



ACCOUNTABILITY IN THE PUBLIC SECTOR
THROUGH QUALITY AUDIT SERVICES

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF THE FIJI ISLANDS

**Volume 2 Audit Report on Government Ministries
and Departments - 2008**



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**VOLUME 2 AUDIT REPORT ON GOVERNMENT MINISTRIES
AND DEPARTMENTS - 2008**



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File: 102

30 September 2009

Commodore Josaia V. Bainimarama
Prime Minister & Minister for Finance
Office of the Prime Minister
Government Buildings
SUVA

Dear Commodore Bainimarama

AUDIT REPORT FOR THE YEAR ENDED 31 DECEMBER 2008 – VOLUME 2

In accordance with section 7 (7) of the State Services Decree 2009, I am pleased to transmit to you my audit report on the Government of the Republic of Fiji Islands for the year ended 31 December 2008.

Tevita Bolanavanua
AUDITOR-GENERAL



FOREWORD

This report covers the audit of the 2008 Accounts and Finances of the Fiji Government and its 26 ministries and departments as provided in the Appropriation Promulgation.

The purposes of this report are to:

- report on the audit of the Whole of Government financial statements covered under volume 1 of the report;
- report on the audit of financial statements of ministries and departments covered under volume 2-4 of the report;
- report on the results of, and matters arising from, our 2008 audits of ministries and departments also covered under volume 2-4; and
- raise other matters that we believe warrant consideration by Cabinet.

The 2008 accounts were prepared under the cash basis of accounting with the use of the FMIS software called SSA Global. FMIS covers the computerization of public expenditure, management process, especially procurement and accounting. As reported in 2007 the financial statements of government, ministries and departments, which are essential outputs of the system, are still to be produced by the system as they were not included in the original scope of works in the development of the FMIS.

The preparation of the 2008 accounts was again affected by insufficient and lack of competent manpower and support from ministries and departments. The Ministry of Finance like all ministries and departments also continued to face high staff turnover and staff reshuffles which contributed to a lot of deficiencies in the preparation of the accounts.

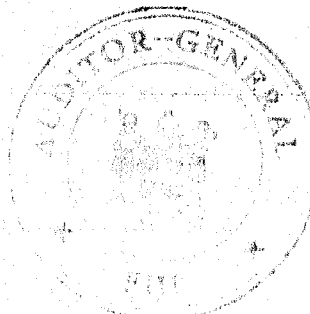
The Ministry of Transport, Works and Energy and the Ministry of Health continue to use their own software ACCPAC and EPICOR systems after which records are uploaded to the FMIS on a regular interval. However our audit has noted that when uploading to FMIS only the end-balances and not all the details are uploaded.

All ministries and departments submitted their 2008 accounts for audit except for the Office of the Ombudsman which closed after the abrogation of the constitution. All audits were issued qualified audit opinions. The qualifications include: consolidation of accounts of ministries and departments, as required under the Appropriation Promulgation; the inability to determine the accuracy of the statement of output costs; the failure to provide statements of losses and trust accounts of receipts and payments; and the lack of reconciliations.

The issues qualified above were the same as those highlighted in 2007 but at a lesser extent as some ministries and departments had shown some improvement. There however remains a lot of work to improve the requirements of all stakeholders.



Tevita Bolanavanua
AUDITOR-GENERAL



EXECUTIVE SUMMARY

The Whole of Government Financial Statements and the Annual Appropriation Statement of the Government of the Republic of the Fiji Islands for the year ended 31 December 2008 has been audited in accordance with section 5 of the State Service Decree No. 6, sections 46 & 47 of the Financial Management Act (2004) and section 6 of the Audit Act.

The audit resulted in the issue of a qualified audit report based on that Income Tax, VAT and Hotel Turnover Tax totalling \$911.6 million (51% of total revenue) could not be substantiated as the audit was denied access to taxpayers records, contrary to section 111 of the Income Tax Act and section 7(2)(a) of the Audit Act;

Other matters of concern are as follows:

- a) An amount of \$10.6 million in respect of trust moneys shown in Schedule 1 – Statement of Assets and Expenditure of the Whole of Government Financial Statements is not appropriately supported by cash at bank. The trust moneys are also not kept in a separate bank account.
- b) A prior year's adjustment of \$4.2 million in the Consolidated Fund Statement of receipts and payments could not be verified.
- c) Ministries/departments failed to submit their reconciliations to Ministry of Finance, despite being sent numerous reminders. Moreover, reconciliation for RFA - Miscellaneous, namely, Accounts Payable and Accrued Expenses were not submitted to the Ministry of Finance at all. As such these account balances totalling \$1.2 million and \$1.6 million respectively were unsubstantiated.
- d) A Capital loss of \$4.4 millions was incurred when 4 TMA operations were written off. These are Gravel Washing Plant, Cane Trucks, Republic of Fiji Military Forces (RFMF) Air Wing and Marine Shipbuilding TMA.
- e) Debts owed to Government totalling \$9.5 million was not recorded in the Lending Fund Account of which \$4.6 million was advanced to Rewa Rice Ltd and \$4.9 million was the guarantor payment on behalf of Fiji Electricity Authority and Fiji Sugar Cane Growers Council.
- f) Bank account balances totalling \$1.3 million for Overseas Missions and Agencies have not been reconciled nor confirmed by the relevant overseas banks.
- g) TMA Credit sales of \$12.5 million have been taken as receipts in the Accounts and Finance despite reporting done on cash-basis of accounting. Balancing accounting entries to the Equity of Government's TMA have been made to produce a balanced balance sheet. As such the balances totalling \$22.7 million could not be substantiated.
- h) Account balances totalling to \$64.9m in the clearing account for domestic and overseas loans appearing under the revolving fund account are outstanding. Furthermore, other clearing accounts in the Operating Fund totalling \$73.8 million also remained outstanding.
- i) Drawings account has been reduced with unexplained debit balances totalling \$16.7 million.

The following is a summary of the audit observations.

2008 Accounts and Finance***Cash at Bank***

Unpresented cheques have declined significantly from \$73.6 million in 2007 to \$59.6 million in 2008. The decrease in unpresented cheques at year end is primarily attributed to debits balances in Customs, Ministry of Health, Fiji Police Force and Water Supplies accounts totalling \$16.7 million.

Cash balances with Agencies Overseas have increased significantly from \$52.9 million in 2007 to \$121.3 million in 2008. The continuing increase is mainly attributed to the transfer of \$50 million from the Consolidated Fund Account to JP Morgan account during the year.

Agencies overseas having balances of \$1.3 million were not supported with cash and bank certificates.

Investment

Government's total investments held in 30 companies in 2008 was \$440.3 million, an increase of \$10.4 million or 2.4% compared to 2007. Only 7 entities remitted dividends to government totalling \$21.3 million in 2008 compared to \$22.0 million in 2007. Four entities with total government investments of \$8.4 million are in-operative. Government also has shares in ATS and these shares were transferred from CAAFI when it ceased to be a Commercial Statutory Authority.

Trust Fund

Section 25 of the Financial Management Act (2004) states that trust money should be accounted for separately from public money and other money, and should be kept in a separate bank account. An amount of \$10.6 million in respect of trust moneys shown in schedule 1 – Statement of Assets and Expenditure of the Whole of Government Financial Statements is not kept in a separate bank account.

18 Ministries/Departments had overdrawn their trust fund accounts totalling \$3.4 million as at 31/12/08.

Revenue

The correctness of Income Tax, VAT and Hotel Turnover Tax of \$911.6 million collected by the Fiji Islands Revenue & Customs Authority on behalf of the State, which represents 51% of Government's total revenue, could not be substantiated as audit was denied access to taxpayer records, contrary to section 111 of the Income Tax Act and section 7(2) (a) of the Audit Act (Cap 70)

The arrears of revenue in 2008 totalled \$157.7 million, a decrease of \$14.7 million or 8.5% from 2007. The high arrears of revenue were due to a substantial amount of outstanding tax arrears of \$86.3 million or 54.7% of total arrears owed to FIRCA. Also, Water and Sewerage rates rated high at \$32.4 million (20.5%) which was due to the Public Works & Infrastructure. Other significant arrears were due to Judicial, Lands Crown rents, Meteorological, Agriculture, FIRCA Customs and MFO Sinai.

Expenditure

The total actual expenditures for 2008 amounting to \$1,680.5 million had decreased by \$45.7 million or 3% from 2007 and incurred an overall savings of \$100.2 million compared to a savings of \$115 million in 2007.

The overall savings arose from savings in established staff by \$14.8 million (2.8%) , wage earners by \$6.5 million (10.4%) , travel & communications by \$2.2 million (11.5%) , purchase of goods by \$2.0 m (3.5%), operating grants & transfers by \$11.0 million (5.4%), special expenditures by \$9.9m

(21.2%) , capital construction by \$33.5 million (22.4%), capital purchase by \$5.8 million (25.1 %), capital grants and transfers by \$5.4 million (6.4%), pensions and gratuities by \$3.1 million (2.6%), and finances on public debt by \$11.4 million (8%).

The RFMF and the Department of Police both exceeded their budgeted forecast by 3.31% and 10.93% respectively. The reasons for the over – expenditures were mainly due to the over – payment of salaries and allowances.

Borrowing

Public debt in 2008 totalled \$2.8 billion and comprised of domestic loans of \$2.3 billion or 82% of total debt; overseas loans of \$475.9 million or 16%; and Treasury Bills \$64.5 or 2%.

In 2008, Government borrowings totalled \$422.4 million of which \$341.2 million or 81% was through domestic bonds, \$64.5 million or 15% treasury bills and \$16.6 million or 4% in overseas loans.

Principal payments for 2008 on government borrowings totalled \$722.0 million whilst interest payments amounted to \$168.7 million.

A total of \$10.6 million loan to Fiji Government was directly disbursed by the Asian Development Bank (ADB) to the contractors of the projects, namely, Suva/Nausori Water Supply and Fiji Road Upgrading Project (FRUP) loan.

Government in honouring its guarantor obligation paid a total of \$4.9 million on behalf of Fiji Electricity Authority and Fiji Sugar Cane Growers Council to its lenders, namely the Reserve Bank of Fiji and the Fiji Development Bank respectively.

The honour of this government guarantee payment has not been reflected in the Accounts and Finances as debt owed to government in the Lending Fund Account.

Lending

Loans made by Government and outstanding as at 31/12/08 totalled \$105.9 million, a decrease of \$8.2 million or 7% compared to 2007. Repayments received in 2008 totalled \$12.3 million whilst additional loans granted and interest capitalized in 2008 was \$4.1 million.

Parliamentary resolutions between 2001 and 2004 and cabinet decisions in 2008 approved the conversion of loans to grant owed by the Fijian Affairs Board, the Fiji Sugar Corporation and the Rabi Council of Leaders. These conversions have not been executed to date.

The balance of \$2.3 million lent to Native Land Trust Board (in 1979), Timber Exporters (1983) and Production Loan to Farmers (1990) have remained dormant to date. There have been no additional advances made, nor interest capitalized or recoveries made under these accounts. The recovery of these loans is uncertain due to the lapse in time

Outstanding advances and loans of Rewa Rice Limited totalled \$4.6 million and \$1.9 million respectively. Cabinet decision dated September 2004 endorsed the \$4.6 million outstanding advance to be converted to grant. The conversion is yet to be finalised. In addition to this, the loan repayment of \$1.9 million has also not commenced.

The \$4.6 million advance has not been recorded in the Accounts and Finance.

Revolving Fund Account

Revolving Fund Account (RFA) comprises of balances that are asset and liability in nature. The accounts are made of Accounts Receivable, Prepaid Expenses, Accounts Payable, Accrued Expenses and the operation of Trading and Manufacturing Account (TMA).

Balance outstanding in RFA as at 31/12/2008 totalled \$80.8 million compared to \$68.3 million in 2007, an increase by \$12.5 million or 18%.

Receipts and Payments reflected in the Accounts and Finance of Government from the Revolving Fund Account totalled \$3,343,457,332 and \$3,351,545,208 respectively. These demonstrate the volume of transactions in the Revolving Fund Accounts. As a comparison, total revenue and expenditure was only 54% and 50% of these receipts and payments respectively. Numerous mispostings, errors and their subsequent adjustments have inflated the total receipts and payments of the Revolving Fund accounts.

Furthermore, Ministries/departments failed to submit their reconciliations to Ministry of Finance, despite numerous reminders being sent. Reconciliation for RFA- Miscellaneous, namely, Accounts Payable and Accrued Expenses were not submitted to the Ministry of Finance at all. As such these account balances totalling \$1.2 million and \$1.6 million respectively were unsubstantiated.

Account balances totalling \$64.9 million in the clearing account for domestic and overseas loans appearing under the revolving fund account has not been included on the Accounts and Finance of Government.

In addition, Ministries/Departments had more than one IDC account. Explanation for the utilisation of various IDC accounts could neither be provided by the Ministries/Departments nor the monitoring agency, Ministry of Finance.

Balancing accounting entries to the Equity of government's TMA were made to produce a balanced balance sheet. As such, entries totalling to \$22.7 million could not be substantiated.

TMA Balance sheet accounts such as Accounts Receivable, Inventory and Surplus/Deficit totalling to \$6.7m are not forming part of the Accounts and Finance of government.

TMA Credit sales of \$12.5 million have been taken as TMA receipts in the Accounts and Finance despite reporting on cash-basis of accounting.

A Capital loss of \$4.4 millions was incurred when 4 TMA operations were written off. The 4 TMA operations are Gravel Washing Plant, Cane Trucks, Republic of Fiji Military Forces (RFMF) Air Wing and Marine Shipbuilding TMA.

Trading and Manufacturing Accounts (TMA) are either operating above/below their appropriated ceiling. TMA operating above their ceiling are yet to remit the excess funds to the Consolidated Fund Account while those operating below the ceiling are operating at a loss.

Contingent Liabilities

Government guarantee of members' contribution to the Fiji National Provident Fund totalled \$2,618,006,433 which is 75% of total government guarantee. Apart from guaranteeing the members contributions, the Government owes \$1,743,304,300 to FNPF, which is 74% of total domestic borrowings.

Contingencies Fund

Balance for Contingencies Fund of \$2 million reserved for unforeseen events has been a carry-forward balance that could not be substantiated. In addition, the Ministry of Finance confirmed that there is no ledger account drawn up in Governments accounts & finance for the Contingencies Fund Account as the account was not mapped when Government finance system was converted to the new general ledger system. Government continues to report the contingency funds of \$2 million even though it does not exist in the new FMIS general ledger.

2008 Accounts of Ministries and Departments

Office of the President

Contrary to Finance Instruction 82(1) Statements of Output Cost and Trust Fund Account Statement of Receipts and Payments were not provided for audit.

There is a significant variance in the FNPF reconciliation totaling \$208,813 when compared to the accounts as at 31/12/08.

The Office of the President has accumulated arrears of water rates totaling \$38,743 as at 31 July, 2009.

The audit noted that 9 officers had excessive annual leave carried forward from previous years to 2008 with outstanding annual leave ranging from 36 – 210 days. The leave liability as at 31/12/09 totaled \$44,780.

Office of the Prime Minister and Public Service Commission

The Financial Management Information System shows that the Office of the Prime Minister and the Public Service Commission as at 31/12/08 had operating trust funds totaling \$(43,008) overdrawn and \$469,682 respectively. Statements of accounts to support these were not submitted.

Differences were noted in the reconciliations undertaken for the Drawings Accounts, Trust funds and Revolving Fund account Miscellaneous as at 31/12/09.

Scrutiny of a sample of loan records revealed that the Student Loans Scheme was not properly monitored to ensure the successful recovery of loans upon completion of studies.

Some government rented offices including the premises occupied by the Commission do not comply with the requirements of the Occupational Health and Safety Act.

Some senior civil servants are illegally occupying government quarters. A former civil servant who is occupying a government quarter and has a court case pending against him has accumulated rental arrears of \$99,399 as at 31/12/08.

Office of the Attorney General

The Office has not provided a Trust Fund Account Statement of Receipts and Payments which has a balance of \$247,818 as at 31/12/08.

There is a significant variance in the VAT and FNPF reconciliations when compared to the accounts as at 31/12/08.

Two officers were overpaid a total of \$7,349 after they failed to inform the Ministry about their intention to resign from service.

Ministry of Provincial Development, Indigenous & Multi-Ethnic Affairs

The Ministry has not provided a Statements of Output Costs; Statement of Losses and Trust Fund Account Statement of Receipts and Payments. Significant variances were noted in the reconciliation of FNPF records for the Ministry.

A total of 37 cheques valued at \$832,666.38 that were prepared in December 2008 at the Commissioner Western's Office have not been issued to payees on 23/2/09. A significant amount of revenue is also in arrears of which 52% is over two years old.

The following projects which commenced in 2005 are still incomplete although funds were provided for the projects: Kenani Evacuation Centre, Waiyavi SDA Evacuation Centre, Namoli Village Footpath Project and Vanuakula Flash Toilet Project.

The Ministry has poor control over the use of motor vehicles especially where accidents have occurred. Three vehicles were involved in accidents in 2008 of which only one was reported.

Ministry of Defence, National Security and Immigration

The department failed to provide the VAT returns for 2008 as a result VAT reconciliation could not be prepared. A reconciliation of FNPF contributions against salaries and wages reported in the financial statements for the departments revealed significant variances. Drawings accounts reconciliation was not undertaken for Department of Defence and National Security and incorrectly done for Immigration Department.

Amounts totaling \$2,049,514 received by the Department of Immigration as bond have yet to be refunded to international workers or their agents who have departed from Fiji.

Proper tender procedures were not complied when the Immigration Department engaged Leah's Apartment as the detention centre for illegal immigrants.

The department lacked manpower to expedite the removal of over stays in the country and a considerable number of passports were damaged during the processing stage incurring unwarranted costs and loss of revenue for the department

Ministry of Labour, Industrial Relations & Employment

The Ministry has not provided a Statement of Losses; and a Trust Fund Account Statements of Receipts and Payments.

A reconciliation of FNPF contributions against salaries and wages reported in the Financial Statements revealed significant variances.

A VAT reconciliations carried out during the audit revealed an un-reconciled balance of \$1,323,245. In addition, VAT input as per VAT returns totalled \$307,938, whereas the general ledger recorded VAT input of \$407,895 resulting in a difference of \$99,957.

Revenue or fees collected by the Ministry through its Occupational Health and Safety (OHS) Division have not been accounted for in the VAT returns. Such VAT is included in the OHS Fees but is not declared in monthly VAT Returns to the Fiji Islands Revenue Customs Authority.

The Ministry is yet to pay out trust funds belonging to beneficiaries of deceased workers who have attained 21 years.

Ministry of Foreign Affairs, International Co-operation and Civil Aviation

The Ministry has not provided the Statement of Losses and Trust Account Statement of Receipts and Payments.

The payments of FNPF contributions and VAT could not be reconciled to the accounts. Fiji Missions overseas incurred expenses which appeared to be inappropriate or extravagant. This includes Port Moresby, New Delhi, Canberra, New York, Malaysia, Tokyo, Beijing, London, Brussels and Wellington.

For the past five years, government had allocated \$4.5 million as capital grants to the Airports Fiji Ltd for the up keeping and maintenance of rural airstrips. However the condition of the rural airstrips was not very satisfactory and a number of deficiencies were noted by the CAAFI aerodrome team. Also the grant was diverted to purchase fire trucks and tractors without the approval from the Ministry of Finance.

Election Office

The Office has not provided a Statement of Losses, as Losses amounting to \$9,330 was recorded as at 31/12/08; and a Trust Fund Account Statement of Receipts and Payments.

The Office did not obtain police clearance in respect of the newly appointed Project Officers nor were they medically examined. The posts were also not advertised.

Approval was given to the Supervisor of Elections to appoint a Media Consultant from 29/09/08 to 31/12/08 that carried a salary of only \$18,000. A Consultant was engaged at the rate of \$70 per hour from 29/09/09 to 31/12/08. PSC approval letter specifically stated that the Consultancy fee must not exceed \$18,000 for the period. The Office however was paid total consultancy fees of \$75,582.50 which exceeded the limit by \$57,825 or 320%.

A payment of \$17,802.61 was made to University of Melbourne being tuition fees for Mr. Viliarne Ledua Vuiyanuca to undergo further studies from 02/03/09 to 31/12/09. The officer did not embark on further studies but continued to work in the Office as at the date of audit in April 2009.

The Office purchased 10 blackberry mobile phones from Vodafone Fiji Limited worth \$7,990 without seeking approval from the Public Service Commission. In addition an advance rental payment for whole year (2009) was done to Vodafone Co. Ltd totaling \$8,394 for the 10 mobile phones.

The Office purchased two photocopying machines by splitting the cost using several Local Purchase Orders thus bypassing the proper procurement procedures. The orders were authorized by the Supervisor of Elections.

Judiciary

The Department has not provided a Statement of Losses and a Trust Account Statement of Receipts and Payments.

Warrants are issued for non-payment of court fines or non-appearance to court hearings and the executions of warrants are undertaken by the Fiji Police Force. As at 31/12/08 the arrears of revenue for the Department totaled \$10,574,640.

Legislature

Audit noted that some Officers continued to receive consolidated allowances, which should only be paid to Editors and Hansard Officers when Parliament is in session.

Accountable advances issued to staffs in prior years are still to be accounted for and retired. The officers concerned explained that they have retired the advances but no documentary evidence was provided for audit purposes to authenticate that the advances have been cleared.

Ministry of Justice, Prison & Correction

Although the guidelines are specifically stated in the Bankruptcy Act, audit noted discrepancies in the liquidation of several companies. Refer to Liquidation Nos. 13/2003, 09/2005, 59/2001, 110/2001, 58/2001.

Certain liquidation and bankruptcy cases have been cancelled but the accounts were still open with balances either to be refunded to the respective Company Directors or journalized to the official receivers fees account.

We noted from our review of the Bank Reconciliation Statement for December 2008 that some deposits from as far as nine years back are still reflected in the Bank Reconciliation as receipts not credited by the bank.

Audit noted that no tender was called by the Department of Prison and Correction for the purchase of caps, tee shirts and shirts totaling \$45,260 from Xoolu Enterprises Limited.

Department of Information

The Department has not provided for audit a Trust Account Statement of Receipts and Payments, contrary to Finance Instructions 82(1).

The former Director proceeded on study leave in 2006 to pursue a Master of Arts in Governance programme at the University of the South Pacific was bonded for one year amounting to \$41,367. The officer had served only eight months of her bond before tendering her resignation on 15/09/07 and vacated the office without giving the 30 days notice. She had an unserved bond for four months amounted to \$14,312.67 and was also overpaid \$1,651.

Fiji Military Forces

The Force incurred an over-expenditure of \$2,691,923 in 2008.

The Force has not provided a Trust Fund Account Statement of Receipts and Payments contrary to Finance Instructions 82 (1). The Financial Management Information System shows that the Force as at 31/12/08 had operating trust funds totaling \$225,838.

There is significant variance in the VAT and FNPF reconciliations when compared to the accounts as at 31/12/08.

The Force purchased goods and services from suppliers that did not go through the normal tender process and without competitive quotations obtained. The audit noted that goods and services were purchased without issuing Local Purchase Orders. The Force's Director Finance approved an LPO in excess of his delegated authority.

Fiji Police Force

The Force has not provided a Statement of Losses and a Trust Account Statement of Receipts and Payments.

The payments of FNPF contributions and VAT could not be reconciled to the accounts. The Fiji Police Force had a manual payment of \$739,977 which was not updated in the FMIS for 2008.

The Force incurred over-expenditures under SEG1 Established Staffs allocation by \$8,712,130 and failed to seek necessary approval from Ministry of Finance to regularize the over expenditure.

The Fiji Police Force failed to call tenders for a number of purchases which were above \$ 20,000 particularly when procuring from Lotus Garments (MFG) Ltd and Deluxe Footwear Fashions Ltd.

The Police Force had undertaken a new approach to combat crime which involved crusade work in the public. The new approach to crime prevention has increased the expenses and is viewed as exorbitant to the Force. The Fiji Police Force also did not update a total of \$739,976.56 of manual payments into the FMIS system.

Ministry of Education, National Heritage, Culture and Arts

The Ministry has a total salary overpayment of \$657,795.31 as at 31/12/08 which is still to be recovered. In 2008, the salary overpayment amounted to \$213,226.37 of which \$130,923.40 or 61% was overpaid to staffs upon resignations and leave without pay.

Fifteen vehicles in the Ministry's fleet have exceeded mileage of 200,000km but are still being used. Fuel and the maintenance costs are considered high for these vehicles.

The audit of the building grants records for primary and secondary noted that some of the grant recipients have not submitted completion certificates and acquittal reports to the Ministry.

Rules and Regulations for General Purpose Trust Fund, Caution Fee Trust Fund Account were not followed and approval was not obtained from Permanent Secretary for Education for use of trust funds by some government primary and secondary schools.

The audit noted the need for urgent maintenance of the dormitories, toilets and bathroom facilities, dining hall and kitchen at Nasinu Secondary, Queen Victoria School and Ratu Kadavulevu School respectively.

Ministry of Health, Women & Social Welfare

A Statement of Losses and Trust Account Statement of Receipts and Payments was not submitted to audit. The Financial Management Information System shows that the Ministry of Health as at 31/12/08 has Operating Trust Funds totaling \$8,943,060 of which \$7,495,121 or 84% represent FNPF. In addition, the Department of Women and Social Welfare has overdrawn Operating Trust Fund balance of \$43,052.

A Trading and Manufacturing Accounts for the operations of the Bulk Purchase Scheme was not submitted by the Ministry.

The payments of FNPF contributions and VAT could not be reconciled to the accounts.

Officers occupying government quarters of whatsoever grade or type or self contained flats will be required to pay rent at the rate of 8% of basic salary. Contrary to the above provisions, the some officers have been occupying quarters at Tamavua Hospital compound and were paying rent of \$0.35 per week or \$18.20 annually.

The Tamavua Hospital has continued to pay the water bills of the Fiji School of Medicine despite it now being a private institution. It has paid a total of \$455,640.94 for meter number KRI 22 as at 31/12/08.

The former Chief Pharmacist, Mr. Peter Zinck, was surcharged \$50,316.94 (50% of \$100,633.88) for non delivery of 100 hospital beds ordered as per the indent MD107/03. The supplier, Pacific Surgimed International Ltd of New Zealand was paid in advance the total amount of \$100,633.88 in December 2002. The Officer is now employed at the United Nation Population Fund (UNFPA) and he owes the government \$47,758.41.

The audit noted that Fiji Pharmaceutical Services in 2008 purchased 29,700,000 Methyldopa tablets (250mg) tablets, costing \$1,038,076.09, when the estimated annual usage rate was only 1,333,333 and the maximum stock level was 2,000,000. Assuming the drugs do not expire, the stock should be sufficient for 19 years. However, these drugs would be expiring in April 2011.

Audit noted that drugs worth \$973,120 had expired at the end of 2008.

Patients' belongings are still unclaimed and stored in a cabinet at the Saint Giles Hospital (SGH). No proper register is maintained to record and account for these valuable items. The items unclaimed are jewellery, purse, watches, bank books, passport, sunglasses, cameras and whales tooth etc.

The audit noted that there is a need for urgent maintenance and replacement of numerous machines and equipment currently used in the hospital as these pose risks to the staffs and hinder the quality health services provided to patients.

A total of \$177,397 as of 31/12/08 was recorded as overpayment of salary by the Ministry of which \$74,979 (42%) was overpayment upon resignation. This is a result of divisional officers failing to advise salaries section at Headquarters on time.

As at the date of the audit¹, the Ministry had 330 vacant positions. The vacant positions ranged from doctors to other support officers.

Some nurses were still paid consolidated allowances despite working in urban hospitals and health centers. As at 31/12/08, \$179,207.29 was paid out as consolidated allowances. Of this amount, \$77,398.43 or 43% were paid to nurses who were not entitled to consolidated allowance.

Department of Local Government, Urban Development and Housing

A reconciliation of FNPF contributions against salaries and wages reported in the Financial Statements revealed variances significant variances which indicate that FNPF contribution had been underpaid.

The department failed to prepare VAT reconciliations for 2008. A review of VAT Returns and supporting documents carried out during the audit revealed significant un-reconciled balances.

Department of Youth and Sports

The audit noted a number of sporting bodies that failed to submit their acquittals for the financial assistance provided by the Department and that the Department has not been effective in monitoring and following up acquittals with recipients. As a result the audit could not substantiate whether grants have been utilized for intended purposes.

Under the Vatukoula Rehabilitation Program, a total of 210 redundant miners were provided financial assistance amounting to \$422,482 of which the Department was to recover 50% (\$211,241) from the miners. The audit noted that the Department only managed to recover \$14,575 as at 25/11/08.

The Department through its National Youth Service Scheme (NYSS) provided financial assistance to 215 youths amounting to \$80,690 as at 31/12/08 of which the Ministry was to recover 50% within the stipulated timeframe as per the respective recipient's memorandum of understanding. The audit noted that the Department has only recover \$86.34.

Ministry of Primary Industries

The Trading and Manufacturing Account's *Accumulated Surplus* and *Surplus* of \$2,559,456.93 and (\$2,098,107.49) respectively shown in the Balance Sheet could not be substantiated as supporting documents were not provided for audit.

Arrears of revenue totaled \$3,978,918, a decrease of 2% compared to 2007. Some debts had remained uncollected during the three years as the Department had not instigated recovery actions as required under the Finance Manual.

Some of the projects approved and funded through the Rural and Outer Island Programme were not implemented satisfactorily. In some instances, the forecasted outputs stated in the project proposals were not achieved, agro inputs and planting materials were not supplied to the farming groups while there was a generally lack of commitment from the executing groups.

Audit review noted that Local Purchase Orders were artificially split into numerous procurements for the purpose of obtaining a lower level approval. The failure of the Department to apply the required purchasing limits resulted in unauthorized expenditures.

The Ministry engaged National Bulldozing Company Limited (NBCL) in 2008 for the drainage works in respect of the Sigatoka Valley Improvement Programme. It was noted that a contract agreement was not drawn up and signed between the two parties. The company was paid a total amount of \$54,943 for the work done.

On 27th October 2008, the Debt Management Unit of the Fiji Islands Revenue and Customs Authority issued a legal demand notice to the Department claiming for the tax owed in the sum of \$53,553.86 and penalties in the sum of \$25,450.64, totaling \$79,004.50.

The Department of Fisheries through its freshwater aquaculture project constructed 16 ponds which are technically referred to as "Tanks" at the Naduruloulou Research Station. These ponds were to be utilized for nursing new hatchlings of fish and prawns to suitable sizes for delivery to farmers as well as research purposes. The ponds were constructed by Cama Holding at a cost of \$18,500 in December 2008. A site visit on 18 March 2009 at Naduruloulou Research Station revealed that all the 16 ponds were not in use and were overgrown with grass and weeds.

Ministry of Lands, Mineral Resources and Environment

The arrears of revenue recorded by the Department which totaled \$10, 223,341 is substantial and indicate the poor debt collection procedure in practice.

The audit noted that two Technical Assistants were awarded FAB scholarship with pay to pursue Bachelor of Engineering majoring in Lands and Bachelor of Spatial Science for 4 years from February 2007. Due to poor academic results in 2007, both scholarships were terminated however the officers failed to return.

The audit noted from the Crown lease report provided by the Department that the yearly rentals for some crown leases were significantly low. This indicates that rent was not reviewed periodically and adjusted to current market rates.

Every year, the System Support Centre generates all re-assessments that are due in the following year. This is forwarded to the Valuation Section for re-assessment however it was noted that reassessments were not carried out by the Department on crown leases on the due dates specified in the lease conditions.

The arrears of revenue figure provided by the Lands System and the Lands Administration System were not reconciling. This indicates that the department is not recovering the correct amount of arrears as the variance could not be substantiated.

Ministry of Industry, Tourism, Trade and Communications

The Department of Communication recorded total arrears of \$1,096,943.25 as at 31 December 2008. The arrears show a significant increase of 90% from \$97,918 recorded in 2007.

A difference of \$89,782.46 was noted between the Ministry of Commerce Drawings account reconciliation and the balance recorded in the FMIS. The Ministry's reconciliation recorded a balance of \$260,386.06 whereas the balance on FMIS had \$350,168.52.

One Mr. Gani filed a civil action against the Cooperative Department and Attorney General's Office claiming damages for personal injuries and other consequential losses due to the accident and was awarded damages totalling \$87,530.69 in October 2005. Eight years has passed since payment of the damages however no surcharge action has been taken against the driver of the government vehicle who is still employed at the Department of Co-operatives.

Ministry of Works and Transport

Trading and Manufacturing Account *Accumulated Surplus* of \$4,591,193 and *Surplus* of \$909,265 reflected in the Balance Sheet could not be substantiated as supporting documents was not provided for audit.

The Trust Account Statement of Receipts and Payments did not include trust account balance of \$78,556 belonging to the Department of Meteorological Services.

The amount of \$802,132 stated as Other Deductions in the Trust Account Statement of Receipts and Payments could not be substantiated as supporting documents could not be provided.

The Ministry's statement of income and expenditure had incorporated total expenses and revenue of \$112,251 and \$8,489 respectively which belonged to the Department of Civil Aviation under the

Ministry of Foreign Affairs and Department of Water and Sewerage under the Ministry of Public Utilities.

The Government Shipping Services purchase fuel for government vessels from Total Fiji Limited which is supplied in drums for which it pays a refundable deposit of \$50 per drum. The audit noted that the drums were not returned and that deposits paid were not claimed by the department.

There is a possibility of collusion amongst 3 employees at the Meteorological Services where they manipulate financial records for their own benefit. The officers had intentionally increased amounts of their salary in the system to increase their take-home pay.

The Department of Works recorded a total of \$604,348.24 in stale cheques as at 31/12/08. The amounts and status of these cheques could not be verified as relevant supporting documents were not provided.

Approval was granted by the PSC in its letter dated 8/7/08 for an Acting Accounts Officer and her Acting Assistant Accounts Officer to attend fraud training in Boston, USA from 13 – 18/7/09. However, it was noted that TMA fund totalling \$19,735.29 was used to finance the officers' trip.

An analysis of the performance of the TMAs for 2008 showed that TMAs have incurred huge losses in its operations.

The Plant Pool of the Mechanical section maintains all government vehicles that are hired by the various sections of the Ministry in the Central Eastern Division. An analysis carried out on the fleet of Plants and vehicles in the Division raises a lot of discrepancies.

The Department of Roads did not consider requesting the Tender Board to call annual tender for the supply of goods, services or works which it regularly requires and purchase orders were not issued for some purchases of goods and services.

Department of Public Utilities and Energy

The Department failed to submit the Trust Account Statement of Receipts and Payments to audit. The Financial Management Information Systems shows that the Department of Water and Sewerage as at 31/12/08 has Operating Trust Funds totaling \$2,977,871.33. In addition, Department of Energy has an overdrawn True Trust balance of \$58,953.15; and has an Operating Trust Fund totaling \$438,049.69.

The payments of FPNF contributions and VAT could not be reconciled to the accounts of the Department of Water and Sewerage.

Arrears of revenue for Water and Sewerage Rates as at 31/12/2008 totaled \$32,355,792, an increase of \$2,719,664 or 9% compared to 2007.

There were backlogs in the connection and installation of new meters for the period 2004 to 30 June 2008 at the Divisional Engineer western. Out of the total applications (236) received till June 2008 for the meter connections, only 28 (or 12%) meters were connected.

The Department engaged twelve companies to provide hired vehicles in 2008 and utilized a total of \$388,546 in 2008. This is considered excessive and it appeared that they were hired without any regard to economy.

The Benau Water Treatment Plant was constructed based on the recommendations made in the 1996 Master Plan by Sinclair Knight Merz Consultant. The construction was carried out in 1999 by

Sophora Water (NZ) Limited at a cost of \$3.20 million (VEP). Since completion in 1999, the plant has not operated normally due to problems which were not known at the time of commissioning.

Audit noted high rate of unaccounted for water for the Walia/Deuba region. More than 50% of the water is unaccounted for in each month.

Audit inspection at the PWD Walu Bay warehouse noted a number of operational and non-operational generators stored in the yard. The 21 operational generators on hand were either stored for spare parts, under repairs or awaiting installation. As for the unserviceable generators in the yard, 41 have been recommended for auction while 25 are recommended to be sold as scrap

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Section 1

Office of the President

Role and Responsibilities

The Office of the President for the Republic of Fiji was established in 1987 and assumed the roles and responsibilities that were previously carried out by the Office of the Governor-General.

The Executive Authority of the State is vested in the President who is the Head of State and symbolises the unity of the State. The President is also the Commander-in-Chief of the Fiji Military Forces.

In addition to the Constitutional and Ceremonial roles of both the Head of State and the Vice-President, the Office of the President is taking a supporting role in the enhancement and promotion of National Reconciliation to bring unity among the different ethnic groups in Fiji.

General Administration

Support service primarily to personally look after the President and Vice President and their immediate families daily living in the following areas:

- administrative and ceremonial support in the Office of the President and the Vice President;
- to ensure that the roles and functions of the President and Vice President under the legislation are carried out;
- provision allocated in the budget programme for the year is to facilitate the proper administration of the President's and Vice President's Offices and the execution of staff responsibilities. The allocations also cater for the appropriate maintenance and general upkeep of all facilities belonging to Government House.

Security Provision – close consultation and liaison with the Commander – Fiji Military Forces and the Commissioner of Police in the implementation of the Security Service; such services includes protection of life element, protection of premises (Government House) and Government properties, protection of Their Excellencies during internal and international travels.

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FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2008 accounts of the Office of President resulted in the issue of a qualified audit report.

The qualifications are as follows:

- 1) The Office has not provided the following contrary to Finance Instruction 82(1)
 - a) Statement of Output Cost;
 - b) A Trust Fund Account Statement of Receipts and Payments. The Financial Management Information System shows that the Office as at 31/12/08 has operating trust funds balance totalling \$9,828.25.
- 2) There is a significant variance in the FNPF reconciliation totalling \$208,813 when compared to the accounts as at 31/12/08.

1.2 Statement of Receipts and Expenditures

The Office of the President incurred a total expenditure of \$1,307,184 in 2008 compared to \$1,533,061 in 2007.

Table 1.1: Statement of Receipts and Expenditures For 2008

Description	2008 \$	2007 \$
RECEIPTS		
State Revenue	0	0
Agency Revenue	0	0
TOTAL REVENUE	0	0
EXPENDITURES		
Operating		
Established Staff	512,200	526,448
Unestablished Staff	236,318	264,451
Travel & Communication	257,579	245,056
Maintenance & Operations	201,184	193,948
Purchase of Goods & Services	35,214	46,914
Operating grants & transfers	0	0
Special Expenditure	1,695	7,995
Total Operating Expenditure	1,244,190	1,284,812
Capital Expenditure		

Description	2008 \$	2007 \$
Capital Purchases	10,889	0
Total Capital Expenditure	10,889	0
Value Added Tax	52,105	248,249
TOTAL EXPENDITURES	1,307,184	1,533,061

The total expenditure decreased by \$225,877 or 15% in 2008 when compared to 2007 due to the vacant position of the Vice President and one senior secretary during the year and non-provision for the Vice President's traditional herald and that VAT was not charged on salaries and wages in 2008.

1.3 Appropriation Statement

The Office of the President incurred expenditures totalling \$1,307,184 in 2008 against the budget of \$1,569,300 resulting in a savings of \$262,116 or 17%. Details of expenditures against the budget estimates are provided in Table 1.2

Table 1.2: Appropriation Statement for 2008

SEG	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry – Over \$	Lapsed Appropriation \$
1	Established Staff	618,800	0	618,800	512,200	0	106,600
2	Unestablished Staff	268,500	0	268,500	236,318	0	32,182
3	Travel & Communication	257,000	15,000	272,000	257,579	0	14,421
4	Maintenance & Operations	253,200		253,200	201,184	0	52,016
5	Purchase of Goods & Services	68,700	(8,000)	60,700	35,214	0	25,486
7	Special Expenditure	13,100	(7,000)	6,100	1,695	0	4,405
	Total Operating Costs	1,479,300	0	1,479,300	1,244,190	0	235,110
	Capital Expenditure						
9	Purchases	14,000	0	14,000	10,889	0	3,111
	Total Capital Expenditure	14,000	0	14,000	10,889	0	3,111
13	Value Added Tax	76,000	0	76,000	52,105	0	23,895
	TOTAL EXPENDITURE	1,569,300	0	1,569,300	1,307,184	0	262,116

1.4 Statement of Loss

The Office did not submit a Statement of Loss for audit.

1.5 Financial Statements

Commencing 2006 financial year, each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor General, and accompanied by an audit opinion prepared by the Auditor General.¹

The draft financial statements must be submitted to the Auditor-General by 31 March in the following year, or within such other time as agreed to with the Auditor-General.²

The Office of the President submitted its Agency Financial Statements for audit on 22/04/09. Audit noted that the Agency Financial Statement submitted by the Office was not prepared in accordance with the requirements of Section 82 and Schedule 1 of the Finance Instructions 2005. The draft agency Financial Statement submitted did not include a Statement of Output cost and Trust Fund Account Statement of Receipts and Payments.

Non-compliance with Finance Instructions in the preparation of the financial statements has restricted the scope of the audit and will be included in the audit report as qualifications.

Recommendation

The Office should ensure that the requirements of the Finance Instructions are complied in regards to the preparation of the Agency Financial Statements.

Management Comments

The Office had difficulties accessing the Trust Fund Account in the new FMIS hence we were not able to prepare a statement to that effect. After consultations with the PM's Office Accounts Section, the Office can now access and print a monthly Trust Fund Account from the system. We are now in a process of reconciling these accounts to be included in the Agency Financial Statement. The Statement of Output Costs is a new concept in the preparation of the Agency Financial Statement. This Statement was over looked during the submission of the 2008 Agency Financial Statement.

The comment of the Auditor is noted and Management will ensure that the requirements of the Financial Instruction are complied with in regards to the preparation of the Agency Financial Statement.

