sports Council in meeting their loan obligations with the ANZ Bank led government to meet the default.

- 4.4.5 Furthermore section 6.3 of the Government Guarantee Policy 2013 requires the Ministry of Finance to create a Sinking Fund where all proceeds from guarantee fees are to be deposited. Proceeds deposited in the sinking fund are to be used to support payment of guaranteed loans in the event of defaults. However this has yet to eventuate.
- 4.4.6 Expressing fiscal target levels of contingent liabilities as a percentage of gross domestic products (GDP) provides an indicator of the sustainability of the Government's fiscal intentions in relation to the size of the economy as a whole. The higher the percentage the greater the size/impact the public sector has on the economy.

RECOMMENDATIONS

The Ministry of Finance should:

- Introduce strategies that will reduce the total debt to GDP ratio and maintain it below the 40% threshold as required for developing economies such as Fiji.
- be more prudent and thorough and in its assessment of submissions from stakeholders during the budget formulation as outcomes of all submissions from stakeholders determine the budget deficit, and consequently government borrowing needs.
- ensure that the budget system focuses more on reducing the variance between estimated and actual budget so that fiscal deficit is kept at minimal level.
- make adequate provisions during the budget process for its debt servicing costs.

Management Comments

The current debt strategy implemented by the Ministry of Finance is to maintain the debt level to GDP ratio below 50% and eventually target 45% in the medium term. However, debt levels are rarely technical decisions implemented by the Ministry but politically driven by the Government of the day to cater for deficit funding. It should be noted that Debt to GDP is not the only indicator to assess debt sustainability. There are other indicators that need to be considered such as Debt to Total Exports, Debt to Foreign Reserves, Debt to Total Government Revenue etc.

Prudent and thorough assessments of submissions from stakeholders during the budget formulation are undertaken by the Budget Division of the ministry. Thus, the under-utilization of total expenditure estimates of government during a year are mainly due to the failure of Ministries & Departments in fully utilizing their respective budgets allocated for the year.

Furthermore, it is to be noted that Table 4.6 is incorrect as it excludes direct payments in 2012. The overseas borrowing estimates are based on the respective line Ministries estimations on expected completion of projects and funding requirement within a year; however variances are incurred due to delays in project execution owing to unforeseen circumstances which are beyond the ministry's control.

Proper consultations are always conducted by the Ministry during the budget formulation. The government currently espoused policies which are focused on infrastructure developments, as well as undertake reforms that requires budget to cater for expenditure forecasts as required by ministries/departments. The Ministry will ensure that ministries and departments expedite utilization of budgets allocated to them.

Further OAG Comments

Figures reflected in Table 4.6 are extracts from the Annual Budget Estimate of Government for the years 2010 to 2012. Direct disbursements are not included as they have not been received by Government and subsequently not included in the Government's financial statement but are disclosed only as notes to the accounts as explained in paragraph 4.2.4 of the report.

5.0 PUBLIC DEBT REPORTING

This section of the report discusses findings on whether public debt information have been reported as required, and whether the reports are subject to external audits.

- 5.0.1 Reporting transparently in accordance with relevant accounting and statistical standards is one of the principles of responsible financial management.¹⁷
- 5.0.2 Clear and explicit legal reporting requirements such as financial statements, budgetary reports, and public debt reports, should exist to hold public debt managers accountable to senior debt officials and ministers charged with governance and to the Cabinet (in the absence of Parliament).

5.1 Statutory reporting requirements of public debt

- 5.1.1 The Minister must table in the House of Representatives a mid-year fiscal statement for the first 6 months of each financial year¹⁸ which must include a statement for the whole of government, specifying:
- the total revenue and total expenditure, and the surplus or deficit, for the period of 6 months, compared with the revenue and expenditure, and the surplus or deficit, for the corresponding period of the previous financial year¹⁹;
 - the projected total revenue and total expenditure, and the projected surplus or deficit, for the financial year, compared with the actual revenue and expenditure, and surplus or deficit for the previous year²⁰.

The Minister must also table a whole of government (WoG) annual report for each financial year within 9 months after the end of each year, and which must include²¹:

- the whole of government financial statements;
- the annual appropriation statement; and
- the annual budget statement.

The Chief Executive Officer of the Ministry of Finance is responsible for the preparation of the whole of government annual report and the statements required to be included in them²².

- 5.1.2 The audit observed that the Ministry of Finance has met its statutory reporting requirements for the years 2009 to 2012. The WoG annual report for financial years 2009 to 2012 submitted for audit includes amongst other things a statement of assets and liabilities, including details of cash balances, investment,

¹⁷ Financial Management Act 17 of 2004 s.5(e)

¹⁸ Financial Management Act 17 of 2004 s. 44(1)

¹⁹ Financial Management Act 17 of 2004 s. 44(3) & (5)(a)

²⁰ Financial Management Act 17 of 2004 s. 44(3); & (5)(b)

²¹ Financial Management Act 17 of 2004 s. 45(1)(2)(3)

²² Financial Management Act 17 of 2004 s. 45(4)

sinking funds and borrowings; and a statement of contingent liabilities as required under section 46(1)(b) of the Financial Management Act 17 of 2004.

The WoG financial statements signed by the Permanent Secretary for Finance (PSF) has been submitted to the Office of the Auditor General for audit within 9 months after the end of each respective financial year as required. The WoG financial statements for the years ended 2009 to 2012 also contain the audit opinion issued by the Office of the Auditor General as required under section 46(2) of the Financial Management Act 17 of 2004. The Auditor General issued opinions on the WoG financial statements on the following dates as reflected in table 5.1 below.

Table 5.1: Dates of signing WoG statements and issuance of audit opinions

Year	Date audit opinion issued	Date WoG statement signed by PSF
2009	20 th September 2010	17 th September 2010
2010	19 th October 2011	12 th October 2011
2011	19 th September 2012	12 th September 2012
2012	17 th September 2013	September 2013

Source: Whole of Government Financial Statements for 2009, 2010, 2011, 2012

Issue of the audit opinion on the WoG financial statements for year ending 2010 was delayed due to “implosions” in the Ministry of Finance’s Financial Management Information System (FMIS).

5.1.3 The annual appropriation statement is also included in the WoG annual report for the financial years ending 2009 to 2012. As required under section 47 (1) of the FMA 2004, the annual appropriation statements disclosed:

- the actual revenue and expenditure, and surplus or deficit, for the financial year;
- the corresponding revenue estimates and appropriations for the financial year; and
- details of reportable authorisations relating to the financial year.

5.1.4 Also included in the WoG annual reports for the years 2009 to 2012 is the annual budget statement. Disclosures in the respective annual budget statements were in accordance with section 48 (1) of the FMA 2004, and:

- showed the revenue, expenditure, and surplus or deficit, for each of the 2 previous financial years;
- showed the estimated revenue, expenditure, and surplus or deficit, for the financial year;
- showed the projected revenue, expenditure, and surplus or deficit, for the next 2 financial years;
- provided a disaggregation of revenue, estimated revenue, and projected revenue by economic type;
- provided a disaggregation of expenditure, estimated expenditure, and projected expenditure by economic type;
- included a statement comparing for each type of financial target, or limit specified in the most recently tabled strategic policy statement that target or limit any revisions specified in the budget statement, and the actual results.

5.1.5 The data disclosed are complete, reliable, accurate and consistent as they have been audited by the Office of the Auditor General and certified with accompanying opinion as reflected in table 5.1 above.

5.2 Government debt reports

- 5.2.1 The Minister of Finance is responsible for managing the financial affairs of the Government as a whole in accordance with the requirements of the Financial Management Act and with due regard to the principles of responsible financial management²³. One of the principles of responsible financial management is to report transparently in accordance with relevant accounting standards and statistical standards²⁴.

The Debt Management & Cash Flow Unit (DMCFU) is required to present the annual debt report to Cabinet by March of each year²⁵.