1.6 Non-Preparation of Reconciliations

Within 5 days after the each month, the clerical Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.³

The Office failed to carry out monthly reconciliations of its Trust Fund accounts in 2008, as such the audit could not confirm the accuracy of the trust fund balance of \$9,828.25 as shown in Appendix 23B and the (FMIS) general ledger.

Audit verification to the FMIS revealed that the Office maintains twenty two operating Trust Fund accounts. These accounts include dormant accounts which should be identified and closed.

The above issue has been raised in the previous audit reports without any action taken by the Office. The non closure of dormant accounts could result in wrong postings.

¹ Finance Instructions 2005 – 81 (2)

² Finance Instructions 2005 – 81 (3)

³ Presidents Office Finance Manual 2005, 15.4.1

Recommendations

- **The Office should ensure compliance with Finance Instructions and carry out monthly reconciliations of all its trust fund accounts.**
- **The accuracy of the Trust Fund balance of \$9,828.25 should be confirmed and cleared accordingly.**
- **All dormant Trust Fund accounts should be closed.**

Management Comments

This issue has been a long outstanding matter with the Office of the President and Management is in contact and consultation with the PM's Office Accounts Section regarding the preparation of Trust Fund Account. The Agency is now able to access these accounts and is in the actual process of reconciling the accounts. At the same time dormant accounts are carefully checked and appropriate adjustment and action is taken to correct and make good these accounts by December 2009.

1.7 Revolving Fund Account - Miscellaneous

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

Upon clearance of the advance, the accounts officer shall update the debtors register, offset the advance account and debit the appropriate expenditure account.⁶

The Office failed to prepare its revolving fund account monthly reconciliations for 2008 as such audit could not substantiate the closing balances reflected in the FMIS and Appendix 19. The balance of the revolving fund accounts as at 31/12/08 amounted to \$109,663.03.

The non-preparation of reconciliation has been continuously raised in the audit reports without any improvement noted.

Recommendations

- **The Office should conduct its reconciliation regularly together with supervisory checks carried out on the reconciliation prepared.**
- **The Office should seek the assistance of the Ministry of Finance in the preparation of reconciliations.**

Management Comments

The comments of the Auditor are noted and Management is now taking a more positive action in the matter Management will reconcile all these Advance Accounts and take appropriate action where necessary. Consultation and assistance from the PM's Accounts Section is an on going thing where our staffs are trained on the job in the reconciliation process.

⁴ Office of the President – Finance Manual section 10.1.11

⁵ Office of the President – Finance Manual section 10.1.12

⁶ Office of the President – Finance Manual section 10.1.15

1.8 VAT Reconciliation

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.⁷

Output VAT is payable to the Commissioner of Inland Revenue for the supply of all goods and services with the exception of zero rated and exempted supplies. Payments effected by government departments for goods and services are thus subjected to VAT.⁸

The scope of audit of VAT records was limited as the Office did not maintain copies of monthly VAT Returns. As a result, audit could not substantiate the accuracy of VAT payments during the year.

Recommendations

- The Office should ensure that records pertaining to VAT are properly maintained and regular reconciliation carried out to ensure its correctness.
- Regular checks on the preparation of VAT records should be carried out to ensure returns are prepared and submitted to FIRCA on time.

Management Comments

The comment of the Auditor is noted and it must be stressed that the Office has been paying the VAT due on a monthly basis. The VAT payment voucher is prepared and sent to the PM's Office Accounts Section for payment. The VAT chq together with the VAT return are sent over to the Commissioner for Inland Revenue. Again the reconciliation of this account requires the training, experience and expertise which the President's Office is lacked of in terms of staff compliment. Management will do its best to ensure that all records pertaining to VAT are properly kept and appropriate returns sent to FIRCA.

1.9 FNPF Reconciliation

The current rate of contribution (effective 1st July, 1999) is 16 cents on each dollar earned, with the employer and employee each contributing 8cents each. Contributions that are paid after the due date carry a surcharge at a rate of 2%. Failure to pay contributions on the due date is a serious and is a punishable offence.⁹

A reconciliation of FNPF contributions against salaries and wages reported in the Financial Statements revealed variances of \$208,817. There were no explanations provided for the above variance. Refer to Appendix 1.1 for details.

Recommendation

The Office should identify the errors and make necessary adjustments to reconcile the two records.

⁷ Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)

⁸ Finance Circular No 9/95

⁹ www.fnpf.com.fj –official web site address Fiji National Provident Fund

Management Comments

As mentioned in 1.8, this important function requires training and experience of staff compliment to actual do the reconciliation process. As to date Management has not been able to completely and accurately compile a Fiji National Provident Fund Reconciliation Statement. When this Statement is dully completed then only will the variances as stated by the Auditor be fully explained and appropriately adjustment taken. Management is taking a proactive attitude and action in the case of reconciliation of all Underline Accounts with the view of verifying, justifying and being transparent in all its accounting and financial transactions.

AUDIT FINDINGS**1.10 Medical Expenses for First Lady, Mrs Iloilo**

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

The President of the Republic of Fiji Islands is entitled to medical expenses locally and abroad.¹⁰

A sum of \$6,690.42 (Chq # 031181) was paid on the 8/04/08 to the Suva Private Hospital as medical bills for the First Lady Adi Salaseini Kavv Uluivuda. However, medical benefits to be provided to the first lady were not specified in any legislation.

Discussion held with the Senior Administrative Officer revealed that the payment was made on similar grounds previously when the Office had paid medical expenses totalling \$4,395.05 for the late Former First Lady.

Decision whether to pay or not must not be based on past practises but on what was stated in the written legislations entitled to the President.

Recommendation

The Office should request for an amendment to the Presidents entitlement that also covers the benefits of the First Lady.

Management Comments

The comments of the Auditors are noted and management is aware of the need to request amendments to the President's Entitlements with relevant authorities. In this case a precedent has been set by the late former First Lady as revealed by the former Official Secretary and security personnel who accompanied the late former First Lady on a medical trip to New Zealand. Management will do it's best to take up the issue with relevant authorities to clear up the matter and ensure transparency.

1.11 Audit Follow-Up on Outstanding Water Bills

Wherever possible, an agency must process and pay accounts by the due date.¹¹

¹⁰ Cabinet Decision 133 of 13th April 1999

¹¹ Finance Instruction 2005 Section 19 (3)

The Office of the President has accumulated arrears of water rates totaling \$29,974.32 as at 31 December 2007. However upon verification from Water Rates Department with accountant Mrs. Prasad dated 31/07/09, the Office had made an attempt to clear their arrears but few more accounts were identified. Third party confirmation from billings sections officer, Mereseini Cabelawa, confirmed the outstanding balance amounted to \$38,742.95 as at 13/07/09. Refer to Table 1.3 for details.

Table 1.3: Outstanding Water Bills

Meter Number	Amount Due as at 31/12/07 (\$)	Amount Due as at audit date 13/07/09 (\$)	Comments obtain from Water Rates
KQ-6 10	25,432.56	24,332.86	Leaking Meter from swimming Pool accumulated from previous years
KQ-6 15	151.12	312.83	No explanation obtained
KF-12-33	No information given	11,748.84	Fountain
KF-1-57	No information given	1,097.43	Vice Presidents Resident
SA-I-86	No information given	1,250.99	Presidents Bure – Deuba
Total	29,974.32	38,742.95	

It was indicated that the arrears have been brought forward from 1990's. Verification with the department of water rates revealed that the arrears of \$24,332.86 from meter number KQ-6-10 was due to a leakage from the unused swimming pool. The Office was supposed to submit a leakage form to the water rates department in order get a rebate on the accounts. As at the date of audit¹² this has not and the outstanding balance keeps continues to accumulate.

Recommendations

- **The Office should liaise with the Accountant at Water Rates Office, to get a rebate on the accounts as a result of the leakage.**
- **The Office should ensure that accounts are settled before the due date to avoid unnecessary expenditure.**
- **Any damage or repair to water pipes or taps must be reported immediately and necessary action must be taken to avoid losses.**

Management Comments

The findings of the Auditor are noted and Management is currently continuing with its repayment of this large water bill [\$38,742.95]. The current charges on the water bill are being paid on a monthly basis. It is only the arrears that we have difficulties with due to funds allocated for payment of water bills per year. [We have an annual provision of \$15,023 pa]. In respect to the leakages and seeking rebate Management had attempted this but to no avail. Management has taken another way of handling this issue through stopping the use of the pool and fountain [located at the main gate of GH] to save water and reduce costs. It must be understood that the water system within Government house has out lived it's useful life and needs repairs or replacement altogether as only this way all leakages can be got ridden off. In the meantime Management will try to again seek rebate from the Water Rates Office and continue to clear its current bills with annual funds allocated for such purpose.

1.12 Excessive Annual Leave Carried Forward

Annual Leave shall normally be taken when due. Officers may be allowed to carry over up to a maximum of ten working days leave entitlement from one leave year to the next.¹³

¹² August 14, 2009

¹³ General Order 705

There should be no reason or justification for the accumulation of leave beyond what is permissible, if leave were properly administered.¹⁴

Audit noted that some officers had excessive annual leave carried forward from previous years to 2008. Refer to the Table 1.4 for examples:

Table 1.4: Excessive Annual Leave

Officer	Leave Year	Leave Balance as at November, 2008	Annual Salary (\$)	Leave Liability (\$)
Mr. R Nacewa	02/09/08-01/08/09	36	73,757	7,294.65
Mr. S Turagabeci	12/08/08-11/08/09	49	39,616	5,332.92
Mr. J T Vula	19/10/08-18/10/09	116	33,154	10,565.56
Ms. M Blakelock	05/11/08-04/11/09	57	22,778	3,566.88
Mr. S Delai	10/07/08-09/07/09	86.5	20,335	4,832.36
Ms. N Kanabibici	12/12/08-11/12/09	33.5	22,778	2,096.33
Mr. E Tubuitamana	05/11/08-04/11/09	210	15,689	9,051.35
Mr. A Bulavakaca	23/09/08-23/09/09	36	10,823	1,070.40
Mr. A Ratumaitavuki	07/03/08-07/03/09	36	9,808	970.02
Total				44,780.47

The above indicate that the Office lacked proper administration of the leave to ensure that officers take leave when due. The proper administration of leave is a mode of internal control which ensures rotation of duties and that the works of those officers on leave are checked by other officers.

Recommendations

- **Officers should be encouraged to take leave when due or even on a piece meal basis considering the service delivery of the Office in order to avoid unnecessary payment of leave compensation.**
- **Office should comply with circulars issued from time to time regarding the administration of leave.**

Management Comments

The excessiveness of leave for officers is due to the fact that there is no relieving appointment to ensure continuity of services to Their Excellencies. Management has allowed staff to take their leave on a piece meal basis but it seems that the situation has remained. The comments of the Auditor are noted and management will ensure that leave is taken when due and regulations complied with at all times.

¹⁴ PSC Circular 09/2003
Office of the President

Appendix 1.1: FNPF Reconciliation

Details	(\$)
(a) Total FNPF against salaries and wages for 2007	
FNPF as per financial statement	33,917
Less: FNPF for December 2007	7,456
	26,461
Add: FNPF for December 2008	8,348
	34,809
Gross pay subject to FNPF (\$34,809 divided by 0.08)	435,113
(b) Salaries and wages for 2007 subject to FNPF:	
Salaries, wages and allowances as per financial Statement	748,518
Less: Salaries, wages and allowances not subject to FNPF	104,588
	643,930
Unreconciled Variance	208,817

Section 2**Office of the Prime Minister and Public Service Commission****Role and Responsibilities****Office of the Prime Minister**

The Prime Minister, the purpose of the Office of the Prime Minister and Cabinet is to provide secretariat services to the Prime Minister to facilitate his role and administrative support services as chair of the Cabinet and leader of the Government including the discharge of his statutory and policy responsibilities.

In this regard, the Office of the Prime Minister and Cabinet ensures and facilitates effective and speedy decision making by the Executive Government through the Cabinet. It also oversees and coordinates the implementation of Cabinet decisions by Government across Ministry and Departmental lines. Where there are conflicts over policy advice and opinions offered by different parts of the public service, the Prime Minister's office facilitates consensus building as part of its policy coordination responsibilities.

In addition, the Office of the Prime Minister is also responsible for the administration of Parliamentary Pension Allowance, the coordination of special assistance and affirmative action for indigenous Fijians/Rotumans and other minority groups and the provision of private and domestic services to the Prime Minister.

Public Service Commission

The purpose of the Public Service Commission is to promote service delivery in the public sector. The PSC has the statutory powers to review the machinery of Government in order to ensure its efficiency and effectiveness in fulfilling Government's public sector management objectives. The PSC also has powers to be the central personnel authority.

In facilitating the productivity of the civil service, major job evaluation exercise was effected from 2004.

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CONSOLIDATED FINANCIAL STATEMENT

2.1 Audit Opinion

The audit of the 2008 accounts of the Office of the Prime Minister and Public Service Commission resulted in the issue of a qualified audit report.

The accounts were qualified for the following reasons:

- 1) The amounts in the Statements of Output Costs have been estimated as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management Information System (FMIS) of government. It is not possible therefore to determine the accuracy of the expenditures incurred by the Force under each output.
- 2) The Office of the Prime Minister and Public Service Commission have not provided an Operating Trust Fund Account Statement of Receipts and Payments contrary to Finance Instructions 82 (1). The Financial Management Information System shows that the Office of the Prime Minister and the Public Service Commission as at 31/12/08 had operating trust funds totalling \$(43,008) overdrawn and \$469,682 respectively.
- 3) There is a significant variance in FNPF Reconciliation when compared to the accounts as at 31/12/08.

2.2 Statement of Receipts and Expenditures

The Office of the Prime Minister and Public Service Commission collected revenue totalling \$585,282 and incurred a total expenditure of \$13,082,960 in 2008.

Table 2.1: Statement of Receipts and Expenditures for 2008

Description	2008 \$	2007 \$
RECEIPTS		
State Revenue	492,047	360,318
Agency Revenue	93,235	0
TOTAL REVENUE	585,282	360,318
EXPENDITURE		
Operating		
Established Staff	4,338,946	5,139,118
Unestablished Staff	359,868	431,224
Travel & Communication	468,440	483,860
Maintenance & Operations	339,372	254,168
Purchase of Goods & Services	96,373	51,505
Operating Grants & Transfers	5,558,709	5,848,006
Special Expenditure	1,453,189	1,007,160
Total Operating Expenditure	12,614,897	13,215,041
Capital Expenditure		
Construction	0	0
Purchases	297,862	374,887
Grants & Operations	0	0
Total Capital Expenditure	297,862	374,887
Value Added Tax	170,201	604,734
TOTAL EXPENDITURE	13,082,960	14,194,662

The increase in revenue by \$224,964 or 62% was due to the increase in refund of training expenses under the Grant Levy Scheme (Fiji National Training Council), recoveries from previous years (overpayments and late arrivals salary deductions) and rent from buildings and official quarters.

The decrease in overall expenditure was mainly due to the decrease in established staff by \$800,172 or 16%. Vat decreased by \$434,533 or 72% since VAT was not charged to Personal emoluments and Wages in 2008.

2.3 Statement of Output Costs

The Statement of Output Costs consolidates the 12 outputs prescribed in the Budget Estimates. These are detailed in *Appendix 2.1*.

2.4 Appropriation Statement

The Office of the Prime Minister and Public Service Commission incurred expenditures totalling \$13,082,960 in 2008 against the budget of \$15,943,800 resulting in a savings of \$2,860,840 or 18%.

Details of expenditures against the budget estimates are provided in Table 2.2

Table 2.2: Appropriation Statement for 2008

SEG	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry-Over \$	Lapsed Appropriation \$
1	Established Staff	5,166,200	(45,000)	5,121,200	4,338,946	0	782,254
2	Unestablished Staff	527,400	(35,000)	492,400	359,868	0	132,532
3	Travel & Communication	437,200	105,000	542,200	468,440	0	73,760
4	Maintenance & Operations	294,100	97,000	391,100	339,372	0	51,728
5	Purchase of Goods & Services	89,400	24,000	113,400	96,373	0	17,027
6	Operating Grants & Transfers	8,439,900	(2,016,000)	6,423,900	5,558,709	0	865,191
7	Special Expenditure	880,500	200,000	1,080,500	1,453,189	0	(372,689)
	Total Operating Costs	15,834,700	(1,670,000)	14,164,700	12,614,897	0	1,549,803
	Capital Expenditure						
8	Construction	0	0	0	0	0	0
9	Purchases	300,000	170,000	470,000	297,862	0	172,138
10	Grants & Transfers	1,058,700	0	1,058,700	0	0	1,058,700
	Total Capital Expenditure	1,358,700	170,000	1,528,700	297,862	0	1,230,838
13	Value Added Tax	250,400	0	250,400	170,201	0	80,199
	TOTAL EXPENDITURE	17,443,800	(1,500,000)	15,943,800	13,082,960	0	2,860,840

2.5 Statement of Losses

The Office of the Prime Minister and the Public Service Commission did not report any loss of money or fixed assets during the financial year ending 31/12/08.

2.6 Trust Account Statement of Receipts and Payments

The Office of the Prime Minister received \$6,681,862 in grant from the Government of the Republic of China, of which \$4,373,504 was utilised in 2008 for various projects selected by the Office. Refer to *Appendix 2.2* for details.

AUDIT FINDINGS

2.7 Financial Statements

Commencing 2006 financial year, each annual report must include financial statements which have been prepared and signed in accordance with these Instructions, audited by the Auditor General, and accompanied by an audit opinion prepared by the Auditor General.¹

The draft financial statements must be submitted to the Auditor General by 31 March in the following year, or within such other time as agreed to with the Auditor General.²

¹ Finance Instructions 2005 – 81 (2)

² Finance Instructions 2005 – 81 (3)

The Agency Financial Statement of the Office of the Prime Minister and the Public Service Commission which was submitted for audit on 21/04/09 and was not prepared in accordance with the requirements of section 82 and Schedule 1 of the Finance Instructions 2005.

The following discrepancies were noted;

- The agency financial statement reflected only eight Statements of Output Costs whereas the Budget Estimate 2008 prescribed twelve. Moreover, audit could not substantiate the balances reflected in the Statement of Output Costs as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management Information System (FMIS) of government.
- The Office of the Prime Minister has not provided a Trust Fund Account Statement of Receipts and Payments contrary to Finance Instructions 82 (1). The Financial Management Information System shows that the Office had an overdrawn operating trust fund totalling \$43,008 as at 31/12/08.
- The Public Service Commission has not provided a Trust Fund Account Statement of Receipts and Payments contrary to Finance Instructions 82 (1). The Financial Management Information System shows that the Commission held trust funds totalling \$469,682 as at 31/12/08.

Non compliance with finance instructions in the preparation of the financial statement has restricted the scope of the audit and will be included in the audit report as qualifications.

Recommendation

The Office and Commission should ensure that the requirements of the Finance Instructions are strictly followed in the preparation of the Agency Financial Statements.

Management Comments

Office of the Prime Minister

We only reported on four Outputs since those are the outputs that have budget provision for this year. There are two outputs that don't have any budget provision which are the Indigenous Development – Village Improvement Scheme and Community Development -Small Grant Scheme which is why we don't provide any reports on them. Although there are provisions in the budget estimates but availability of funds from sources are not forthcoming. In regards to the Trust Fund Statements, the Office of the Prime Minister submitted its trust fund statement and the figures highlighted will be thoroughly looked into.

Public Service Commission

The Agency Financial Statement is prepared by the Prime Minister's Office for Public Service Commission. Our financial outlays are jointly reflected with the Prime Minister's Office. Recommendation has been noted.

2.8 Over-Expenditure

The Appropriation Act and the Budget Estimates set out details of the appropriations that Parliament approves for spending by each agency. No officer may incur expenditure which results in the agency's appropriation being exceeded without the proper authorisation of the Ministry of Finance, pending approval by Cabinet³.

³ Finance Instructions 2005 Section 8

The audit noted that the Office incurred excess expenditure for the Technical Support Secretariat for National Council for Building a Better Fiji. The over expenditure was mainly for electricity, telecommunications charges and printing of directories. Refer to the Table 2.3 for examples.

Table 2.3: Excess Expenditure

Vote	Budget (\$)	Actual Expenditure (\$)		Amount Overspent (\$)	Percentage (%)
National Council for Building a Better Fiji (NCBBF)	402,400	992,280.37		(589,880.37)	147
Electricity	5,400	104,729.14		(99,329.14)	1839
Telecommunications	40,000	Telecom Charges - \$208,715.99	237,987.88	(197,987.88)	495
		Vodafone Charges - \$23,610.85			
		Connect Charges - \$5,661.04			
Directory Expenses	4,010	9,779.18		5,769.18	144
Total	451,810	1,344,776.57		892,966.57	198

Lack of monitoring of budgetary provisions had led to over expenditure which may have been avoided if proper planning was done.

Recommendations

- The Accounts Officer should ensure that controls are put in place to avoid excess expenditure in future.
- Action should be taken to ensure that expenditure is charged to the correct allocation as appropriated in the budget.

Management Comments

Our Expenditure and Commitments Statement for the year ended 31st December, 2008 confirmed the following figures:

Vote	Budget	Actual expenditure	Amount	Status
NCBBF	402400	992,280	589,880.87	Overspend
Telecommunication	40,000	Telecom-18,971	1471	Overspend
		Vodafone-3438	562	Savings
		Connect- 1303	2697	Savings
Directory expenses	4010	2616	1384	Savings
Electricity	5400	4385	1015	Savings

The over expenditure for NCBBF allocations was due to some double posting and mis-postings on the IDC account which Ministry of Finance has debited the amount to our Expenditure Allocation SEG 7 so that they could close the IDC for whole of Government.

We have noted your comments for expenditures to be charged to the correct allocation as appropriated in the budget.

2.9 Drawings Account

The “Drawings Account” will be operated for all payments except for those payable from petty cash bank accounts, TMA bank account and Trust Bank account.⁴

The Accounting head must verify balances in the bank reconciliation to the cashbook, bank statements, unrepresented cheque list and previous month’s bank reconciliation before certifying it.⁵

Details of unrepresented cheques and other reconciling items should be attached to the reconciliation statement.⁶

- **Office of the Prime Minister**

The audit noted a difference \$60,422.93 in the drawings account reconciliation as at 31/12/08. Also an uncleared amount of \$115,745.52 is being reflected in the reconciliation since 2003.

- **Public Service Commission**

The drawings account did not reconcile with the FMIS general ledger resulting in a variance of \$262,499.33. The anomaly was due to the non timely preparation of the reconciliation. Refer to the Table 2.4 for details.

Table 2.4: Variances in Drawings Account

Allocation	General Ledger Records (\$)	Commission Records (\$)	Variance (\$)
1-02301-02999-530301	474,735.51	211,237.45	262,499.33
1-02302-02999-530301	(1,414.00)		
1-02301-02999-535101	415.27		
Total	473,736.78	211,237.45	262,499.33

The above anomaly indicates the lack of supervisory checks on the monthly reconciliations prepared by the accounts section

Recommendations

- **The Accounts Officer should verify their records with the FMIS ledgers to identify the errors and make necessary adjustments so that the records reconcile.**
- **Regular monthly reconciliations should be carried, checked and certified by a senior officer before submitting it to Ministry of Finance.**

Management Comments

Office of the Prime Minister

The correct difference as at 31/12/08 was \$70,362.93. There were some of the cheques that has gone into the GL Report for drawings 2008 but has hit the GL for 2009, therefore these items was included in the above difference for 2008. In addition, the amount from the bank statement as at 31/12/08 which was supposed to be posted by MOF in December 2008, but failed to do so and they did the postings in January 2009 thus have an effect on this difference of \$70,362.93 in 2008. The recommendation is noted and the officer responsible will look into the matter highlighted.

⁴ Finance Manual 2005 Section 7.4.3

⁵ Finance Manual 2005 Section 7.4.10

⁶ Finance Manual 2005 section 7.4.8

Public Service Commission

We have prepared our reconciliation with reference to general ledger. A Copy is attached for ease of reference (Appendix 4). Copy of GL report provided by MOF is attached from which the reconciliation is done. It is noted that there are two other drawings account number mentioned which we do not use. Ministry of Finance is responsible of opening drawings account.

Further OAG Comments

The reconciliation figure of the Office of the Prime Minister of \$521,130 is compared against general ledger (FMIS) figure of \$581,553 resulting in a variance of \$60,423.

2.10 Trust Fund Account

When invoices or claims for payments are received, the payables officer shall record details in an accounts payable ledger. The accounts payable ledger shall record all claims for payment except for procurement invoices, which shall be recorded in the commitment ledger.⁷

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

Office of the Prime Minister

The trust fund reconciliation as at 31/12/08 had a balance of \$324,560 in comparison to \$43,008 in the FMIS ledger resulting in a variance of \$367,568. However upon enquiry no explanation was provided by the Officer in charge.

Moreover scrutiny of the general ledger records revealed that fifteen of the thirty-three accounts were overdrawn by \$103,782.91 and five of the overdrawn trust fund accounts have been dormant since 2006. Refer to Table 2.5 for details.

Table 2.5: Overdrawn Trust Fund Accounts

Account Number	Account Description	Ending Balance (\$)	Year of last Update
Dormant Accounts			
1-01101-01999-899988	Miscellaneous Fund Open Item	34,382.54	2005
1-01101-01999-861101	202 PD OPR Current Year	117.98	2006
1-01101-01999-861201	20 PD Fiji Care Insurance Group	77.41	2006
1-01102-01999-861101	202 PD OPR Current Year	16.48	2006
1-01102-01999-861901	201 PD Tax Arrears / PAYE	762.89	2006
Active Accounts			
1-01101-01999-861910	383 PD SUNDRIES	19,529.53	2007
1-01102-01999-861202	241 PD CMLA	180.04	2007
1-01102-01999-861204	244 PD LIC	166.62	2007
1-01102-01999-861532	YYY PD Public Employee Union	137.00	2007
1-01102-01999-861920	501 PD Employees FNPF	5,947.36	2007
1-01201-61999-861202	241 PD CMLA	189.98	2007
1-01201-61999-861204	244 PD LIC	185.22	2007

⁷ Finance Manual-Office of the Prime Minister 2005. Section 13.1.1

⁸ Finance Manual-Office of the Prime Minister 2005. Section 16.3.3 – 16.3.4

Account Number	Account Description	Ending Balance (\$)	Year of last Update
1-01201-61999-861532	YYY PD Public Employee Union	155.00	2007
1-01101-01999-861920	501 PD Employees FNPF	41,759.45	active
1-01201-61999-861901	501 PD Employees FNPF	175.41	active
Total		103,782.91	

Public Service Commission

A difference of \$319,620.91 existed between the Commission's reconciliation balance and the FMIS general ledger records as at 31/12/08. In addition no reconciliations were prepared for ten trust fund accounts contrary to the requirements of the Finance regulations. Refer to the following Table 2.6 for details of variance between the Commission's records and the FMIS.

Table 2.6: Trust Fund Accounts

Account Number	Account Description	General Ledger Records (\$)	Commission Records (\$)	Variance (\$)
1-02101-02999-861104	Housing Authority	(9.60)	-	(9.60)
1-02101-02999-861105	Public rental board deductions	(4.34)	-	(4.34)
1-02101-02999-8612102	CML deductions	0	-	0
1-02101-02999-861204	LICI Deductions	0	-	0
1-02101-02999-861914	389 PD Court Bankruptcy ORD	(2,000.00)	-	(2,000.00)
1-02101-02999-861920	501 PD Employees FNPF	(291,268.72)	-	(291,268.72)
1-02101-02999-899988	Miscellaneous Fund Open Item	(26,405.68)	-	(26,405.68)
1-02301-02999-861104	208 PD Rent H/A Unest	(4.40)	(3.52)	(0.88)
1-02301-02999-861105	267 PD Rent Public Rental Board	34.80	34.80	0
1-02301-02999-861202	241 PD CMLA	(21.53)	(17.56)	(3.97)
1-02301-02999-861204	244 PD LICI	(13.80)	(11.36)	(2.44)
1-02301-02999-861501	286 PD Fiji Employees Association	(6.00)	(6.00)	0
1-02301-02999-861525	316 PD Service Worker CU	(3.00)	(3.00)	0
1-02301-02999-861901	201 PD Tax Arrears / PAYE	(30.00)	(30.00)	0
1-02301-02999-861914	389 PD Court Bankruptcy ORD	(1,025.00)	(1,025.00)	0
1-02301-02999-861920	501 PD Employees FNPF	(141,425.08)	(140,843.80)	(581.28)
1-02301-02999-899988	Miscellaneous Fund v Open Item	(8,155.20)	(8,155.20)	0
1-02303-02999-861901	201 PD Tax Arrears / PAYE	(10.00)	-	(10.00)
1-02303-02999-899988	Miscellaneous Fund v Open Item	130.00	-	130.00
1-02305-02999-899988	Miscellaneous Fund v Open Item	536.00	-	536.00
Total		469,681.55	150,060.64	319,620.91

Failure to reconcile the trust fund records with the Financial Management Information System general ledger is a breach of the Finance regulations.

Recommendations

- The Accounts Officer should ensure that Trust Fund reconciliations are properly checked against general ledger balances on a monthly basis.
- Investigation should be carried out to ascertain the reason for overdrawn Trust Fund Accounts and officers responsible cautioned.
- The Accounts Officer should liaise with Ministry of Finance identify all the operating accounts and the dormant accounts and close if necessary.

Management Comments**Office of the Prime Minister**

The office is currently working on the dormant and active accounts to substantiate the correct current account that should consolidate those accounts. The recommendation is noted and the officers responsible will look into the issues highlighted.

Public Service Commission

The Trust Fund Reconciliation is done on monthly basis with reference to general ledger. Copies of reconciliation is attached for ease of reference (Appendix 2). It is also noted that the Trust fund account for Prime Minister's Office is stated in this findings which creates a miss match with our reconciliation against general ledger as both Trust Fund are shown together.

2.11 Revolving Fund Account

A ledger shall be maintained for advances and revolving fund accounts⁹. Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Accounts Supervisor should reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.¹⁰

A difference of \$173,277.64 was noted between the Commission's Revolving Fund Account (RFA) Miscellaneous and the FMIS general ledger balance as at 31/12/08. The anomaly was due to the non preparation of monthly revolving fund reconciliations. Refer to Table 2.7 for details.

Table 2.7: Variances in Revolving Fund Account

Account	General Ledger Records (\$)	Commission Records (\$)	Variance (\$)
Revolving Fund Account	9,647,542.38	9,474,314.74	173,227.64

Failure to reconcile revolving fund accounts with the general ledger is a breach of the finance regulations.

Recommendation

The Accounts Officer should make every effort to reconcile the variances in the revolving fund account.

Management Comments

We have always prepared our reconciliation and a copy is attached for ease of reference (Appendix 3).

2.12 FNPF Reconciliation

Every employer shall pay to the Fund in respect of each of his employees, in every month during which such employee is employed by him and in the month following the termination of such

⁹ Finance Manual 2005 16.3.1

¹⁰ Finance Manual 2005 16.3.3

employment, a contribution calculated upon the amount of wages payable to such employee by such employer for the preceding month at the appropriate rates.¹¹

Where charges are for payments to organisations through salary deductions, the relevant creditor account shall be credited. When actual payment is made to the organisation, the creditor account shall be debited.¹²

A review of the Office of the Prime Minister and Public Service Commission's FNPF deductions against salaries, wages and allowances reported in the financial statements revealed variances of \$423,738 and \$1,667,664 respectively. Refer to *Appendix 2.3* for details.

No explanations were provided by the Office for the above variance.

Recommendations

- **The Accounts Officer should review its FNPF records and reconciliations and provide explanations for the variance.**
- **Supervisory checks on the preparation of FNPF payments should be improved to ensure that balances reflected in the FNPF payments reconcile with the general ledger.**

Management Comments

Office of the Prime Minister

The recommendation is noted and the officer responsible is tasked to correct the differences highlighted.

Public Service Commission

Sir, the total FNPF payment made should be divided by 16% (.16) in order to get the total Gross pay subject to FNPF. This includes the employees and employers share together. I assume the calculation done by your officers may need to be re-looked at.

2.13 VAT Reconciliation

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.¹³

Output VAT is payable to the Commissioner of Inland Revenue for the supply of all goods and services with the exception of zero rated and exempted supplies. Payments effected by government departments for goods and services are thus subjected to VAT.¹⁴

A review of the Office of the Prime Minister and Public Service Commission VAT returns and reconciliations revealed an un-reconciled balance of \$596,485 and \$142,285 respectively between the taxable supplies in the VAT Return and the total income/expenditure in the Statement of Receipts and Expenditure. Refer to *Appendix 2.4* details.

¹¹ Chapter 219 – Fiji National Provident Fund – Section 13 (1)

¹² Finance Manual 2005 – Prime Minister's Office Section 4.7.3

¹³ Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)

¹⁴ Finance Circular No 9/95

Recommendations

- The Accounts Officer should review its VAT records and reconciliations and provide explanations for the variances.
- Supervisory checks on the preparation of VAT Returns should be improved to ensure that balances reflected in the VAT Returns reconcile with the general ledger.

Management Comments**Office of the Prime Minister**

The recommendation is noted and the officer responsible is tasked to look into the differences highlighted.

Public Service Commission

We have complied with the VAT Decree 1991 and have submitted our VAT return every month. Vat return is processed in line with format provided to us by Fiji Islands Revenue and Customs Authority. We were advised by FIRCA that PSC had a credit balance with them and as a result we just needed to complete the VAT Return Form and submit to them and they would debit it against the credit held.

OFFICE OF THE PRIME MINISTER**2.14 Manual Payments of Salaries**

- No manual payment of salary is permitted except on first appointment or upon written approval from the Principal Accounts officer.¹⁵
-

The letter of appointment should be forwarded to the Head of salaries (Senior Accounts Officer) who should create a salary file and issue an Electronic Data Processing (EDP) file for that employee.¹⁶

Audit noted that Project Officers were paid manually since their appointment in 2005. According to explanations provided, the Project Officers are support officers working in a team who provide advice to the Prime Minister on legal matters. Refer to Table 2.8 for details.

Table 2.8: Manual Payments of Salaries in 2008

Pay Period	Officer	EDP No.	Amount Paid (\$)
01/08 – 26/08	Akisi Tuikabe	-	10,115.08
01/08 – 26/08	Salote Koroi	PF400	7,861.46
01/08 – 26/08	Miliame Raqisia	PF442	14,331.81
14/08 – 26/08	Lakoba J. Kurutake	PF482	10,433.73
01/08 & 14/08	Seruwaia Tinai	PF483	833.36

Manual payments of salaries increase the risk of fraud and mismanagement of funds.

¹⁵ Finance Manual 2005 section 4.5.14

¹⁶ Finance Manual 2005 section 4.1.2

Recommendation

The Project Officers should be paid through the normal Payroll system, which is directly deposited to their respective bank accounts.

Management Comments

The recommendations have been noted. Our Administration Unit is putting up a submission to PSC for the staff on project post to be absorbed in our staff establishment.

PUBLIC SERVICE COMMISSION**2.15 Outstanding Levy Payments to TPAF**

Each year the Appropriation Act and the budget estimates sets out details of the appropriation that Parliament approves for spending by each agency¹⁷.

At the end of each month, the clerical officer shall review the accounts payable ledger to ensure that all invoices and claims do not become overdue¹⁸.

Upon scrutiny of records, the audit noted that the Commission owed the TPAF a sum of \$263,935 for the year ending 2007. Audit was informed by the accounts officer that there was not enough funds to pay the whole amount therefore they had to do partial payments. Refer to Table 2.9 for example:

Table 2.9: Outstanding Levy Payments to Training and Productivity Authority of Fiji (TPAF)

Period	Amount Due (\$)	Amount Paid (\$)	Balance Outstanding (\$)
Payment January – June 2007	642,496.02	433,136.02	209,360.00
Payment for July – December 2007	512,437.00	457,862.00	54,575.00
Total	1,154,933.02	890,998.02	263,935.00

- Failure to settle the above claims within the current financial year will be a burden on the 2009 budget allocation.

Recommendation

The Commission should ensure that levy payments are made when due and that the outstanding payments are cleared to avoid cash flow problems in the future.

Managements Comments

Comments not provided.

¹⁷ Finance Instructions 2005 Section 8

¹⁸ PSC Finance Manual 2005 13.1.3

2.16 SCHOLARSHIP UNIT

2.16.1 Cost-Sharing Scholarship (CSS)

The Fiji Government Scholarship operates on a cost sharing system in which the Government contributes two thirds (2/3) and the student and or guardians one third (1/3) of the total cost of training. Government pays all fees and allowances at the outset and the 1/3 contribution by the student is treated as an interest free loan which will be repaid at the end of their studies and on assumption of employment¹⁹.

Our review of scholarship records revealed that the Scholarship Unit has yet to initiate recovery action of 1/3 of the cost incurred from either the awardees or the guarantors. The balance outstanding as at 31 December 2008 is substantial. Refer to Table 2.10 for the breakdown:

Table 2.10: Outstanding Balance – 2008

Institution	2007 (\$)	2008 (\$)	Increase / (decrease)	Percentage
University of the South Pacific	4,559,239.94	655,720.66	(3,903,519.28)	(85.6)
Fiji College of Advance	650,974.36	200,599.07	(450,375.29)	(69.1)
Fiji School Of Medicine	3,638,177.47	2,872,094.49	(766,082.98)	(21.0)
Fiji Institute of Technology	(12,882.36)	23,229.10	10,346.74	80.3
Lautoka Teachers College	1,173,460.46	1,528,243.64	354,783.18	30.2
Corpus Christy Teachers College	301,132.48	41,113.86	(260,018.62)	(86.3)
overseas scholarship	27,874.13	15,347.09	(12,527.04)	(44.9)
Fiji College of Advance	1,484,675.95	1,111,418.52	373,257.43	25.1
Nasinu Teachers College	(366,612.68)	0	(366,612.68)	(100)
Fiji National Training Council	(23,255.39)	0	(23,255.39)	(100)
Total	11,432,784.36	6,447,766.43	4,985,017.93	(43.6)

The total arrears of \$6,447,766.43 had decreased by \$4,985,017.93 or 43.6% when compared to \$11,432,784.36 for 2007. A proper audit of the Unit could not be carried out as all the necessary information was not provided, therefore reliance can not be placed on the actual amount stated by the Commission in the monthly reconciliation.

If the Commission does not implement other effective and stringent measures and controls, there is a possibility that these arrears may become irrecoverable.

Recommendations

- The Commission should continue to explore ways to recover the cost of training from relevant applicants or guarantors.
- It is recommended that the Commission prepare an aged analysis of the arrears.

Management Comments

- *The Unit will continue to explore ways to recover the cost of training from our sponsored students and guarantors. The Unit also has an audience with the Fiji National Provident Fund and Immigration Department regarding the tracing of our graduates and guarantors. However due to legal implications involved, FNPF requires a court order before divulging confidential information. Although this is a minor setback, discussions will continue with these institutions.*

¹⁹ PSC Scholarship and Student Loan Scheme Handbook

- With the new system in place, the Unit managed to collect \$2.5m compared to \$1.9m in 2007 (76%). Refer table below for details:-

SUMMARY OF REVENUE COLLECTED			
YEAR	SLS	CSL	TOTAL
2008	241,113.85	2,289,567.67	2,530,681.52
2007	126,978.76	1,800,034.79	1,927,013.55
2006	107,058.71	1,607,690.48	1,714,749.19
2005	130,966.88	1,366,633.37	1,497,600.25
2004	86,305.70	1,303,481.15	1,389,786.85
TOTAL	692,423.90	8,367,407.46	9,059,831.36

2.16.2 Student Loan Scheme (SLS)

The recipient on being employed is to pay back the 100% amount of loan used on his/her education by an annual remittance of 20% from his/her gross wages/salary per annum²⁰.

Scrutiny of a sample of loan records revealed that the Student Loans Scheme was not properly monitored to ensure the successful recovery of loans upon completion of studies.

Discussion held with the Student Loan Scheme Officer revealed that since the computers used to store data for the loan scheme had 'crashed' the Scholarship Unit does not have a hard copy or the updated graduate listing. It is unusual to note that the Commission failed to maintain electronic back up of its files that contained important records.

However, the outstanding balance of Student Loans Scheme that was produced for audit stated that a sum of \$257,186.74 was owed as at 31 December 2008. The balance increase by \$181,904.16 or 242% when compared to 2007. Refer to Table 2.11 for breakdown of outstanding balances:

Table 2.11: Outstanding Balance - 2008

Institution	2007 (\$)	2008 (\$)	Increase / (Decrease)	Percentage Change
University of the South Pacific	266,386.30	85,438.84	(180,947.46)	(67.9)
Fiji Institute of Technology	(92,551.67)	61,132.82	31,418.85	33.9
Fiji School of Medicine	(76,871.14)	61,798.84	15,072.30	19.6
Fiji College of Advanced Education	(5,070.25)	3,061.00	2,009.25	39.6
Fulton College	0	24,558.00	24,558.00	10.5
Corpus Christi Teachers College	23,400.70	20,947.24	(2,453.46)	(10.5)
Fiji College of Agriculture	(40,011.36)	250.00	(39,761.36)	(49.0)
Total	75,282.58	257,186.74	181,904.16	241.6

The substantial arrears as at 31 December 2008 indicated that the lack of strategies adopted by the Commission to recover the same is not effective thus denying the Government much needed revenue.

If the Commission fail to implement effective collection procedure then there is a possibility that these arrears may become irrecoverable and may be written off.

²⁰ PSC Scholarship and Student Loan Scheme Handbook, Student Loan Scheme, Recovery of Loan, pg 11

Recommendations

- **The Recovery Unit should invoke the guarantor's clause and recover from the guarantor instead if awardees cannot repay their loans within the 3 months granted for them to find employment.**
- **The Commission should review its recovery procedures to improve the recovery of loans and to avoid writing off debts.**
- **The Commission should ensure that information maintained with the Scholarship Unit have adequate back-up.**

Management Comments

- *The Recovery Unit to some extent has invoked the guarantor's clause and will continue in its effort to recover loans from guarantors if the awardees cannot repay their loans.*
- *The recommendations have been noted and the Unit will make sure that we are complying with existing regulations and policies.*

2.16.3 Defaulters and Limitation Act

Each Director of the area that has incurred a loss should ensure that the following actions are taken where applicable, to recover losses.