- 5.2.2 The Debt Management & Cash Flow Unit of the MOF uses the CS-DRMS to record and report all the government debt related data. The CS-DRMS system enables the Unit in formulating the quarterly and annual government debt reports.

The CS-DRMS is an integrated tool for recording, monitoring, analysing and reporting public debt which is constantly evolving to match the ways in which debt management is reshaping itself. The CS-DRMS helps MOF in minimizing risks within their debt portfolios and achieves savings through lower debt servicing payments while assisting the government in bringing the debt burden to manageable levels through the analysis of the impact of debt relief and restructuring.

However, the current version of the CS-DRMS used by MOF has not been updated from the 2006 version. As a result, the full potential of the CS-DRMS could not be used. The audit noted the following international debt report limitations:

1. Reporting on internationally accepted practices such as IMF's Special Data Dissemination Standard (SDDS), Quarterly External Debt Statistics (QEDS) and World Bank's Debtor Reporting System (DRS)
2. Report writing tool for developing country specific reports Commonwealth Secretariat Debt Recording and Management System (CS-DRMS)

- 5.2.3 Government Debt Reports are prepared by the DMCFU on a quarterly and annual basis. Quarterly reports are submitted to the Debt and Cash Flow Policy Committee on the 10th day of the month following the quarter for their internal deliberations. Annual government debt reports for the 5 years 2009 to 2013 prepared and submitted to Cabinet were published on the dates referred to in table 5.2 below.

Table 5.2: Date of publishing debt reports

Year	Date published
2009	undisclosed
2010	May 2011
2011	January 2012
2012	January 2013
2013	January 2014

Source: Government Debt Reports 2009-2013

²³ Financial Management Act 17 of 2004 s.6

²⁴ Financial Management Act 17 of 2004 s. 5(e)

²⁵ Ministry of Finance Annual Corporate Plans 2012,2013

The above annual Government debt reports and those for the years 2007 and 2008 are available to the public on the Ministry of Finance's website.

- 5.2.4 Comparisons of Government debt reports prepared for the years 2009 to 2013 revealed transparency and consistency in disclosures of government's debt portfolio.

The debt reports disclosed information pertaining to Government's debt position, Government's domestic debt, and Government's external debt. Other disclosures included debt servicing forecasts, Government guarantee exposures, major highlights in the year; opportunities, and a summary on the performance of government's debt portfolio for each year.

- 5.2.5 Total debt stock is classified as either external or domestic borrowings (i.e. residency), with debt ratio expressed as a percentage of GDP. Residency classification of debt is also expressed as a percentage of total debt. Comparative data is provided over a 5 year period. Refer to table 5.3 for disclosures in the Government's Debt Report for 2013.

Table 5.3: Total debt stock for the years 2009 to 2013

	2009	2010	2011	2012	2013
Government debt	3,132.2	3,383.2	3,566.5	3,679.5	3,825.3
Domestic	2,605.0	2,834.7	2,734.4	2,744.0	2,744.2
External	527.2	548.5	832.1	935.5	1,081.1
Total Debt % of GDP	55.8%	56.2%	54.5%	53.4%	49.1%
Domestic to total debt	83.2%	83.8%	76.7%	74.6%	71.7%
External to total debt	16.8%	16.2%	23.3%	25.4%	28.3%

Source: Government Debt Report for year ending December 2013, MoF

It is noted from the above table that increase in government debt over the five years period is attributed mainly to increased external borrowings. However total debt to GDP ratio has decreased gradually from 55.8% in 2009 to 49.1% at the end of 2013 indicating that the economy is growing faster than its borrowing activities.

- 5.2.6 Domestic debt is further classified by instruments. Refer to table 5.4 below for details.