- Issue of reminder notices;
- Legal action initiated by the Solicitor General's Office;
- Reposing items where applicable;
- Investigations and recovery by the Police;
- Salary deductions for government officials;
- Surcharging officers responsible for the loss²¹.

The Deputy Permanent Secretary should approve any legal action to recover a loss. Before any legal action is taken, the practicality of pursuing this option together with legal costs must be weighed against the probability of success and the timeframes involved.²²

Statistics revealed that 32.1% of the total loan of \$7,006,902.31 had been recovered as at Pay 6 of 2008 (04/03/08 – 11/03/08) and 31.1% are on going. The Officer in Charge of recovery indicated that the on going payments are those payments that will be recovered in months and years to come through direct deduction from salary and through manual payments.

The audit noted that 36.8% of the total loans of \$7,006,902.31 issued from 2001 to 2004 are the arrears owed by defaulters. If the Commission fails to recover the loan from defaulters in time, the Commission is likely or could face difficulty in recovering these debts. Refer to Table 2.12 for the breakdown:

²¹ Finance Manual 2005 section 14.2

²² Finance Manual 2005 section 14.2.2

Table 2.12: Breakdown on Defaulters - Loans Issued From 2001 To 2004

Institution	No. Of Students	Total Loan	Total Paid (P06/08) 04/03/08 – 11/03/08	Outstanding Balance as at 2004		
				On going	Defaulters	Total
USP	341	2,626,878.04	561,316.87	1,107,162.21	958,398.96	2,065,561.17
FIT	72	65,003.50	13,210.40	30,731.60	21,061.50	51,793.10
CCTC	75	103,721.00	69,981.66	28,227.90	5,511.44	33,739.34
LTC	636	1,174,468.05	945,678.45	205,564.60	23,225.00	228,789.60
FCAE	611	1,217,401.72	402,255.18	629,908.58	185,237.96	815,146.54
FCA	73	168,535.00	4,951.10	69,256.40	94,327.50	163,583.90
FSM	113	1,650,895.00	254,777.82	108,354.82	1,287,762.36	1,396,117.18
Total	1,921	7,006,902.31	2,252,171.48	2,179,206.11	2,575,524.72	4,754,730.83

Moreover a total of 150 files have been identified as inactive, for which costs were not recovered. Other details apart from the names were not available for audit. However, a list of names was sent to Immigration Department as the issue was highlighted in the previous reports: Refer to Table 2.13 for details.

Table 2.13: Number of Defaulters Reported

Institution	2008
Still in Fiji	84
Migrated	3
Departed from Fiji for employment	13
Total	100

Discussion with officer in charge Mr. Vanaisa Ledua, Accounts Officer revealed that recovery from students who have migrated will be made from their guarantors. Failure to recover from the defaulters in time may result in the Commission writing off the debts.

Recommendations

- **Stringent processes should be put in place to ensure that arrears of revenue are minimized.**
- **The Commission should consider seeking legal advice on the Limitation Act issue and take action accordingly.**

Management Comments

- *PSC Recovery Unit with its limited resources has been working very hard to collect monies owed to the Government and stringent measures have been put in place to ensure that arrears of revenue are minimized and so far, the Unit has recovered \$1, 535,326.58. Leave alone those who are preferred to pay manually. Refer table below for details:*

2008				
Deduction Form No.	Institution	No. of students	Total Owing	Remarks
242318	FCAE	2	\$5192.00	
242282		2	\$2279.00	
242283		2	\$5792.00	
242379	VARIOUS	2	\$10988.00	

2008				
Deduction Form No.	Institution	No. of students	Total Owing	Remarks
242314		12	\$33925.00	
242307	LTC	16	\$46049.00	
242309		16	\$47192.00	
242310		16	\$47192.00	
242380		16	\$44001.00	
242381		2	\$4450.00	
242289		15	\$43212.00	
242290		16	\$48835.00	
242291		13	\$36476.00	
242292		16	\$38206.00	
242293		15	\$37931.00	
242294		15	\$41100.00	
242295		16	\$44156.00	
242297		4	\$8588.00	
242298	CCTC	16	\$26335.00	
242299		14	\$19772.00	
242300		3	\$23985.00	
242311	LTC	16	\$44471.00	
242383	FSM	16	\$294150.00	
242384		14	\$240553.00	
242385	CCTC	16	\$29072.00	
242386	VARIOUS	3	\$11371.00	
242285	FCAE	16	\$38867.87	
242286		15	\$29585.00	
242287		16	\$31425.00	
242288		16	\$32190.00	
242318		15	\$28765.00	
242319		16	\$19590.37	
242320		15	\$28984.34	
242321		16	\$26143.00	
242322		15	\$24436.00	
242323		16	\$24081.00	
242324		16	\$13059.00	
242325		2	\$2927.00	
TOTAL			\$1,535326.58	

- The PSC Scholarship Unit were also advised by the Solicitor General's Office Memorandum dated 25/07/2008 that claim actions can be initiated against the individual contracted scholarship holders and their guarantors by way Writ of Summons either in the High Court or Magistrate Court, depending on the quantum of debt sought together with necessary applications for substitute service.
- PSC's recovery unit is being strengthened and we hope to increase collection by the end of the year.

2.16.4 Understatement of Arrears of Revenue (FMIS)

The arrears of revenue as at 31/12/08 reported by the FMIS are understated. An enquiry with the Ministry of Finance confirmed that not all loan records were transferred to the systems accounts receivable module. Records prior to 2004 were not entered into the system. Refer to Table 2.14 for examples of students whose invoices could not be generated from FMIS:

Table 2.14: Understatement of Arrears of Revenue

File No.	Awardees	Institution	Amount Outstanding (\$)
M-2003/010	Kositino Bukamaiwaqa	FSM	20,289.00
M-2001/049	Neel Nitesh	FSM	14,735.00
M-2002/043	Prishka Pritmala Naicker	FSM	15,683.00
M-2001/049	Bhavik Ram Waghela	USP	8,318.00
USP 1996/055	Saleshni Mala Nand	USP	2,624.00
USP 1996/056	Nofaga Savike Sakimi	USP	3,152.00
USP 1995/019	Mark Peter Rasova	USP	7,661.00
USP 1997/019	Dimple Doreen Rahimaan	USP	2,174.00
TL 97/046	Camueli Francis	LTC	1,394.00
FCAE98/144	Ravind Prakash	FCAE	1,687.00
A95/009	Maheshwar Singh	FCA	1,280.00

Recommendations

The Commission should ensure that:

- records maintained with the Scholarship Unit are correct and reconciled to the data uploaded on to the FMIS;
- data entry is done correctly and certified by a senior officer; and
- The work of the subordinates are adequately supervised and monitored regularly to ensure records are kept up to date.

Management Comments

- *With limited resources, the Unit managed to secure the appointment of 2 (two) volunteers and the Unit managed to invoice more than 3,000 individual student files into the FMIS system.*
- *Data entry is done correctly and certified by the Accounts Officer.*
- *Your recommendation has been noted and mechanisms have been put in place.*

2.16.5 Termination of Student Loans

Once a scholarship has been awarded or loan has been granted, the Scholarship Committee shall have the powers to withdraw such a scholarship or loan if in its view the behaviour and or academic progress of the holder is or has been unsatisfactory²³. Once a loan is terminated the students or the guarantors should pay the total amount spent.

Our review of student files revealed that loans for those students whose awards were terminated due to poor academic performances were still outstanding. Refer to Table 2.15 for examples.

Table 2.15: Terminated awards

File No.	Awardees	Institution	Amount Outstanding (\$)
UDG 2004.016	Titilia K. Solikoroilagilagi	USP	23,028.00
UDG 2004.023	George. Richmond .H.Matai	USP	9,309.00
UDG 2004.025	Marika.T.Kilawekana	USP	14,979.00
UDG 2004.029	Siliai Rabuku	USP	17,931.00
M-2007.015	Jimaima Taoi	FSM	16,671.00

²³ Scholarship and Student Loan Hand Book 2004 page 8

File No.	Awardees	Institution	Amount Outstanding (\$)
M-2007.002	Josefa Baleinukulala	FSM	35,808.00
USP 2008.058	Arishma Aswita Naicker	USP	6,030.00
USP 2008.096	Vikash Shiva Reddy	USP	3,910.00
USP 2008.062	Romeeza Mahenaaz Ali	USP	4,413.00
USP 2008.065	Dipal Prasad	USP	4,515.00
UDG 2008.012	Emma Louisa King	USP	4,344.00
UDG 2008.091	Amit Aswin Chand	USP	5,718.00

Upon discussion with officer in charge, Ulita Serukalou, the Commission do not recover from students straight away because they can apply for reinstatement. However, if students do not perform then the Commission will take action. Refer to *Appendix 2.5* for full listing of students whose awards were terminated in 2008.

Recommendations

- **The Student Loan Scheme Unit must review the files at the end of every semester and terminate the loans for those who do not perform satisfactorily.**
- **The Unit should make every effort to recover the loan amount by regularly sending follow up letters to all students whose award has been terminated or have successfully completed their studies.**
- **The Unit should make every effort to recover the amount from the guarantors if a student fails to make payment for the loan taken.**
- **The Unit should review the effectiveness of its loan recovery procedures.**

Management Comments

- *Letters of termination have been issued to those students who do not perform satisfactorily and for them to pay back their loan.*
- *The Recovery Unit to some extent has invoked the guarantor's clause and will continue in its effort to recover loans from guarantors if the awardees cannot repay their loans. The rather long legal process has to go through the SG's Office and this has held up our actions. Ideally, we should have our own legal team but this is not permitted under the current arrangements with the SG's Office.*
- *The Unit will continue to explore ways to recover the cost of training from our sponsored students and guarantors.*
- *Follow up correspondence to students/guarantors will be strengthened to ensure recovery of loan. Legal constraints are obstructing loan recovery from guarantors and students particularly when it involves the Fiji National Provident Fund.*

2.17 OFFICE ACCOMODATION

2.17.1 Occupational Health and Safety

Every employer shall ensure the health and safety at work of all his or her workers. An Employer shall provide and maintain plant and systems of work that are safe and without risks to health²⁴.

The Health and Safety at Work Act 1996 and its regulations clearly stated the duties of employer. The workplace environment shall be free from hazardous substances and designed in a manner to accommodate the needs of user as specified under the National Building Code.

²⁴ Health and Safety at Work Act 1996 (9) (1) & (2)

Some government rented offices including the premises occupied by the Commission do not comply with the requirements of the Occupational Health and Safety Act. Some of the buildings were inspected by the officials of the Ministry of Labour and labelled as unsafe due to non compliance with the OHS Act. Refer to Table 2.16 below for examples:

Table 2.16: Occupational Health and Safety Issue

Building	Tenants	Problems
PSC Building Complex at Berkley Crescent and Nasese.	PSC	<ul style="list-style-type: none"> • The building is prone to fire and heavily congested.; • Flooring mostly at water access areas are beginning to rot; • Flooring without carpet is slippery; • The proposed walkway is less than the recommended width of one metre; • Rotten flooring at sanitary conveniences and wet and slippery surfaces; • Foul smell from toilet outlets • There is no designated eating/dining facilities; • No proper drinking facilities; and • No designated space or room for machines and customers.
Takayawa Building	<ul style="list-style-type: none"> • Fisheries and Forestry; Agriculture Admin.; and PSC Higher Salaries Commission. 	<ul style="list-style-type: none"> • Complaints over unsatisfactory condition and poor office environment such as the overflow of water form overhead tanks that normally cause serious disruptions during working hours. During heavy rain, water leaks into the office through the windows. • Unacceptable manner of repair works; • Lack of proper lighting; • Non disposal of rubbish; • Leakage in men's toilet.
Suvavou House	<ul style="list-style-type: none"> • Registrar General's Office; Attorney General; 	<ul style="list-style-type: none"> • Toilet on level one and two are smelly and unhealthy; • Floor rugs need to be pasted; • Air condition not working at all and causing very unhealthy situation • Water Leakage from the tap in tea room; Rainy water leakage.

The non compliance with the Health and Safety Act exposes employees to threat of accidents.

Recommendation

The Public Service Commission should ensure that the provisions of the Health and Safety Act are complied with to ensure the safety of employees and safeguard government's interest.

Management Comments

Before a building is certified fit for occupation the certificate on OHS compliance must be granted by the Ministry for Labor and Employment prior to occupation being taken place. However, the procedure that the division that normally applies on receipt of complaints from the OHS Committees in the respective ministries is as follows:

On receipt of OHS breaches on any building the complaints are noted in the file and the landlord is notified immediately with a request to rectify. Follow up check with the landlord within the day or after.

Non compliance will result in the closure of the office and government will recommend to rectify the OHS breaches and cost be deducted from the rent money. Recently the Takayawa Building landlord had rectified the OHS breaches and numerous meeting conducted between landlord, PSC and the tenants to ensure compliance.

The Berkley Crescent building is a very old timber structure and was constructed prior to the introduction of the new OHS Regulations and guidelines. PSC has noted the concerns and has already requested for funds from the Budget and the Scope of Works are currently being worked out by PWD. A copy of the same should be available in the next two weeks. PSC is also looking at constructing a new complex to replace the current structure. In the circumstances it may not be prudent to do a complete overhaul of the old building but ensure the structure becomes OHS compliant.

2.17.2 Expired Letting Agreement

The Public Service Commission is the central agency charged with the responsibility of providing office accommodation for the public service. Although other government agencies also have specific responsibilities into the management of office accommodation for the public service, the Commission is responsible for conducting negotiations with owners of the building.

The Public Service Commission is responsible for the provision of suitable office accommodation and the prescription and supervision of the physical working conditions of all employees in the Public Service. The Director of Lands and Surveyor General prepare the letting agreements on the instruction of the Commission²⁵.

Audit noted that several letting agreements had expired but the premises were still being rented by government for accommodation of offices. Refer to *Appendix 2.6* for expired letting agreement.

In the absence of signed letting agreements the Commission may not be in a position to protect the interest of government if landlord chose to terminate the current arrangement.

Recommendation

The Commission should ensure that new agreements are entered into upon expiry of existing agreements.

Management Comments

We have an existing policy whereby letting agreements are automatically extended on monthly basis when it becomes expired. We are of the view that temporary extensions of L.A. on a monthly basis is best option as landlords will not accommodate short term agreements. Exit clause on letting Agreement allows for 3- 6 month notice on intention to terminate any letting agreements. All letting agreements are maintained by the Director of Lands and PSC is currently reviewing the existing Letting Agreement.

2.18 POOL QUARTERS

2.18.1 Government Pool Quarters Entitlement

General Order 601 states the entitlement and eligibility of officers to rent free government quarters or an allowance in lieu of the rates approved by the Public Service Commission.

²⁵ http://pscwebsrv01/au/divisions_Office_Accommodation.aspx

The following Officers are entitled to receive rent-free quarters, or to an allowance in lieu at rates to be approved by the Secretary for the Public Service.

- a) The Principals of Government Schools and Training Institutions with boarding facilities.
- b) The Senior Domestic Assistant and/or Domestic Assistant of Government Schools and Training Institutions with boarding facilities.
- c) The Matron and Supervisor at the Mental Hospital.
- d) Subordinate Officers of the Fiji Police Force and Prison Officers Classes A, B and C.
- e) Warden and/or Assistant Warden of Government Training Institutions.
- f) Landscape Officer, Chief Cook, Stewards, Lady's Maid - Government House.
- g) Resident Teachers at Government Residential Schools, in return for performing extra-curricular duties.
- h) The Public Works Department Supervisors at the Colonial War Memorial and Tamavua Hospitals.
- i) Superintendents of the Old People's Homes at Natabua, Samabula and Labasa.
- j) All Officers of Permanent Secretary rank.²⁶

Local Officers recruited within their station are not eligible for Government quarters unless transferred to another station other than Suva.²⁷ In Suva the allocation of pool quarters will be made by the Suva Housing Board, consisting of a Chairman and such other members as may be appointed from time to time by the Secretary for the Public Service. Correspondence should be addressed to the Secretary, Suva Housing Board, and Public Service Commission. Departmental quarters will be allocated by the Permanent Secretary or Head of Department.²⁸

Outside Suva the allocation of pool quarters will be made by a Committee consisting of a Chairman and two members, to be appointed by the Divisional Commissioner. Departmental quarters will be allocated by the Permanent Secretary or Head of Department. An Officer will not be permitted to occupy quarters outside the station to which he is posted, except with the permission of the Secretary for the Public Service.²⁹

Scrutiny of Government Pool Quarters records maintained at PSC revealed the following anomalies:

- Superintendent of Police Lesu while occupying government quarters 216 at Stoddart Place, Suva was renting his private home in Vatuwaqa;
- The keys were not handed over after Australian Defence Adviser South Pacific had transferred their three residences to the government. These properties were neither taken on charge in the quarters inventory nor in the PWD maintenance listings;
- PSC had allocated quarters 164 and 142 to Mr. Quminakelo and Mr. Natila respectively to occupy upon request for 3 months on temporary basis. After the 3 months they were given approval to occupy until 30/7/08 and were being charged market rental of \$1,000 per month with effect from 1st May, 2008. However another letter was issued by PSC (ref. 29/528/164 of 23/06/08) to the Permanent Secretary for Provincial Development considering their appeal not to charge market rental but 8% normal rental from the date of occupation and all the over deducted rental was refunded to the officers. As at the date of audit the officers' were still occupying the quarters;

²⁶ General Orders 601

²⁷ General Orders 603

²⁸ General Orders 604 (a) & (b)

²⁹ General Orders 605 (a), (b) & (c)

- The following civil servants who are not entitled to government quarters are currently occupying pool quarters: Refer to Table 2.17 below for examples

Table 2.17: Officers Not Entitled To Pool Quarters

Name	Post	Quarters No.	Grade	Dept.	Date Occupied
Filipo Jitoko	DS	15	III	Education	n/a
Banuve Komaitotoya	DS	60	III	Fisheries & Forests	09/07/07
Rupeni Nacewa	Official Secretary	77	II	Presidents Office	16/10/06
Major Leweni	DS	100	III	Information	06/06/08
Inoke Oliqao	Chief Police Protection Officer	108	II	Presidents Office	23/03/05
Vilimoni Vaganalau	Staff Supervisor	120A	IV	Presidents Office	15/02/02
	Director Water & Sewerage	124	III	Water & Sewerage	02/01/08
Niumaia Gucake	Disaster Management	142	IV	Provincial Dept	10/01/08
Filimone Kau	Director	143	IV	Information	26/09/07
Capt. Villiame Draunibuka	Military Advisor	144	IV	Presidents Office	21/02/06
CMDR Villiame Naupoto	Director Immigration	170	IV	Immigration	n/a
Samu Bainivalu	Matanivanua	173	IV	Presidents Office	21/03/05
L Tora	ITIF	187	IVC	PM's Office	27/01/07
Salusalu	Manager ITC	198	IVC	ITC	
Filimone	Director of Legal Aid	242	IVC	LAC	30/01/07
Dr.U.K.Dhar	LCE Consultant	245	IVC	Health	16/07/98

Police Officers are only entitled to pool quarters for up to 3 months. Although the Police Department has its own quarters and barracks, a number of police officers were still occupying government pool quarters exceeding the timeline of three months of occupancy. Refer to the Table 2.18 below for examples.

Table 2.18: Officers who Exceeded Occupancy Time Limit of Pool Quarters

Tenant	Post	Qtrs	Grade	Dept	Date Occupied
Sur Sen	SSP	14	III	Police	06/10/08
Ravi Narayan	SSP	16	III	Police	07/01/08
Auta Moceisuva	Deputy Commissioner Prisons	122	III	Prisons	22/5/07
Krishna Naidu	Police Office	138	IV	Police	15/03/08
Tevita Lesu	Force Chaplin	216	IV	Police	11/09/07
Jonasa Lekai	DPC/South	241	IVC	Police	11/09/07
Eroni Antonio	DCP	247	IV	Police	11/09/07
Rusiate Tuidravu	A/SP	248	IVC	Police	11/09/07
SSP Emori Laqai	SSP	214	IV	Police	31/05/08
Ponipate Lesavua	Consultant	196	IV	Police	31/05/08

This indicates that the government quarters have not been allocated according to the relevant government rules and regulations thus depriving those officers that are entitled to such benefits.

Recommendations

- **Government quarters should only be allocated to entitled officers and those not entitled to should be vacated.**
- **Rental should be charged at the current market rates.**
- **Any outstanding rent from those occupying government quarters should be recovered immediately.**
- **Government rules and regulations pertaining to allocation of government quarters as issued by the Commission should be complied with.**

Management Comments

While the allocation of Quarters is governed by General Orders, as a proactive measure, PSC had decided to let out some quarters to protect them from being vandalized. It must be noted that some entitled officers have preferred to stay in their private residences and the numbers of entitled officers under GO 601 have reduced greatly. We are also in the process of evicting all tenants who are not entitled to vacate the quarters and have them rented out at market rates. The issue has also been the focus of some comments in the KPMG Report and PSC will soon develop new policy guidelines and ensure maximum rentals from these investments.

2.18.2 Accumulated Rental Arrears by Dr. Uzzal Kanti Dhar

Any officer who without the requisite authorisation occupies Government quarters or remains in Government quarters following instructions to vacate, shall be charged rental based on the market rate as decided by the Secretary for the Public Service, for the period of such unauthorized occupation³⁰.

Dr. Uzzal Kanti Dhar was not entitled for a government quarters as he was no longer a civil servant. He was terminated from the service with effect from 19/09/2000. Although he was given enough time to arrange for his own accommodation he is yet to vacate the government quarter No 245.

Dr Uzzal Kanti Dhar was recruited from Bangladesh and posted to CWM Hospital where he worked as an Urologist until his employment was terminated. He then joined the Suva Private Hospital and is still employed by them. At the time of his termination from the Service, he was occupying government quarters number 245 at Nicoll Road. Despite being served with several reminder notices he continued to occupy the quarters without paying any rent and as a result his rental arrears as at 31 December 2008 stood at \$99,399 based on the market rate.

The Commission made several attempts to remove the officer from the said quarters but was not successful. The Commission sought the assistance of the Military and on 15/02/07 made an attempt but again was not successful. It was alarming to note that the officer has remained adamant and yet the authorities concerned are not able to take any positive action against him. Had the Commission taken the officer to task at very beginning to remove him the situation would not have been arisen.

Recommendations

- **The Commission should immediately remove him from the government quarters and if need be seek assistance from higher authorities.**
- **Action should be taken to recover the accumulated rental arrears from the officer even if it meant taking legal action.**
- **Government regulations pertaining to the occupation and allocation of government quarters as issued by the Commission should be applied to all officers irrespective of their status.**

³⁰ General Order 607 (j)

Management Comments

We have noted the issue that has been raised and as of to date the person has vacated that quarters. We had communicated with him to pay for the accumulated arrears of more than \$90,000.00 of rental. However the person resigned from the Ministry of Health on 19/9/2000 and we have not been able to pursue deductions through the Payroll. Furthermore, Dr Dhar has now taken the Government to court and any recovery will have to await the outcome of the court proceedings.

Appendix 2.1: Statement of Output Costs***Office of the Prime Minister*****Statement of Output Costs for 2008 – General Administration 2008**

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	1,103,462	1,205,782
Unestablished Staff	135,150	209,922
Travel & Communication	120,938	180,913
Maintenance & Operations	96,408	96,546
Purchase of Goods & Services	5,669	9,735
Operating Grants & Transfers	429,847	1,023,060
Special Expenditures	1,000,262	27,632
Total Operating Costs	2,891,736	2,753,590
Capital Expenditure		
Capital Construction	0	-
Capital Purchases	0	-
Capital Grants & Transfers	0	108,767
Total Capital Expenditure	0	108,767
Value Added Tax	48,682	78,309
TOTAL EXPENDITURES	2,940,418	2,940,666

Statement of Output Costs for 2008 – Cabinet Office 2008

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	146,314	209,600
Unestablished Staff	15,341	27,217
Travel & Communication	21,709	18,800
Maintenance & Operations	31,765	20,077
Purchase of Goods & Services	1,385	1,327
Operating Grants & Transfers	0	-
Special Expenditures	130,046	127,768
Total Operating Costs	346,560	404,789
Capital Expenditure		
Capital Construction	-	-
Capital Purchases	-	-
Capital Grants & Transfers	-	-
Total Capital Expenditure	-	-
Value Added Tax	16,044	20,092
TOTAL EXPENDITURES	362,604	424,881

Public Service Commission**Statement of Output Costs for 2008 – Portfolio & Executive Leadership**

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	444,386	636,479
Unestablished Staff	20,062	16,964
Travel & Communication	22,789	13,186
Maintenance & Operations	48,671	34,525
Purchase of Goods & Services	45,307	27,973
Operating Grants & Transfers	(61)	0
Special Expenditure	0	0
Total Operating Costs	581,154	729,127
Capital Costs		
Construction	0	0
Purchases	0	0
Grants & Transfers	0	0
Total Capital Costs	0	0
Value Added Tax	13,376	71,910
TOTAL COSTS	594,530	801,037

Statement of Output Costs for 2008 – Management Improvement Division

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	515,526	509,793
Unestablished Staff	9,397	11,552
Travel & Communication	662	417
Maintenance & Operations	8,813	7,842
Purchase of Goods & Services	0	0
Operating Grants & Transfers	0	0
Special Expenditure	0	0
Total Operating Costs	534,398	529,604
Capital Costs		
Construction	0	0
Purchases	128,542	266,120
Grants & Transfers	0	0
Total Capital Costs	128,542	266,120
Value Added Tax	16,325	80,867
TOTAL COSTS	679,265	876,591

Statement of Output Costs for 2008 – Corporate Services

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	734,549	1,065,399
Unestablished Staff	84,959	71,796
Travel & Communication	267,086	242,709
Maintenance & Operations	120,264	95,226
Purchase of Goods & Services	0	0
Operating Grants & Transfers	0	0
Special Expenditure	0	0
Total Operating Costs	1,206,858	1,475,130
Capital Costs		
Construction	0	0
Purchases	169,320	0
Grants & Transfers	0	0
Total Capital Costs	169,320	0
Value Added Tax	47,413	127,894
TOTAL COSTS	1,423,591	1,603,024

Statement of Output Costs for 2008 – Employee Relations

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	603,114	638,985
Unestablished Staff	70	3,426
Travel & Communication	8,250	1,713
Maintenance & Operations	2,074	0
Purchase of Goods & Services	0	0
Operating Grants & Transfers	0	0
Special Expenditure	222,702	780,000
Total Operating Costs	836,210	1,424,124
Capital Costs		
Construction	0	0
Purchases	0	0
Grants & Transfers	0	0
Total Capital Costs	0	0
Value Added Tax	7,454	113,916
TOTAL COSTS	843,664	1,538,040

Statement of Output Costs for 2008 – Training

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	633,623	712,798
Unestablished Staff	86,653	83,901
Travel & Communication	21,002	8,063
Maintenance & Operations	27,215	5,835
Purchase of Goods & Services	44,013	12,156
Operating Grants & Transfers	5,128,923	4,824,946
Special Expenditure	59,695	32,361
Total Operating Costs	6,001,124	5,680,060
Capital Costs		
Construction	0	0
Purchases	0	0
Grants & Transfers	0	0
Total Capital Costs	0	0
Value Added Tax	13,377	83,086
TOTAL COSTS	6,014,501	5,763,146

Statement of Output Costs for 2008 – Public Appeals Board

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	157,972	160,281
Unestablished Staff	8,235	9,872
Travel & Communication	6,005	6,345
Maintenance & Operations	4,162	2,036
Purchase of Goods & Services	0	314
Operating Grants & Transfers	0	0
Special Expenditure	40,484	39,398
Total Operating Costs	216,858	218,246
Capital Costs		
Construction	0	0
Purchases	0	0
Grants & Transfers	0	0
Total Capital Costs	0	0
Value Added Tax	7,530	28,659
TOTAL COSTS	224,388	246,905

Appendix 2.2: Trust Account for 2008 - Chinese Grant

Description	2008 (\$)
RECEIPTS	
Opening Balance	6,681,862
Other Receipts	422,589
TOTAL RECEIPTS	7,104,451
PAYMENTS	
Extension Of PM's Residence	6,723
Nukuna/ Vatukarasa/Nameka Road Project	2,245,850
Renovation Of Classrooms – Rt. Sauvoli Memorial School	55,437
Navuso Linking Bridge	328,957
Ugavule II – Cikobia Island	166,420
Namau Village Cocoa Grinding Machine	7,307
Thurston Garden – Upgrading	42,199
Committee On The Better Utilisation Of Land (CBUL)I – PS Fijian Affairs	83,609
Valebasoga Secondary School	8,795
Rewa District School	99,542
Serea/Naivucini – Rural Electrification	7,000
PM's Trip To India & Return	18,115
Temporary Shelter – Late Vunivalu Of Rewa	2,813
Tunuloa Catholic Primary School	7,390
Wailevu Primary School	11,667
Natewa Priamry School	7,390
Karoko Women's Club	8,126
Natewa Evacuation Centre	9,835
Loa Village	11,666
Administrative Costs – CND Projects	7,390
Fiji Night Beijing	7,000
New Navua Hospital	134,544
Bula Festival Association	2,000
Fiji Servicemen Aftercare Fund	4,640
Nakini/Natoaika Road Upgrading Project	251,646
Nukuloa Santan Dharam School	9,952
Yasayasa Moala College	17,985
Basketball Fiji	5,000
Totoya Health Centre	3,200
Veolomani Youth Group	3,560
Nukuloa Police Post	2,504
Refund Of Air Passage	25,369
DCFD Unit Equipment	18,843
Tamavua Village & Tomb – Renovation	2,982
Fiji Prisons & Correction Services	10,000
Narocake District School	15,421
Nakelo District School	4,400
Kioa Island Community Farming Equipment	8,045
Sea Passage – DCFD Unit Personnel	1,157

Description	2008 (F\$)
Vatoka/Waicoka Road Upgrading Project	248,800
Kuku District School	35,521
Cautata District School	24,976
Qalivakabau District School	9,459
Bureiwa District School	5,100
Quick Win Project	250,000
Solevu Junior Secondary School	5,200
Talatala Residence – Levuka	500
Kioa Primary School	5,420
Ratu Kamisese Mara College	15,503
Bureniwa District School	73,358
Naivakawesi Kindergarten	9,774
Uluirava Settlement	4,339
Waivou Village	3,302
Qerelevu Water Catchment	12,409
Resident Withholding Tax	5,354
Cheque Book/Statement Fee/Withdrawal Transfer	10
Total Payments	4,373,504
CLOSING BALANCE	2,730,947

Appendix 2.3: FNPF Reconciliation

Office of the Prime Minister

Details	(F\$)
Total FNPF against salaries and wages for 2008:	
FNPF as per Financial Statement	93,477
Add: December 2008 FNPF paid in January 2009	43,846
Payment made not entered into FMIS for 2008	0
	137,323
Less: December 2007 FNPF paid in January 2008	0
FNPF for 2008	137,323
Gross Pay subject to FNPF (137,323 divided by 0.08)	1,716,538
Salaries and Wages for 2007 subject to FNPF:	
Salaries Wages and Allowance as per Financial Statement	1,292,800
Less Salaries and Wages not subject to FNPF	

Details	(\$)
Salaries, Wages and Allowances for 2008 subject to FNPF	1,292,800
DIFFERENCE	423,738

Public Service Commission

Details	(\$)
Total FNPF against salaries and wages for 2008:	
FNPF as per Financial Statement	370,367
Add: December 2008 FNPF paid in January 2009	39,340
Payment made not entered into FMIS for 2008	-
	409,707
Less: December 2007 FNPF paid in January 2008	42,471
FNPF for 2008	367,236
Gross Pay subject to FNPF (367,236 divided by 0.08)	4,590,450
Salaries and Wages for 2007 subject to FNPF:	
Salaries Wages and Allowance as per Financial Statement	2,928,179
Less Salaries and Wages not subject to FNPF	5,393
Salaries, Wages and allowances for 2007 subject to FNPF	2,922,786
DIFFERENCE	1,667,664

Appendix 2.4: VAT Reconciliations**Office of the Prime Minister**

Details	(\$)
Total Income/Expenditure as per Expenditure Statement	3,303,022
Less Expenditure not subject to VAT – Total SEG 1 & 2	1,830,115
	1,472,907
Total Taxable Supplies as per VAT returns	956,787
Less 2007 December Vat	(160,367)
Add 2008 November Vat	26,219
2008 December Vat	53,783
	876,422

Details	(\$)
Difference	596,485
B) Difference between the actual VAT payments for the year ended 2008 and the balance disclosed in the general ledger	
VAT payments (VAT payments to FIRCA and VAT input) as per Statement of Financial Operation	64,727
VAT payments (VAT payments to FIRCA and VAT input) as per VAT returns for the year 2008	58,681
Less 2007 December Vat	(5,982)
Add 2008 November Vat	2,051
2008 December Vat	3,889
	58,639
Difference	6,088

Public Service Commission

Details	(\$)
A) Total Income/Expenditure as per Expenditure Statement	9,779,938
Less Expenditure not subject to VAT - Total SEG 1 & 2	8,427,408
	1,352,530
Total Taxable Supplies as per VAT returns	1,295,220
Less 2007 December Vat	422,831
Add 2008 December Vat	337,856
	1,210,245
Difference	142,285
B) Actual VAT payments	
VAT payments (VAT payments to FIRCA and VAT input) as per Statement of Financial Operation	105,475
VAT payments (VAT payments to FIRCA and VAT input) as per VAT returns for the year 2008	19,989
Less 2007 December Vat	(18,096)
Add 2008 December Vat	27,761
	29,654
Difference	75,821

Appendix 2.5: Terminated Sponsorship

Ref No.	Name	Majors
UDG 2K8/010	Silivia Koveikobau	BAGCED Vernacular Lang/Lit & Language
UDG 2K8/053	Ropoama Tubuna	BSC Computing Sc/IS
UDG 2K8/065	Jonetani Sawai	BSCGCED Maths/Physics
UDG 2K8/012	Emma Louise King	BCOM Acctg/IS
UDG 2K8/038	Marika Qalo	BCOM Acctg/Eco
UDG 2K8/006	Maraia M Kelepi	BAGCED Acctg/Eco
UDG 2K8/070	Ilisavani R Waqatabu	Diploma Geomatics
UDG 2K8/093	Kushal K Prakash	BSc Maths/Eng
UDG 2K8/091	Amit A Chand	BCOM Acctg/Mgmt
UDG2K8/52	Henry M Matolo	BSc Computer Sc/Information System
UDG 2K7/010	Akuila T Tausere	BCOM Acctg /Eco
UDG 2K7/012	Pio T Vatanitawake	BCOM Acctg/ Eco
UDG 2K7/013	Robert L Sovatabua	BCOM Acctg /Eco
UDG 2K7/077	Jale Q Sila	BSCGCED Maths/Physics
UDG 2K6/03	Ilaitia Ralulu	BA Acctg/Eco
UDG 2K6/08	Vika T Bolatolu	BA Acctg/Eco
UDG 2K6/09	Jowana Kaloucava	BA Actg/Eco
UDG 2K6/019	Adi Laisani Vuibau	BA Acctg/IS
UDG 2K6/022	Sheenal P Nand	BA Acctg/IS
UDG 2K6/029	Sera Vaucove	BA Acctg/Bank Finance
UDG 2K6/033	Roneel R Chand	BA Acctg/ Bank Finance
UDG 2K6/063	Emele Vunileba	BA Mgmt & Pub Admin/Industrial Relations
UDG 2K6/050	Rt Irami S Lewaravu	BA Mgmt/ Eco
UDG 2K5/003	Mateo K Qiqiwaqa	BA Acctg & Fin Mgmt/ Eco
UDG 2K4/041	Ro Mariana Ro Lusiana	BA Acctg/ Mgmt & Pub Admin

Appendix 2.6: Government Rented Offices as at 31/12/08

Location	Landlord	LD Ref	Occupation/Department
Labasa	Local Timber Building	15/4/2636	Government Supplies
		15/4/1839	Health
Lautoka	BPHL Rogrogo I Vuda	15/4/1340	Lands
			Immigration
			Common Area
			E & T Education
			CICPE - Cooperatives
			Registrar General
			W&C Women & Culture
			J & HA Health
Levuka	Lomai Provincial Council	15/4/1135	AFF- Agriculture & Fisheries
Nabouwalu	Bua Prov – Naulumatua	15/4/943	RD & MEA - DO's Office
	Bua Prov – Naulumatua		T & T Road Transport
	Bua Prov – Naulumatua		E- Education

Location	Landlord	LD Ref	Occupation/Department
Nausori	Paradise Mngt Bldg	15/4/1748	CICPE - Co-ops/MAFF
Rakiraki	Vaileka House	15/4/1953	Social Welfare & Women
	Vaileka House		Supplies
	Vaileka House		Cooperatives
	Vaileka House		Health
	Vaileka House		AFF Forestry
	Vaileka House		Education Library (vacant)
Sigatoka	Keasuna Building	15/4/556	T & T Marines
Suva	FHL- Sukuna House	15/4/2189	Bureau of Statistics
Suva	FHL- Sukuna House	15/4/2186	Bureau of Statistics
Suva	Kelton Credit Corp	15/4/2125	Telecom Regulatory Unit
Suva	Kelton Naibati	15/4/1775	CICPE - Trade & Commerce
Suva	Kelton Gunu House	15/4/2313	DPP
Suva	Kelton Gunu House	15/4/2591	DPP
Suva	Kelton Gunu House	15/4/2657	DPP
Suva	Marela House	15/4/1270	Education
Suva	NLTB	15/4/69	Fijian Affairs
Suva	Yatulau Provincial Holding	15/4/2111	Health HQ
Suva	Yatulau Provincial Holding	15/4/2227	Health HQ
Lautoka	Eddie Hin Bldg	15/4/2332	DMO Western
Lautoka	Fiji Ports Corporation	15/4/2687A	FIMSA
Lautoka	Fiji Ports Corporation	15/997	FIMSA
Sigatoka	Sigatoka Town Council	15/4/2203	Education & Labour
Sigatoka	Sigatoka Town Council	15/4/2495	Water Rates
Suva	Bluebird Printery	15/4/2387	Weights & Measures
Suva	Nasilivata House- Fong	15/4/2074	Works & Energy HQ
Suva	Janson Ho Ltd	15/4/1521	Lands (catography & Draghting)
Suva	Janson Ho Ltd	15/4/746TC	European Union
Suva	FNPF – Robinson Rd	15/4/2080	MAFF HQ
Suva	FNPF – Robinson Rd	15/4/2080	MAFF HQ
Suva	FNPF – AMB Bldg	15/4/2470	Corperatives
Suva	Fiji Red Cross	15/4/2456	Education
Suva	Fiji Red Cross	15/4/1665	LMR - Land Information
Suva	Fiji Red Cross	15/4/2457	LMR - Control Section
Suva	Harm Ham Bldg	15/4/1975	Youth & Sport
Suva	Harm Ham Bldg	15/4/1975A	Education
Suva	Harm Ham Bldg	15/4/1975C	Education
Savusavu	Gulabdas	15/4/2054	Immigration
Savusavu	Gulabdas		Supplies
Seqaqa	Mohd.Tahir Khan	15/4/2281	Govt.Supplies
Suva	Abacus Bldg(Jagdisgwar)	15/4/2398	Social Welfare
Suva	Knolly Plaza (McGregor)	15/4/1986	Regional Dev.DISMAL
Suva	Knolly Plaza (McGregor)		Regional Dev.Rural Housing
Suva	Knolly Plaza (McGregor)		Regional Dev.Comm.Eastern
Suva	Knolly Plaza (McGregor)		Regional Dev.Accounts/Registry
Suva	Knolly Plaza (McGregor)		Regional Development.
Suva	Knolly Plaza (McGregor)	15/4/1986A	Regional Development
Suva	Knolly Plaza (McGregor)		Fijian Affairs
Suva	Tabatolu House	15/4/2361	Weights & Measures

Location	Landlord	LD Ref	Occupation/Department
Suva	Vinod Patel & Co.	15/4/2064	Education – CDU
Suva	Vinod Patel & Co.	15/4/2158	Careers
Suva	Vinod Patel & Co.	15/4/2164	Education – Archives
Suva	Lotus Garment	15/4/2070	Police Dept.
Suva	P.D.Patel	15/4/2607	Environment
Suva	P.D.Patel		Labour
Suva	P.D.Patel		Poverty/Agriculture
Suva	Manohan Bldg	15/4/2649	Police
Suva	Manohan Bldg	15/4/2649A	Police
Suva	Manohan Bldg	15/4/2649B	Police
Suva	Manohan Bldg	15/4/2649C	Police
Suva	Manohan Bldg	15/4/2649D	Police
Nausori	Youneeda	15/4/2605	Water Rates
Nausori	N.B.Patel Bldg	15/4/2367	Police
Nausori	Three Kings	15/4/2551	Magistrate Court
Nausori	Three Kings	15/4/2683	Family Court

Section 3

Office of the Attorney General and Public Enterprise

Role and Responsibilities

The Office of the Solicitor General is responsible for providing quality legal advice to all ministries and department; drafting Government Bills and Subsidiary Legislations; undertaking systematic review; reform and development of laws in Fiji Islands; undertaking Statutory Law Revision; providing legal assistance to impoverished persons in family and criminal laws through legal representation and advice.

The Ministry of Public Enterprises and Sector Reform, under the Public Enterprise Act 1996, is responsible for overseeing and implementing Government public enterprise reform programme with the intention of increasing the efficiency and effectiveness of the public enterprise sector. Under the Act, the Ministry will continue to monitor the performance of public enterprises declared as Government Commercial Companies [GCCs]. The Ministry also implements and monitors the restructuring or re-organisation of identified Government entities. There are currently 11 GCCs and 5 Commercial Statutory Authorities [CSAs]

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FINANCIAL STATEMENT

3.1 Audit Opinion

The audit of the 2008 accounts of the Office of the Attorney General and Public Enterprise resulted in the issue of a qualified audit report.