Table 5.4: Domestic debt stock by instrument for the years 2009 to 2013 (million)

Debt instrument	2009	2010	2011	2012	2013
Bonds	2,505.0	2,759.0	2,663.0	2,622.0	2,635.0
T-bills	99.9	75.4	71.1	112.4	102.6
Loan				9.5	6.3
Total domestic debt	2,605.0	2,834.7	2,734.4	2,744.0	2,744.2
% of GDP	46.4%	47.1%	41.8%	39.8%	35.2%

Source: Government Debt Report for year ending December 2013, MoF

The debt report also discloses information of composition of debt holder for each classification of debt instrument. Details are provided in table 5.5 below.

Table 5.5: Domestic debt by holder category 2013

Debt instrument	Total debt holdings as at 31.12.13 \$million	Non bank financial institutions	Commercial banks	Reserv e Bank	Others	Government
Bonds	2,635.3	93%	2%	3%	2%	
T-bills	102.6	63%	37%			
Loan(government guarantee realised)	6.3					100
Total domestic debt	2,743.6					

Source: Government Debt Report for year ending December 2013, MoF

Loans under domestic borrowing are the amount realised by Government for a government guaranteed loan by the Fiji Sugar Cane Growers Council.

Domestic debt servicing is presented graphically and shows trends in debt servicing costs but does not attach a dollar value to it.

- 5.2.7 The debt report presents information on external debts by disbursed outstanding debt at year end. Refer table 5.6 below.

Table 5.6: Government External Disbursed Outstanding Amount 2010 to 2013(million)

Debt instrument	2010	2011	2012	2013
External DOD Central Government	548.5	832.1	935.5	1,081.1
Total External debt Service of which	41.3	331.5	65.6	69.3
Principal payment	17.6	285	19.3	19.7
Interest payments	23.7	46.5	46.3	49.6
External debt to GDP ratio	9.4%	12.1%	13.6%	13.9%
External debt Service as % age of export of goods	2.6%	17.3%	3.0%	3.1%

Source: Government Debt Report for year ending December 2013, MoF

The increase in debt servicing in 2011 is attributed to the settlement of the global Bond of US\$150 million, a trend that is expected to continue until the redemption of the second global bond in 2016.

The debt report also provides a breakdown of annual external loan disbursements by lenders.

Composition of external debt is presented in the debt report by creditor categories as well as by economic sectors.

- 5.2.8 There is a risk that users of the report may not have been consistently informed of key aspects of public debt over the years

5.3 Reporting of contingent liabilities

- 5.3.1 The whole of government financial statements required to be included in the whole of government annual report for a financial year must include for financial years where the Minister is satisfied that relevant reliable accrual information is not available, amongst other things, a statement of contingent liabilities²⁶.

²⁶ Financial Management Act 17 of 2004 s.46(1)(b)(iii)

- 5.3.2 Although the Ministry's corporate planning documents do not provide for the submission of report on contingent liabilities, the DCFMU prepares the Contingent Liability Reports each year.
- 5.3.3 Audit verifications established that the reports presents trends in government guarantees provided over a five year period. It also provides brief analysis of the types of guarantees provided to each entity and how funds are utilised. The report also discloses risk and challenges to government, and proposed strategies and recommendations to be undertaken by government in order to strengthen the supervision and monitoring of risks associated with guaranteed entities.
- 5.3.4 Our audit however found that there is no defined timeline as to when the reports are to be produced by the Unit. No evidence of the timeline was indicated in the Ministry's ACP. As a result there were variations in the time the reports were finalised. Refer to the following table for the time the reports were prepared by the Unit over the last three years. Reflected in table 5.7 below are reports published on contingent liabilities for the years 2010 to 2012.

Table 5.7: Government Contingent liability reports for 2010-2012

Year	Report Date
2010	June 2011
2011	June 2012
2012	April 2013

- 5.3.5 The audit noted that the Government Contingent Liability Report is submitted to the Minister of Finance and made available within the Ministry but is not made available on the Ministry's website as in the case of Government Debt Report.
- 5.3.6 Review of the past five years contingent liability reports found that there were differences in the amount of contingent liability reported for specific years. Refer to the table 5.8 for details.

Table 5.8: Differences in contingent liability

Entities	2010 Government Contingent Liability Report (\$ million)			2011 Government Contingent Liability Report (\$ million)		
	2008	2009	2010	2009	2010	2011
Fiji Development Bank	347.1	358.7	237.2	358.7	322.9	257.2
Fiji Electricity Authority	235.8	354.3	356.6	354.3	346.5	353.9
Fiji Hardwood Corporation	12.6	13.2	17.1	13.2	17.2	16.6
Fiji Pine Limited	11.9	8.1	6.2	8.1	8.4	13.7
Fiji Sugar Corporation	65.2	140.3	127	140.3	121.9	116.4
Housing Authority	90.2	87	96.1	87	86	82.6
Pacific Fishing Company Limited	3.4	2.8	0	2.8	5.4	5.4

Entities	2012 Government Contingent Liability Report (\$ million)			2013 Government Contingent Liability Report (\$million)		
	2010	2011	2012	2011	2012	2013
Fiji Development Bank	322.9	257.2	250	257.2	250	190
Fiji Electricity Authority	346.5	353.9	323.5	353.9	323.5	297.9
Fiji Hardwood Corporation	17.2	16.6	15.9	16.6	16	15.3
Fiji Pine Limited	8.4	13.7	16.9	13.7	17.1	13.5
Fiji Sugar Corporation	121.9	116.4	117.9	116.4	111.8	156
Housing Authority	86	82	105.4	82.6	105.5	79.8
Pacific Fishing Company Limited	5.4	5.4	3.2	5.4	1.4	2.8

Source Ministry of Finance Contingent Liability Report

It can be gathered from the table that incorrect amounts of contingent liabilities were reported in 2010 and 2012 for the indicated agencies.

- 5.3.7 The differences in recording of the amount reflected in the table above indicate that no proper checks were conducted by the Debt and Cash Flow Management Unit prior to the report being finalised. In addition, the absence of defined timeline in the preparation of the contingent liability report suggests that there is no urgency in determination of the amount and as such evaluations of potential risks of the liability to government finances are not conducted in a timely manner.

Furthermore, the non-publishing of the contingent liability report by the Ministry in its website reflects lack of transparency in reporting such key information.

5.4 Mechanism for implementing agencies to regularly report to Ministry of Finance

- 5.4.1 The Ministry of Finance should have a mechanism in place that requires implementing agencies to report on their servicing of debt which the government has guaranteed.
- 5.4.2 Section 6 of the government guarantee supplementary agreements sets out the requirements of the types of information to be provided by a guaranteed entity concerning the guarantees issued. The following requirements are set out under section 6.0 of the agreement:

Within 30 workings days for the period ending 30th June and 31st December each year while this Agreement is in force, the Authority shall provide a comprehensive report to the Minister on the operation of the guarantee finance for the half-year. Each report must detail:

- a. All borrowing proposals which might involve a guarantee from Government;*
- b. Provision of Progressive Repayments or Prepayments;*
- c. Statement of Finance Performance;*
- d. Statement of Annual Financial Position;*
- e. Security of Guarantee- Debenture on the guaranteed entity;*
- f. Statement of Cash flow;*
- g. A documentary on the current and future soundness of the entity;*
- h. Business and Corporate plan;*
- i. Reform Plans; and*
- j. Early notification (3 month prior) of any such or foreseeable circumstances which could jeopardise the performance of the Authority in debt servicing or other loan covenants.*

Section 7.01 of the contractual agreements also provides the actions to be taken by government in case of breach of its clauses.

- 5.4.3 The audit noted that the requirements for reporting as per the contractual agreement facilitate the preparation of the annual Contingent Liability report by the DCFMU. Therefore it is vital that the government guaranteed entity provides all information as per section 6 of the government guaranteed agreement on a timely basis.
- 5.4.4 An audit carried out on the reporting requirements noted several anomalies. Refer to the following for further details of the anomalies identified.
- Whilst the requirements are clearly set out in the guarantee agreement for the guaranteed entity to submit information relating to government guarantee, observations found that the supply of information from the entities were not forthcoming. The audit noted that each year the Ministry of Finance has to formally write to the various guaranteed entities to remind them to provide the required information. As a result the Debt Management Unit found it difficult to validate information relating to guarantees, in particular the amount to be reported under Schedule 5 of the WoG Annual Financial Statement of the Statement of Contingent Liabilities.