The qualifications are as follows.

- The Office had consolidated its expenditures into three Statements of Output Costs, whereas the Budget Estimates 2008 prescribes ten outputs. The facility to allow the measurement and accounting of output costs has yet to be integrated in the Financial Management Information System (FMIS) of government. It is not possible therefore to determine the accuracy of the expenditures incurred by the Office under each output.
- The Office submitted its Statement of Losses despite no stock take undertaken for inventories during the year. The last stock take was carried out in 2005. Therefore, the Statement of Losses does not portray an accurate picture as losses during the year may not be recorded.
- The Office has not provided the Trust Fund Account Statement of Receipts and Payments contrary to Finance Instructions 82(1). The Financial Management Information System shows that the Office as at 31/12/07 has operating trust funds totalling \$313,336.

3.2 Statement of Receipts and Expenditure

The Office collected revenue amounting to \$182,218 and incurred total expenditures of \$8,928,071 in 2008.

Table 3.1: Statement of Receipts and Expenditure for 2008

Description	2008 \$	2007 \$
RECEIPTS		
State Revenue		
Hotel License	136,446	79,235
Liquor License	1,568	18,758
Miscellaneous Fees	1,113	12,917
Other Revenue	28,331	18,739
Total State Revenue	167,458	129,649
Agency Revenue		
Miscellaneous	14,760	10,038
Total Agency Revenue	14,760	10,038
TOTAL REVENUE	182,218	139,687
EXPENDITURE		
Operating		
Established Staff	2,159,295	1,720,479
Unestablished Staff	158,173	70,786
Travel & Communication	140,282	116,160
Maintenance & Operations	230,292	139,811
Purchase of Goods & Services	1,324,057	913,565
Operating Grants & Transfers	2,979,323	524,342
Special Expenditure	1,309,841	1,847,274
Total Operating Expenditures	8,301,263	5,332,417
Capital Expenditure		
Capital Construction	10,473	-
Capital Purchases	120,289	-
Capital Grants & Transfers	-	-
Total Capital Expenditure	130,762	-

Description	2008 \$	2007 \$
Value Added Tax	496,046	594,991
TOTAL EXPENDITURES	8,928,071	5,927,408

3.3 Statement of Output Costs

The Statement of Output Costs consolidates the 10 outputs prescribed in the Budget Estimates. These are detailed in Appendix 3.1.

3.4 Appropriation Statement

The Office incurred expenditures totalling \$8,928,071 in 2008 against the budget of \$10,251,000 resulting in a savings of \$1,322,929 or 13%.

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

Table 3.2: Appropriation Statement for 2008

SEG	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry – Over \$	Lapsed Appropriation \$
1	Established Staff	2,882,300	(73,000)	2,809,300	2,159,295	0	650,005
2	Unestablished Staff	105,100	73,000	178,100	158,173	0	19,927
3	Travel & Communication	154,300	0	154,300	140,282	0	14,018
4	Maintenance & Operations	235,600	20,000	255,600	230,292	0	25,308
5	Purchase of Goods & Services	1,383,100	(25,241)	1,357,859	1,324,057	0	33,802
6	Operating Grants & Transfers	605,400	2,382,252	2,987,652	2,979,323	0	8,329
7	Special Expenditure	3,945,400	(2,382,252)	1,563,148	1,309,841	0	253,307
	Total Operating Costs	9,311,200	(5,241)	9,305,959	8,301,263	0	1,004,696
	Capital Expenditure						
8	Capital Construction	0	11,782	11,782	10,473	0	1,309
9	Capital Purchases	200,000	(6,541)	193,459	120,289	0	73,170
10	Capital Grants & Transfers	0	0	0	0	0	0
	Total Capital Expenditure	200,000	5,241	205,241	130,762	0	74,479
13	Value Added Tax	739,800	0	739,800	496,046	0	243,754
	TOTAL EXPENDITURE	10,251,000	0	10,251,000	8,928,071	0	1,322,929

The Ministry of Finance approved the transfer of following funds:

- \$73,000 from Seg 1 Established Staff to Seg 2 Unestablished Staff to cover 5% pay restoration.
- \$25,240 from Seg 5 Purchase of Goods and Services to Seg 4 Maintenance and Operations for operational cost on maintenance of vehicle due to wear and tear.
- \$2,382,252 from Seg 7 Special Expenditure to Seg 6 Operating Grants and Transfers to facilitate FICAC's self accounting programme.

- \$11,782 from Seg 9 Capital Purchase to Seg 8 Capital Construction to finance purchase of a vehicle.

3.5 Statement of Losses

There were no losses of money or fixed assets recorded in 2008.

AUDIT FINDINGS

3.6 Agency Financial Statements

Commencing 2006 financial year, each annual report must include financial statements which are prepared and signed in accordance with the Finance Instructions, audited by the Auditor General, and accompanied by an audit opinion prepared by the Auditor General.¹

The draft financial statements must be submitted to the Auditor – General by 31 March in the following year, or within such other time as agreed to with the Auditor – General.²

The Office of the Attorney General and Public Enterprise submitted its financial statements for audit on 07/04/09. Audit could not substantiate the amounts in the Statements of Output Costs as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management Information System (FMIS) of government.

The Office of Attorney General provided a Statement of Losses despite no stock take undertaken for inventories for past three years. Therefore, the Statement of Losses does not portray an accurate picture as losses during the year may not be recorded.

Recommendation

The Office should ensure that the requirements of the Finance Instructions 82 are strictly followed in the preparation of the financial statements.

Management Comments

We are committed to ensuring that we comply with Finance Instructions when preparing the Agency Financial Statements, however you will note that the reports required will be extracted from the Financial Management Information System.

The Statement of output cost is yet to be developed and integrated in the Financial Management Information System. The problem is beyond the offices control as we depend on Ministry of Finance for the full implementation of the FMIS.

The outputs stated were reflected by Budget and five of which belong to Justice Department.

*The office does not operate a Trust Fund Account which warrants a Trust Fund Statement of Receipts and Payments report to accompany the Agency Annual Report. You will note that the Finance Instructions 82 (1) (h) states “a trust account statement of receipts and payments (**where applicable.**)”*

¹ Finance Instructions 2005 – 81 (2)

² Finance Instructions 2005 – 81 (3)

3.7 Revenue

Each Accounting Head shall ensure that revenue is recorded against the correct account; the recording of revenue is reconciled monthly with the Ministry of Finance; the Ministry of Finance is advised of any errors or discrepancies within 10 working days after the end of each month; and VAT is correctly accounted for and remitted as required.³

The Office failed to prepare revenue reconciliation for audit verification. Audit had summarised the entries made in the revenue register \$1,775,320.49 and a variance of \$1,593,847.18 was noted between the revenue register figure and FMIS.

In absence of the monthly reconciliation, the accuracy of the revenue balances reported in the financial statement could not be substantiated.

Recommendations

- **The office should reconcile the variances noted in the two records in order to reflect the correct revenue balance.**
- **The office should conduct monthly reconciliation with supervisory checks carried out on the reconciliation prepared.**

Management Comments

Revenue received as Rental Official (270202) and Commission (270301) is generated directly from FMIS through Wages payment and will not be recorded in the office register.

Likewise other non revenue items totalling \$1,602,942.04 in the office register will not appear in the FMIS revenue allocations as they are for other allocations.

The variance is not a result of incorrect posting as suggested but a mere lack of understanding the system.

3.8 Revolving Fund Account

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

- i) No further credit shall be extended to the debtor;
- ii) A demand notice shall be sent to the debtor after his/her debt has been overdue for more than one month;
- iii) If the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.⁴

A variance of \$16,765.36 was noted in the RFA balance shown between the Office's records and FMIS and the dishonoured cheques (seven in number) with an aggregate value of \$1,959.29 with dating one as far back as 1994 were still showing in the December 2008 reconciliation.

The presence of these long outstanding items shows the laxity of the office in trying to clear their accounts.

³ Finance Instructions 2005 – 30(1)

⁴ Finance Manual-Office of the Attorney General 2005. Section 9.2.1

Recommendations

- **The Office should immediately reconcile the variance of \$16,765.36 in order to reflect the correct Revolving Fund Account balance.**
- **Necessary adjustments by way of journal vouchers should be passed by the Office to account for all the dishonored cheques which are more than six months old.**

Management Comments

The variance stated above was adjusted by \$7,537.50 at the close of the accounts thus reducing the outstanding to \$9,717. We have also noted your comments and have made necessary adjustments for dishonoured cheques.

3.9 VAT Reconciliation

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.⁵

Office of the Attorney General

A review of the VAT returns and supporting documents and VAT reconciliations carried out during the audit revealed an un-reconciled balance of (\$217,085.68) between the taxable supplies as per VAT Return and the total income/expenditure as per the Statement of Receipts and Expenditure. Audit also noted a variance of (\$20,201.52) between the actual VAT payments for 2008 and the balances disclosed in the general ledger (FMIS). Refer to Appendix 3.3 for details.

Department of Public Enterprise

A review of the VAT returns and supporting documents and VAT reconciliations carried out during the audit revealed an un-reconciled balance of (29,366.35) between the taxable supplies as per VAT Return and the total income/expenditure as per the Statement of Receipts and Expenditure. Audit also noted a variance of (2,059.43) between the actual VAT payments for 2008 and the balances disclosed in the general ledger (FMIS). Refer to Appendix 3.3 for details.

Recommendations

- **The Office should review its VAT records and reconciliations and provide explanations for the variances.**
- **Supervisory checks on the preparation of VAT Returns should be improved to ensure that balances reflected in the VAT Returns reconcile with the ledgers.**

Management Comments

We have noted your comments but allow us time to reconcile our records and advise you later.

⁵ Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)
Office of the Attorney General and Public Enterprise

3.10 VAT Paid on Seg 1 & 2

VAT is not to be levied on SEG 1 and SEG 2. The amount allocated in SEG 13 in the respective Ministries and Departments in 2008 budget is for payment of VAT on SGE's 3, 4, 5, 7, 8 and 9 only.⁶

Our review of the VAT Returns and accompanying records revealed that VAT was paid on Seg 1 and Seg 2 Expenditures from January to May 2008, contrary to Finance Circular no 4/2008. Refer to the table below for details:

VAT PAID ON SEG 1 & 2						
SEG	January \$	February \$	March \$	April \$	May \$	Total \$
1	15,065.72	12,564.92	8,332.33	6,266.70	12,374.86	54,604.53
2	2,054.62	1,602.24	1,794.26	1,500.70	1,484.26	8,436.08
Total	17,120.34	14,167.16	10,126.59	7,767.40	13,859.12	63,040.61
VAT	1,902.26	1,574.13	1,125.18	863.04	1,539.90	7,004.51

The payment of VAT on Seg 1 and Seg 2 has resulted in overpayment of VAT by \$7,004.51.

Recommendation

The Department should reconcile its VAT records and ensure that overpayment is recovered.

Management Comments

The above is now being reconciled and a confirmation of the amount paid, the department shall make the necessary adjustments to GL, submit amended and correct returns to and request for refunds due from FIRCA. The department should reconcile its VAT records and ensure that overpayment is recovered

3.11 Deemed to Resign Cases

If within seven days of the beginning of the absence, the employee does not tell the Commission the reason for the absence and the expected date of his or her return to duty, the employee is taken to have resigned from the public service and forfeits all rights and entitlements in relation to the employee's public service employment.⁷

From review of personal files, it was noted that a number of officers were deemed to have resigned for failing to resume work after their annual leave abroad. Refer below for examples:

- Rajka Prasad, Principal Administrative Officer took 33 days of annual leave and went abroad. He requested for leave without pay which was approved by the Public Service Commission. He failed to resume duties on 2/1/09.
- Senior Secretary Vani Leakai took 42 days of consecutive long service leave effective from 4/3/08 and was due to resume duties on 15/4/08. Since she was abroad, she requested for one month leave without pay (LWP) which was approved on the condition that she commenced work on 15/5/08. However, the officer again requested for another 12 months extension from 15/5/09 but the Public Service Commission disapproved the request and she was deemed to have resigned. She was terminated from employment on 2/05/08.
- Principal Legal Officer Zulfikar Khan took 45.5 days of unauthorised leave in 2007, with a monetary value of \$5,401.57. The details are listed below:
 - 40.5 consecutive days of unauthorised absence from office;

⁶ Finance Circular No 4/2008 of 11/03/08

⁷ PSC Regulation 1999 s.20(3)

- 3 days of sick leave without approval; and
- 2 days of bereavement leave without approval.

In 2008, the officer was absent from duty from 12/05/08 without informing management and was considered to be a deemed to resign case with effect from 06/06/08

Audit also noted that Verenaisi Bavadra, a Senior Librarian, resigned on 26/09/09, the same day she handed in her resignation. Since she did not give the mandatory 3 months notice, the Department was not able to recover the sum of \$1,947.60 from her salary. Despite being issued various reminders, the officer failed to make any repayment. Discussions with the Principal Accounts Officer revealed that the case would be referred to the Small Claims Tribunal for recovery.

The above findings indicate that there is a poor control over the administration of leave and recoveries of overpayments of salaries. The implications of taking extended leave as well as unauthorised leave is that there would be a backlog in the officers' work and required outputs are not delivered on time.

Recommendations

- **The Principal Administrative Officer should promptly notify management whenever an officer takes unauthorised leave so that appropriate actions could be taken on a timely basis.**
- **The Office should ensure that any overpayments of salaries are recovered from an officer before resigning from the service.**

Management Comments

As for Vani Leakai, we had approved for her leave and also requested for overseas leave which was approved by PSC on the grounds that she resume work on the date mentioned. When she was still in the U.S. she requested for further extension which was not granted. We indicated to her to take heed of the date of resumption but she stayed on in the U.S. and is still there since. The officer was deemed to have resigned as she had been absent for more than the required seven (7) days.

The same goes for Mr. Rajka Prasad. He had taken his wife to Canada for health treatment as she was sick. We granted a six months extension to his leave without pay when he produced medical evidence that his wife was undergoing further medical examination and observation. We then informed the officer that any further extension will not be granted and he had to resume duty on the date stated to him. We did not hear again from him and know for a fact that he is residing in Canada. He was also terminated on the ground of deemed to have resigned.

We had granted both on this instances in good faith and on the understanding that they that they would return. All the others who were granted the same have returned except for the above.

As for Verenaisi Bavadra, she submitted her letter for resignation on the day she left the office. She has resumed with the South Pacific Community and we have written to her on numerous occasions about her dues and she has promised to pay. But so far, nothing has been paid by the officer. We have in fact written to her current workplace and still has not made any payment. Our next step is to go through the Small Claims Tribunal and is currently pursuing that now. We hope that this course of action will ensure her prompt payment.

As for Zulfikar Sahu Khan, he just disappeared from the office without any information. We visited him twice at his home but had changed his address and he was staying at another location. He was away for more than seven days without any explanation, and we gave him a few more days but he continued to stay away. We also terminated his services on the ground of deemed resignation because of his absence. We have written to him concerning his dues and we are still waiting for his response

3.12 Payment of Unauthorised Bills

Ministries/Departments must prepare formal contracts for all consultancy engagements. The draft consultancy contracts must be vetted by the Solicitor General to ensure that Government's interest is protected. The contract must clearly outline the terms and conditions of the consultancy and must be endorsed by the organisation and the Consultant.⁸

The Queens Councils hired to defend the government in the case against the former Prime Minister Laisenia Qarase were accommodated at Valenitadra Homestays in Tamavua.

Review of payment vouchers revealed that a payment made to Valenitadra Homestays for \$18,764.59 included a sum of \$1,207.20 which was for the purchases of liquor, which is an expense not covered in the consultants' contracts.

The above implies that expenditures incurred by consultants are not thoroughly scrutinised before payments are processed.

Recommendations

- **The Accounts Officer should ensure that only authorized expenditures are processed for payments and that expenditures not covered in the contracts are paid by the consultants.**
- **All payments already made by the Office with regards to expenses incurred by consultants should be reviewed and any unauthorized expenditures already paid recovered from the relevant consultants.**

Management Comments

We have noted your concern. The initial bill of \$20,060.69 sent by Valenitadra homestay was reduced to \$18,764.59 after we disputed some of the charges which should have been debited to the consultants.

We had also sought clarification on some of the charges you had identified but was confirmed to be the appetiser in the meals served

3.13 Stocktake of Fixed Assets & Expendable Items

The Principal Accounts Officer shall nominate two stocktake officers to undertake an annual stocktake of fixed assets and expendable items at a specified date.⁹

Audit noted that the Office has not undertaken a stocktake of its fixed assets since 2005. Review of the expendable ledger indicated that some items were missing and some items purchased were not accounted for in the register. A stocktake of flash drives (USB) revealed that twelve flash drives were not accounted for. Refer to appendix 3.2.

The officer in charge stated that she might have issued four flash drives to the Lautoka Office but she failed to produce any evidence.

A total of four laptops and ten desktops purchased in 2008 have not been recorded in the Fixed Assets Register. If the computers and laptops are misplaced or damaged, it would be difficult to identify officers to be accountable if details are not recorded in the Fixed Assets Register.

Without the annual stocktake and updating of the Fixed Assets Register, audit cannot place any reliance on the Statement of Losses provided by the Office in its Agency Financial Statement.

⁸ PSC Circular 23/2001

⁹ Finance Manual 11(4)

Recommendations

- **A stocktake should be conducted on an annual basis to determine whether there are any variances between the recorded number assets and value to what is actually in stock.**
- **The officer in charge should also ensure that all items purchased throughout the year are recorded in the Fixed Assets Register on a timely basis.**

Management Comments

Your concern on the annual board of survey has been noted. A three member team has now been appointed to carry out board of survey for 2008. We also wish to dispute the issue of the unaccounted flash drives and unrecorded laptops and desktops purchased in 2008. Despite not up to date with our board of survey, we confirm that our records are properly maintained and that they were verified to be updated and correct by the Audit supervisor prior to the tabling of this report.

Appendix 3.1: Statement of Output Costs for 2008

Portfolio Leadership Policy Advise and Secretariat Support

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	1,251,384	1,290,360
Unestablished Staff	98,160	53,090
Travel & Communication	79,311	87,120
Maintenance & Operations	135,112	104,859
Purchase of Goods & Services	967,906	685,173
Operating Grants & Transfers	2,234,492	393,257
Special Expenditure	982,381	1,385,457
Total Operating Costs	5,748,746	3,999,316
Capital Expenditure		
Capital Construction	7,855	-
Capital Purchases	90,217	-
Capital Grants & Transfers	0	-
Total Capital Expenditure	98,072	-
Value Added Tax	354,029	446,243
TOTAL EXPENDITURE	6,200,847	4,445,559

Consulting Services – Litigation & Advisory, Legislative Drafting, Legal Reform

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	250,277	258,071
Unestablished Staff	19,632	10,617
Travel & Communication	15,862	17,424
Maintenance & Operations	27,022	20,971
Purchase of Goods & Services	193,581	137,034
Operating Grants & Transfers	446,898	78,651
Special Expenditure	196,476	277,091
Total Operating Costs	1,149,748	799,859
Capital Expenditure		
Capital Construction	1,571	-
Capital Purchases	18,043	-
Capital Grants & Transfers	0	-
Total Capital Expenditure	19,614	-
Value Added Tax	70,806	89,249
TOTAL EXPENDITURE	1,240,168	889,108

Consulting Services Legal Aid

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	166,852	172,048
Unestablished Staff	13,088	7,079
Travel & Communication	10,575	11,616
Maintenance & Operations	18,015	13,981
Purchase of Goods & Services	129,054	91,358
Operating Grants & Transfers	297,932	52,434
Special Expenditure	130,984	184,726
Total Operating Costs	766,499	533,242
Capital Expenditure		
Capital Construction	1,047	-
Capital Purchases	12,029	-
Capital Grants & Transfers	0	-
Total Capital Expenditure	13,076	-
Value Added Tax	47,204	59,499
TOTAL EXPENDITURE	826,780	592,741

Licensing, Compliance and Monitoring

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	490,782	0
Unestablished Staff	27,294	0
Travel & Communication	34,534	0
Maintenance & Operations	50,142	0
Purchase of Goods & Services	33,515	0
Operating Grants & Transfers	0	0
Special Expenditure	0	0
Total Operating Costs	636,267	0
Capital Expenditure		
Capital Construction	0	0
Capital Purchases	0	0
Capital Grants & Transfers	0	0
Total Capital Expenditure	0	0
Value Added Tax	24,008	0
TOTAL EXPENDITURE	660,275	0

Appendix 3.2: Flash Drives

Item	No. Purchased	No. Issued	No. in Storage	Unaccounted
USB 2GB	10	1	8	1
USB 1GB	25	10	4	11
TOTAL	35	11	12	12

Appendix 3.3: VAT Reconciliation**Office of the Attorney General**

Variance between the taxable supplies as per VAT Return and the total income/expenditure as per the Statement of Receipts and Expenditure:

Details	\$
Total income/expenditure as per Statement of Receipts and Expenditure	8,260,258
Less: Expenditure not subject to VAT– SEG 1, 2 & 6	5,296,791
	2,963,467
Less: Total taxable supplies as per VAT Returns	3,180,553
Un-reconciled variance	(217,085.68)

Variance between actual VAT payments for 2008 and the balances disclosed in the general ledger (FMIS):

Details	\$
VAT payments (VAT payments to FIRCA and VAT Input) as per Statement of Receipts and Expenditure	472,038
VAT payments (VAT payments to FIRCA and VAT Input) as per VAT Returns for 2007	492,240
Un-reconciled variance	(20,202)

Public Enterprise

Variance between the taxable supplies as per VAT Return and the total income/expenditure as per the Statement of Receipts and Expenditure:

Details	\$
Total income/expenditure as per Statement of Receipts and Expenditure	660,275
Less: Expenditure not subject to VAT– SEG 1 &	455,036
	205,239
Less: Total taxable supplies as per VAT Returns	234,606
Un-reconciled variance	(29,366)

Variance between actual VAT payments for 2008 and the balances disclosed in the general ledger (FMIS):

Details	\$
VAT payments (VAT payments to FIRCA and VAT Input) as per Statement of Receipts and Expenditure	24,008
VAT payments (VAT payments to FIRCA and VAT Input) as per VAT Returns for 2007	26,067
Un-reconciled variance	(2,059)

Section 4**Ministry of Finance****Role and Responsibilities**

The Ministry is responsible for formulating and implementing fiscal, financial and monetary policies. Its main functions are the collection and disbursement of public revenue, raising and repayment of loans, and developments of economic policies. It also provides various services to other departments, which include provision of printing and stationery services by the Government Printer, procurement and processing of supplies through Government Supplies Department. Also coming under the ambit of the Ministry of Finance are the several statutory bodies, namely, the Reserve Bank of Fiji, the Fiji Development Bank, the Colonial National Bank, the Fiji National Provident Fund and the Unit Trust of Fiji.

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CONSOLIDATED FINANCIAL STATEMENT

4.1 Audit Opinion

The audit of the 2008 accounts of the Ministry of Finance resulted in the issue of a qualified audit report.

The qualifications are as follows.

- a) The amounts reflected in the Statement of Output Costs have been estimated as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management Information Systems (FMIS) of government. It is not possible therefore to determine the accuracy of the expenditures incurred by the Ministry under each of the eleven outputs.
- b) Unsubstantiated adjustments totalling \$9.9 million debit postings and \$15.3 credit postings were made in the Equity account.
- c) The Ministry did not produce a Stock Certificate for Government Supplies (\$4.5m) and Printing and Stationery Department's (\$2.1m) finished goods valued at \$6.6 million as at 31/12/08.

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

- (i) The accuracy of the Statement of Losses (Schedule 11) cannot be determined as only one Board of Survey was carried out on one of the six departments of the Ministry.

- (ii) The closing balances of Revolving Fund Account – Miscellaneous, Operating Trust Fund Account and Arrears of Revenue are not reflected in the Agency's Financial Statement.
- (iii) The Appropriation Statement on Schedule 5 does not include budgets for Head 50 Miscellaneous Services [\$38.0 million]; Head 51 Pensions, Gratuities and Compassionate Allowances [\$35.5 million] and Head 52 Charges on Accounts of Public Debt [\$428 million].
- (iv) Bank accounts balances totalling \$1 million for Overseas Missions and Agencies recorded under Head 4 (Ministry of Finance) in the general ledger have not been reconciled nor confirmed by the relevant overseas banks.

4.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$1,711,577,278 and incurred a total expenditure of \$83,155,307 in 2008.

TABLE 4.1: STATEMENT OF RECEIPTS AND EXPENDITURE IN 2008

Description	2008 \$	2007 \$
RECEIPTS		
State Revenue		
Operating Revenue	1,315,039,972	1,264,935,088
Investing Revenue	41,802,155	43,383,007
Borrowing Revenue	345,648,652	118,862,870
Total State Revenue	1,702,490,779	1,427,180,965
Agency Revenue		
Board Member	74,315	29,759
Miscellaneous Revenue	8,832,645	7,915,617
Sale of Photographs	---	19
Sales of Publications	179,539	165,895
Total Agency Revenue	9,086,499	8,111,290
TOTAL REVENUE	1,711,577,278	1,435,292,255
EXPENDITURES		
Operating		
Established staff	10,270,840	11,056,507
Unestablished staff	1,474,895	1,556,345
Travel & communication	1,576,533	1,401,431
Maintenance & Operations	2,959,536	2,361,504
Purchase of goods & services	435,099	886,186
Operating grants & transfers	38,622,144	37,119,298
Special expenditures	2,732,615	6,461,375
Total Operating Costs	58,071,662	60,842,646
Capital Expenditure		
Capital Construction	2,099,999	1,685,916
Capital Purchases	4,906,838	6,057,942
Capital Grants & Transfers	16,588,303	18,615,550
Total Capital Expenditure	23,595,140	26,359,408
Value Added Tax	1,488,505	2,913,088
TOTAL EXPENDITURES	83,155,307	90,115,142

Total revenue increased by \$276,285,023 or 19% due to increases in operating revenue by \$50,104,884 and borrowing revenue by \$226,785,782 in 2008 compared to 2007. Total expenditure

declined by \$6,959,835 or 8% due to decline in establish staff costs by \$785,667, special expenditure by \$3,728,760, capital purchase by \$1,151,104, capital grants and transfers by \$2,027,247 and VAT by \$1,424,583.

4.3 Statement of Output Costs

The Statement of Output Costs consolidates the 11 outputs prescribed in the Budget Estimates. These are detailed in *Appendix 4.1*.

4.4 Appropriation Statement

The Ministry incurred expenditures totalling \$83,155,307 in 2008 against the budget of \$88,666,900 resulting in a savings of \$5,511,593 or 6%.

Details of expenditures against the budget estimates are provided in Table 4.2.

TABLE 4.2: APPROPRIATION STATEMENT FOR 2008 – HEAD 4

SEG	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry – Over \$	Lapsed Appropriation \$
1	Established Staff	13,000,400	(843,400)	12,157,000	10,270,840	---	1,886,160
2	Unestablished Staff	1,526,200	35,730	1,561,930	1,474,895	---	87,035
3	Travel & Communication	1,801,400	(115,179)	1,686,221	1,576,533	---	109,688
4	Maintenance & Operations	2,713,700	740,770	3,454,470	2,959,536	---	494,934
5	Purchase of Goods & Services	769,600	23,900	793,500	435,099	---	358,401
6	Operating Grants & Transfers	38,122,400	507,000	38,629,400	38,622,144	---	7,256
7	Special Expenditure	3,264,800	(114,000)	3,150,800	2,732,615	---	418,185
	Total Operating Costs	61,198,500	234,821	61,433,321	58,071,662	---	3,361,659
8	Capital Construction	2,100,000	---	2,100,000	2,099,999	---	1
9	Capital Purchases	4,987,000	626,133	5,613,133	4,906,838	---	706,295
10	Capital Grants and Transfers	20,000,000	(2,474,021)	17,525,979	16,588,303	---	937,676
	Total Capital Expenditure	27,087,000	(1,847,888)	25,239,112	23,595,140	---	1,643,972
13	Value Added Tax	1,954,700	39,767	1,994,467	1,488,505	---	505,962
	TOTAL EXPENDITURE	90,240,200	(1,573,300)	88,666,900	83,155,307	---	5,511,593

The Ministry approved the transfer of funds totalling \$1,573,300 (out) and \$796,022 (in) of Head 4 and Head 50 respectively. The additional Appropriation of \$570,000 from the Lending Fund Account to the Operating Fund Account was vired into Head 50.

The Appropriation Statements for Heads 50 *Miscellaneous Services*, 51 *Pensions, Gratuities and Compassionate Allowances*, 52 *Charges on Account of Public Debt* were not provided for audit.

4.5 Statement of Losses

The Ministry of Finance recorded no losses in 2008. However, following the annual Board of Survey for the Ministry alone, assets totalling \$31,277.50 was written off as per table 4.3 below:

TABLE 4.3: ASSETS WRITTEN OFF IN 2008

Section	BOS No.	Amount \$	Date Approved	Item
FMIS	18/11/08	199.00	13/11/08	Urn
GM858	49/11/08	130.50	02/12/08	1 Set Pioneer Speaker – Car
Payment Section	50/11/08	2,500.00	02/12/08	IBM Computer
Debt Unit	108/10/08	2,500.00	23/10/08	IBM Computer
Debt Unit	106/11/08	2,300.00	23/10/08	HP7540 Computer
Inspection	01/09/08	13,300.00	15/09/08	Photocopier
Debt Unit	35/05/08	950.00	12/05/08	HP Laserjet2200 Printer
Admin - PS	10/02/08	199.00	26/02/08	Vodafone
Training Unit	11/02/08	499.00	26/02/08	Printer
DSF (B)	23/02/08	4,200.00	04/03/08	Laptop
Budget	24/02/08	4,500.00	04/03/08	Laptop
Total		31,277.50		

The Departments under the Ministry's portfolio that did not submit Statement of Losses include: Government Procurement Office, Government Printing & Stationery Department, Bureau of Statistics, ITC, and National Planning Office.

4.6 Manufacturing Account – Trading & Manufacturing Activity

Description	31 December 2008 \$	31 December 2007 \$
Raw Materials (01/01/08)	1,146,339	1,068,315
Add: Purchases	12,443,558	10,059,066
	13,589,897	11,127,381
Less: Raw Materials (31/12/08)	1,085,150	1,053,545
Raw Materials Used	12,504,747	10,073,836
Add: Work in Progress (01/01/08)	---	---
Direct Costs	8,826,356	6,508,919
Direct Labour	627,365	468,751
Less: Work in Progress (31/12/08)	---	---
Cost of Manufactured Goods Transferred to Trading A/C	21,958,468	17,051,506

The Manufacturing Account is a consolidation of Government Printing and Government Procurement Office accounts. The total production costs in 2008 amounted to \$22.0 million, of which \$12.5m or 57% was for raw materials, \$8.8m or 40% for direct costs and \$0.6m for direct labour.

4.7 Trading Account – Trading & Manufacturing Activity

Description	31 December 2008 \$	31 December 2007 \$
Sales	14,024,071	12,871,190
Stock of Finished Goods (01/01/08)	7,186,360	7,798,765
Add: Cost of Manufactured Goods	21,958,468	17,051,506
	29,144,828	24,850,271
Less: Stock of Finished Goods (31/12/08)	6,614,363	7,186,360
Cost of Finished Goods Sold	22,530,465	17,663,911

Description	31 December 2008 \$	31 December 2007 \$
Gross Loss Transferred to Profit/Loss Account	(8,506,394)	(4,792,721)

The Cost of goods sold amounted to \$22.5m whilst the sales were only \$14.0m, resulting in a gross loss of \$8.5m.

It indicates that the cost of production at the Government Printing and the purchasing costs of the Government Procurement Office operations were excessive, resulting in the loss. There are serious concerns about the efficiency of the operations and the competitiveness of the sources of the raw materials and supplies. These have been raised in previous years audit reports.

4.8 Profit & Loss Statement – Trading & Manufacturing Activity

Description	31 December 2008 \$	31 December 2007 \$
Income		
Gross Loss transferred from Trading Account	(8,506,393)	(4,792,721)
Expenses		
Travel	52,335	74,274
Subsistence	37,711	29,239
Telecommunications	83,271	67,618
Fuel & Oil	86,889	78,243
Office Upkeep & Supplies	46,028	145,473
Repair & Maintenance of Fixed Assets	98,827	158,286
Power Supply	49,114	15,131
Water & Sewerage	49	1,723
Lease & Rent payments	---	107,892
Minor improvement to Fixed Assets	24,580	796
Training Expenses	---	374
Advertising, Promotion & PR	27,656	9,476
Value Added Tax	640,065	69,137
Total Expenses	1,146,525	757,662
Net Loss	(9,652,918)	(5,550,383)

The Profit & Loss Statement shows a Consolidated Net loss of \$9.7 million for the Ministry, after accounting for other expenses totalling \$1.1 million. The major components of expenses include Telecommunications (7%), Fuel & Oil (7.6%), Repair & Maintenance of Fixed Assets (8.6%) and Value Added Tax (55.8%).

4.9 Balance Sheet – Trading & Manufacturing Activity

Description	31 December 2008 \$	31 December 2007 \$
TOTAL EQUITY	15,500,259	15,379,268
Current Assets		
Bank	5,319,283	3,613,012
Inventories	7,699,514	9,197,784
Inventory Clearing Account	21,040	865,084

Description	31 December 2008 \$	31 December 2007 \$
Accounts Receivable	2,460,422	1,703,388
NET ASSETS	15,500,259	15,379,268

The Consolidated Net Assets of the Ministry amounts to \$15.5 million.

4.10 Trust Account Statement of Receipts and Payments

Description	31 December 2008 \$	31 December 2007 \$
Opening Balance	11,218,546	10,766,346
Receipts		
Receipts from Performance Bonds	154,540	22,641
Trust Receipts	340,997	5,821,571
Total Receipts	495,537	5,844,212
Payments		
Payments of Performance Bonds	346,895	185,772
Trust Payments	10,738,309	5,206,240
Total Payments	11,085,204	5,392,012
Closing Balance	628,879	11,218,546

The total trust fund for the Ministry has decreased by \$10,589,667 or 94% from \$11,218,546 in 2007 to \$628,879 in 2008.

AUDIT FINDINGS

MINISTRY OF FINANCE

4.11 Payroll

4.11.1 FNPF Reconciliation

Every employer shall pay to the Fund in respect of each of his employees, in every month during which such employee is employed by him and in the month following the termination of such employment, a contribution calculated upon the amount of wages payable to such employee by such employer for the preceding month at the appropriate rates.¹

The current rate of contribution is 16 cents on every dollar earned, with the employer and employee each contributing 8 cents.

The Ministry failed to prepare its annual as well as monthly FNPF reconciliations in the prescribed format despite this issue been previously raised in the Agency Financial Statement audit in 2007. The

¹ Chapter 219 – Fiji National Provident Fund – Section 13 (1)
Ministry of Finance

reconciliation ensures that FNPF of all staff of the Ministry is correctly paid to the Fiji National Provident Fund. Refer to the *Appendix 4.2* for the format of the FNPF reconciliation.

Verification of the records revealed that the Ministry is actually reconciling the FNPF Trust Fund account which is different from the FNPF Reconciliation. The former compares the FNPF payments against the system similar of any other trust fund reconciliation where as the later ensures that FNPF on the total salaries and wages are properly accounted for and are correctly paid to FNPF Superannuation Fund during the year.

The above finding indicates laxity by the Account Section of the Ministry to take heed of the recommendations raised in the 2007 Agency Financial Statement audit report in the preparation of the FNPF reconciliation. It also clearly indicated ineffective controls and lack of supervisory checks preformed by senior staffs of the Ministry in the Payroll Section.

Recommendation

The Ministry should ensure that monthly FNPF reconciliations are prepared and supervisory checks preformed in order to ensure that FNPF is correctly accounted for and paid to the Fund.

Ministry's Comments

Our copy of the 2007 Annual Financial Statement audit comment does not have the prescribed format, or the suggestion of its use. The current format being used ensures that the correct amounts are paid. However, we will be willing to change to the new format after further consultation with officers from the Auditor General.

4.12 Non - Payroll

4.12.1 Payment of Fiji Sports Council's Loan

Cabinet agreed that:

- Government repay Fiji Sports Council's loan from the FNPF, with an amount of around \$321,000 to be paid as instalment due for 2005, and a budget submission by the Ministry of Youth, Employment Opportunities and Sports to the Ministry of Finance and National Planning on budgetary allocation for FNPF repayment beginning 2006 until 2014; and
- A loan agreement between the Council and Government to be drawn up to facilitate repayment by the Council of the total sum paid by Government to FNPF, consistent with the Financial Management Act, 2004.²

The Government of Fiji provided guarantee over the loan taken by Fiji Sports Council from Fiji National Provident Fund (FNPF) for the development of Lawaqa Park. The loan was taken on 01/01/2000 and was to be repaid on an instalment basis from 2001 to 2014. The Council failed to meet its obligation for the repayment of loan hence government as a guarantor has to step in and make payments on their behalf.

It was noted that the Ministry failed to draw up a loan agreement between the Council and Government to facilitate repayment by the Council of the total sum paid by Government to FNPF as required by the Cabinet Decision on 30/08/05. According to the listing provided, the total repayment

² Cabinet Decision – Extract from Minutes of Meeting held on Tuesday 30th August 2005 – CP (05) 320.

made by the Government as at 1st half of 2008 amounted to \$2,118,755.65 and is expected to pay another \$2,316,563.88 till 2014. Refer to the Tables 4.4 and 4.5 below for the details.

TABLE 4.4: REPAYMENT BY GOVERNMENT FOR LAWAQA PARK LOAN FROM 2001 TO 2008

Year	Particulars	Amount \$
2001	Government Cheque No. 36408 of 27/07/01.	364,033.33
2002	FNPF Receipts No. 575726 of 28/06/02.	124,038.79
	FNPF Receipts No. 575729 of 28/06/02.	60,384.72
	FNPF Receipts No. 584465 of 14/08/02.	115,247.69
	FNPF Receipts No. 584466 of 14/08/02.	62,951.07
2003	FNPF acknowledgement of Receipt.	178,198.76
2005	Government Cheque No. 3280 of 15/07/05.	321,870.03
2006	Government Cheque No. 173540 of 01/02/06.	178,198.76
	Government Cheque No. 394691 of 25/08/06.	179,236.22
2007	Government Cheque No. 396984 of 31/01/07.	178,198.76
	Government Cheque No. 397751 of 31/07/07.	178,198.76
2008	Government Cheque No. 398203 of 31/01/08.	178,198.76
Total		2,118,755.65

TABLE 4.5: REPAYMENT YET TO BE MADE BY GOVERNMENT FOR LAWAQA PARK LOAN FROM 2008 TO 2014

Year	Amount \$
2008	178,198.76 2 nd half payment.
2009	356,397.52
2010	356,397.52
2011	356,397.52
2012	356,397.52
2013	356,397.52
2014	356,397.52
Total	2,316,583.88

It is the responsibility of the Ministry to liaise with Fiji Sports Council in order to draw up an agreement to ensure that the integrity of the loan provided is not jeopardised.

Recommendation

The Ministry should ensure that a loan agreement between Government and Fiji Sports Council is drawn in order to facilitate payments.

Ministry's Comments

The guaranteed agreement and the deed clearly specifies that if Government intervenes and pays FNPF, it should be treated as a loan that FSC must repay back upon clearance of the loan with FNPF.

4.12.2 Payment of Rewa Rice Limited loan

The Minister may, on behalf of the State, make loans of public money from the Consolidated Fund on such terms and conditions as the Minister thinks fit and whether within or outside the Fiji Islands.³ A

³ Financial Management Act 2004, Section 61(1)

loan of public money under this section can only be made in accordance with an appropriation of the money concerned.⁴ A loan of public money under this section or under any other Act must be evidenced by an instrument signed by the Minister.⁵

The Government as a guarantor paid \$1.9 million loan on behalf of Rewa Rice Limited who failed to meet its obligation on time to Reserve Bank of Fiji on 9th June, 1998. The payment of loan on behalf of Rewa Rice Limited was made without an agreement between the Government and Rewa Rice Limited for its repayment and the amount of \$1.9 million is still appearing in the PSF's Advance Account.

It is the responsibility of the Ministry to liaise with Rewa Rice Limited in order to draw up an agreement to ensure that the integrity of the loan provided is not jeopardised.

The above findings resulted mainly from the lack of or poor coordination and communication between Ministry of Finance and Rewa Rice Limited regarding the drawing up of the loan agreement. It also clearly indicated ineffective controls and lack of supervisory checks in the Debt Collection Unit.

Recommendations

- **The Ministry should ensure that a loan agreement between Government and Rewa Rice Limited is drawn in order to facilitate repayments.**
- **The internal control procedures in the Debt Collection Unit, specifically supervisory checks should be strengthened to avoid such discrepancies.**

Ministry's Comments

An agreement has been put in place with RRL Board of Directors with the Ministry of Public Enterprise to commence repayment in 2010. Recommendation is noted.

4.13 Revenue

4.13.1 LTA Fees

All revenue earned by Land Transport Authority is to be paid to Government (Consolidated Fund Account) from 2008. This includes fines collected from Traffic Infringement Notices.⁶

Verification of the revenue earned from LTA fees revealed differences in the Ministry's GL balance as compared to LTA figures. LTA prepares a cash listing on a daily basis that is summarized on a monthly basis and is submitted to Ministry of Finance. Ministry of Finance from the bank statements enters the revenue collected into the system without verifying them from the cash listing resulting in the differences noted in the Table 4.6 below.