- The guarantee agreement requires entities to provide the Ministry of Finance with information or details concerning security of guarantee; current and future soundness of the entity and details of any foreseeable circumstances, which could jeopardise the performance of the entity in debt servicing or other loan, covenants. However, the agreement does not specify the format and the specific supporting details for this information.
- The guarantee agreement also requires that the guaranteed entity to send in reports including the *Statement of Financial Performance, Statement of Cash Flows and Statement of Annual Financial Positions*. These reports are required to be provided on an half yearly basis suggesting the reports are unaudited.

5.4.5 The findings indicate that there is difficulty in enforcing the contractual requirements of reporting by agencies whose loans government have guaranteed. In addition, the requirement of submission of unaudited financial statement may have an impact on the Ministry making an accurate evaluation of the financial performances of these agencies to meet loan obligations which government is guaranteeing.

RECOMMENDATIONS

The Ministry of Finance should:

- work towards upgrading the version of the CS-DRMS.
- work towards developing a format which will standardize the format of the debt report.
- make the Government Contingent Liability report available on its website for public information and for transparency purposes.
- set a fixed timeline for the submission of the Contingent Liability report.
- enforce the penalty clause of the contractual agreement if agencies do not comply with the reporting requirements.
- specify the format to which information relating to security of guarantee, documentary evidence on the current and future soundness of the entity and the information requiring early notification of any such foreseeable circumstances which would jeopardise the performance of the company in debt servicing and other loan covenants.

Management Comments

The CS-DRMS has been upgraded in May, 2014 by the Commonwealth Secretariat Consultant from Version 1.1.2 to Version 1.3.

The Debt report has been structured to consistently provide reliable information to users on the government debt portfolio. The Debt unit strives to continuously improve its reporting and with the help of technical assistance will include more financial indicators to ensure long-term debt sustainability within the debt report.

The Ministry will make the Contingent Liability Report available on the website upon endorsement by Cabinet.

The Contingent Liability report is produced after the receipt of updates from the respective guaranteed entities. The timeliness of the report is contingent on timely submission from the respective entities. The Ministry will incorporate an appropriate timeline for submission of Contingent Liability Report into its Annual Corporate Plan after consultation with management.

The issues of enforcement should be viewed from a holistic perspective, some entities are in dire straits and imposing penalties will further exacerbate the entities problems. It should be noted that these companies have got social obligations to fulfill and more than 200,000 people depend on it directly and indirectly. However government is steadfast in implementing the penalties once all the entities are performing to expectations and the planned reforms are duly implemented.

The Ministry conducts financial analysis on guaranteed entities which includes information relating to securities and current and future soundness. The Ministry conducts regular site visits which includes detailed discussion with management on its plans to repay debt on timely basis and strategic decisions relating to improving the overall business performance.