TABLE 4.6: VARIANCE BETWEEN GL AND LTA BALANCE

Month	GL Balance \$	LTA Balance \$	Variance \$
January	1,405,642.15	1,486,678.57	(81,036.42)
February	1,662,725.92	1,593,075.71	69,650.21
March	1,502,456.42	1,493,696.01	8,760.41

⁴ Financial Management Act 2004, Section 61(2)

⁵ Financial Management Act 2004, Section 61(3)

⁶ Cabinet Decision No. 457 of 9th October 2007

Month	GL Balance \$	LTA Balance \$	Variance \$
April	1,521,561.85	1,503,451.34	18,110.51
May	1,559,329.70	1,564,382.22	(5,052.52)
June	1,774,398.27	1,761,193.69	13,204.58
July	1,750,973.91	1,749,775.85	1,198.06
August	1,726,329.19	1,741,241.15	(14,911.96)
September	1,617,244.43	1,524,139.15	93,105.28
October	1,388,152.55	1,477,925.19	(89,772.64)
November	1,453,501.36	1,400,952.19	52,549.17
December	1,719,424.93	1,699,251.39	20,173.54
Total	19,081,740.68	18,995,762.46	85,978.22

In addition, LTA does not submit reconciliations for the aggregate revenue collected.

The discrepancy highlighted above indicated the absence of supervisory checks in the monitoring of revenue collected by LTA. Any deviation from established procedures increases the risk of loss of revenue through theft and misappropriation of funds.

Recommendation

Proper reconciliations should be carried out to determine the revenue collected by LTA.

Ministry's Comments

Upon receipt of the bank statement, Treasury posts the amounts into the GL account for LTA. Our source document is the bank statement which shows the actual cash deposited by LTA. Any variation should be addressed by LTA. This will be further discussed with LTA given the limited powers of Internal Audit and Treasury to audit their accounts.

4.13.2 Departure Tax

CAAFI, AFL and Government will share passenger service charges with Government to be compensated for providing Immigration and Customs services.⁷ The tax shall be paid as follows: twenty-five dollars to be paid directly to the Consolidated Fund; five dollars to be paid directly to Airports Fiji Limited; and ten dollars to be paid directly to the Authority.⁸

AFL collects the departure tax from the airlines and remits it to the government. Audit inspection of the Departure tax file maintained by the registry section revealed that the disbursements made by AFL to the government are not supported by information such as the number of departing passengers per airline. This is a vital data which can be used to substantiate the amount of tax that is collected by the respective airlines on behalf of government.

The Ministry has also failed to prepare any summary or analysis for aggregate departure tax revenue collected during the year as they are totally relying on the data produced by AFL. As such all departure tax receipts have been posted into the GL without any validation by the Ministry.

The current system in place can be easily abused as a result of which, the parties sharing departure tax could be denied their rightful revenue. This denotes that the Ministry has not been able to effectively

⁷ Department of Public Enterprise memo dated 17/08/99

⁸ Airport Departure Tax (Amendment) Regulations 2007

carry out its monitoring role to support revenue maximisation for the government. This has been highlighted in previous years audit; however, audit is yet to see any active improvement on this.

Recommendation

The Ministry should ensure that a report is prepared, to indicate the aggregate revenue collected from departure tax, since this revenue collected is of significant monetary value. The Ministry should also ensure that it carries out its independent reconciliation/verification of its 25% share of departure tax paid by AFL.

Ministry's Comments

Upon receipt of the bank statement, Treasury posts the amounts into the GL account for AFL. Our source document is the bank statement which shows the actual cash deposited by AFL. Any variation should be addressed by AFL. This will be further discussed with AFL given the limited powers of Internal Audit and Treasury to audit their accounts.

4.14 Internal Audit

4.14.1 Outstanding Audit

The Key Output Areas identifies the outcomes that the ministry will achieve through the various decisions and departments, its Performance Measures and the Targets for 2008. This excludes other critical sub output and processors that will facilitate the achievement of the Key Output Areas. The target timelines for the completion of all audits of the provision of regulatory audit to ministries and departments is December 31st 2008. For the provision of special investigation, the target timeline is three (3) months after each special audit. This includes the submission of timely, quality and reliable report to the audit committee.⁹

Verification of the number of audits completed by the internal audit unit within Ministry of Finance revealed a number of outstanding audits in its Annual Work Plan. These include two outstanding audits for Team West, three for Team North and sixteen in Special Investigations. Refer to *Appendix 4.3* for details.

Ineffective supervision could be a contributing factor towards the Internal Audit Division failure to meet its deadline. It also increases the risk of theft and misappropriations in the critical areas which might not be detected without any audit works performed and may have adverse effect on the revenue and expenditure of the government for a given period of time.

Recommendation

The Division should ensure that proper planning is carried out and the work plan is executed with appropriate supervision to ensure the achievement of targeted outputs.

Ministry's Comments

Team North and West were involved in the special investigation thus the reason why they were not able to complete the Audit assigned for the year. All complains received were registered in the Special Investigation register and each case are dealt with when staffs are available.

⁹ Annual Corporate Plan for the Financial Year ending 31st December 2008, Section 5.0.

Total case registered: - 38
Investigated : - 22
Pending : - 16

Special investigations allocated to Team West/North were urgently required by Ministry of Finance.

Shortage of Staffs in the Unit is also a contributing factor to targets not achieved.

4.15 Financial Management Reform

4.15.1 Delayed Adoption of IPSAS

The whole of government financial statements required to be included in the whole of government annual report for a financial year must include a statement of financial position, a statement of financial performance, a statement of changes in net assets, a cash flow statement and notes on significant accounting policies, prepared in accordance with international accounting standards relevant to whole of government on an accrual basis.¹⁰

The Finance Instructions may make provision for the adoption of accrual accounting principles, policies and procedures for the whole of government reporting or budget sector agency reporting or both.¹¹

The International Federation of Accountants – Public Sector Committee develops accounting standards for public sector entities referred to as International Public Sector Accounting Standards (IPSAS).

It was previously discussed with the Auditor General that the adoption of IPSAS would be delayed until the financial reporting of 2009 accounts in 2010. Audit noted that there has not been any progress made on the implementation process on the adoption of IPSAS. Information gathered from the Policy Section indicated the lack of initiative on the above matter hence failure by the Ministry to meet its indicated timeframe for the implementation. The delay in implementation of IPSAS was also a contributing factor for the postponement of the implementation of accrual basis accounting in the public sector.

The adoption of IPSAS by government will improve the quality, consistency and comparability of financial reporting under the cash basis of accounting.¹² Given that section 26 of the Financial Management Act requires the move of accounting practices in government from cash basis to accrual, the adoption of Cash Basis IPSAS would ensure a smooth transition.

Despite this issue being highlighted in the previous year's audit memorandums, no attempt has been made to initiate adoption of IPSAS standards into the Agency and Whole of Government financial reports.

Recommendations

- **Policy and guideline preparations for the adoption of Cash Basis IPSAS for the 2009 financial reporting year should be finalized at least by the third quarter this year (2009) to enable communication of the policy and procedures to all Budget Sector Agencies in the last quarter.**

¹⁰ Section 46 (1) Financial Management Act 2004.

¹¹ Section 26 Financial Management Act 2004

¹² Introduction – Cash Basis IPSAS standard

- **The adoption of the Cash Basis IPSAS is foremost the major stepping stone in the move towards accrual accounting.**

Ministry's Comments

The Ministry agrees that OAG had highlighted the need to adopt IPSAS when preparing the WOG accounts. However, it is of the view that we need to improve on the current cash accounting system before attempting to adopt the Cash Basis IPAS. This view is further supported by the PFTAC Assessment Report for the move from Cash to Accrual (August 2009), where it is emphasising that the implementation of a full accrual accounting system should not be attempted until the government's existing cash based system and fixed asset recording system are improved.

For this improvement to take place, there is a need to develop a National Standard for Cash Accounting for Government, which is to be aligned to the Cash Basis IPSAS as well as the FMA 2004 and the FI 2005. PFTAC has agreed to provide Technical Assistance for the development of this National Standard and work on this is scheduled to commence in November 2009. This standard is targeted to be used in 2010 to 2012, after which, a review will again be done by PFTAC to assess the need to move towards adopting the accrual basis of accounting.

4.15.2 Finance Manual and Finance Instruction not Updated

With the Implementation of the financial management Information System (FMIS) many aspects of the finance manual (2005) and finance instruction are now irrelevant. This is evident through the change from Manual to System generated accounting procedures.

The Finance Manual and Instructions 2005 are the primary guidelines that all the ministries and departments adhere to and are dependent upon in carrying out their every day financial duties. All ministries and departments are online using the Financial Management Information System (FMIS) since August 2008.

Audit noted that the Unit failed to make necessary amendments to the Finance Manual and Instructions 2005 to keep them in line with the FMIS as some part of these current guidelines are contradicting with the Systems processes and approaches that are in use. For example the following stated in the Finance Manual needs to be changed as they are now maintained in the system itself:

- Expenditure and Commitment Ledger stated in section 2 of the Manual.
- Salary and Wages Reconciliation stated in section 4 of the Manual.
- Register for approved loans as now no loan is given to public officers stated in section 10.
- Inter – departmental clearance accounts and cash clearance accounts ledger.

Outdated guidelines can cause confusion among the users and can result in non adherence of the financial policies. This can further lead to irregularities in financial reporting and compliance. The delay in amending the Finance Manual and Instructions 2005 resulted mainly from the lack of or poor coordination and communication between the Unit and the other ministries/ departments.

Recommendation

The Unit should address the shortcomings in Finance Manual and Instructions 2005 by communication and coordinate matters affecting the using of the system and make necessary amendments to the current guidelines in a timely manner.

Ministry's Comments

The FPAU is currently reviewing the FI and FM this year (2009). These amendments will include the process changes that have been brought about by the implementation of the FMIS, as well as the other ad hoc requests.

4.15.3 Chart of Accounts Mapping Errors

In the implementation phase of the Financial Management Information system (FMIS) data from the previous manual system was transferred to the new FMIS system. This process was called mapping.

During the different phases of Implementation of the FMIS system there was no audit carried out by an independent party of the system. There is no concrete proof that the data that has been uploaded during mapping is accurate.

Verification of the Trust account for FNPF Treasury revealed a debit balance of \$71,508.88. This reflects that the ministry has over paid FNPF which in fact may not be the case. Communication with the ministry's senior official's revealed that the cause of this has originated from the switch to FMIS system where outstanding balances by line ministries were all posted to Ministry of Finance.

There could be other instances which reflect on the inaccuracy of data transferred during mapping which is yet to be highlighted. The lack of proper audit and verification of balances being transferred can result in further inaccurate financial reporting.

Recommendations

- **The FMIS Team should ensure that proper audit is carried out by independent officers with adequate skills on a timely basis of the FMIS system.**
- **The Ministry should ensure that a thorough check on the balances are carried out and if necessary adequate adjustment are made to ensure that the reported figures/ balances are correctly disclosed for the decision making processes.**

Ministry's Comments

After the mapping of accounts in 2005, departments and Ministries were given a copy of both reports (old accounts and new accounts) for reconciliation purposes. They (Accountants in each department) were supposed to reconcile each account and come back to FMIS if there are corrections to be done. For those departments that did not come back, we (FMIS) assumed that all their mapped accounts were correct. I suggest that they identify those departments who are facing problems with the mapped balances so we can check our mapped files and make corrections to those accounts.

4.16 Disclosure of Head 50, 51 & 52 in the Appropriation Statement

Each year the Appropriation Act and the Budget estimates set out details of the appropriations that Parliament approves for spending by each Agency.¹³

Amounts of \$46,497,222, \$38,628,200 and \$439,345,100 were appropriated under the 2009 Appropriation Promulgation for the 2008 Budgetary Heads 50-Miscellaneous Services Expenses, 51-Pensions, Gratuities and Compassionate Allowances and 52-Charges on Public Debt Revised Budget respectively.¹⁴

¹³ Finance Instructions 2005 – Section 8

¹⁴ Republic of the Fiji Islands Government Gazette published by authority of the Fiji Government – Volume 8

The Agency Financial Statement for 2008 did not disclose appropriations for Head 50, 51 and 52 in its Appropriation Statement. Refer to Table 4.7 below for details.

TABLE 4.7: NON DISCLOSURE OF HEAD 50, 51 AND 52 IN THE APPROPRIATION STATEMENT

Head	Description	Revised Budget \$	Actual Expenditure \$	% of the budget used during the year
50	Miscellaneous Services	46,497,222	37,994,220	82
51	Pensions, Gratuities and Compassionate Allowances	38,628,200	35,533,054	92
52	Charges on Account of Public Debt	439,345,100	427,984,117	97
Total		524,470,522	501,511,391	96

The expenditures covered under the 3 budgetary heads stated on the table above are outlays on the performances of the main functions of the Ministry of Finance and are also reported in the Statement of Expenditure and revenue of the Agency. The Appropriation Statement has been understated given lack of disclosure and this may have adverse effect on the decision making process in relation to the operations of the Ministry and the government as a whole.

Recommendation

Appropriations and budgetary provisions for Budgetary Heads 50, 51 and 52 should also be included in the Appropriation Statements of the Ministry of Finance Agency Financial Statement.

Ministry's Comments

The recommendation has been noted. Our FMIS unit will now arrange for the inclusion of Heads 50, 51 and 52 in the next report.

4.17 Excess Expenditure after Virement

Chief Accounting Officer shall ensure that as far as possible expenditure incurred during each month of the financial year shall not normally exceed the amount forecast.¹⁵

If an accounting officer, on his own responsibility, incurs expenditure in excess of the amount authorized he shall at once take the necessary steps to submit an application for additional provision through his Chief Accounting Officer to the Minister.¹⁶

Scrutiny of the various Departments expenditure under Head 4 revealed that there were some overspent expenditure accounts despite revising the budget for the year. Details are shown in the Table 4.8 below.

TABLE 4.8: OVER – EXPENDITURE AFTER BUDGET REVISION

DEPARTMENT	ACCOUNT NUMBER	ACTUAL EXPENDITURE (\$)	BUDGET AMOUNT (\$)	AMOUNT OVER SPENT	(%) TO BUDGETED AMOUNT
National Planning Office	4-1-7-13	29,246.03	27,250.00	1,996.03	7.3

¹⁵ Finance Instructions 2005 – Section 19(3)

¹⁶ Finance Instructions 2005 – Section 17

DEPARTMENT	ACCOUNT NUMBER	ACTUAL EXPENDITURE (\$)	BUDGET AMOUNT (\$)	AMOUNT OVER SPENT	(%) TO BUDGETED AMOUNT
Government Printing	4-4-1-2	444,364.53	344,000.00	100,364.53	29.2
Information Technology & Computing Services	4-4-1-1	1,260,353.22	524,700.00	735,653.22	140.2
	5-5-1-2	29,359.16	29,000.00	359.16	1.2
	4-5-1-3	1,149,770.36	1,116,000.00	33,770.36	3.0

There is a lack of or poor communication and coordination between the different sections within the Ministry to properly plan, forecast and budget expenditures for a given period. It also indicates ineffective controls and lack of supervisory checks in the Accounts Section.

The overspending highlighted above further strained the government finances, increased borrowing costs and budget deficits. Fiscal policies and targets of the governments may become unattainable given the increased expenditure.

Recommendations

- **Departments must ensure that monthly expenditure reports submitted by MOF are scrutinized and proper controls are laid to prevent overspending of expenditure.**
- **Disciplinary actions should be considered for the responsible officers**

Ministry's Comments

The departments mentioned in the report will be asked to explain this over expenditure.

4.18 Discrepancies in the Drawings Account Balances

A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who shall inform the bank of the agency officers authorized to operate on it. All bank accounts shall be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.¹⁷

Review of the Drawings account records under Head 4 revealed that the following departments failed to provide their Drawings account reconciliation hence the general ledger balances could not be verified.

TABLE 4.9: FAILURE TO PROVIDE DRAWINGS ACCOUNT RECONCILIATION

Department	Account No.	GL Balance (\$)	Departments Balance (\$)
Salaries	1-04101-04203-530291	(56,602.76)	Not provided
Customs	1-04102-04251-530201	2,139,659.99	Not provided

No proper explanation was provided for the non submission of the above record.

Recommendation

It is the responsibility of the Ministry to ensure that all relevant documents are provided for audit verification.

¹⁷ Finance Instructions 2005 – Section 39 (1) & (5)

Ministry's Comments

The Salaries Drawings Account reconciliation has been submitted. FIRCA was contacted and confirmed that they have been preparing the reconciliation but had not passed to Ministry of Finance. They will be forwarding copies of the said reconciliation to the Ministry.

4.19 Head 50 – Miscellaneous Services**4.19.1 Excess Expenditure incurred under the Banker's Commission and Exchange**

No officer may incur expenditure which results in the agency's appropriation being exceeded.¹⁸

If an accounting officer, on his own responsibility, incurs expenditure in excess of the amount authorized he shall at once take the necessary steps to submit an application for additional provision through his Chief Accounting Officer to the Minister.¹⁹

Verification of the Banker's Commission account revealed that the Ministry has overspent the allocation by \$263,243 after virement for the period ending 31 December 2008. The approved budget for this allocation was \$138,800.

It was noted that the foreign exchange loss incurred from agencies overseas caused the increase in expenditure from \$214,088.33 to \$402,043.13 or 88% when compared to the previous years figure.

The budgetary allocation was not sufficient.

Recommendation

Provisions for the Banker's Commission account should be increased if associated costs are increasing.

Ministry's Comments

A major portion of the amount spent was for the adjustment of bank charges for our overseas missions. Together with officers of the Auditor General, the adjustment was made. We will monitor this vote closely to ensure that sufficient balances are available. As recommended, we will also be seeking an increase in the provision.

4.19.2 Student Loan Scheme Vote

No officer may incur expenditure which results in the agency's appropriation being exceeded.²⁰

An amount of \$1.5m was appropriated in the Budget for the Lending Fund Account. This figure is neither included in the Operating Fund Account nor in the accounts and finances.

During the year the Ministry vired \$20,000 and \$550,000 to Segs 10 and 6 respectively from the Lending Fund Account to the Operating Fund account. These transfers reflect additional appropriation to the Operating Fund Account from the Lending Fund Account.

¹⁸ Finance Instructions 2005 – Section 8

¹⁹ Finance Instructions 2005 – Section 17

²⁰ Finance Instructions Section 8

The audit also noted that the allocation 1-50101-50999-100211 which accommodates the student loan scheme had \$1.5m allocated in the budget but was not reflected in the FMIS and Accounts and Finances. During the year the Ministry debited expenditure totalling \$624,290 into this account resulting in the FMIS showing an over expenditure of the above amount.

Enquiry with the Budget division revealed that the division was aware that an amount of \$1.5m was appropriated for but was not aware that the amount was not included in the accounts and finances of government forming part of the Lending Fund Account.

The failure to reflect an appropriated amount in the FMIS resulted mainly from the lack of or poor coordination and communication between the Budget and FMIS section. It also clearly indicated ineffective controls and lack of supervisory checks in the two divisions within the Ministry.

Recommendations

- **The internal control procedures in the two divisions, specifically supervisory checks should be strengthened to avoid such discrepancies.**
- **The Division Heads must ensure that the staffs are aware of the full accounts activated and loaded by FMIS for expenditures to be rightfully charged to.**

Ministry's Comments

Your comments are noted. The two units largely involved in this (FMIS and Budget) will strengthen their linkage to ensure that the accounts are reflected appropriately.

4.20 Pensions – Head 51

4.20.1 Non – submission of Life Certificates

On non-submission of life certificate, pensioners pay is suspended.²¹ This is a very important declaration form for pensioners.²²

The pension payments for pensioners living in the United Kingdom, United States and London are made through the Crown Agents Banking Limited (CABL). In 2008 a total of £340,000 (pound sterling) or an equivalent of \$1.01m was remitted by the Government of Fiji through the Ministry of Finance for these payments.

Some of the members of the pension scheme who failed to submit their Life Certificates in June 2008 continued to receive pensions contradicting the stated regulation. These life certificates are received through Crown Agents. Refer to the Table 4.10 for details for the month of November payments:

TABLE 4.10: NOVEMBER PAYMENTS FOR PENSIONERS

Pensioner No	Pensioner	Pension Type	Pension Amount (\$)	COLA (\$)	Total Payment (\$)
415017	Ambal S	Widows & Orphans	11.77	187.53	199.30

²¹ Finance Manual Section 19.10.5

²² Finance Manual Section 19.10.6

Pensioner No	Pensioner	Pension Type	Pension Amount (\$)	COLA (\$)	Total Payment (\$)
413542	Bing T	60% pension	452.36	99.64	552.00
106857	Chib CM	60% pension	25.26	450.11	475.37
414446	Gaji PC	Civil	112.30	96.82	209.12
414142	Idris MR	Civil	563.94	591.73	1,155.67
301327	Lal B	60% pension	80.02	97.09	177.11
413353	Lal DW	60% pension	239.18	182.93	422.11
413353	Lal DW	Widows & Orphans	20.12	284.92	305.04
410767	Mohammed LD	Widows & Orphans	12.21	197.61	209.82
403052	Mohammed TM	60% pension	396.92	431.23	828.15
423492	Mohammed ZN	Civil	225.64	433.25	658.89
112605	Prahalad Jagdeo	Civil	639.58	595.99	1,235.57
414004	Prasad ERB	60% pension	447.76	106.37	554.13
414802	Shankar Maharaj	Civil	312.88	549.31	862.19
400346	Singh S R	Civil	602.81	522.29	1,125.10
405119	Subramani N	Civil	259.30	304.71	564.01
106556	Mishra V D	Civil	415.02	2,008.15	2,423.17
100164	Palad E V	Civil	342.12	607.39	949.51
November Total			5,159.19	7,747.07	12,906.26

The total payments made for the next four months after August without Life Certificate amounted \$51,625.04.

Discussion with the Accounts Officer revealed that it takes time for the Ministry to stop the payments for the non – submission of life certificates.

In addition some members who have submitted their Life Certificate were not paid their pensions during the period. Refer to the Table 4.11 for examples:

TABLE 4.11: UNPAID MEMBERS WHO SUBMITTED LIFE CERTIFICATES

Reference No.	Surname	Initials	Remarks	November Payments
420164	Sadhu	LN	Returned	No Payments made
407637	Sharma	LW	Returned	No Payments made
403111	Susilavati	MISS	Returned	No Payments made

Every year Fiji Government remits more than a million dollars for payments of these pensioners. It is imperative that the Ministry adopt measures to prevent any breach of the rules and regulations as it will be difficult for the Ministry to recover any overpayment of pension made.

The payments made without following proper procedures resulted mainly from lack of or poor coordination and communication between the Ministry and the Crown Agent. It also clearly indicated ineffective controls and lack of supervisory checks over the payments made.

Recommendations

- **The Life Certificates Listings submitted by Crown Agents must be reconciled to the payments listings of the previous month and payments must cease for members who fail to comply with the Finance Manual 19.10.5.**

- **Members who have submitted their Life Certificates through Crown Agents must be reconciled to the payments to ensure that payments continue for those members.**
- **The internal control procedures especially supervisory checks should be strengthened to avoid such discrepancies.**

Ministry's Comments

1. *Crown Agents Bank sends a payment schedule every month which is reconciled with a Payment Schedule spreadsheet that is kept at Pension Office. Life Certificate listings is also sent [emailed] to be reconciled with the monthly schedule. Should there be any other deletions and additions on the schedule; a query is sent [emailed] to Crown Agents Bank for their clarification.*
2. *Comments on the three instances stated in the report is tabulated below:*

Reference No.	Surname	Initials	Remarks	November Payments	Comments
420164	Sadhu	LN	Returned	No Payments made	Payments on this pensioner was shown on the schedule for November 2008. This pensioner receives Civil, 60% and W/O pensions. The full name for this pensioner is Sadhu Lila Wati.
407637	Sharma	LW	Returned	No Payments made	This pensioner passed away on 22/08/08 and was deleted in September pay 2008.
403111	Susilavati	MISS	Returned	No Payments made	Payment was normal but was registered under a different Ref. No. 103111. The Ref. No. for this pensioner is 403111. Correction has been made.

3. *Internal Control measures are strictly adhered to by Pension Office and Crown Agents Bank. The procedure that is carried out for locally paid pensioners is also being done at Crown Agents Bank. Deletion will only be done if Life Certificate form is not received. Re-Activation only when form is received.*

4.20.2 Discrepancies in the Pension records

The responsible authority for a budget sector agency is responsible for the effective, efficient and economical management of the agency and the maintenance of effective system of internal control for money and property.²³

Pensioners residing in the United Kingdom (UK), United States of America (USA) and Canada are paid their pension funds through the Crown Agents.²⁴

²³ Financial Management Act 2004, Section 28(1)(a)(g)

²⁴ Section 19.8.5 of Ministry of Finance Manual 2005

The Payroll system plays an important role in the maintenance and proper control of pension payments. It also keeps available all relevant details relating to the records and fields of civil pensioners, 60% pensioners, widows and orphans and members of the war pensions. Recently, the role of the system has been expanded to include the New Zealand and the Australian pensioners.

Scrutiny of the pension registers revealed that some of the pensioner's names appearing in the register are not in the system records. The payroll system fails to disclose any relevant information in regard to these pensioners. Refer to the *Appendix 4.4* for details.

Despite the high amounts paid over the past years, audit noted that a formal agreement between the Government of Fiji and the Crown Agents Bank to facilitate the payments is not signed by CABL.

In addition the Date of Birth (DOB) for most of the pensioner's living in the USA, UK and London are not stated in the list provided by Crown Agent. This provides useful information for the continuity of payments to the pensioner's.

The findings noted above indicate ineffective controls and lack of supervisory checks in the maintenance of pensioner's data.

Recommendations

- **The pensioners who are appearing in the civil pension register but are not in the system must be sorted out. Identification must be given for deceased pensioners.**
- **The internal control procedures in the Pension Division, specifically supervisory checks should be strengthened to avoid such discrepancies.**
- **The pension office must ensure that important fields are included in its database of pensioners.**
- **Ministry should review the agreement with CABL to ensure the adequacy of control over the payments made to pensioners.**

Ministry's Comments

1. *The Civil Register contains names of all civil pensioners with effect from the date of the first retirement in the 1980's. Pension payroll was done manually and then was computerized in 2005 till it was upgraded to the current payroll system. Deletion cases from 1980 and 1990's were automatically erased when the data migration and upgrading was done. The details for the deceased civil pensioners are recorded in the 60% Register, when dependant pensions are processed. Deletions may be due to death or when the pensioner changes the mode of payment from local to overseas.*
2. *Supervisory Checks are being done for every case being processed. Files are firstly checked by the Assistant Accounts Officer before verification by Accounts officer. While checks are made to ensure correctness of payments, we welcome any suggestion for improvements.*
3. *Date of Births have been entered into the payroll system, for both locally and overseas paid pensioners. For pensioners paid through Crown Agents, searches have been done through each pension files and only a few have got date of births in the file, which has been entered into the system. A Date of Birth space has also being included in the Life Certificate Form, where pensioners can write their date of births.*
4. *The Agreement for Pension Payment has been drawn up and has being signed by both parties, the Chief Accountant, on behalf of the Government of Fiji and the Director Operations of the Crown Agents Bank.*

4.21 Investment

4.21.1 Misplaced Share Certificates

The Minister may invest public money, and other money within the meaning of this Act, as follows:

- (a) on deposit with a bank;
- (b) in securities issued by a statutory authority;
- (c) by way of advances authorised by an Act or by resolution of the House of Representatives;
- (d) in any way in which trustees are authorised to invest money under the Trustee Act;
- (e) in any way in which the particular money may be invested under the authority of another Act.²⁵

Audit noted that on 19/11/02, Cabinet approved the \$10 million financial assistance given to PAFCO to be converted into ordinary share capital. However, despite this decision, and the reflection of the \$10 million as equity in PAFCO's financial statement, the Ministry of Finance is yet to receive the actual share certificate.

The conversion of the financial assistance of \$10 million to equity is a significant decision by Cabinet and the share certificate is an important document that shows government's ownership of shares and interests in PAFCO.

Recommendations

- **The Ministry should ensure that the actual share certificate is received as the conversion of the assistance into share capital is now over 5 years.**
- **Investigation should be conducted as to whether the \$10 million was actually converted to equity to trace the share certificate date.**
- **Alternatively, if the effort to locate the actual share certificate is futile the Management should cancel from its books all records pertaining to the original share certificate and issue a new share certificate to the Ministry.**

Ministry's Comments

The \$10million share certificate has continuously been an issue subject to audit query. As far as we are concerned, this issue has been raised in Annual General Meetings, letter correspondence as well as telephone conversations and all have proved futile at the moment. We were advised by OAG to reflect the said investment without the presence of the actual share certificate by the power of a letter of confirmation from PAFCO. In the subsequent year we are queried as to why we have not received the share certificate. In our view we normally reflect the investment upon receipt of the share certificates and we have continuously highlighted this. The submission of share certificates is the prerogative of the respective entities and the reason for delaying the submission is an issue which the Ministry cannot control but continuously highlight to PAFCO as an issue of concern from a shareholder's perspective in AGMs.

²⁵ Financial Management Act 2004, Section 55(1)

4.22 Surcharge

4.22.1 Pending Surcharges Cases

A surcharge may be imposed on an officer who is directly or indirectly responsible for unauthorized expenditure, damage, theft or loss of property and for loss of money.²⁶ A surcharged person may appeal to the surcharge appeal authority against the surcharge within one month after being notified of the surcharge or a longer period allowed by the authority.²⁷

Audit noted that some surcharge cases for 2002 to 2006 which were reflected in the previous Auditor General's Reports are still pending. *Appendix 4.5* to this report provides a list of pending cases.

It is obvious that the backlog will continue unless the processes applied are reviewed and strengthened.

With the delay in notifying the officers involved, there is a possibility that these officers may not be in the service any longer. Thus, if surcharges are laid, it will be impossible to recover costs.

This issue was highlighted in the previous audit memorandum, however no improvement was noted.

Recommendation

Stringent and immediate measures need to be applied by the surcharge authority in their follow up with Ministries/Departments to have these pending cases cleared.

Ministry's Comments

Surcharge Unit was also having difficulty in trying to obtain names of Officers implicated to be responsible before any action is taken. Unit will need Auditor General's working paper to identify officers if Ministries/Departments are not responding. Most of the Senior Officers (PS/CEO) have retired from the Service.

Please refer Appendix 5 attached on status of each case as to-date.

4.23 Motor Vehicle

4.23.1 Pending Accident Cases Still With Solicitor Generals Office

The accident report, Police report (if available), Solicitor General's advice and the Deputy Secretary Finance's (Administration) recommendations will all be taken into consideration by the surcharging authority before any surcharge is imposed.²⁸ A surcharge may be imposed on an officer who is directly or indirectly responsible for unauthorized expenditure, damage, theft or loss of property and for loss of money.²⁹ The surcharging authority may require the person to show cause within a specified period (explanation letter) and if not satisfied with the explanation issue an intention to surcharge letter and allow the person to appeal within a month. If the appeal is upheld the person is issued with a surcharge letter.³⁰

²⁶ Finance Instructions, Section 74 (1) (a-c)

²⁷ Finance Management Act 2004, Section 69

²⁸ Section 12.6.8 – Finance Manual 2005

²⁹ Finance Instructions, s 74 (1) (a-c)

³⁰ Finance Management Act 2004, Section (68-69)

The rate of recovery from the salary or wage of an officer or employee must not be less than 5% of their net salary or wages (that is, gross after tax) or \$50.00, whichever is lower. Any surcharge recovery shall be made in full within five years from the date of the surcharge or for a longer period as approved by the Permanent Secretary, Finance.³¹

Verification of the accident reports revealed that from the years 2001 to 2008 a large number of accident cases are still to be resolved as the Ministry is waiting on the Solicitor General's Advice. Regular follow up is made by Ministry of Finance but no improvement was noted over the years as Solicitor General's Office continues to take considerable length of time in communicating the surcharge decisions. Refer to the Table 4.12 for details on the number of accident cases still waiting for the Solicitor General's advice:

TABLE 4.12: NUMBER OF ACCIDENT CASES WAITING FOR THE SOLICITOR GENERAL'S ADVICE

Year	No. of Cases	Cost of Repairs (\$)
2001	85	217,954.64
2002	126	184,066.09
2003	91	270,334.30
2004	123	211,170.28
2005	191	412,496.04
2006	201	310,230.61
2007	123	159,450.18
2008	123	176,215.57
Total	1,063	1,941,917.71

The above issue was highlighted in the previous (2007) audit memorandum, however no improvement was noted.

Audit noted that Timoci Saucake of Ministry of Foreign Affairs was surcharged a sum of \$12,246.82 for the accident to the vehicle registration number GN142. The deduction started from pay 09/09 at a rate of \$15.00 contrary to the above regulation whereby the rate of recovery applied is less than \$50 and the total amount will be recovered in more than 15 years.

Longer recovery period could result in unwarranted suspension of cases due to retirement, resignation, death of officer, or officers becoming incapable to work due to medical reasons, thus losses of the government will not be recovered.

There is a possibility that officers responsible for the accidents may no longer be in the service given the delay in surcharge actions.

Recommendations

- **Stringent and immediate measures need to be applied by the surcharge authority in their follow up with Ministries/ Departments to have these pending cases cleared.**
- **The surcharge rate charged to officer found guilty should be reasonable so that the surcharge amount could be fully recovered during the course of the officer's employment.**

³¹ Section 76 – Finance Instructions 2005

Ministry's Comments

Generally, Min/Depts. are prompt in submitting the reports if not within 21 days, soonest thereafter. Some delays are expected for reports coming from remote stations. Reminders are sent to Ministries and Departments to comply with the Finance Instructions.

The Ministry will continue to do all it can within its means to ensure compliance with the provisions of Instructions. It is reiterated that the responsibility to submit report on time rests with the Permanent Secretaries.

As for the late submission of advice from the Solicitor General's Office, recently they have advised us on 124 accident cases, some of which are to be written off and statue- barred. As for the surcharge of drivers found guilty, most drivers have retired, resigned or else close to retirement age making recovery of surcharge difficult.

4.23.2 Alleged Misuse of Government Vehicles

Vehicle must only be used for official purposes unless approves in writing by the Deputy CEO Administration under an officer's term of employment.³²In addition drivers should park vehicles at the agency's official garage or car park at the end of each business day and the weekends.³³

Scrutiny of the alleged misuse of government vehicle register revealed that some Ministries and Departments have yet to provide their explanations on complaints received in 2008 against their Office for unofficial use of government vehicles. Refer to the *Appendix 4.6* for details.

Although this issue was raised in last years audit report it is noted that there is still a high incidence of misuse of government vehicles as the regulation does not provide for a harsh penalty to be instigated against the offenders.

The use of government vehicles for unofficial purposes contributes to increase in fuel and maintenance costs, and could result in budgetary allocations being exhausted unnecessarily. Furthermore, the use of government vehicles for private use creates a poor public image for the public service as a whole.

Recommendation

The Ministry should discipline offenders and give out harsher penalties against re-offenders, and apply consistent follow up action with Ministries/Departments that have not submitted in their response.

Ministry's Comments

Upon receiving complaints, a memo is sent to the respective Min/Dept informing them of the alleged abuse/misuse of vehicle and request to furnish explanations of the allegations.

Harsher penalties can only be instituted to offenders when we have more proof/evidence that a particular government vehicle is being misused.

A new Government Vehicle registration system is now being developed by ITC services to assist in this regard. This is inline with the directive given by Prime Minister on the issuance of Vehicle Pass for vehicles being used after official hours. (Vehicle Pass form as attached).

³² Section 12.3.1 – Finance Manual 2005

³³ Section 12.4.1 – Finance Manual 2005

4.24 Trust Fund Reconciliation

Within 5 days after the end of each month, the trust officer shall prepare reconciliation to reconcile balances to the ledger total and the trust bank account.³⁴

Each month, the trust account shall be balanced and reconciled with the trust bank account. The names and balances of each account shall be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items should be investigated and resolved promptly.³⁵

The audit noted that most of the divisions under the Ministry failed to submit their trust fund reconciliation for audit verifications. These divisions include:

- (104103) – Budget Division;
- (104104) – Asset Management Unit;
- (104106) – Financial Management Reform;
- (104101) – Administration;
- (104107) – National Planning

According to the Officer in charge numerous reminders were sent but were futile. The following Table 4.13 shows the outstanding balances as at 31st December 2008:

TABLE 4.13: OUTSTANDING TRUST FUND RECONCILIATION

Account ID	Description	Amount (\$)
10410204999861101	OPR Current Year	(259.44)
10410204999861102	OPR Previous Year	(2,300.24)
10410204999861106	PD Govt Water Rates	(171.98)
10410204999861309	PSC	988.20
10410104101861209	Marsh & Mclenan	(18.01)
10410204999861211	PD Alexander	139.45
10410204999861212	PD Australian	188.82
10410104203861901	PD Tax Arrears	(137.50)
10410104999861901	PD Tax Arrears	(583.99)
10410204201861901	PD Tax Arrears	1,925.80
10410204203861901	Leave Allowance	4,922.43
10410204230861901	PD Tax Arrears	(281.72)
10410204999861901	PD Tax Arrears	11,638.96
10410304999861901	PD Tax Arrears	(942.13)
10410404999861901	PD Tax Arrears	109.55
10410604999861901	PD Tax Arrears	(1,019.80)
10410104999861908	PD Fines	2,000.00
10410404999861908	PD Fines	331.55
10410104101861920	PD Employees	65.64
10410104999861920	PD Employees	614.40
10410604999861920	PD Employees	2,935.01
10460104999861920	PD Employees	167.44
Total		20,312.44

³⁴ Finance Manual, 2005

³⁵ Financial Instructions 2004 s (69)

The debit balances in the trust fund account reflects that the trust account has been overdrawn or the credit entry is in some other account which the Ministry needs to identify and make necessary adjustment to reflect the correct trust fund account balance for any given period.

In addition, the audit also noted that some of the sections while preparing their reconciliation failed to list down the debits and credits that makes up the total and is reflected in the reconciliation. Some of the examples of the accounts without their breakdown of debits and credits are as follows:

- Suva City Council Rates (104102-04999-861701)
- WESRAM Finance Co (104102-04999-861533)
- Institute of Public Sector Accountants (104102-04999-861523)

The above discrepancies resulted mainly due to ineffective controls and lack of supervisory checks in the Accounts Section.

Recommendations

- **The Ministry should ensure that Trust Fund accounts are cleared within 5 days after the end of each month.**
- **The internal control procedures in the account Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**
- **Trust Fund Account which is reflecting debit balances should be investigated to ensure that all misallocations made are adjusted accordingly.**

Ministry's Comments

Reconciliation of the stated trust accounts are undertaken by our salaries section as they are deductions made from the salaries of staff. Most of the accounts have been idle for years, whilst some accounts have more than one account number (e.g PD Tax Arrears). When the credits and debits are net off, the end result is a positive amount, thus the account was not overdrawn. To rectify this, the Ministry will be inactivating the idle accounts and make the necessary adjustments.

NATIONAL PLANNING OFFICE

4.25 Drawings Account discrepancies

All bank accounts shall be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.³⁶

Examination of the Ministry's Drawings account records indicates a variance of \$80,267.92 between the ministry's record and the FMIS. The variance noted is made up of \$4,243.10 being cheques presented but still appearing in the unrepresented listing totalling \$17,108.11 and unidentified balance of \$58,916.71. Refer to the Table 4.14 below for the details of the variance.

TABLE 4.14: VARIANCE BETWEEN MINISTRY'S RECORD AND THE APPENDIX FIGURE

Balance as per Ministry's record \$	Balance as per Appendix \$	Variance \$
329,991.97	249,724.05	80,267.92

³⁶ Finance Instructions 2005 – Section 39 (5)

The variance noted above is due to lack of regular reconciliation with the Ministry of Finance drawings account records. It also indicated ineffective controls and lack of supervisory checks in the Accounts Section of the Ministry.

Recommendations

- **The internal control procedures in the two Ministries’, specifically supervisory checks should be strengthened to avoid such discrepancies.**
- **The Ministry should liaise with Ministry of Finance to identify the variances noted in the drawings record and have it adjusted accordingly to avoid future variation in the record.**

Ministry’s Comments

No comments received.

4.26 FNPF Reconciliation

Every employer shall pay to the Fund in respect of each of his employees, in every month during which such employee is employed by him and in the month following the termination of such employment, a contribution calculated upon the amount of wages payable to such employee by such employer for the preceding month at the appropriate rates.³⁷

The current rate of contribution is 16 cents on each dollar earned, with the employer and the employee each contributing 8 cents.

The Ministry failed to prepare its monthly as well as annual FNPF reconciliation despite the issue being raised in the previous years Agency Financial Statement audit. The reconciliation ensures that FNPF of all staff of the Ministry is correctly paid to FNPF Authority.

Recommendation

The Ministry should ensure that monthly as well as annual FNPF reconciliation are prepared and supervisory checks are performed in order to ensure that employees FNPF are correctly paid to FNPF.

Ministry’s Comments

No comments received.

4.27 VAT Reconciliations

Subject to the provision of the VAT Decree 1991, the tax shall be charged in accordance with the provisions of this decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji goods and services, by a registered person in the course or furtherance of a taxable activity carried out by that person, by reference to the value of that supply.³⁸

Audit noted that the Ministry failed to prepare its monthly as well as annual VAT reconciliation despite this issue been raised in the previous years Agency Financial Statement audit. The

³⁷ Chapter 219 – Fiji National Provident Fund – Section 13 (1)

³⁸ Value Added Tax Decree 1991 4th edition revised to 30/04/04-section 15(1)

reconciliation ensures that VAT on the total income and expenditures are properly accounted for and are correctly paid to FIRCA during the year.

Recommendation

The Ministry should ensure that monthly as well as annual VAT reconciliation are prepared and supervisory checks are performed in order to ensure that VAT is correctly accounted for and paid to FIRCA.

Ministry's Comments

No comments received.

4.28 Negative Expenditures Incurred at Item level Basis

Expenditures must not have negative balances at any time. Negative balances pose the risk of reducing expenditure at head level.

Examination of the expenditure records of the ministry revealed that some of the accounts allocated under expenditure are having negative closing balances at the year end. Examples are shown in the Table 4.15 below.

TABLE 4.15: NEGATIVE EXPENDITURE CLOSING BALANCES

ACCOUNT ALLOCATION	DESCRIPTION	NEGATIVE AMOUNT (\$)
1-04107-63101-010101	PE SALARIES	(71,573.62)
1-04107-63102-010101	PE SALARIES	(7,099.50)
1-04107-63102-010101	PE SALARIES	(15,673.24)
1-04107-63104-010101	PE SALARIES	(2,346.36)
1-04107-63101-010201	PE SALARIES	(2,346.56)
1-04107-63101-010303	ALLOWANCE ACTING	(6,780.00)
1-04107-63103-010303	ALLOWANCE ACTING	(2,453.57)
1-04107-63103-010303	ALLOWANCE ACTING	(433.52)

The overall effect of these negative balances resulted in a decrease of the total SEG 1 expenditure by the above amounts. This may have adverse effect in forecasting the next year's budget for the SEG.

Recommendations

- **The Ministry should ensure that the internal control procedures in the Account Section, specifically supervisory checks are strengthened to avoid such discrepancies.**
- **All negative balances should be properly explained and adjusted to its correct account in order to reflect a true picture of an expenditure allocation.**

Ministry's Comments

No comments received.

GOVERNMENT PROCUREMENT OFFICE

4.29 Trading and Manufacturing Account (TMA)

4.29.1 *Slow moving Inventory*

Inventory should be purchased in the most economical manner having regard for:

- (a) the expected level of usage;
- (b) lead times for delivery;
- (c) volume discounts;
- (d) holding costs;
- (e) the availability of secure storage; and the likelihood of deterioration.³⁹

Verification of the inventory records revealed that inventories valued at \$580,813 are slow moving over the years making up 13% of the total closing stock of the TMA. This could also be a contributing factor towards the loss incurred by the department over the years.

The finding reflects lack of commitment by the department in monitoring the stock levels and ensuring the sale of the items to avoid such situations.

Inadequate and uneconomical purchase of inventory could result in the incurrence of additional costs such as the storage, security and accounting of the inventory items.

Recommendation

Adequate and rational planning should be done by the department before an item becomes obsolete and should be sold before such situation arises.

Department's Comments

The recommendations proposed are noted. As part of the reorganization process, GSD is in the process of identifying all obsolete and slow moving items and these will be first sold through public sale at reduced prices following which un-cleared items will then be sold through auction.

4.29.2 *Purchase Clearing Account*

Financial transactions shall be posted into the automated financial information system (general ledger system) using journal input forms or directly from source documents such as journal vouchers or payment vouchers.⁴⁰

Scrutiny of the records revealed that an amount of \$844,044 was cleared from the Purchase Clearing Account (4-4351-91011-580901) in 2008 by Ministry of Finance whilst the following clearing and variation account remain open with balances which were brought forward from the year 2005.

³⁹ Finance Instructions 2005 – Section 43 (1)

⁴⁰ Government Procurement Office, Part 16.2.1

TABLE 4.16: UN-CLEARED CLEARING AND VARIATION ACCOUNT

Account Number	Balance brought forward from	Description	Amount (\$)
4-04351-92011-589101	2007	Purchase Clearing Account	1,578.38
4-04351-93011-589101	2007	Purchase Clearing Account	17,071.89
4-04351-91011-589102	2005	Purchase Variation Account	2,242.44
4-04351-93011-589103	2005	Costing Variation Account	146.83

No proper explanation was provided by the department on the above accounts precision.

In addition, documentary evidence for the above clearance was not supported as clearance was only made through the system entry.

The above finding demonstrates lack of transparency and accountability with which balances are cleared from the system and thus questions the substance of such accounting entries.

Recommendations

- The Department should ensure that the postings cleared in the general ledger are supported with Journal Vouchers and appropriate documents.
- The Department should ensure that the Accounting Head is penalized for the unexplained postings in the general ledger.
- The Department should ensure that the internal control procedures, specifically the supervisory checks are strengthened to avoid such discrepancies from occurring.

Department's Comments

*It is important to note that the **purchase clearance** and **variation account** are some of the multiple entries predefined under the purchasing account of the **GSD TMA**.*

The two financial accounts as noted in your report are generated from the supplier's invoice which has been incorporated into the system and the internal transfer of stock respectively. The Department carries out its checks and balances on invoicing before it is inputted into the system as a mechanism of the internal control system.

The transactions are then consolidated into a report which are printed, checked and reconciled. These reports are then posted accordingly to the general ledger using journal vouchers.

*The **costing variance** in the report displays the difference between the last unit price of a particular stock and the new unit price of the same stock. This variance is cleared by purchase clearance account.*

*The **purchase variance** in the report displays purchases accruals. This variance is cleared through journal vouchers.*

The recommendations proposed are noted. Supervisors have been informed to verify and reconcile the reports to justify the figures presented to stakeholders. Stringent control has now being introduced to avoid further recurrence.

4.29.3 TMA Performance

Trading and Manufacturing Accounts activities (TMA) are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods, services or works more cost-effectively.⁴¹

The following ratios have been calculated to portray the department's performance in the operation of its TMA:

Ratio	Formula	Year 2008	Year 2007	Comments
Activity Ratio - Stock Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory at cost}}$	4.2 times	Opening Stock of 2007 (closing for the year 2006 could not be determined.	This ratio indicates the number of time the stock has been turned over during the period and evaluates the efficiency with which a firm is able to manage its inventory. GPO has a normal inventory turnover. This implies that there is no over-investment in inventories, dull business, poor quality of goods, stock accumulation, accumulation of obsolete and slow moving goods and low profits as compared to total investment. The inventory turnover ratio is also an index of profitability, where a high ratio signifies more profit; a low ratio signifies low profit.
Activity Ratio - Debtors Turnover	$\frac{\text{Accounts Receivable}}{(\text{Revenue} / 365)}$	59 days	44 days	The shorter the average collection period, the better the quality of debtors, as a short collection period implies the prompt payment by debtors. GPO shows an excessively long collection period implying a very liberal and inefficient credit and collection performance. As such, liquidation could be severely impaired. The average numbers of day's debtors take to settle their account has increased from 44 days in 2007 to 59 days in 2008 showing ineffective controls.
Performance Ratio – Cash Flow to Asset	$\frac{\text{Cash from Operations}}{\text{Total Assets}}$	0.4	0.3	This ratio relates to the organisations ability to generate cash compared to its asset size. A ratio of 0.4 does not look good; Government Procurement Office can run into problems in generating cash. When the ratio declines below 10% then there may be some cause for concern.
Asset Turnover	$\frac{\text{Total Income}}{\text{Total Assets}}$	1.0	1.0	Indicates the relationship between assets and revenue. It indicates the efficiency with which the firm uses all its assets to generate revenue. The higher the firm's asset turnover, the more efficiently its assets have been utilized.

⁴¹ Government Procurement Office – Finance Manual 2005 – Part 6

Profit Margin, Return on Assets (ROA) and Gross Profit Ratio could not be calculated as the department has incurred a loss for the 2008 period. The above ratios indicate poor TMA performance and therefore needs improvement in the organizations activity and performance ratio.

Weaker ratios indicate inefficient TMA performance and thus could affect the viability of the departments TMA operation.

Recommendation

The Department should ensure that efforts are made to improve on the activity, performance and profitability ratios with key TMA personnel monitoring the ratios on a quarterly basis.

Department's Comments

The old computer system and its continuous breakdowns were one of the major contributing factors to the calculation on weaker ratio which generated from the report. We are currently undergoing migration from the old IT system to the new system and therefore cannot effective the recommended calculation of the quarterly ratio. The recommendations proposed are noted.

4.30 Statement of Losses

4.30.1 Failure to Provide Board of Survey Reports

Each Agency shall establish a register of losses and shall record in it details of each loss, including:

- The date of loss;
- Particulars of the loss including value;
- Nature and circumstances of the loss;
- Recovery action taken;
- Any amount recovered, written off, waived or postponed;
- A record of the year of disclosure in the agency's financial statements; and
- References to supporting documentation (e.g. loss reports, write off approvals, file references).⁴²

Details of losses incurred each year shall be reported in the agency's annual financial statements in accordance with the reporting format set out in these Instructions.⁴³

Audit noted that the department failed to prepare and submit its Board of Survey report to Ministry of Finance on time. The Board of Survey was conducted by the Department but the report submitted to Finance was delayed hence the approval for write off of the obsolete items as recommended in the report is yet to be approved by Ministry of Finance. This has resulted in the departments write off's recommended in the report not being included as losses for the year in the Statement of Losses and reported in the Agency Financial Statement of Ministry of Finance.

The effect of failing to comply with Finance Instruction 2005 resulted in the Statement of Losses reported in the Agency Financial Statement not reflecting the true picture of the account hence it could be understated.

⁴² Finance Instructions 2005 – Section 65

⁴³ Finance Instructions 2005 – Section 66

Any deviation from the established procedure increases the risk of losses of valuable items through theft and misappropriation of inventories/ fixed assets.

Recommendations

- **The Department should address this shortcoming by communicating and coordinating matters with the responsible officers in a timely manner.**
- **The Department should ensure that it complies with the established policies and procedures in order to have an effective and efficient operation and management of the office and its resources.**

Department's Comments

Audit's comments are noted. Effort is being made to ensure that all Board of Survey Reports are submitted to Ministry of Finance on a timely basis and that procedures for write off and disposal of obsolete items are complied with before recommendations in the Board of survey reports are implemented.

4.31 Trust Fund Account

4.31.1 Maintenance of Performance Bond Trust Records

The trust officer shall properly file correspondences, reports, trust agreements and other relevant trust documents. Each trust account shall have its own file. The trust officer shall keep a trust ledger to record movement of trust money. The ledger shall record the following information:

- Name of trust account;
- Date and amount of receipts and payee;
- Date, amount paid and payer including reference number and;
- Balance to date⁴⁴

Trust money is to be kept in a separate bank account pending its withdrawal (including withdrawal for use or investment).⁴⁵

Audit verification of the Performance Bond Trust account records revealed that there were no general trust files kept for the Trust Fund for filing correspondence and other trust details. It was also noted that the department failed to maintain a separate receipt book or a trust ledger to record the movement of fund.

As at 31/12/08 the department had a balance of \$628,879.44 in the Trust Account.

Any deviation from the established procedures increases the risk of loss of trust monies through theft and misappropriation of records and or funds.

Recommendations

- **A separate cashbook and receipt book must be maintained and frequently updated on funds received and issued out to respective departments.**

⁴⁴ Government Procurement Office – Finance Manual 2005 – Section 15.3.1 & 15.3.2

⁴⁵ Finance Management Act 2004 – Section 25 (2)

- A separate file should be kept for all trust funds correspondences, reports, trust agreements and other relevant trust documents.
- The Department should address these shortcomings by communicating and coordinating matters affecting trust monies in a timely manner.

Department's Comments

The Department is currently maintaining a separate receipt book for Payment of Performance Bond. Since the money received are for payment of performance bond all correspondence are kept in the Contractors file separately. The department is currently keeping records from 2005 until to date. Reconciliation of account is submitted to Ministry of Finance monthly.

GOVERNMENT PRINTING & STATIONERY DEPARTMENT

4.32 Trading and Manufacturing Account

4.32.1 Erroneous TMA Vat Returns

Every registered person shall, on or before the last day of the month following the last day of every taxable period, without notice or demand furnish to the Commissioner a tax return, in such prescribed form as may be approved by the Commissioner.⁴⁶

The department failed to incorporate all sales made through Trading and Manufacturing Account (TMA) to the other government agencies in its monthly vat returns. Vat revenue totalling \$295,915 was not included in the Vat returns. Refer to the Table 4.17 for details.

TABLE 4.17: UNACCOUNTED VAT REVENUE

Month	Sales not included in vat return \$	Vat Revenue not included in return \$	Vat Paid to FIRCA taken as sales \$
January	28,183.72	27,450.80	53,227.68
February	48,237.04	42,362.41	53,227.68
March	73,852.70	(9,617.05)	-
April	64,021.62	14,352.90	-
May	57,646.73	12,156.73	-
June	59,563.63	14,939.43	13,544.75
July	62,359.10	12,511.74	-
August	66,253.65	13,222.06	-
September	562,110.81	74,307.60	-
October	89,916.24	16,106.77	-
November	87,399.80	20,604.83	-
December	310,137.49	57,516.76	-
Total	1,509,682.53	295,914.98	120,000.11

Secondly, while compiling the monthly vat returns, the department was including previous monthly vat payable to FIRCA in its total sales figures in the VAT returns. The Table 4.18 outlines the discrepancies.

⁴⁶ Vat Decree 1991 – Section 33(1)

TABLE 4.18: INCORRECT VAT REVENUE IN THE VAT RETURN

Month	Vat Revenue as per GL \$	Vat Revenue as per Vat Return form \$	Comments
January	27,450.80	53,227.68	Vat Paid to FIRCA for Dec 2007
February	42,362.41	53,227.68	Vat Paid to FIRCA for Dec 2007
March	9,617.05	-	
April	14,352.90	-	
May	12,156.73	-	
June	14,939.43	13,544.75	Vat Payment to FIRCA Vr 196/8
July	12,511.74	86.33	Vat Output as per GL relating to Imprest
August	13,222.06	8.65	Vat Output as per GL relating to Imprest
September	74,307.60	313.32	Vat Output as per GL relating to Imprest
October	16,106.77	87.92	Vat Output as per GL relating to Imprest
November	20,604.83	87.92	Vat Output as per GL relating to Imprest
December	57,516.76	87.92	Vat Output as per GL relating to Imprest
Total	315,149.08	120,672.17	

Thirdly, the Vat refund receipted on 27/05/08 from FIRCA totalling \$43,481.95 has been posted as Cash Sales revenue in the General Ledger. Refer to the Table 4.19 for details.

TABLE 4.19: VAT REFUND POSTED AS CASH SALES REVENUE

Taxable Period	Sales/Income including VAT \$	Output Tax \$	Input Tax \$	Refundable \$
11/2004	179,937.79	19,993.09	39,087.82	19,094.73
02/2005	191,171.87	21,241.32	27,954.93	6,713.61
10/2007	27,583.76	3,064.86	10,075.46	7,010.60
11/2007	37,967.40	4,218.60	14,881.61	10,663.01
Total				43,481.95

Accounting Officers in the Department could not prepare Vat Returns and omissions could result in unnecessary penalty from FIRCA.

Recommendations

- **The Department should ensure that the preparation of Vat returns is corrected. The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies in the future.**
- **Guide in preparing accurate returns be sought from FIRCA and the error on the omitted sales is rectified.**

Department's Comments

The Department's OFA VAT amounting to \$53,227.68 was paid from TMA. This money was paid back to TMA in February 2008. Refunds of previous years had been receipted to Cash Sales.

4.32.2 TMA Balance Sheet and Income Statements

Each agency operating a trading and manufacturing activity must prepare –

- (a) quarterly profit and loss statements; and
- (b) a balance sheet on an annual basis. The profit and loss statement and the balance sheet must be prepared on an accrual accounting basis.⁴⁷

The review of the TMA accounts revealed that some adjustments were made affecting accounts in the balance sheet for which no valid explanations were provided. Adjustments without valid explanations are shown in the Table 4.20 below.

TABLE 4.20: ADJUSTMENTS WITHOUT VALID EXPLANATIONS MADE TO ACCOUNTS IN THE BALANCE SHEET

Account Number	Amount (\$)
4-04451-66999-940366	9,924
4-04451-66999-940466	336,192
4-04451-66999-269966	1,168,946
4-04451-66999-269966	1,797,657
4-04451-66999-269966	1,085,150
4-04451-66999-269966	2,063,871
Total	6,461,740

As such the correctness of balances and posting to the equity account, namely the TMA Surplus and TMA Accumulated Surplus of \$227,935 and \$3,881,259 could not be determined.

Recommendations

- The Department should ensure that the entries into the General Ledger by Ministry of Finance is justified and endorsed by them.
- The Ministry of Finance should disclose the justification of their adjustment into department accounts and ensure that the Accounting Head of the department agrees to these postings.

Department's Comments

The Department does not have access to these allocations. All the postings have been done by the Ministry of Finance.

4.32.3 Funding of Operating Fund Expenses from the Trading and Manufacturing Accounts

TMA's are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods, services or works more cost-effectively.⁴⁸ The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community.⁴⁹

Scrutiny of the records revealed that the department have been utilising the TMA funds to finance operating expenditures of the departments which are later reimbursed to TMA.

⁴⁷ Finance Instructions 2005 – Section 37 (1) & (2)

⁴⁸ Government Printing & Stationery – Finance Manual 2005 – Part 6 – Introduction Paragraph

⁴⁹ Government Printing & Stationery – Finance Manual 2005 – Part 2 – Introduction Paragraph

At the close of accounts, it was found that one such transfer of fund of \$24,581 from TMA to Operating Fund Account was not reimbursed to TMA. To facilitate the transfer, TMA Vat expenditure was debited for \$24,581. Audit request for reversal of the transfer of funds into TMA was denied by Ministry of Finance official who stated that any adjustment will affect the balancing of TMA accounts.

The transfers of funds violate accounting principles and demonstrate the lack of control and deliberate manipulation of TMA funds. The TMA Vat expenditure has been overstated while TMA fund is understated by \$24,581.

Recommendations

The department should:

- restrict the use of TMA funds to cater for the Operating Fund Expenditure.
- advice Ministry of Finance if the funds allocated for a particular SEG has been exhausted in order to seek virement of funds from other SEG's that has savings.
- posting to the TMA accounts should be scrutinized and checked on a regular basis.

Department's Comments

Your recommendations have been noted.

4.32.4 Incorrect Accounting Treatment for Purchase of Textbooks

TMA's are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods, services or works more cost-effectively.⁵⁰

Examination of the records indicated that the department purchased textbooks valued at \$657,118 for sale in the bookshop which is recorded as raw materials in the Manufacturing Account despite the items being the final product and has not gone through the production process. The textbooks should be reflected as purchases in the Trading account.

Hence, the cost of goods manufactured is overstated in the Agency Financial Statement of the Ministry of Finance. For illustration:

Manufacturing Account for the year ended 31/12/08			
	Current Practice	Proposed Practice from 2008	Difference
Raw materials 01/01/08	1,053,545	1,053,545	-
Purchases	1,889,937	1,232,819	657,118
	2,943,482	2,286,364	657,118
Less Closing Stock 31/12/08	1,085,150	1,085,150	-
	1,858,332	1,201,214	657,118
Add Direct Costs	116,588	116,588	-
Cost of Goods Manufactured	1,974,920	1,317,802	657,118
Trading Account for the Year Ended 31/12/08			
Sales	(2,293,720)	(2,293,720)	-
Stock of Finished Goods 01/01/08	1,797,657	1,797,657	-

⁵⁰ Government Printing & Stationery – Finance Manual 2005 – Part 6 – Introduction Paragraph

Add Cost of Goods Manufactured	1,973,919	1,316,801	657,118
Add Purchases of Finished Goods for sale - textbooks	-	657,118	(657,118)
Cost of Goods Available for Sale	3,771,576	3,771,576	-
Less Closing Stock 31/12/08	2,063,871	2,063,871	-
Cost of Goods Sold	1,707,705	1,707,705	-
Gross Profit	586,015	586,015	-

Recording of the purchase of textbooks as raw-materials in the manufacturing statement provides misleading and exaggerated information to the readers of the financial statements of the Production and Manufacturing process.

Recommendations

- **The Department and the Ministry of Finance should record the purchase of textbooks to the trading account rather than to manufacturing account to avoid overstating the cost of goods manufactured.**
- **The internal control procedures in the Trading and Manufacturing Account, specifically supervisory checks should be strengthened to avoid such discrepancies.**

Department's Comments

Your recommendations have been noted.

4.32.5 Business Plan

All agencies that operate a trading and manufacturing activity must prepare a business plan for the activity each year. The business plan should include the following minimum information –

- an analysis of the market it operates in;
- the profit target for the year and the next two years;
- strategies for achieving the profit target;
- the risks relating to the activity;
- any social obligations required by Government which impact on profitability; and
- projected profit and loss statements for the year in question and the following two years.

The business plan must be signed by the officer responsible for managing the activity and be agreed with the Chief Executive Officer of the agency. Each business plan must be submitted to the Ministry of Finance by 30 November of the year before the year it applies to.⁵¹

Business Plan for year 2008 could not be obtained from the department or from the Ministry of Finance.

In the absence of Business Plan and budget forecast, there is high risk that the department is operating in an environment which is not targeted towards a specific goal and therefore spending is uncontrollable without keeping in mind the return on investment by maximizing the profit from its operation.

It also indicates lack of direction from the business perspective of the TMA operation and the impracticability to measure the actual performance of the TMA is undermined. Thus, the efficiency and effectiveness with which the TMA operation is carried out could go undetected and immeasurable.

⁵¹ Finance Instructions 2005 – Section 36

Recommendations

- **The Department should ensure that a Business Plan for the TMA operation is drawn and endorsed by the Government Printer.**
- **Ministry of Finance to monitor that the business plan for the TMA is received as per the direction in the Finance manual.**
- **The Department should ensure that the budget forecast for the TMA operations is designed to ensure that the spending and collections are regularly monitored and compared accordingly with the budget.**

Department's Comments

The Business Plan was not available due to the disciplinary proceedings being undertaken against the officer, Assistant Government Printer Production, responsible for drawing up the Plan, and his being subsequently suspended from duties. However, your recommendations have been noted.

4.32.6 Key Performance Indicators and Work Programs of the TMA Operators

TMA's are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods, services or works more cost-effectively. The policies and procedures in this assign particular responsibilities to:

- Government Printer;
- Assistant Government Printer Production;
- Assistant Accountant;
- Accountant;
- Stock Keeper;
- Credit Officer;
- Sales Officer.⁵²

Verification of the TMA operation revealed that the department does not have key performance indicators and work programs to measure the performance of the TMA operators and the decisions undertaken in regards to the TMA operation.

Such measures give indicators and commitment in the performance of the TMA's and could take the concept of the quasi – commercial business venture in government to new heights setting the bench mark in the Government's Printing and Bookshop industry.

Recommendation

The department should ensure that the Key Performance Indicators and TMA operators work programs are designed and assessed at year end.

Department's Comments

These measures could not be implemented due to the suspension from duties of the officer with the primary responsibility for this. However, your recommendations have been noted.

⁵² Government Printing and Stationery – Part 6 – Introduction Paragraph
Ministry of Finance

4.32.7 TMA Performance

TMA's are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods, services or works more cost-effectively.

The following ratios have been calculated to portray the department's performance in the operation of its TMA:

Ratio	Formula	Year 2008	Year 2007	Comments
Activity Ratio - Stock Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory at Cost}}$	0.9 times	Opening Stock of 2007 (closing for the year 2006) could not be determined.	This ratio indicates the number of time the stock has been turned over during the period and evaluates the efficiency with which a firm is able to manage its inventory. GPSD has a low inventory turnover. This implies that there is an over-investment in inventories, dull business, poor quality of goods, stock accumulation, accumulation of obsolete and slow moving goods and low profits as compared to total investment. The inventory turnover ratio is also an index of profitability, where a high ratio signifies more profit; a low ratio signifies low profit.
Gross Profit ratio	$\frac{\text{Revenue} - \text{Cost of Sales}}{\text{Revenue}}$	0.35 times	Could not be determined	Gross profit ratio indicates to what extent the selling prices of goods per unit may be reduced without incurring losses on operations. It reflects efficiency with which a firm produces its product. The GPSD is low which indicates that there is an increase in COGS without increase in selling price.
Profit Margin ratio	$\frac{\text{Operating Profit after tax}}{\text{Total Income}}$	0.17 times	Could not be determined	Indicates what portion of income contribute to the after tax income of the department. A profit margin of 17% means for each dollar of income that GPSD generates, it is contributing 17 cents to its net income.
Activity Ratio - Debtors Turnover	$\frac{\text{Accounts Receivable}}{\text{Revenue}/365}$	85.4 days	67.8 days	The shorter the average collection period, the better the quality of debtors, as a short collection period implies the prompt payment by debtors. GPSD shows an excessively long collection period implying a very liberal and inefficient credit and collection performance. As such, liquidation could be severely impaired.
Performance Ratio – Cash Flow to Asset	$\frac{\text{Cash from Operations}}{\text{Total Assets}}$	0.09	0.21	This ratio relates to the organisations ability to generate cash compared to its asset size. A ratio of 0.09 does not look good; Government Printing and Stationery Department can run into problems in generating cash. A point of concern is the decline from 21% to 9%.

Ratio	Formula	Year 2008	Year 2007	Comments
				When the ratio declines below 10% then there may be some cause for concern.
Asset Turnover	$\frac{\text{Total Income}}{\text{Total Assets}}$	0.64	0.56	Indicates the relationship between assets and revenue. It indicates the efficiency with which the firm uses all its assets to generate revenue. The higher the firm's asset turnover, the more efficiency its assets have been utilized.

Return on Assets (ROA) could not be calculated as the department fixed assets values are not reflected in the balance sheet.

The above ratios indicate poor TMA performance and therefore needs improvement in the organizations activity and performance ratio. It is a great concern that the departments performance ratio has fallen below 10%. It reflects that the department is not generating enough cash in order to meet its expenditures given the amount of assets invested in the TMA.

Weaker ratios indicate inefficient TMA performance and thus could affect the viability of the departments TMA operation.

Recommendation

The Department should ensure that efforts are made to improve on the activity, performance and profitability ratios with key TMA personnel monitoring the ratios on a quarterly basis.

Department's Comments

Your recommendations have been noted.

4.32.8 Revenue due not reflected in the TMA Financial Statement

Every registered person shall, on or before the last day of the month following the last day of every taxable period, without notice or demand furnish to the Commissioner a tax return, in such prescribed form as may be approved by the Commissioner.⁵³

Scrutiny of the Vat records for TMA revealed that the Vat refund of \$25,056 which is yet to be received from FIRCA has not been reflected in the department's financial statement for the TMA. The vat refund was for the December 2008 period.

As such the department's asset is understated and fails to reflect the true financial position of the TMA as at 31/12/08.

Recommendation

The Department should ensure that upon assessment of VAT returns, any VAT revenue due or payable is recognized and captured in the accounting process in order to reflect the true picture of the organisation's operation for a particular accounting period ending.

⁵³ Vat Decree 1991 – Section 33(1)

Department's Comments

Your recommendations have been noted.

4.32.9 Lodgements Credited to Direct Material allocation

The revenue officer shall prepare a journal voucher or journal entry input form before posting revenue transactions into the general ledger. The journal voucher for an adjustment should outline:

- i) reason for raising adjustments;
- ii) the accounts that should be debited and credited;
- iii) the amount debited and credited to each account.⁵⁴

Audit noted that the Headquarters TMA lodgement of \$18,151.87 dated 26/02/08 (receipt no. 859981) has been credited to Direct Materials Purchases.

No proper explanation was provided for the above posting.

The credit of lodgements to Direct Materials Purchases allocation is misleading the TMA accounts hence understates the Direct Material and revenue allocation by the above amount.

Recommendations

- **The internal control procedures in the Account Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**
- **Justification of the credit of lodgement in the Direct Material allocation should be provided and if need be adjusted accordingly to reflect the correct picture of the account.**

Department's Comments

The Revenue Receipt No. should read 859984 and not 85998 as stated. The \$18,151.87 was payable to Mass Stationery Supplies and was paid out from the Direct Materials Purchase allocation. Due to cash flow problems this cheque was paid as Receipt No. 859984 crediting the Direct Materials Purchase allocation.

4.33 Statement of Losses**4.33.1 Failure to Provide Board of Survey Reports**

Each Agency shall establish a register of losses and shall record in it details of each loss, including:

- The date of loss;
- Particulars of the loss including value;
- Nature and circumstances of the loss;
- Recovery action taken;
- Any amount recovered, written off, waived or postponed;
- A record of the year of disclosure in the agency's financial statements; and
- References to supporting documentation (e.g. loss reports, write off approvals, file references).⁵⁵

⁵⁴ Government Printing & Stationery Finance Manual 2005, Section 5.5.4

Details of losses incurred each year shall be reported in the agency's annual financial statements in accordance with the reporting format set out in these Instructions.⁵⁶

The department failed to prepare and submit its Board of Survey report to Ministry of Finance on time. This report drafted by the Board of Survey team is used to draw conclusions on the working conditions of the department's inventories and fixed assets. The report is submitted to Ministry of Finance for their approval of the write off's of those items recommended in the report. If approved by Ministry of Finance then these write off's would have been included as losses of the department for the year in the Statement of Losses and reported in the Agency Financial Statement of Ministry of Finance.

The Principal Accounts Officer Treasury revealed that numerous reminders were sent to the department in regard to the above but proved futile. Comments taken from the Department indicated that due to the renovation of the office most of the items were scattered over hence Board of Survey was not carried out on time.

The effect of failing to comply Finance Instruction 2005 resulted in the Statement of Losses reported in the Agency Financial Statement not reflecting the true picture of the account hence it could be understated.

Any deviation from the established procedure increases the risk of losses of valuable items through theft and misappropriation of inventories/ fixed assets.

Recommendations

- **The Department should address this shortcoming by communicating and coordinating matters with the responsible officers in a timely manner.**
- **The Department should ensure that it complies with the established policies and procedures in order to have an effective and efficient operation and management of the office and its resources.**

Department's Comments

The 2008 Annual Board of Survey had been carried out but the Report was held back because the Ministry of Finance had commissioned Ernst & Young to carry out a revision of the Department's operations which included a board of survey and valuation of the Department's fixed assets. A copy of this is attached for your reference.

INFORMATION TECHNOLOGY & COMPUTING SERVICES

4.34 Statement of Losses

Each Agency shall establish a register of losses and shall record in it details of each loss, including:

- The date of loss;
- Particulars of the loss including value;
- Nature and circumstances of the loss;
- Recovery action taken;

⁵⁵ Finance Instructions 2005 – Section 65

⁵⁶ Finance Instructions 2005 – Section 66

- Any amount recovered, written off, waived or postponed;
- A record of the year of disclosure in the agency's financial statements; and
- References to supporting documentation (e.g. loss reports, write off approvals, file references).⁵⁷

Details of losses incurred each year shall be reported in the agency's annual financial statements in accordance with the reporting format set out in these Instructions.⁵⁸

The department failed to prepare and submit its Board of Survey report to Ministry of Finance on time. This report drafted by the Board of Survey team is used to draw conclusions on the working conditions of the department's inventories and fixed assets. The report is submitted to Ministry of Finance for their approval of the write off of those items recommended in the report. If approved by Ministry of Finance then these write off's would have been included as losses of the department for the year in the Statement of Losses and reported in the Agency Financial Statement of Ministry of Finance.

The Principal Accounts Officer Treasury revealed that numerous reminders were sent to the department in regard to the above but proved futile. Comments taken from the Account officer of the Department indicated that there was no Board of Survey conducted for 2008.

The effect of failing to comply with Finance Instruction 2005 resulted in the Statement of Losses reported in the Agency Financial Statement not reflecting the true picture of the account hence it could be understated.

Any deviation from the established procedure increases the risk of losses of valuable items through theft and misappropriation of inventories/ fixed assets.

Recommendations

- **The Department should address this shortcoming by communicating and coordinating matters with the responsible officers in a timely manner.**
- **The Department should ensure that it complies with the established policies and procedures in order to have an effective and efficient operation and management of the office and its resources.**

Department's Comments

The Department did not conduct a Board of Survey in 2008. Therefore, no loss was reported to the Treasury Department for the purpose of constructing the Agency's Statement of Losses.

The Department admits that record keeping in 2008 of its fixed assets and inventories did not comply with the requirement of the established policies and procedures. Therefore, the Department was in no position to conduct a proper Board of Survey of its poorly maintained records.

⁵⁷ Finance Instructions 2005 – Section 65

⁵⁸ Finance Instructions 2005 – Section 66

Appendix 4.1: Statement of Output Costs**Portfolio Leadership Policy Advice and Secretariat Support 2008**

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	1,353,310	1,708,018
Government Wage Earners	51,650	92,765
Travel & Communication	226,120	213,101
Maintenance & Operations	294,024	293,437
Purchase of Goods & Services	65,862	565,438
Operating Grants & Transfers	1,400,233	495,060
Special Expenditures	600,184	1,680,577
Total Operating Costs	3,991,383	5,048,396
Capital Expenditure		
Capital Construction	1,800,000	1,424,880
Capital Purchases	615,934	882,647
Capital Grants & Transfers	4,133,262	923,110
Total Capital Expenditure	6,549,196	3,230,637
Value Added Tax	404,887	456,477
TOTAL EXPENDITURES	10,945,466	8,735,510

Budget Management – Planning, Execution and Monitoring 2008

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	2,453,697	2,415,358
Government Wage Earners	215,189	245,515
Travel & Communication	104,323	120,108
Maintenance & Operations	102,006	107,264
Purchase of Goods & Services	53,152	66,427
Operating Grants & Transfers	---	---
Special Expenditures	18,464	13,992
Total Operating Costs	2,946,831	2,968,664
Capital Expenditure		
Capital Construction	---	---
Capital Purchases	---	---
Capital Grants & Transfers	2,455,040	3,692,440
Total Capital Expenditure	2,455,040	3,692,440
Value Added Tax	41,893	339,513
TOTAL EXPENDITURES	5,443,764	7,000,617

Provision of Accounting Services 2008

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	606,879	615,270
Government Wage Earners	28,987	26,282
Travel & Communication	8,941	13,382
Maintenance & Operations	215,364	250,794
Purchase of Goods & Services	19,279	20,056
Operating Grants & Transfers	5,037,899	4,438,800
Special Expenditures	---	130
Total Operating Costs	5,917,349	5,364,714
Capital Expenditure		
Capital Construction	---	---
Capital Purchases	---	---
Capital Grants & Transfers	---	---
Total Capital Expenditure	---	---
Value Added Tax	31,668	102,951
TOTAL EXPENDITURES	5,949,017	5,467,665

Collection of Taxes 2008 - FIRCA

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	32,758	36,924
Government Wage Earners	3,896	3,539
Travel & Communication	2,592	3,327
Maintenance & Operations	5,184	6,618
Purchase of Goods & Services	487	390
Operating Grants & Transfers	31,534,440	31,534,440
Special Expenditures	---	130
Total Operating Costs	31,579,357	31,585,368
Capital Expenditure		
Capital Construction	---	---
Capital Purchases	---	---
Capital Grants & Transfers	10,000,000	14,000,000
Total Capital Expenditure	10,000,000	14,000,000
Value Added Tax	962	6,379
TOTAL EXPENDITURES	41,580,319	45,591,747

Financial Asset and Liability Management 2008

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	32,758	36,924
Government Wage Earners	3,896	3,539
Travel & Communication	2,592	3,327
Maintenance & Operations	5,184	6,618
Purchase of Goods & Services	487	390
Operating Grants & Transfers	---	---
Special Expenditures	---	130
Total Operating Costs	44,917	50,928
Capital Expenditure		
Capital Construction	---	---
Capital Purchases	---	---
Capital Grants & Transfers	---	---
Total Capital Expenditure	---	---
Value Added Tax	962	6,379
TOTAL EXPENDITURES	45,879	57,307

Financial Management Reform – Development & Implementation of Reform Initiatives 2008

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	784,822	894,989
Government Wage Earners	15,305	18,036
Travel & Communication	20,843	26,786
Maintenance & Operations	16,894	19,622
Purchase of Goods & Services	83,354	55,111
Operating Grants & Transfers	---	---
Special Expenditures	513,234	432,134
Total Operating Costs	1,434,452	1,446,678
Capital Expenditure		
Capital Construction	---	---
Capital Purchases	1,001,998	2,596,815
Capital Grants & Transfers	---	---
Total Capital Expenditure	1,001,998	2,596,815
Value Added Tax	131,456	379,310
TOTAL EXPENDITURES	2,567,906	4,422,803

Public Reporting – Statistics & Statistical Forecasts 2008

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	1,020,909	1,088,869
Government Wage Earners	27,920	33,615
Travel & Communication	103,038	100,793
Maintenance & Operations	132,065	140,909
Purchase of Goods & Services	55,176	50,254
Operating Grants & Transfers	6,012	7,439
Special Expenditures	1,590,732	4,333,246
Total Operating Costs	2,935,852	5,755,125
Capital Expenditure		
Capital Construction	---	---
Capital Purchases	---	---
Capital Grants & Transfers	---	---
Total Capital Expenditure	---	---
Value Added Tax	207,751	434,234
TOTAL EXPENDITURES	3,143,603	6,189,359

Supply of Goods – General Hardware & Stock Take Services 2008

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	1,304,685	1,562,373
Government Wage Earners	641,681	758,476
Travel & Communication	42,392	72,493
Maintenance & Operations	93,604	102,250
Purchase of Goods & Services	27,753	37,534
Operating Grants & Transfers	---	---
Special Expenditures	---	519
Total Operating Costs	2,110,115	2,533,645
Capital Expenditure		
Capital Construction	---	---
Capital Purchases	---	---
Capital Grants & Transfers	---	---
Total Capital Expenditure	---	---
Value Added Tax	25,578	276,937
TOTAL EXPENDITURES	2,135,693	2,810,582

Supply of Goods – Stationery & Printing Services 2008

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	1,481,187	1,582,107
Government Wage Earners	452,156	341,541
Travel & Communication	25,714	42,121
Maintenance & Operations	460,348	432,650
Purchase of Goods & Services	15,391	9,027
Operating Grants & Transfers	---	---
Special Expenditures	10,000	259
Total Operating Costs	2,444,796	2,407,705
Capital Expenditure		
Capital Construction	299,999	261,037
Capital Purchases	---	477,492
Capital Grants & Transfers	---	---
Total Capital Expenditure	299,999	738,529
Value Added Tax	90,791	366,984
TOTAL EXPENDITURES	2,835,586	3,513,218

Provision of Infrastructure – Electronic Networking, Software and Services 2008

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	1,199,834	1,115,676
Government Wage Earners	34,216	33,039
Travel & Communication	1,039,978	805,994
Maintenance & Operations	1,634,865	1,001,344
Purchase of Goods & Services	114,156	81,560
Operating Grants & Transfers	---	---
Special Expenditures	---	259
Total Operating Costs	4,023,049	3,037,872
Capital Expenditure		
Capital Construction	---	---
Capital Purchases	3,288,906	2,100,988
Capital Grants & Transfers	---	---
Total Capital Expenditure	3,288,906	2,100,988
Value Added Tax	552,558	543,925
TOTAL EXPENDITURES	7,864,513	5,682,785

Licensing, Compliance & Monitoring – Domestic Price Control 2008

Description	2008 \$	2007 \$
EXPENDITURES		
Operating		
Established Staff	---	---
Unestablished Staff	---	---
Travel & Communication	---	---
Maintenance & Operations	---	---
Purchase of Goods & Services	---	---
Operating Grants & Transfers	643,560	643,560
Special Expenditures	---	---
Total Operating Costs	643,560	643,560
Capital Expenditure		
Capital Construction	---	---
Capital Purchases	---	---
Capital Grants & Transfers	---	---
Total Capital Expenditure	---	---
Value Added Tax	---	---
TOTAL EXPENDITURES	643,560	643,560

Appendix 4.2: FNPF Reconciliation

(a) Total FNPF against salaries and wages for 2008		\$
FNPF as per financial statement		Xxx xxx
Add: December 2008 FNPF paid in January 2009		Xxx xxx
		Xxxx xxx
Less: December 2007 FNPF paid in January 2008		Xxx xxx
FNPF for 2008		Xxxx xxx
Gross pay subject to FNPF (Xxxx xxx divided by 0.08)		Xxxxx xxx
(b) Salaries and wages for 2008 subject to FNPF		
Salaries, Wages and Allowances as per financial Statement		Xxx xxx
Less: Salaries and wages not subject to FNPF		Xxx xxx
Salaries, wages and allowance for 2008 subject to FNPF		Xxxxx xxx
Variance		(Xxx xxx)

Appendix 4.3: Outstanding Audits

Planned Audits	Completed Audits	Audits in Progress	Outstanding Audits
Team West			
1. Social Welfare	1. Government Supplies	1. Agriculture	1. Health
2. PWD	2. Social Welfare		2. PWD
3. FIMSA	3. FIMSA		
4. Agriculture	4. Provincial Development		
5. Health			
6. Provincial			
7. Government supplies			
Team North			
1. Government Supplies	1. Provincial Development	1. Transport Works & Energy	1. Ministry of Agriculture
2. Transport Works & Energy	2. Government Supplies		2. Health
3. Ministry of Agriculture			3. Women & Social Welfare
4. Health			
5. Women & Social Welfare			
6. Provincial Development			
Special Investigations			
	1. Government Supplies Verification Report		1. Marine Department-Charter of Barge Vualiku
	2. Allegation against Ministry of Finance Employee		2. Transport & Works-Building Expenditure
	3. Allegation against Government Supplies Employee		3. Suva Water Supply-Allocation of hired vehicles to various sections and processing of payments.
	4. FICAC Structure		4. Police Department- 10% Traffic Infraction Commission not properly accounted for
	5. CIDA Expenditure		5. Government Supplies-Sale of low grade materials to Government Supplies by Vinod Patel Lautoka branch
	6. Sale of scrap vehicles-Public Works Department and Government Supplies		6. Transport & Works-Engineering & Industrial Supplies (Fiji) Ltd claim
	7. Denarau Water Meter Connections (E Dovibua & Y Prasad)		7. Transport & Works-Payment of overtime and meal claims to Government Shipping Service Employees
	8. IDC account of Police Department-Team II		8. Multi Ethnic Affairs-Misappropriation of \$5,035.00 (August 2007)
	9. IHRDPEP expenditure Team III		9. Ministry of Commerce-Loss of interest estimated to be \$40,000 for not investing \$1m held by the Ministry being Tax Free Zone.
	10. Printing of HIV/Aids strategic plan by Ministry of Health Team II		10. Local Government & Public Utilities - Items delivered without following proper procedures