6.0 CONCLUSION

- 6.1 Government borrowing needs have been determined in view ultimately of long term sustainability and financial stability. Borrowing needs of government are identified through its structured annual budgetary process and its quantum determined by the magnitude of the annual budget deficit. Borrowing needs have been forecasted or planned as close as possible to annual budget strategies developed by Government to ensure public debt is kept at sustainable levels over the medium term. However there are inefficiencies in the budgetary process. Impairments noted in the estimation of government borrowing needs are attributed to the conservative approach to determining the annual budget. Debt servicing requirements have been adequately met over the four years except for overspending of provisions for domestic borrowings principal and interest payments in 2012 and 2009 respectively, and short term financing in 2010 and 2012. Provisions to meet contingent liabilities have been adequately provided for in the annual budget, as Government has been able to meet its debt servicing commitments on occasions when government guarantees have been called on. Although actual government borrowings are above expected international fiscal targets of 40% of GDP, they are still within the Government's annual forecasted fiscal targets, and have also decreased gradually over the years.
- 6.2 Public debt and contingent liabilities of government are adequately reported as required under the Financial Management Act 2004. The accuracy and reliability of the reporting of public debt and contingent liability is enhanced by the auditing of records of borrowings. However since Government adopts cash basis of accounting, only borrowings received in cash are included in the consolidated fund account of government. Direct disbursements to contractors, non-cash loans and other payables due are not included but disclosed only as footnotes in the financial statements of government.
- 6.3 The CSDRMS is an effective system of recording public debt and producing information pertaining to debt servicing requirements that is utilised by the DCFMU. However it is yet to realise its optimal potential of automating production of the debt reports. Annual debt reports have been prepared with sufficient disclosures of information and indicators on public debt and contingent liabilities and their sustainability.

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APPENDIX 1.0 CHARGES ON ACCOUNT OF PUBLIC DEBT 2009-2012

2012	Estimate	Actual	Variance Savings/overspent \$	Percentage variance Savings/(overspent) %
Interest payments				
Overseas	51,437,500	49,322,771	2,114,729	4.1
Domestic	211,662,900	210,534,849	1,128,051	0.53
Treasury bills	4,000,000	850,851	3,149,149	78.7
	267,100,400	260,708,471	6,391,929	2.39
Principal repayments				
Overseas	20,066,500	16,215,884	3,850,616	19.18
Domestic	183,248,000	233,268,000	(45,020,000)	(24.56)
	203,314,500	249,483,884	(41,169,384)	(20.24)
Miscellaneous & short term financing	1,150,000	152,448	997,552	86.74
Total debt servicing	477,564,900	510,344,803	(33,779,903)	(7.07)
2011	Estimate	Actual	Variance	
Interest payments				
Overseas	45,048,700	43,104,766	1,943,934	4.31
Domestic	220,373,400	213,248,464	7,124,936	3.23
Treasury bills	5,000,000	2,081,244	2,918,756	58.37
	270,422,100	258,434,474	11,987,626	4.43
Principal repayments				
Overseas	305,375,400	291,113,603	14,261,797	4.67
Domestic	213,380,000	213,380,000	0	100
	518,755,400	504,493,603	14,261,797	2.74
Miscellaneous & short term financing	8,409,400	7,293,820	1,115,580	13.26
Total debt servicing	797,586,900	770,221,897	27,365,003	3.43
2010	Estimate	Actual	Variance	
Interest payments				
Overseas	28,222,600	22,901,709	5,321,891	18.85
Domestic	190,911,800	190,736,707	175,093	0.09
Treasury bills	4,500,000	4,295,960	204,040	4.53
	223,634,400	217,934,376	5,701,024	2.54
Principal repayments				
Overseas	79,169,100	32,850,575	46,317,525	58.50
Domestic	199,340,500	198,540,500	800,000	0.40
	278,509,600	231,391,075	47,117,525	16.91
Miscellaneous & short term financing	5,837,000	6,018,208	(181,208)	(3.10)
Total debt servicing	507,981,000	455,343,659	52,637,341	10.36
2009	Estimate	Actual	Variance	
Interest payments				
Overseas	27,266,000	24,358,748	4,720,445	17.31
Domestic	156,666,700	165,287,007	(8,620,307)	(5.5)
Treasury bills	3,000,000	1,971,651	1,028,349	34.27
	186,932,700	191,617,406	(2,871,513)	(1.53)
Principal repayments				
Overseas	74,339,500	21,263,254	51,263,053	68.95
Domestic	255,305,000	245,405,000	9,900,000	3.87
	329,644,500	266,668,254	61,163,053	18.55
Miscellaneous & short term financing	6,445,400	4,862,792	1,582,608	24.55
Total debt servicing	523,022,600	463,148,452	59,874,148	11.44