Planned Audits	Completed Audits	Audits in Progress	Outstanding Audits
	11. Commisioner Northern Project-Team North		11. Post Fiji – Further investigations on 3 additional staff at Post Fiji
	12. Material Purchase – Cyclone Ami		12. Transport & Works – Audit of Stores.
	13. Allegations against Supervisor Tiva Palako – Water & Sewarage- Team II		13. Defence, National Security, Immigration & National Disaster – Special Audit of units 2008 accounts.
	14. Agricultural Marketing Authority		14. Transport Works & Energy – Allegations directed towards three officers at Labasa Office for not carrying out their work effectively and efficiently.
	15. Official Receiver- verification of Oag report		15. Transport Works & Energy – Clearance of accountable advance Korosi and Aminiasi Rawasa for \$2,006 appeared suspicious
	16. Dept of Immigration – Misappropriation by cashiers		16. Transport Works & Energy – Complaints on handling of Tender of Construction of Sheds.
	17. Misuse of vehicle – PRO Landuse LRPD		
	18. Mineral Resources- Retirement of accountable advance		
	19. Arrears of Electricity Nabouwalu & Taveuni-Team North		
	20. Complaint against PA Nabouwalu – Team North		
	21. Advance payment for goods and services (DECE)		
	22. Commerce Commission – awaiting PM's decision		

Appendix 4.4: Discrepancies in the Pensions Record

Pension No.	Pensioner	Pension Type	File Transferred to Archives (Y/N)	Payroll System
10007	Neisau Sakiusa	Civil	N	ID Not Found
10008	Narayan Edward	Civil	N	ID Not Found
10010	Rao Krishna	Civil	N	ID Not Found
10011	Shrama Himat Ram	Civil	N	ID Not Found
10012	Sharma M P	Civil	N	ID Not Found
10013	Singh Sarju	Civil	N	ID Not Found
10014	Vakuruivalu Isireli	Civil	N	ID Not Found
10015	Vuda Esira	Civil	N	ID Not Found
10016	Vuetibau Viliame	Civil	N	ID Not Found
10017	Beya Savenaca	Civil	N	ID Not Found
10018	Viliame Ravukusa	Civil	N	ID Not Found
10020	Raselau Isimeli	Civil	N	ID Not Found
10022	Save Sulio	Civil	N	ID Not Found
10024	Vatukatakata Jone	Civil	N	ID Not Found
10027	Chandra David Suresh	Civil	N	ID Not Found
10033	Kilibau Peni	Civil	N	ID Not Found
10038	Cakai Paula	Civil	N	ID Not Found
10049	Ramaia	Civil	N	ID Not Found
10051	Ratidara Rusiate	Civil	N	ID Not Found
10058	Tavaiqia Viliame	Civil	N	ID Not Found
10060	Tukana Inia	Civil	N	ID Not Found
10065	Singh Pram	Civil	N	ID Not Found
10066	Visa Waqa N	Civil	N	ID Not Found
10131	Nakaivalu Apisai	Civil	N	ID Not Found
10133	Natubavivi Kelepi	Civil	N	ID Not Found
10135	Nawalu Paula	Civil	N	ID Not Found
10136	O'Brian S C	Civil	N	ID Not Found
10143	Raiqiso Filimone	Civil	N	ID Not Found
10155	Radar E M	Civil	N	ID Not Found
10158	Peter Peter	Civil	N	ID Not Found
10159	Sese Peniana	Civil	N	ID Not Found
10160	Sevutia Emosi	Civil	N	ID Not Found

Appendix 4.5: Pending Surcharge Cases

Details	Ministry/ Department	Year Case Received at Surcharge Section	Reasons	Ministry of Finance Comments
Cases Not Sourced From Auditor Generals Report				
Write off of water charges	PWD	26/04/08	Explanation letter issued on 09/05/08. Officer needed time to reply.	<i>Officer on 50 % suspension. Officer taken to Court by FICAC.</i>
Police	Unauthorized use of IDC account.	15/05/08	Awaiting AG's ruling on FIN 34 of July, 1980.	<i>This case has been resubmitted to A/PSF on 27/08/09. Officer been suspended effective from 27/08/09.</i>
Payment of compensation	Co-operatives	20/11/2006	Explanation submission made on 20/12/07	<i>Written to SG. on 23/06/09 for them to identify the two officers to be surcharged as was stated on the court ruling</i>
Theft of wages	PWD	19/01/2007	Treasury has written to department requesting police response.	<i>Police closed this case as there was no leads and the amount of \$19,828.26 was written off on 21/04/08 after seeking Minister of Finance approval</i>
Non recovery of boat fares	Transport & Civil Aviation	09/02/2006	Case on hold	<i>Case pending with PSC</i>
Auditor General's Report 2005 – Tabled in 2006				
Abuse of funds	Local Govt, Urban Dev and Public Utilities	27/02/2007	Memo sent on the 17/07/07 to identify officers responsible. Surcharge yet to be initiated.	<i>Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired.</i>
Payment for idle hours	Local Govt, Urban Dev and Public Utilities	27/02/2007	Memo sent on the 06/08/07 to identify officers responsible. Surcharge yet to be initiated.	<i>Case discontinued on 10/08/09. Officer resigned from Service.</i>
Unjustified excessive urgent delivery at Lautoka Water Supply Stores.	Local Govt, Urban Dev and Public Utilities	27/02/2007	Memo sent on the 17/07/07 to identify officers responsible. Surcharge yet to be initiated.	<i>Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired.</i>
Installation of meters in the wrong zone	Local Govt, Urban Dev and Public Utilities	27/02/2007	Memo sent on the 06/08/07 to identify officers responsible. Surcharge yet to be initiated.	<i>Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired.</i>
Damage to various assets	Fiji Islands Maritime Safety Administration	27/02/2007	Memo sent 02/07/07 for a copy of investigation	<i>Can not identify. OAG to identify from working</i>

Details	Ministry/ Department	Year Case Received at Surcharge Section	Reasons	Ministry of Finance Comments
			report.	<i>papers then any further action can be taken. Most senior officers have retired.</i>
Authorizing overpayment	Roads	27/2/2007	Memo sent on 26/06/07 to identify officer responsible	<i>Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired.</i>
Deficiency in stores	Govt. Printing	27/02/2007	Memo sent on 27/6/07 to identify officers responsible.	<i>Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired.</i>
Breaching of procurement procedures	Elections	27/02/2007	Memo sent on 04/07/07 to identify officers responsible.	<i>Case discontinued on 11/02/09</i>
Extravagant expenditure	Fiji Prisons Services	27/02/2007	Awaiting memo from SG'S office for resubmission of discontinuation.	<i>SG ruled on 06/05/09 that Fin. Circular 34/1980 is no longer valid. Officer retired.</i>
Payment compensation	Co-operatives	27/02/2007	Explanation submission made on 20/12/07	<i>This is appearing twice. Refer 3rd case from top.</i>
Overpayment of salary	Agriculture	27/02/2007	Follow up being made. Last follow up done on 21/11/07.	<i>Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired</i>
Non recovery of quarantine fees.	Agriculture	27/2/2007	Dept has written to Solicitor General for legal action.	<i>No further comments</i>
Approving excessive purchases.	Roads	27/02/2007	Reminder sent on 24/10/07 to identify officers.	<i>Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired.</i>
Certifying unproductive hours	Roads	27/02/2007	Identified officer's submission to be checked by PA/Surcharge.	<i>Case discontinued on 10/08/09.</i>
Overpayments due to tempering with the private plant hire tally sheets.	Roads	27/02/2007	Reminder sent 24/10/2007 to identify officers.	<i>Officer surcharged and recovery is on going</i>
Overpayment to contractor for hire of grader and carting of digger/excavator.	Roads	27/02/2007	Memo sent on 17/07/07 to identify the former supervisor.	<i>Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired.</i>
Driver to be surcharged for	Youth & Employment	27/02/2007	VCU wrote memo to SG	<i>Officer surcharged on</i>

Details	Ministry/ Department	Year Received at Surcharge Section	Case at Reasons	Ministry of Finance Comments
damage to vehicle GN047.			on 18/07/07-follow up on their previous correspondences for release of Police Traffic docket, seeking further advice from SG.	05/11/08 recovery is on going.
Payment made without delivery of goods	Roads	27/02/2007	Memo sent to identify the store man responsible.	Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired.
Auditor General's Report 2004 – Tabled in 2005				
Approving purchases and signing LPO's above the approved limit.	RFMF	18/10/2004	Lapse letter written on 21/12/07 with PS for signing.	Surcharge process reactivated on 27/08/09. Have written to A/PSF to study file and authorize deduction.
Payment to contractors	Works & Energy	2007	Memo sent on the 17/07/07 to identify officers responsible. Surcharge yet to be initiated.	Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired.
Unjustified excess urgent delivery	Works & Energy	2007	Memo sent on the 17/07/07 to identify officers responsible. Surcharge yet to be initiated.	Can not identify. OAG to identify from working papers then any further action can be taken. Most senior officers have retired.
Installation of meters in wrong zone	Works & Energy	2007	Memo sent on the 06/08/07 to identify officers responsible. Surcharge yet to be initiated.	This is repetition of case on the 9th row
Advance payment to facilitate bank guarantee	Energy	2005	Finance to investigate further.	This is not a surcharge case. 2005 report recommended for disciplinary action and further investigation. Investigation has not taken place hence no one has been surcharged yet.
Theft of wages	PWD	2007	Treasury has written to department requesting police response.	This case was closed by Police after all avenues of inquiry have been exhausted and that they do not have any more leads. On the above grounds the loss amount of \$19828.26 was written off on 21/04/08.
Clearance of accountable advance	Agriculture	2004	Memo sent on 17/4/2007 and a copy of	Agriculture has requested for a write off.

Details	Ministry/ Department	Year Received at Surcharge Section	Case at Reasons	Ministry of Finance Comments
			audit report sent as well. Waiting for reply.	
Auditor General's Report 2003 – Tabled in 2004				
Approving purchases and signing LPO's above the approved limit.	RFMF	28/03/2006	Lapse letter written on 12/12/07 with PS for signing.	<i>Surcharge process reactivated on 27/08/09. Have written to A/PSF to study file and authorize deduction</i>
Clearance of accountable advances	Agriculture	18/10/2004	Reply is still awaited from Agric17/04/2007.	<i>Agriculture has requested for a write off.</i>

Appendix 4.6: Alleged Misuse of Government Vehicles

Date	Vehicle No.	Ministry/ Department	Complain	Comment
07/02/08	GN 184	Police Department	Vehicle almost collided with the complainant's vehicle when turning into Vesivesi Road.	Memo has been sent by Finance. Explanations yet to be received
08/02/08	GN 048	Commerce, Industry, Investment and Communications	Vehicle was seen around 10 pm picking up civilians at the Nadi Back Road.	3 memos were sent by Finance dated 21/04/08, 13/05/08 & 07/07/08. Explanations yet to be received.
02/07/08	GM 474	Agriculture & Primary Industries	Vehicle seen carrying private passengers for weddings, picnics and other personal use. Vehicle is also taken to a Mr. Uday Bhan Singh for repairs without the proper authorities being informed.	Memo has been sent by Finance dated 25/07/08. Explanations yet to be received.
02/07/08	GN 325	Provincial Development	Vehicle seen carrying private passengers for weddings, picnics and other personal use. Vehicle is also taken to a Mr. Uday Bhan Singh for repairs without the proper authorities being informed.	Memo has been sent by Finance dated 25/07/08. Explanations yet to be received.
06/05/08	GM 877, GN 388, GM 997	Mineral Resources	<p>GM 877 and GN 388 were given to Mineral Resources for repairs & replacement of vehicle parts but were still in running conditions.</p> <ul style="list-style-type: none"> ➤ No written approval was granted to mechanic Arun Kumar to garage government vehicles at his residence. ➤ All 3 vehicles (GM 997, GM 877, GN 388) mentioned by the complainant have no 	Explanations not given yet also Mineral Resources has not submitted any of their quarterly returns since the 3 rd quarter of 2006.

Date	Vehicle No.	Ministry/ Department	Complain	Comment
			vehicle records i.e. no running sheets and logbooks.	

Section 5 Ministry of Provincial Development, Indigenous and Multi Ethnic Affairs

Role and Responsibilities

The Ministry of Provincial Development, Indigenous and Multi-Ethnic Affairs is responsible for the preservation of the different cultures in Fiji, lease and land administration, education assistance, and rural development. Formerly, these agencies were run as separate ministries. The change was necessary to allow the alignment of Government policies, administrative reforms and the improvement of development strategies aimed equally amongst citizens of Fiji. Specific programmes directed towards Indigenous Fijian and Rotuman communities are still maintained through this re-organisation. The few primary legal frameworks that cover this realignment are the Fijian Affairs Act and Regulations, the Lands Act, and the Fisheries Act.

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CONSOLIDATED FINANCIAL STATEMENT

5.1 Audit Opinion

The audit of the 2008 accounts of the Ministry of Provincial Development, Indigenous and Multi-Ethnic Affairs resulted in the issue of a qualified audit report.

The qualifications are as follows.

a) The Ministry has not provided the following contrary to Finance Instructions 82(1):

- Statements of Output Costs;
- Statement of Losses;
- Trust Fund Account Statement of Receipts and Payments. The Financial Management Information System shows that the Ministry as at 31/12/08 had trust funds totalling \$107,185 and operating trust funds totalling \$43,914.

5.2 Statement of Receipts and Expenditure

The Ministry of Provincial Development, Indigenous and Multi-Ethnic Affairs collected revenue totalling \$1,444,682 and incurred a total expenditure of \$45,303,389 in 2008.

Table 5.1: Statement of Receipts and Expenditures for 2008

Description	2008 \$	2007 \$
RECEIPTS		
State Revenue	1,444,682	846,988
Agency Revenue	0	0
TOTAL REVENUE	1,444,682	846,988
EXPENDITURES		
Operating		
Established staff	5,267,174	5,200,330
Unestablished staff	1,208,545	1,242,758
Travel & communication	320,481	361,061
Maintenance & Operations	565,333	490,522
Purchase of goods & services	278,074	284,627
Operating grants & transfers	19,281,838	19,100,748
Special expenditures	1,437,943	822,959
Total Operating Expenditure	28,359,388	27,503,005
Capital Expenditures		
Capital Construction	1,062,093	674,658

Description	2008 \$	2007 \$
Capital Purchases	95,794	341,090
Capital Grants & Transfers	15,300,117	8,163,395
Total Capital Expenditure	16,458,004	9,179,143
Value Added Tax	485,997	1,033,851
TOTAL EXPENDITURES	45,303,389	37,715,999

Total revenue increased by \$597,694 or 71% in 2008 when compared to 2007 due to the following reasons:

- Provincial Development
 - Increase in Liquor License by \$304,930
 - Registration of marriages by District Officers by \$26,912
 - Value Added Tax by \$45,322
 - Miscellaneous fee \$10,281
 - Other licences by \$1,152
- For the Department of Fijian Affairs, the miscellaneous fees increased by \$153,293 and
- For Multi-Ethnic affairs the miscellaneous fees (refund from scholarships terminated) increased by \$55,804.

Total expenditure increased by \$7,587,390 or 20% when compared to 2007 as a result of increase in Capital Grants & Transfers by \$7,136,722 or 88%. Special expenditure grant for education funds also increased by \$614,984 or 75%.

5.3 Statement of Output Costs

The Statements of Output Costs were not submitted for audit contrary to section 82 of the Finance Instructions. The budget prescribes 13 outputs for the Ministry.

5.4 Appropriation Statement

The Ministry of Provincial Development, Indigenous and Multi-Ethnic Affairs incurred expenditures totalling \$45,303,389 in 2008 against the budget of \$49,457,660 resulting in a savings of \$4,154,271 or 8%.

Details of expenditures against the budget estimates are provided in Table 5.2

Table 5.2: Appropriation Statement for 2008

SEG	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry – Over \$	Lapsed Appropriation \$
1	Established Staff	6,179,500	80,127	6,259,627	5,267,174	0	992,453
2	Government Wage Earners	1,563,100	-3,176	1,559,924	1,208,545	0	351,379
3	Travel & Communication	372,500	5,700	378,200	320,481	0	57,719
4	Maintenance & Operations	584,700	12,300	597,000	565,333	0	31,667
5	Purchase of Goods & Services	447,500	-94,951	352,549	278,074	0	74,475

SEG`	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry – Over \$	Lapsed Appropriation \$
6	Operating Grants & Transfers	20,223,900	0	20,223,900	19,281,838	0	942,062
7	Special Expenditure	1,711,100	100,000	1,811,100	1,437,943	0	373,157
	Total Operating Costs	31,082,300	100,000	31,182,300	28,359,388	0	2,822,912
	Capital Expenditure						
8	Capital Construction	1,500,000	0	1,500,000	1,062,093	0	437,907
9	Capital Purchases	130,000	0	130,000	95,794	0	34,206
10	Capital Grants & Transfers	12,600,000	3,439,660	16,039,660	15,300,117	0	739,543
	Total Capital Expenditure	14,230,000	3,439,660	17,669,660	16,458,004	0	1,211,656
13	Value Added Tax	593,200	12,500	605,700	485,997	0	119,703
	TOTAL EXPENDITURE	45,905,500	3,552,160	49,457,660	45,303,389	0	4,154,271

The Ministry of Finance approved the transfer of \$3,552,160 between the SEGs within the appropriation head during the year. With the exception of Capital Grants & Transfers (Seg 10), the original budget estimates were sufficient to cover the expenditures in all SEGs.

5.5 Statement of Losses

The Ministry did not submit for audit a Statement of Losses contrary to Finance Instruction 82.

AUDIT FINDINGS

5.6 Financial Statement

Commencing 2006 financial year, each annual report must include financial statements which have been prepared and signed in accordance with the Finance Instructions, audited by the Auditor General, and accompanied by an audit opinion prepared by the Auditor General.¹

The draft financial statements must be submitted to the Auditor General by 31 March in the following year, or within such other time as agreed to with the Auditor General.²

The Ministry submitted its Financial Statements for audit on 13th May, 2009 which was not prepared in accordance with the requirements of Section 82 and Schedule 1 of the Finance Instructions 2005. The Ministry had not provided the following for audit:

- Statements of Output Costs;
- a Statement of Losses; and
- a Trust Fund Account Statement of Receipts and Payments.

This is a breach of Finance Instructions 82(1).

Recommendation

The Ministry should ensure that the requirements of the Finance Instructions are strictly followed in the preparation of the Financial Statements.

¹ Finance Instructions 2005 – 81 (2)

² Finance Instructions 2005 – 81 (3)

Management Comments

- *Department of Indigenous Affairs*

Please be advised that Ministry of Finance has just given us the template on Thursday 10/09/09 and it will take us a while to compile and understand the integration of the 3 reports. We would be familiar to compile the 2009 once Finance and Indigenous Affairs staff both commit to understand the compilation of the template. We hope to compile the 2009 statement of Output Cost with no difficulties in 2010.

5.7 Revenue Variances

Each Accounting Head shall ensure that revenue is recorded against the correct account; the recording of revenue is reconciled monthly with the Ministry of Finance; the Ministry of Finance is advised of any errors or discrepancies within 10 working days after the end of each month; and VAT is correctly accounted for and remitted as required.³

- **Ministry of Provincial Development**

The Ministry failed to prepare monthly revenue reconciliations and the figures submitted in the Financial Statement was extracted from the FMIS at year end. In addition, variances were noted between the FMIS figures and the figures provided by the Ministry from the revenue register. The comparisons between the two figures are provided in table 5.3.

Table 5.3: Comparison of Revenue between FMIS and Ministry's Revenue Register for 2008

Allocations	FMIS	Ministry (Revenue Register)	Variance
Income Tax (210104)	1,832.70	-	- 1,832.70
Vat (220199)	132,587.25	101,254.39	- 31,332.86
Cemetery (230314)	37.30	37.30	-
Registration (230319)	124,419.89	107,717.35	- 16,702.54
Fees Misc (230399)	15,671.21	8,640.26	- 7,030.95
Arms (230401)	150.50	46.00	- 104.50
Liquor Lics (230405)	707,879.83	568,896.68	- 138,983.15
Trading Lics (230406)	193,587.25	166,385.62	- 27,201.63
Money Lics (230409)	195.55	195.55	-
Others (230499)	5,580.33	5,258.96	- 321.37
Fines (230801)	64.18	34.18	- 30.00
Admin Fines (230802)	1,000.00	1,000.00	-
Power Supplies (260404)	2,119.67	2,119.67	-
Crown (270207)	3,432.00	3,432.00	-
Commission (270301)	999.96	-	- 999.96
Veterinary (279906)	371.25	217.25	- 154.00
Miscellaneous (279999)	12,772.94	2,760.80	- 10,012.14
Opr 281203	12,808.15	9,268.37	- 3,539.78
Total	1,213,390.29	977,264.38	- 236,125.91

³ Finance Instructions 2005 – 30(1)

- **Department of Multi-Ethnic Affairs**

The Department failed to prepare monthly revenue reconciliation for 2008. The Accounts Officer stated that the Department did not collect any form of revenue and therefore no reconciliations was prepared. However, audit noted that a sum of \$56,348 is showing as revenue in the AFS while there was an amount of \$462 in the 2007 AFS.

- **Department of Indigenous Affairs**

An amount of \$110,000 was adjusted to revenue by the Department and the only information disclosed on the journal voucher is that it was a correction of a wrong posting made in 2007 relating to scholarships. No supporting documents were made available to audit to substantiate the figure.

Recommendations

- **The Ministry of Provincial Development should ensure that all the revenue collected on behalf of other agencies is journalized and credited to the relevant accounts from the 2009 financial year.**
- **The Ministry of Provincial Development should reconcile the variances noted between the revenue register and the general ledger.**
- **The Department of Multi Ethnic Affairs should prepare a monthly revenue reconciliation clearly indicating the source of revenue.**
- **The Department of Indigenous Affairs should provide a detail analysis of \$110,000 disclosed as revenue in its accounts and in future all journal vouchers raised should be supported by relevant source documents.**

Management Comments

- *Ministry of Provincial Development*

At the month end of each month on receiving the cash analysis sheets from the various Divisions and Districts, we in Headquarters compile Revenue Analysis where it records:-

- 1. Revenue Receipts issued daily*
- 2. Relevant allocations to be credited*
- 3. Total lodgements per day*

Once a main summary is drawn up the Journal voucher is raised for the monthly clearance of revenue as follows:-

- 1. Debit - IDC Account*
- 2. Credit - various accounts*

- *The differences in the FMIS figures and the figures provided by the Ministry was due to the officer concerned not including the various adjustments made into the register. However, we have taken note of the issue and we have taken measures to correct the 2009 records.*

Comments not received

- *Department of Indigenous Affairs*

The amount of \$110,000 was debited to various allocations and credited to Trust Fund in 2007 vide JV 1/12/2007 and in 2008 the same amount was reversed from Trust Fund to Scholarship and in October 2008 Internal Audit (Finance) confirmed that the amount should be credited to revenue as the transaction was for

previous year (2007). We still cannot ascertain \$110,000 as to what revenue it represents as the journal voucher raised still cannot be found as the officer responsible for the journal voucher register is being posted out of the section.

5.8 Trust Fund Accounts

Where the agency becomes responsible for managing the Trust money, an application shall be made to the Chief Accountant, Ministry of Finance seeking approval to open a separate bank account and detailing the nature of trust and of any beneficiaries.⁴ Ministries and Departments should also ensure that all their payroll deductions which include FNPF, PAYE, Insurance, Union dues and other deductions for the month of December 2008 are paid out to various companies and statutory authorities before 31/12/08.⁵

Ministry of Provincial Development

The Ministry's monthly reconciliations for 2008 were incorrect as these did not disclose all transactions incurred under Fund one. Deductions made by or from staffs from the Rural Housing Unit as well as the Natural Disaster Unit were not included in the initial reconciliations provided to audit. Upon our request, the Ministry then prepared a consolidated December 2008 reconciliation.

Department of Multi-Ethnic Affairs

After reviewing the initial reconciliations provided by the Department, audit noted that in some instances, the closing balance in one month was not carried forward as the opening balance in the following month.

After audit highlighted the issue, the Department then prepared a new set of reconciliations altogether and on 28/07/09 they resubmitted amended reconciliations for the 12 months.

The Agency's laxity in maintaining monthly reconciliation coupled with no proper supervisory checks had caused considerable delays in the finalisation of the 2008 AFS audit as the respective departments took substantial amount of time in correcting the reconciliations.

Recommendations

- **Monthly reconciliation of the Trust Fund should be prepared by all departments and agreed to the general ledger.**
- **The reconciliations should be thoroughly checked by the supervising Officers to ensure its accuracy before signing them off.**

Management Comments

- *Ministry of Provincial Development*

Trust Fund Reconciliations have been prepared and checked thoroughly by the Supervising Officers to see that the opening and the closing balances ties up with GL figures before they are signed and submitted to Ministry of Finance.

- *Department of Multi Ethnic Affairs*

⁴ Ministry of Provincial Development - Finance Manual. Section 15.1.1

⁵ Ministry of Finance - Circular No. 21/07. Section 14.4

Trust Fund Reconciliations have been prepared and checked thoroughly by the Supervising Officers to see that the opening and the closing balances ties up with GL figures before they are signed and submitted to Ministry of Finance.

5.9 Drawings Account

The Accounting Head must make all attempts to issue stop notices for all cheques that have remained unrepresented for more than 6 months.⁶ Stale cheques (those which are at least 6 months old) shall be reviewed each month to determine the need for a replacement cheque. Where a replacement cheque is not required, action should be taken to clear it.⁷ The Accounts Officer shall prepare bank reconciliation within 5 days of the end of the month⁸.

- **Ministry of Provincial Development**

Scrutiny of Drawings Account revealed that for Headquarters, unrepresented cheques amounted to \$556,274.94 of which \$3,372.68 were stale cheques.

For Commissioner Western it was noted that the Board of Survey was carried out by the two officers who are in-charge of processing cheque payments and preparing the monthly reconciliations. Audit is of the view that the composition of the Board of Survey team members should be such that there is at least an officer from another department/section to be in the team who is independent and who has no input in the payment process.

Audit had raised this issue because during our audit tour to the Western Division on 26/02/09, we noted that 38 cheques with an aggregate value of \$832,666.38 were kept in the Accountant's drawer supposedly for projects which had not commenced. Refer to Appendix 5.1 for details

Recommendations

- **The Ministry of Provincial Development should take necessary actions to regularize unrepresented and stale cheques.**
- **Explanation should be provided on the basis of writing cheques totaling \$832,666.88 for projects that have yet to commence.**

Management Comments

- *Ministry of Provincial Development*

The cheques will be transferred to revenue during the month of September 09.

5.10 VAT Reconciliation

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.⁹

⁶ Finance Instruction – s.40 (2)

⁷ Finance Instruction – s.40 (3)

⁸ Finance Manual 7.4.7

⁹ Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)

- **Ministry of Provincial Development**

Analysis of VAT reconciliation revealed that there was a variance of \$98,199 between the taxable supplies as per VAT return and the total income/expenditure as per Statement of Receipts and Payments.

In addition, a difference of \$152,051 was noted between the actual VAT payments for the year 2008 and the balance disclosed in the general ledger. Refer to Appendix 5.2 for details

- **Department of Multi-Ethnic Affairs**

Analysis of VAT reconciliation revealed that there was a variance of \$6,270 between the taxable supplies as per VAT return and the total income/expenditure as per Statement of Receipts and Payments.

In addition, a difference of \$3,279 was noted between the actual VAT payments for the year 2008 and the balance disclosed in the general ledger. Refer to Appendix 5.2 for details

- **Department of Indigenous Affairs**

A review of the VAT payments made by the Department in 2008 showed a variance of \$694,899.

In addition, a difference of \$3,763 was noted between the actual VAT payments for the year 2008 and the balance disclosed in the general ledger. Refer to Appendix 5.2 for details

The failure to prepare regular VAT reconciliation has resulted in the unexplained differences noted above and this issue was also prevalent in the previous year's audit.

Recommendations

The Ministry should:

- **Check and correct the differences noted above**
- **Ensure compliance with the VAT Decree 1991 while lodging the VAT returns.**
- **Prepare regular VAT reconciliations so that total expenditure subject to VAT is matched to the VAT paid for a particular period.**

Management Comments

- *Ministry of Provincial Development*

Every effort is being taken in 2009 to ensure that VAT Decree 1991 is complied with. VAT reconciliations have also been done to ensure that the expenditure subject to VAT is matched to the VAT paid.

- *Department of Multi Ethnic Affairs*

Comments and recommendations raised have been noted and every effort is being taken to ensure that VAT Decree of 1991 is complied with. In 2009, reconciliations have been made to ensure that the expenditure allocation which is subject to VAT matches to the VAT paid.

- *Department of Indigenous Affairs*

We have noted the figures highlighted. There were months when we calculated a negative VAT return which was not taken into account. This could result in the variances identified by Audit. IRD has confirmed to give us a cheque due to the negative return calculated in previous months.

Secondly, whilst preparing the payment to IRD, the allocations used are not only the VAT allocations but there were various allocations used up as well such as IFLC, NLC Project, and Scholarship. Though they are VAT exempted but the understanding is that the vat will not be reflected in Seg 13 thus the variances.

I wish to also highlight here that more time is needed to try and look back and reconcile the differences. I believe this would be the only solution to this problem instead of having to have these variances every year.

5.11 FNPF Reconciliation

Every employer shall pay to the Fund in respect of each of his employees, in every month during which such employee is employed by him and in the month following the termination of such employment, a contribution calculated upon the amount of wages payable to such employee by such employer for the preceding month at the appropriate rates.¹⁰

The current rate of contribution is 16 cents on each dollar earned, with the employer and employee each contributing 8 cents.¹¹

• Ministry of Provincial Development

Our review of payment vouchers relating to FNPF deductions paid during the year revealed the following discrepancies:

- The established staffs' 8% contribution which was supposed to be paid out of the Trust Fund allocation was instead paid out of the FNPF account allocation. The effect of this error is that FNPF expense would be overstated by the 8% employee contribution while at the same time the Trust Fund would be overstated by the same amount.
- Secondly, we noted that the figure on the payment vouchers did not match with the FMIS figures.

We had requested the client to provide us with an explanation and to also quantify the amount of wrong postings made during the year. After perusing the 2007 audit file it was revealed that this anomaly was also prevalent last year.

This indicates the staffs involved in payroll as well as those in supervisory positions lacked the competency and skills to be able to detect and correct the errors.

In terms of reconciling the FNPF records, audit noted a variance of \$153,191.77. Refer to Appendix 5.3 for details.

• Department of Multi-Ethnic Affairs

Audit noted a variance of \$ 196,459.86 between the FNPF reconciliation. Refer to Appendix 5.3 for details.

¹⁰ Chapter 219 – Fiji National Provident Fund – Section 13 (1)

¹¹ <http://www.fnpf.com.fj/page.asp?frmPageID=9#25> – Contribution Rate

- **Department of Indigenous Affairs**

After a review of the FNPF against Salaries and Wages return, audit noted a variance of \$382,141. Refer to Appendix 5.3 for details. The failure to prepare regular FNPF reconciliation has resulted in the differences noted.

Recommendations

- **The Ministry should rectify the wrong postings being made to the FNPF expense allocation and make necessary adjustments to both the FNPF and Trust Fund accounts.**
- **The Ministry should take necessary steps to reconcile and account for the variance noted in the FNPF reconciliation.**
- **The Ministry should prepare regular FNPF reconciliations so that total salaries, wages & allowances subject to FNPF are matched to the FNPF paid for a particular period.**

Management Comments

- *Ministry of Provincial Development*

The wrong postings have been rectified from 2009.

- *Department of Multi Ethnic Affairs*

The wrong postings have been rectified from 2009.

- *Department of Indigenous Affairs*

After verification with Ministry of Finance on the posting of FNPF allocations. We noted that monthly Gross for both Established and Unestablished staff does not tally with FNPF contribution.

1. *Ministry need to liaise with Ministry of Finance on the posting of FNPF allocations. We noted that monthly Gross for both Established and Unestablished staff does not tally with FNPF contribution deducted.*
2. *Adjustment to Total FNPF against Salaries and Wages 2008.*

DEPARTMENT OF PROVINCIAL DEVELOPMENT

5.12 Issuing of Cheques - Office of the Commissioner Western

Immediately after payment has been effected, the AO - Payments must stamp “paid” on all vouchers and supporting documentation to avoid any double payments.¹² Details of each invoice or other source document for a payment must be promptly and accurately recorded including the name of the supplier or payee, the invoice or statement number, the local purchase order or orders it relates to and the ledger account it is charged to.¹³

On 23/02/09, we reviewed payment vouchers and other relating records for capital projects maintained at the Office of the Commissioner Western, which revealed that 37 cheques valued at \$832,666.38 have not been issued to payees but the payment vouchers were stamped ‘paid’. Refer to Appendix 5.1 for details.

¹² S.2.10.6 Finance Manual – Ministry of Provincial Development

¹³ S 19.1 Finance Instruction 2005

The Commissioner Western had sought approval from the Ministry of Finance for the payment of various capital projects whose amounts exceeded \$30,000 without disclosing that the projects had not commenced. The following were also noted:

- Payments were processed without the project being approved.
- There were no ‘Project Profiles’ provided to audit and thus we could not establish whether tenders were called for the projects or not.
- There were no invoices attached although the payment vouchers were stamped ‘PAID’.
- The Accounts Officer was authorising the payments using the Commissioner Western’s stamp.
- No retention monies were withheld by the Commissioners Western’s office and the total project costs for each individual project were paid out in one lump sum payment.

When we enquired, the Accounts Officer explained that the cheques were not issued because the projects were incomplete and that they needed to utilise the budgeted funds allocated to them in 2008.

However, third party confirmation obtained from one of the contractors, Bhima’s Digging Works Ltd revealed that the road repairs commenced in July 2009. However, the six cheques payable to the company for six different road upgrading projects were released during the months of May and June 2009, prior to any works being carried out.

We also established that the road upgrading projects allocated to the Divisional Engineer Roads Western also commenced during the second quarter of 2009 but cheques were disbursed to them prior to actual works commencing.

The implications of these actions is that the quality of work carried out may be compromised and not be up to required standard because the contractors had already received the money in advance.

Recommendation

The Ministry should not entertain raising cheques in advance, for the projects that have yet to be approved or yet to be completed in order to utilize funds before year end. The officer responsible for such actions should be disciplined.

Management Comments

As mentioned in the findings, that the projects were not approved, please note that all projects undertaken are well reflected in 2008 approved RIE. Have all the project papers intact. All payment vouchers have invoices attached.

The cheques in question have been released to the respective outlets. Since it was the ending of the financial year 2008, the funds were committed, thus, the cheques were raised and kept at Commissioner Western’s office, to be paid on the completion of project. We were also mindful of Government’s commitment towards socio-economic development needs of the community which had to be addressed in a timely manner.

5.13 Arrears of Revenue – Office of the Commissioner Western

Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual¹⁴. The Credit Officer must promptly follow up accounts that fall due. If recovery is unsuccessful after one month, the following actions shall be taken:

¹⁴ Finance Instruction 48

- i) a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than one month;
- ii) If the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.¹⁵

Audit noted that a significant amount of revenue is in arrears with the Office of the Commissioner Western, of which 52% is over two years. The details are shown in table 5.4.

Table 5.4: Arrears of Revenue - 2008

Duration	Amount (\$)
6 Months	22.00
9 Months	16,014.25
1 Year and Over	56,258.25
2 - 5 Years	70,141.40
Over 5 Years	7,253.80
Total Arrears	\$149,689.70

The arrears of revenue listing at the Ministry's headquarters were not submitted during the audit as the reconciliation was not completed.

The high amount of arrears of revenue indicated poor debt collection policies and that measures implemented by the Ministry to aid recovery needs to be improved or enhanced.

Recommendations

- **The Ministry's debt recovery procedures should be reviewed to ensure that arrears of revenue are reduced.**
- **The Ministry should review its arrears of revenue listing and consider requesting the Ministry of Finance to write off debts which are deemed irrecoverable especially in cases where the debtors have migrated or deceased.**

Management Comments

The division is already working closely with the respective District Officers and Provincial Administrators together with the licensees for the recovery of debt, and also if the business is closed or ceased operation requesting for write-offs.

5.14 Incomplete Projects - Western Division

All capital project funds disbursed to the Principal Administrators becomes their responsibility and they need to supervise its implementation and also account for the funds utilised¹⁶

Audit noted after site visit/physical inspection, that the following projects which commenced in 2005 are still incomplete although funds were provided for the projects.

¹⁵ Ministry of Provincial Development Finance Manual S.9.2.1

¹⁶ Standards Operating Procedure 3.2.2(b) 14

Kenani Evacuation Centre

The project was funded under the Village Improvement Scheme Program in 2005. According to the Project Paper reviewed, the total cost of the project was \$280,000. The breakdown of cost is as follows:

\$230,000 – Community contribution [Phase 1-3 – Already completed by the community]

\$50,000 – Amount requested [Phase 4- Contributed by the Ministry of Provincial Development]

Phase 4 which had an estimated cost \$50,000, had not started due to shortage of funds, thus the community had applied for assistance with the Ministry of Provincial Development to complete the project. The government contribution was released under DW 209/05. According to the Expenditure Ledger as at 11/11/05, total funds already utilised from the approved \$50,000 was \$49,601.69. However, during our site visit on 23/02/09, the project was still incomplete though 99% of the funds had been utilized. Refer below for illustrations



Incomplete Structure



Double story level



Inside the Evacuation Centre

Waiyavi SDA Evacuation Centre

The project is categorised under the Urban/Peri Urban Project. The total estimated cost of the project was \$31,413.08. The details of the contributions were as follows:

\$20,000 – Community contribution

\$12,000 – Amount requested (Ministry of Provincial Development)

According to the submission by the Church¹⁷, only \$12,000 is needed to complete the project. However, it was noted from the project profile that \$18,000 was required to complete the project and this amount was released under DW 209/05. As per the Expenditure Ledger as at the 25/10/05, the total funds used for the project was \$12,604.20. We noted from our site visit on 27/02/09 that the project has not been completed. Refer below for illustrations:



Incomplete building from outside



Interior of the building



Incomplete toilet block

Namoli Village Footpath Project

This project is categorised under the Self-Help Provincial Project in 2005. The estimated cost of the project was \$16,000. The details of the contributions were as follows:

¹⁷ Letter dated 27/06/05

\$4,000 – Community contribution

\$12,000 – Amount requested (Ministry of Provincial Development)

The requested fund of \$12,000 was released under DW 255/05. Discussions with the former village headman Mr. Apolosi Veteke and the current village head man Mr. Joeli Lei Vidilo revealed that the materials purchased for the footpath project was diverted to the Church Building Project. This was also confirmed during our site visit of the project at Namoli Village on 27/02/09.

Vanuakula Flush Toilet Project

The estimated cost of the project was \$8,672.16. It was noted during the site visit on 25/02/09 that not all the flush toilet has been completed and according to the village head man, not all the materials have been supplied.

The above cases reflect the laxity of the respective District Officers in properly monitoring the progress of the project from the beginning to completion. Substantial amount of public funds have been utilised for projects that have remained idle for a number of years.

There is a high risk of materials purchased for the projects being used for personal purpose if it is not properly monitored.

Recommendations

- **Due to the substantial amount of public funds utilised for the various capital projects under the Ministry, it is imperative that the progress of the projects are closely monitored to ensure that they are satisfactorily completed and that value for money is obtained.**
- **Divisional Commissioners, District Officers and Provincial Administrators should be disciplined if they fail to carry out their responsibilities diligently.**

Management Comments

These were 2005 projects which were handled by the then Commissioner Western, Ratu Isoa Tikoca and Actg District Officer Samuela Delai who is now with Presidents Office. The current staffs are not in a position to answer queries on the issue.

5.15 Motor Vehicle Accidents – Western Division

In the event of an accident involving a government vehicle, the driver must immediately report the accident to the police and inform his seniors.¹⁸ The officer in charge will submit the original accident report to the Deputy Permanent Secretary and a copy to his Divisional HQ and in Headquarters the Manager Administration will submit original accident report to Deputy Permanent Secretary.¹⁹

Three of the Ministry's vehicles at the Office of the Commissioner Western were involved in accidents of which only one was reported. Vehicle GN455 assigned to the Commissioner Western was involved in an accident on 31/12/07. The cost of repairing the vehicle amounted to \$2,000. According to information provided during the audit, the other party to the accident was at fault and that the cost cannot be recovered as the driver has migrates overseas.

¹⁸ Ministry of Provisional Development Finance Manual S.12.6.1

¹⁹ Ministry of Provisional Development Finance Manual S.12.6.7

Vehicle GM956 allocated to the Commissioner Western was also one of the vehicles involved in an accident but only a memo could be located regarding the matter. This vehicle was repaired but it was noted that the vehicle was parked at the Commissioner Western's car park and was not being used. Upon further enquiries made after the audit conduct, we were advised that this particular vehicle had been reassigned to the District Office in Nadi.

Vehicle GN482 was involved in an accident on 25/11/08 whilst driven by Mr. Taniela Vocevoce, the Provincial Administrator Ba. As of the date of audit²⁰, the vehicle accident report has not been prepared and submitted to the Ministry of Finance as required. The vehicle has been parked outside the Office of the Commissioner Western since the accident. Refer below for illustrations:



GN 482 (photos taken on 27/02/09)

Also parked outside the Office of the Commissioner Western was vehicle GL389 which was involved in an accident in 2007 and had been subsequently repaired. According to the staffs whom we interviewed, the Ministry is writing off the vehicle because it is no longer in working condition.

The above incidences indicate that the Ministry has poor control over the use of motor vehicles especially where accidents have occurred.

Recommendations

- **All mandatory reports relating to accident vehicles should be promptly submitted to Headquarter so that the matters are subsequently referred to the Ministry of Finance for their decision.**
- **The Transport Officer should be diligent in his duties and urgently follow up the accident reports with those involved.**

Management Comments

GM956

This is the official vehicle for DO Nadi which was involved in an accident in 23/01/08 and was brought to Lautoka to be repaired by PWD. After repairing it was brought back to the Commissioner Western office before taken by the Assistant District Officer Nadi.

GN482

The accident report was finally sent to HQ on 22.04.09 after receiving the Police report on 16/03/09.

GL389

This vehicle is parked in the compound of Commissioner Western's office as it beyond repair due to wear and tear considering the condition of roads it has had to travel in. Please note that this vehicle is more than 20 years old

²⁰ Date of audit: 23/2/08

DEPARTMENT OF MULTI-ETHNIC AFFAIRS**5.16 Analysis of Fuel Usage**

Vehicles must only be used for official purposes. Government vehicles must be used and maintained so as to maximise their useful life.²¹

As a result of over-expenditure incurred for fuel & oil, we carried out an analysis comparing the fuel consumption patterns for two different drivers employed in the Department and noted vast differences in the consumption of fuel. An important point worth mentioning is that for every litre of fuel, the incumbent driver travelled an average of 8km compared to the distance of 14 to 20 km travelled by the relieving driver. This is an indication that fuel could have been misused by the incumbent driver.

A comparison of the relieving driver's record with the incumbent driver is tabulated below:

INCUMBENT DRIVER - GANGA RAM					
Month	No. of Refills	Liters	Total Km (Mileage)	Total Km/ Liters	Liters/KM
Jul-08	9	507	3,948	7.78 km per liter of fuel	0.12 liter per KM
Oct-08	10	544	4,134	7.60 km per liter of fuel	0.13 liter per KM
Nov-08	7	465	3,150	6.77 km per liter of fuel	0.15 liter per KM
Average liters consumed		1516	11,232	7.4 km per liter of fuel	0.13 liter per KM

Average fuel price per kilometre travelled amounts to 0.13 litres.

RELIEVING DRIVER – MANUVA MATAIRAVULA					
Month	No. of Refills	Liters	Total Km (Mileage)	Total Km/ liter	Liters/KM
Jan-09	4	243	3,376	13.89 km per liter of fuel	0.07 liter per KM
Feb-09	2	138	2,787	20.19 km per liter of fuel	0.05 liter per KM
Average liters consumed		381	6,163	17.04 km per liter of fuel	0.06 liter per KM

The following anomalies were noted:

- For every kilometre travelled the incumbent driver used 0.13 litres (average) while the relieving driver needed only 0.06 litres.
- Therefore the incumbent driver was using an extra 0.07 litres per kilometre travelled.
- If the unit price of fuel is \$2.00 per litre then in monetary terms, if both drivers were to travel 10,000 kilometres we can deduce that the incumbent driver would be spending an extra \$1,400.00 (\$2/litre x 0.07 litres x 10,000).

The Transport officer had also commented that she had seen a vast reduction in the frequency of refuelling when the relieving driver assumed the position.

Recommendations

- **The utilization of government vehicle by drivers should be closely monitored by the Transport Officer.**

²¹ Finance Instructions 60(2)

- **Explanations should be provided by Driver Ganga Ram for excessive fuel consumption as compared to the relieving Driver.**

Management Comments

The Department was already in the process to discipline the incumbent driver mentioned in here as the Department has already identified the discrepancies in fuel usage, hence the Department informed the driver to take all his leave from 5th January 09. Consequently the driver has been suspended without pay with effect from 8th May 09.

DEPARTMENT OF INDIGENOUS AFFAIRS

5.17 Inspection of Multi-Year Projects

For multi-year projects, the Accounts Officer shall inspect project sites at least once a year. The Accounts Officer shall check that:

- records are being properly kept;
- information in the acquittal report corresponds to records kept by the recipient;
- the progress of the project is satisfactory.

The Accounts Officer shall prepare an inspection report on each project inspected and submit it through Senior Accounts Officer to Manager Corporate Services²².

Audit noted that inspections of records for multi-year projects were not carried out by the Accounts Officer in 2008. The multi-year projects are as follows:

Project	Amount [\$]
World Heritage Listing	300,000
Development Assistance Scheme	1,400,000
Survey – Land, Fishing & Village Boundaries	100,000

The risk of grants being utilised for other purposes increases if regular inspections are not carried out to confirm whether the deployed funds were used in the manner it was intended.

Recommendation

The Accounts Officer should visit the project sites and inspect records to ensure the accuracy of the acquittals provided to the Department.

Management Comments

Native Lands Commission's response

The Commission agreed with the recommendation for inspection by Accounts as a means of control and monitoring tool to keep us on track. We appreciate and will see its implementation in impending years.

Accounts Section's response

The Accounts Officer is already full with responsibilities that we feel at times too numerous for the officer to complete in the estimated timeframe. If the Accounts Officer has to go out for inspections, office work will suffer and will fall behind, especially the reconciliation of accounts.

²² Finance Manual 3.3-3.5

Appendix 5.1: Issuing of Cheques

Date	Chq No.	Particulars	Amount (\$)
30/12/08	5050	Ali Amzad Transport & Sons	14,000.00
29/12/08	5052	Bhimas Digging Works Limited	16,700.00
30/12/08	5013	Bhimas Digging Works Limited	16,900.00
15/12/08	4921	Bhimas Digging Works Limited	19,550.00
39/12/08	5013	Bhimas Digging Works Limited	16,700.00
16/12/08	4942	Bhimas Digging Works Limited	14,000.00
18/12/08	4965	Bhimas Digging Works Limited	14,000.00
30/12/08	4915	Bhimas Digging Works Limited	19,890.00
30/12/08	5056	Nadro Hardware Supplies Limited	5,589.50
24/12/08	5011	Nadro Hardware Supplies Limited	6,121.30
19/12/08	4975	Nadro Hardware Supplies Limited	3,389.40
30/12/08	5064	Western Drilling Company Limited	6,525.00
30/12/08	5065	Rainbow Electric Limited	1,050.00
19/12/08	4978	R.C.Manubhai	14,965.00
30/12/08	5053	Haroons Hardware	14,775.00
30/12/08	5061	Patels Hardware Limited	14,710.74
30/12/08	5062	Patels Hardware Limited	9,214.26
30/12/08	5063	Divisional Engineer Roads West	20,000.00
01/12/08	4788	Divisional Engineer Roads West	30,685.00
01/12/08	4796	Divisional Engineer Roads West	88,151.00
02/12/08	4821	Divisional Engineer Roads West	31,066.90
02/12/08	4830	Divisional Engineer Roads West	30,000.00
02/12/08	4831	Divisional Engineer Roads West	27,437.32
02/01/08	4832	Divisional Engineer Roads West	39,950.00
02/12/08	4833	Divisional Engineer Roads West	39,400.00
02/12/08	4834	Divisional Engineer Roads West	20,000.00
02/12/08	4840	Divisional Engineer Roads West	14,970.00
03/12/08	4842	Divisional Engineer Roads West	49,250.00
04/12/08	4844	Divisional Engineer Roads West	14,680.00
05/12/08	4847	Divisional Engineer Roads West	14,975.00
08/12/08	4856	Divisional Engineer Roads West	14,000.00
08/12/08	4861	Divisional Engineer Roads West	10,912.96
08/12/08	4863	Divisional Engineer Roads West	18,375.00
08/12/08	4864	Divisional Engineer Roads West	34,225.00
08/12/08	4865	Divisional Engineer Roads West	19,250.00
08/12/08	4866	Divisional Engineer Roads West	30,000.00
08/12/08	4867	Divisional Engineer Roads West	26,000.00
08/12/08	4888	Divisional Engineer Roads West	51,258.00
TOTAL			832,666.38

Appendix 5.2: VAT Reconciliation

- Department of Provincial Development**

Variance between the taxable supplies as per VAT Return and the total income/expenditure as per the Statement of Receipts and Expenditure

Total Income/Expenditure as per Expenditure Statement	\$16,061,199
Less Expenditure Not Subject to VAT- Seg 1, 2 & 10	<u>\$13,541,843</u>
	\$ 2,519,356
Less: Total taxable supplies as per Vat returns	\$ <u>2,617,555</u>
Variance	\$ 98,199

Variance between actual VAT payments for 2008 and the balances disclosed in the general ledger (FMIS):

VAT Payments (VAT payment to FIRCA and VAT Input As Per Statement of Financial operation)	\$253,718
VAT Payments (VAT payment to FIRCA and VAT Input As Per VAT returns for the year)	<u>\$405,769</u>
Variance	\$152,051

- Department of Multi Ethnic Affairs**

Variance between the taxable supplies as per VAT Return and the total income/expenditure as per the Statement of Receipts and Expenditure

Total Income/Expenditure as per Expenditure Statement	\$6,616,951
Less Expenditure Not Subject to VAT- Seg 1, 2, 6 & 10	<u>\$6,326,168</u>
	\$ 290,783
Less: Total taxable supplies as per Vat returns	\$ <u>284,513</u>
Variance	\$ 6,270

Variance between actual VAT payments for 2008 and the balances disclosed in the general ledger (FMIS):

As Per Statement of Financial operation)	\$ 42,839
VAT Payments (VAT payment to FIRCA and VAT Input As Per VAT returns for the year)	<u>\$ 46,078</u>

Variance **(\$ 3,239)**

- **Department of Indigenous Affairs**

Variance between the taxable supplies as per VAT Return and the total income/expenditure as per the Statement of Receipts and Expenditure

Total Income/Expenditure as per Expenditure Statement	\$22,625,238
Less Expenditure Not Subject to VAT- Seg 1, 2, 6 & 10	<u>\$21,189,663</u>
	\$ 1,435,575
Less: Total taxable supplies as per Vat returns	<u>\$ 2,130,474</u>

Variance **(\$333,678)**

Variance between actual VAT payments for 2008 and the balances disclosed in the general ledger (FMIS):

VAT Payments (VAT payment to FIRCA and VAT Input As Per Statement of Financial operation)	\$ 189,440
VAT Payments (VAT payment to FIRCA and VAT Input As Per VAT returns for the year)	<u>\$ 193,203</u>

Variance **(\$3,763)**

Appendix 5.3: FNPF Reconciliation

- **Department of Provincial Development**

a) Total FNPF Against Salaries/Wages 2008

FNPF as per Financial Statement:	306,800.87
<u>Add</u> FNPF Paid Not Entered into FMIS	<u>8,956.40</u>
FNPF For 2008	315,757.27
Gross Pay Subject to FNPF (\$315,757.27 divide by 0.08)	3,946,965.88

b) Salaries/ Wages for 2008 Subject to FNPF

Salaries, Wages & Allowances as per Financial Statement	3,793,774.11
<u>Less</u> Salaries & Wages not subject to FNPF *****	-
Salaries, Wages and Allowance for 2008 subject to FNPF	3,793,774.11

c) Difference {(a) – (b)} **153,191.77**

- **Department of Multi-Ethnic Affairs**

FNPF as per Financial Statement:	39,171.81	
Add FNPF in SEG 6 & 10	<u>6,785.16</u>	
	45,956.97	45,956.97
 Add December 08 FNPF Paid Jan 09	9,031.20	
FNPF Paid Not Entered into FMIS	<u>5,096.08</u>	
	14,127.28	<u>14,127.28</u>
		60,084.25
Less December 07 FNPF Paid in Jan 08		<u>7,790.56</u>
 FNPF For 2008		<u>52,293.69</u>
Gross Pay Subject to FNPF (\$52,293.69 divide by 0.08)		653,671.13
 b) Salaries/ Wages for 2008 Subject to FNPF		
Salaries, Wages & Allowances as per Financial Statement		457,211.27
Less Salaries & Wages not subject to FNPF *****		0
Salaries, Wages and Allowance for 2008 subject to FNPF		<u>457,211.27</u>
 Difference		<u>196,459.86</u>

- **Department of Indigenous Affairs**

(a) Total FNPF against Salary & Wages for 2008

FNPF as per Financial Statement	109,667
Less: December 2007 FNPF	15,205
Add: December 2008 FNPF	11,328
 FNPF for 2008	<u>105,790</u>
Gross Pay subject to FNPF(109,667/0.08)	1,322,375

(b) Salaries and wages for 2008 subject to FNPF	1,704,516
Salaries, Wages & Allowance subject to FNPF	<u>1,704,516</u>
(c) Difference	\$ <u>382,141</u>

Section 6 **Ministry of Defence, National Security & Immigration**

Role and Responsibilities

The Department of Home Affairs is responsible for formulating and implementing policies in respect of defence, security and intelligence, law and order and immigration and the strategic coordination of Government's response to national crisis and emergency situations.

The Department of Immigration is responsible for the administration of immigration functions throughout the country. This includes the formulation and implementation of policies relating to visitor permits; work permits; investments; passports & citizenship. Maintaining services at the various ports of entry.

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CONSOLIDATED FINANCIAL STATEMENT

6.1 Audit Opinion

The audit of the 2008 accounts of Ministry of Defence, National Security & Immigration resulted in the issue of a qualified audit report.

The accounts were qualified for the following reasons:

1. The amounts in the Statements of Output Costs have been estimated as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management Information System (FMIS) of government. It is not possible therefore to determine the accuracy of the expenditures incurred by the Ministry under each output.
2. The Ministry has not provided the following contrary to Finance Instructions 82(1):
 - a. Statement of Losses; and
 - b. Trust Fund Account Statement of Receipts and Payment. The Financial Information System shows that, as at 31/12/08, the Department of Defence & National Security has trust funds totalling \$88,477 while the Immigration Department has two trust funds totalling \$36,008 and \$10,302,888 respectively.
3. The Ministry failed to submit VAT returns for 2008. Significant variances were noted in the FNPF reconciliation totalling \$109,714 for the Department of Defence and National Security and \$185,688 for the Department of Immigration.

6.2 Statement of Receipts and Expenditures

The Ministry collected revenue totalling \$7,889,483 and incurred a total expenditure of \$3,821,387 in 2008. Refer to Table 6.1 for details.

Table 6.1: Statement of Receipts and Expenditures for 2008

Description	2008 \$	2007 \$
RECEIPTS		
State Revenue		
Operating Revenue	7,886,726	7,167,334
Total State Revenue	7,886,726	7,167,334
Agency Revenue		
Miscellaneous Revenue	2,757	1,393
Total Agency Revenue	2,757	1,393
TOTAL REVENUE	7,889,483	7,168,727
EXPENDITURE		
Operating		
Established Staff	2,275,635	1,973,037
Unestablished Staff	245,604	249,114
Travel and Communication	169,128	207,925
Maintenance and Operations	233,982	173,488
Purchase of Goods and Services	551,775	643,678
Operating Grants and Transfers	26,285	8,724
Special Expenditures	146,790	170,630
Total Operating Expenditure	3,649,199	3,426,596
Capital Expenditure		
Construction	-	-
Purchases	-	-

Description	2008 \$	2007 \$
Total Capital Expenditure	-	-
Value Added Tax	172,188	319,603
TOTAL EXPENDITURE	3,821,387	3,746,199

There was an increase of revenue by \$720,756 or 10% in 2008 when compared to 2007 due to the increase in demand for passports, work permits and introduction of the dual Permanent Residency applications.

There was a net increase in expenditure in 2008 by \$75,188 or 2% when compared to 2007 as a result of increases in the Established Staff by \$302,598 or 15%, Maintenance and Operation by \$60,494 or 35% and Operating Grants and Transfer by \$17,561 or 201%.

6.3 Statement of Output Costs

The Statement of Output Costs consolidates the 5 outputs prescribed in the Budget Estimates. These are detailed in Appendix 6.1.

6.4 Appropriation Statement

The Ministry incurred expenditures totalling \$3,821,387 in 2008 against the budget of \$5,318,600 resulting in a savings of \$1,497,213 or 28%.

Details of expenditures against the budget estimates are provided in Table 6.2.

Table 6.2: Appropriation Statement for 2008

SEG	Item	Budget Estimate \$	Changes (Note 3) \$	Revised Estimate \$	Actual Expenditure \$	Carry- Over \$	Lapsed Appropriation \$
1	Established Staff	3,365,500	(215,000)	3,150,500	2,275,635	-	874,865
2	Unestablished Staff	247,400	-	247,400	245,604	-	1,796
3	Travel & Communication	188,000	3,000	191,000	169,128	-	21,872
4	Maintenance & Operations	195,700	79,000	274,700	233,982	-	40,718
5	Purchase of Goods & Services	546,800	133,000	679,800	551,775	-	128,025
6	Operating Grants & Transfer	29,200	-	29,200	26,285	-	2,915
7	Special Expenditure	560,000	-	560,000	146,790	-	413,210
	Total Operating Costs	5,132,600	-	5,132,600	3,649,199	-	1,483,401
	Capital Expenditure						
8	Construction	-	-	-	-	-	-
9	Purchases	-	-	-	-	-	-
	Total Capital Expenditure	-	-	-	-	-	-
13	Value Added Tax	186,000	-	186,000	172,188		13,812
	TOTAL EXPENDITURE	5,318,600	-	5,318,600	3,821,387	-	1,497,213

The Ministry of Finance approved the transfer of funds totalling \$215,000 within the Ministry's budget during the year.

AUDIT FINDINGS

6.5 VAT Reconciliation

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.¹

- **Department of Defence & National Security**

Audit noted that the Department failed to maintain a copy of Value Added Tax return form after making VAT payment. This has made it difficult for audit to determine output amount, which is very important in reconciling VAT.

- **Department of Immigration**

The Department failed to provide the VAT returns for 2008. Only the VAT returns for six months were available, therefore VAT reconciliation could not be prepared.

As a result, audit could not substantiate the VAT reconciliation.

Recommendation

The Ministry should ensure that all VAT records are made available to audit and the officer responsible for the maintenance of records should reconcile VAT payments with the records.

Management Comments

Agreed, we are working to reconcile the Vat return and will improve the reconciliation on vat return for year 2009.

6.6 FNPF Reconciliation

Every employer shall pay to the Fund in respect of each of his employees, in every month during which such employee by him and in the month following the termination of such employment, a contribution calculated upon the amount of wages payable to such employee by such employer for the preceding month at the appropriate rates.²

- **Department of Defence & National Security**

A reconciliation of FNPF contributions against salaries and wages reported in the financial statements for the Departments revealed significant variances. Refer Appendix 6.2 for details.

¹ Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)

² Chapter 219 – Fiji National Provident Fund – Section 13 (1)

- **Department of Immigration**

A reconciliation of FNPF contributions against salaries and wages reported in the financial statements for the Departments revealed significant variances. Refer Appendix 6.2 for details.

Recommendation

The Department should review its FNPF records and reconciliations and provide explanations for the variances.

Management Comments

Agreed, we are working to establish on the findings of the audit report, however we have placed controls and measures to improve for year 2009 on our reconciliation.

6.7 Drawings Account Reconciliation

All bank accounts shall be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.³

- **Department of Defence & National Security**

Audit noted that for the year 2008, no drawings account reconciliation was prepared by the Department. The last drawings reconciliation was prepared in October 2006.

- **Department of Immigration**

Audit review of the drawings reconciliation made by the Department revealed the following discrepancies:

- The opening balances for several months did not tie up with the closing balances of the preceding months.
- The Department failed to provide any reasons for the variance of \$48,758 between the Department's figures against the Financial Management Information System's figure.
- No board of survey was conducted for the un-presented cheques as at 31/12/08.
- Furthermore, the drawings reconciliation for Bond account was not carried out in 2008. It had a balance of \$10,360,190 as at 31/12/08.

Failure to prepare proper reconciliations may result in accumulation of stale cheques and tie up the funds in the Ministry.

Recommendations

- **The Accounts Officer should ensure that monthly reconciliations are carried out in a timely manner.**
- **Supervisory checks on monthly reconciliations should be improved to ensure the accuracy of the balances reflected in the reconciliations.**

Management Comments

³ (Finance Instructions 2005 s39(5))

Agreed, on all of the above bullet points. Due to the resignation of the Accounts officer on medical grounds in 2008 the reconciliation was not carried out till late in the year. We had improved on the reconciliation till April 2009 and are working backwards to reconcile and journalise to match the GL figures. We had finished up to December 2008 and had handed the Board of Survey on drawings account to MOF.

6.8 Trust Fund Account Reconciliation

The Trust Fund Account should not be overdrawn⁴. Within 5 days after the end of each month, the trust officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.

- **Department of Defence & National Security**

The Department maintained 24 operating trust fund accounts. Audit noted that the trust fund reconciliation for 23 of these accounts were not prepared. Twelve trust fund accounts were also overdrawn resulting in debit balances. Refer table 6.3 for details:

Table 6.3: Overdrawn Trust Fund Accounts

Account	Description	Balance (\$)
10610106101861104	Rent H/A Unestablished Staff	93.00
10610106101861202	CMLA	103.59
10610106101861204	LICI	66.03
10610106101861206	Marsh & McLennan	40.11
10610106101861209	Marsh & McLennan	15.77
10610106101861306	Housing Authority	405.00
10610106101861307	Home Finance Co	65.00
10610106101861532	Public Employees Union	206.50
10610106101861599	Others	52.03
10610106101861602	Maintenance – Nausori	15.00
10610106101861699	Maintenance – Other	67.00
10610106101861910	Sundries	114.17

The overdrawn amounts indicate the lack of control over the trust fund accounts.

Recommendations

- **The Department should ensure that no trust fund account was overdrawn.**
- **The Department should ensure that the Trust Fund Account reconciliations are prepared on a monthly basis, verified and reconciled with the records from the Financial Management Information System.**

Management Comments

We have looked through matter due to the shortage of staff, now we have improved and taken up measures in order to reconcile on time since we have increased our staffing.

⁴ Office of the Auditor General Trust Fund Guide (5)

DEPARTMENT OF IMMIGRATION**6.9 Unclaimed Bond Refunds**

Trust money is the money that the agency is holding in trust. It is to be kept in a separate bank account and accounted for separately from “public money” and “other money”.⁵ Immigration bonds are held in the trust account for all non Fiji citizens. These bonds are refunded when the applicants leave the country or used for their deportation when they breach their permits.

Audit noted that substantial sum of funds received by the Department as bond have yet to be refunded to the international workers or their agents who have departed from Fiji. A total of \$2,049,514 has not been refunded from January 1989 to December 2000. Refer table 6.4 for details:

Table 6.4: Bond Money Yet to be Refunded

Year	Amount to be Refunded (\$)
1989	48,705
1990	14,357
1991	43,524
1992	79,070
1993	80,833
1994	77,800
1995	115,034
1996	127,970
1997	221,531
1998	267,079
1999	459,219
2000	514,392
Total	2,049,514

Failure of the Department to take action and inform the international workers and agents accordingly has resulted in substantial unclaimed refunds. Given the timeframe as tabulated above, it may become difficult to trace the bond holders as some of them have already left the country.

Recommendations

- **The Department should make necessary arrangements to inform the public to collect the pending bond refunds.**
- **It is also recommended that bonds not claimed for long period of time be transferred to consolidated revenue account.**

Management Comments

The immigration Department refunds bonds to permit holders once they request. There are permit holders who are still being employed by the companies and these bonds act as their security for not breaching the terms and condition for employment, however we are now updating all bonds files to know whereabouts of the permit holder if they are still in the country or became citizenship or had left the country.

⁵ Finance Manual 2005, Section 15: Trust Fund Introduction

6.10 Overseas Travel

All officers wishing to leave Fiji for reasons other than official duties are required to obtain written approval of the Secretary for the Public Service Commission (PSC).⁶

Immigration Officers based at the Nadi Office were noted to have made unauthorized travel overseas without seeking prior approval or release letters from the Public Service Commission. Refer table 6.5 for details.

Table 6.5: Immigration Officers Travelling Overseas without PSC Approval

Name	EDP No.	Unauthorized travel	Remarks
Josateki Toga	49635	4	Only 2 official PSC approval letters to spend leave abroad were sighted.
Josua Mucunabitu	19505	9	No official PSC approval letters to spend leave abroad was sighted.
Naibuka Vuli	41693	12	Only 1 official PSC approval letters to spend leave abroad were sighted.

The above officers have breached the General Order by not obtaining approval from the Public Service Commission before travelling overseas.

Recommendations

- **Appropriate disciplinary action should be instigated against the officers who have violated the General Order.**
- **The Department should ensure that prior approval is obtained from PSC before officers' travel abroad.**

Management Comments

All officers are granted approval by PSC, prior to commencing on overseas leave. However, regarding the three (3) officers mentioned namely Josateki Toga, Josua Mucunabitu and Naibuka Vuli, we are not able to explain their leave status because their files were taken from the office by FICAC. These officers are on suspension.

6.11 Service Rendered Without a Written Agreement

A written contract or agreement must be entered into with the approved tenderer for the supply of the goods, services or works tendered. Legal advice must be sought on the draft contract or agreement unless the Director approves otherwise in writing.⁷

An employee must disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with employment in the public service.⁸ An employee must not make improper use of official information or of the employee's duties, status, power or authority in order to gain or seek to gain, a benefit or advantage for the employee or for anyone else.⁹

The Department rendered the services of Leah's Apartments for detaining deportees without a written contract or agreement. Furthermore, anomalies were noted during the audit conduct as follows:

⁶ General Orders 729(a)

⁷ Department of Immigration Finance Manual 2005, Clause 2.4.16

⁸ Public Service Act, Section 6

⁹ Public Service Act 1999, Section 10.

- No expression of interest on the tender of establishing a deportation centre was called by the Department.
- A conflict of interest was suspected as Silipa Vuli, the owner of Leah's Apartments was the spouse of Mr. Naibuka Vuli; Acting Senior Immigration Officer – Nadi Office.
- No written approvals were sighted authorizing the owner's of the apartment to accommodate detainees.
- A company search at Registrar of Companies Office verified that Leah's Apartments was unregistered.

Appendix 1 provides details on the detainees from 2008 to early 2009. According to the Financial Management Information System, the Department has paid Leah's Apartments \$8,160 in accommodation expenses for the deportees in 2008.

Proper tender procedures were not complied when the Department engaged Leah's Apartment as the detention centre for illegal immigrants.

Recommendations

- **The Department should establish a detention centre in confirmation with the Public Service Commission.**
- **The Department should provide justifications as to why Leah's Apartment was used as detention centre without any approval.**
- **Mr. Naibuka Vuli should be cautioned for not disclosing his intentions and business dealings leading to an apparent conflict of interest.**

Managements Comment

The Agreement is now ceased as the issue is before the courts.

6.12 Non Removal of Illegal Immigrants

The Permanent Secretary may make a written order directing a prohibited immigrant to leave and remain out of the Fiji Islands either indefinitely or for a period specified in the order.¹⁰ An order made under this section must be carried into effect in such manner as the Permanent Secretary directs in writing, including removal of the person by use of reasonable force if necessary.¹¹

Audit noted that the Department lacked manpower to expedite the removal of over stayers in the country. Refer table 6.6 for examples.

Table 6.6: Over stayers

Name	Date of Birth	Nationality	Status
Nalini B. Kapadia	31/03/37	Indian	Subject is still in the country despite her appeal being rejected by the minister on 01/07/03.
Wang Jing	22/06/79	Chinese	The subject's student visa had expired on 10/01/07. DW & RO* has been prepared but he cannot be found.
Dong Jia Zhong	17/12/68	Chinese	Subject is overstaying since 30/08/99. Department is still looking for him.

¹⁰ Immigration Act 2003, Section 15(1)

¹¹ Immigration Act 2003, Section 15(3)

* Detention Warrant & Removal Order

Name	Date of Birth	Nationality	Status
Jeffery U. Orji	17/11/79	Nigerian	Visitors permit expired on 05/02/04. Subject is staying illegally in the country.
Faaletaua Faatu	25/09/75	Samoa	Subject overstaying since 06/06/99. DW & RO prepared and issued on 26/10/04.
Baek Yung Joo	01/03/61	Korean	Subject has been overstaying since 04/01/02. DW issued on 26/10/04.
Wang Min	17/10/63	Chinese	Subject has been overstaying since 22/03/05.
Lambert R. Lyndon	24/05/51	Australian	Subject overstaying since 30/02/99. RO & DW issued on 31/01/06 i.e. 7 years after the date of expiry of permit.
Leong X Wei	10/12/80	Chinese	Visitor permit had expired on 14/09/04. Subject is unlawfully residing in Fiji.
Ye Wenpan	22/10/76	Chinese	Work permit expired on 22/09/05. Since then is unlawfully residing in Fiji.
Nau S. Kitekeiaho	30/10/69	Tongan	Subject arrived in the country on 30/07/05 and now he is overstaying in the country. He has been changing his name in order to enter Fiji.
Lota Alick	13/01/79	Solomon Islander	Visitor permit expired since 04/01/03. Subject has overstayed in the country.
Chen Xiumei	13/12/70	Chinese	Subject arrived on 04/11/05 and her permit has expired hence overstaying in the country.

Audit review noted that there are currently 6032¹² immigrants residing unlawfully in the country.

Given the number of illegal immigrants in Fiji, there was a need to empower the Department with the required resources to avoid the possibility of unscrupulous people manipulating and exploiting the system to their benefit.

Recommendation

The effort made by the Department to identify and promptly remove illegal immigrants should be improved.

Management Comments

We agree that there are some long outstanding cases of illegal immigrants still to be removed with the Department and we are trying to deal with these cases as soon as we can.

6.13 Follow Up - Damaged Passports

Passport is a current valid travel document which is issued by or on behalf of the Government of any country, containing a photograph and a personal description of the holder which purport to establish the identity and nationality or citizenship of the holder, or which gives a right of re-entry to that country.¹³

The Passport Officer shall, upon application made to him in the appropriate form, issue to any citizen of Fiji who satisfies such conditions as may be prescribed, a passport in the appropriate form.¹⁴

Audit noted that a considerable number of passports were damaged during the processing stage incurring unwarranted costs and loss of revenue for the Department. Refer table 6.7 for details.

¹² Overstates report produced by ITC on 17/04/09.

¹³ Passports Act No. 17 of 1971 – Section 2 (4)

¹⁴ Return to Laws, Chapter 89, Passports Act No. 17 of 1971 – Section 3 (1)

Table 6.7: Number of Damaged Passports

Year	No. of Damaged Passports	Value of Loss in Revenue (\$)
2005	779	57,646
2006	888	65,712
2007	308	22,792
2008	470	34,780
Total		180,930

The issue was also reported and discussed in previous years audit but the Department failed to take corrective actions. A total of 181 damaged passports out of 470 were caused by mechanical problems such as improper lamination or overheating. Also, in 2008, the number of damaged passports has increased by 162 or 53% when compared to previous year.

Potential government revenue is lost over the years through damaged passports.

Recommendation

The passport printing machine should be serviced regularly to prevent passports being damaged.

Management Comments

Issue has been resolved internally by replacing the old machine with the new one.

Appendix 6.1: Statement of Output Costs**General Administration**

Description	2008 \$	2007 \$
Operating Expenditure		
Established staff	730,954	643,648
Government Wage Earners	173,523	142,046
Travel and communications	75,732	129,647
Maintenance & operations	34,653	19,887
Purchase of goods and services	95,170	73,346
Operating grants and transfers	26,285	8,724
Special Expenditures	121,827	143,216
Total Operating Costs	1,258,144	1,160,514
Capital Expenditure		
Construction	-	-
Purchases	-	-
Value Added Tax	91,259	97,866
TOTAL COSTS	1,349,403	1,258,380

Immigration Control

Description	2008 \$	2007 \$
Operating Expenditure		
Established staff	1,544,682	1,329,389
Government Wage Earners	72,080	107,069
Travel and communications	93,396	78,278
Maintenance & operations	199,329	153,601
Purchase of goods and services	456,606	570,332
Special Expenditures	24,963	27,414
Total Operating Costs	2,391,056	2,266,083
Capital Expenditure		
Construction	-	-
Purchases	-	-
Value Added Tax	80,929	221,737
TOTAL COSTS	2,471,985	2,487,820

Appendix 6.2: FNPF Reconciliation**Department of Defence & National Security**

Details	\$
(a) Total FNPF against salaries and wages for 2008	
FNPF as per Financial Statement	52,408
Add: December 2008 FNPF	11,173
Less: December 2007 FNPF	-
FNPF for 2008	63,581
Gross Pay subject to FNPF (63,581./0.08)	794,763
(b) Salaries and Wages for 2008 subject to FNPF	
Salaries, wages and allowance as per financial statement	904,477
Salaries, wages and allowance for 2008 subject to FNPF	904,477
Variance	(109,714)

Department of Immigration

Details	\$
(a) Total FNPF against salaries and wages for 2007	
FNPF as per financial statement	111,756
Add: FNPF for December 2008	
Payment made not entered into FMIS for 2008	13,539
	125,295
Less: FNPF for December 2007	10,809
	114,486
Gross pay subject to FNPF (114,486 divided by 0.08)	1,431,075
(b) Salaries and wages for 2007 subject to FNPF:	
Salaries, wages and allowances as per financial Statement	2,987,182
Less: Salaries and wages not subject to FNPF	-
Salaries, wages and allowance for 2008 subject to FNPF	2,987,182
Variance	(1,556,107)

Appendix 6.3: Engagement of Leah's Apartments as Detention Centre*

Date	Name	Nationality	Date of Birth	Passport No.	Reason for Detention
02/01/08	Jianhua Wu	Chinese	16/07/81	G00466287	No entry VISA, refused entry.
05/01/08	Tracy M. Holes	New Zealander	10/03/66	EA799987	Refused entry – Residence permit invalid.
07/01/08	Lotatasi P. Etuati	Tuvaluan	22/05/82	FU010769	No return ticket.
18/01/08	Rahim Rahman	Bangladeshi	05/03/73	A0975326	Non genuine visitor.
18/01/08	Fatour Hossan	Bangladeshi	04/08/80	A035904	Non genuine visitor.
28/01/08	Zahid Zaheer	Pakistani	119/08/70	BF5124471	No entry VISA.
06/02/08	Ikenna Jonah	Nigerian	110/11/71	Aooo19565	Non genuine visitor.
06/02/08	George Ignebuike	Nigerian	31/10/81	A3984534	Non genuine visitor.
06/02/08	Russel Chidyausiki	Zimbabwean	21/03/71	ZA600089	Had no Australian VISA.
07/02/08	Chengfan Yuan	Chinese	22/11/70	G14061588	No return ticket.
08/02/08	Majid Mohebbi	Iranian	20/02/73	-	Deported from New Zealand, had no return ticket and Passport.
25/02/08	Heirang Wang	Chinese	24/09/65	624561484	Subject was watch listed.
29/02/08	Taola Tatum	Tuvaluan	26/11/49	FU015084	Expired passport.
05/03/08	Modestus Nnugo	Nigerian	04/01/70	A4131996	Non genuine visitor.
09/03/08	Takehan Kwon	Korean	22/07/83	GB0736838	VISA for Canada had expired.
31/03/08	Hafei Wang	Chinese	24/09/65	G24561484	Subject was watch listed.
03/04/08	Nakiat Binataaks	Kiribati	12/03/64	027659	No return ticket and had insufficient funds.
03/04/08	Falaka Uea	Tuvaluan	25/08/61	FU015358	Transit deportee.
03/04/08	Malosiaga Telua	Tuvaluan	17/10/58	FU014772	Transit deportee.
06/04/08	Douglas Penny	Australian	19/07/59	L3906573	Removal order.
08/04/08	James Reilly	British	26/08/59	706718740	No return ticket.
12/04/08	Meahala Sioaneviene	Tongan	31/12/55	R316015	Mutilated passport.
21/04/08	Xu Jing	Chinese	01/05/77	G07276210	Prohibited immigrant.
21/04/08	Hu Shuli	Chinese	18/04/80	G10351267	Non genuine visitor.
21/04/08	Hu Shuying	Chinese	27/12/69	G1368832	Non genuine visitor.
30/04/08	Miao Furong	Chinese	23/09/72	G27928103	Insufficient funds for accommodation.
06/06/08	Satyanarayana Gogu	Indian	15/05/77	F6798276	Non genuine visitor and no return ticket.
09/06/08	Ahsan Habib	Bangladeshi	25/01/77	V0754940	Was watch listed.
09/06/08	Sabina Sheela	Bangladeshi	12/11/79	B0377492	Was watch listed.
22/06/08	Crispo Trapa	Pilipino	13/08/71	VV2042	No return ticket and had insufficient funds.
07/07/08	Youhwau Cha	Korean	02/05/58	SR00594	Non genuine visitor.
07/07/08	Yongjim Kim	Korean	19/08/59	TM09897	Non genuine visitor.
14/07/08	Kenneth Gijeokoh	Nigerian	21/08/72	A2946378	Non genuine visitor and altered passport.
16/07/08	Sten A. Stenbole	Sweden	26/11/74	5209500	Non genuine visitor and altered passport.
18/07/08	Shedrac Isiah	Nigerian	11/06/88	A32273401	Non genuine visitor.
18/07/08	Gegun Adebayo	Nigerian	22/06/88	A301274117	Non genuine visitor.
18/07/08	Makesi Lipun	Tuvaluan	27/09/84	FU014881	Was watch listed.
18/07/08	George Trosi	Tuvaluan	29/01/81	FU015384	Was watch listed.
18/07/08	Salanoa Kapu	Tuvaluan	05/12/84	FU011540	Was watch listed.

* Duration of stay was not made available to audit as the detention register did not contain this information.

Date	Name	Nationality	Date of Birth	Passport No.	Reason for Detention
20/07/08	Anthony Sagoe	Ghana	05/11/74	H1023109	No return ticket.
20/07/08	James Ato	Ghana	15/05/58	H2162791	No return ticket.
21/07/08	Leilani Melei	Tuvaluan	26/11/81	FU016671	Transit deportee.
21/07/08	Melei Melei	Tuvaluan	03/06/79	FU018193	Transit deportee.
28/07/08	Rogelio Ardienne	Pilipino	02/09/74	WW0155172	Deportee had insufficient funds.
28/07/08	Rogelio Bernarto	Pilipino	24/10/68	SS0931476	Deportee had insufficient funds.
28/07/08	John Valviewa	Pilipino	17/02/72	SS0623717	Deportee had insufficient funds.
28/07/08	Cecilo Sucuano	Pilipino	10/05/70	SS0623707	Deportee had insufficient funds.
28/07/08	Bernie Macumpane	Pilipino	17/09/74	W061854	Deportee had insufficient funds.
28/07/08	Henreto Bonglawei	Pilipino	24/12/68	MM0955997	Deportee had insufficient funds.
28/07/08	Ernesto Villalaopa	Pilipino	08/11/60	NN016978	Deportee had insufficient funds.
28/07/08	Sand Valvieja	Pilipino	30/01/65	QQ700564	Deportee had insufficient funds.
01/08/08	Wang Guan	Chinese	14/09/83	G8221802	Deportee had improper documents.
03/09/08	Constance B.	Ghana	28/10/89	H2163641	Had no VISA for Australia and no return ticket
12/09/08	Babul Rana	Bangladeshi	01/01/72	B0687360	Non genuine visitor.
14/09/08	Juan Andrews	Spanish	29/10/77	BE051708	Mutilated passport.
19/09/08	Jin Zhengji	Chinese	30/08/49	G21866682	Arrived without pre entry VISA.
19/09/08	Buljit Singh	Indian	02/04/86	K6924627	Non genuine visitor.
19/09/08	Mandeep Singh	Indian	01/03/86	K7701511	Non genuine visitor.
19/09/08	Gurdeep Singh	Indian	12/02/88	K 6402575	Non genuine visitor.
19/09/08	Neeraj Kumar	Indian	16/06/88	G7519365	Non genuine visitor.
19/09/08	Gurjeet Singh	Indian	15/07/88	B5645975	Non genuine visitor.
24/09/08	Mohammed Yasim	Pakistani	10/04/63	BG680191	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Gulzar	Pakistani	20/08/90	AG4715821	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Mohammed Aamir	Pakistani	14/02/82	AI1220431	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Mohammed M.	Pakistani	02/06/81	AN4126831	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Mir Mustaza	Pakistani	24/05/86	AH0971861	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Mohammed Hussain	Pakistani	24/02/81	BB6891231	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Ali	Pakistani	19/05/84	CG1791331	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Raqib Mirza	Pakistani	21/10/85	AN0910161	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Mahmood	Pakistani	04/07/83	BX015147	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Mohammed Imran	Pakistani	26/11/74	AS1227561	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Abdul Khan	Pakistani	03/06/74	GH4105711	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Amjid Iqbal	Pakistani	01/03/85	BC1337441	Arrived to study for 1 year

Date	Name	Nationality	Date of Birth	Passport No.	Reason for Detention
					but had 4 months ticket.
24/09/08	Sujid Hussain	Pakistani	23/09/80	DH6398151	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Mohammed Zahid	Pakistani	20/08/83	BL5170671	Arrived to study for 1 year but had 4 months ticket.
24/09/08	Shaab Ali	Pakistani	15/08/79	EE1790601	Arrived to study for 1 year but had 4 months ticket.
10/10/08	Zhang Chun	Chinese	26/06/62	G31415413	Non genuine visitor.
10/10/08	Xiangyuan Li	Chinese	20/01/68	G01364194	Non genuine visitor.
10/10/08	Zaicheng Zhang	Chinese	14/02/69	G25626764	Non genuine visitor.
12/10/08	Khawaja R. Omar	Pakistani	01/01/67	AM2221301	No VISA for Auckland.
15/10/08	Manjit Singh	Indian	15/12/90	G4754485	Non genuine visitor.
15/10/08	Harjant Singh	Indian	02/03/83	G2962259	Non genuine visitor.
29/10/08	Raqibal Rana	Bangladeshi	20/08/86	A0424542	Non genuine visitor.
29/10/08	Tion Rekenibai	Kiribati	03/12/84	032502	Transit deportee.
29/10/08	Tabe Tekirei	Kiribati	22/12/86	031894	Transit deportee.
31/10/08	Julius Dabadab	PNG	15/06/79	B239516	No works permit.
07/10/08	Xiangqian Zhu	Chinese	29/11/49	G30573528	Deportee was watch listed.
12/11/08	Lakhsir Singh	Indian	02/04/82	F8525552	Non genuine visitor.
12/11/08	Jona Singh	Indian	15/03/75	F4260497	Non genuine visitor.
12/11/08	Ravi Bali	Indian	02/02/78	B1100007	Non genuine visitor.
12/11/08	Meijuan Huang	Chinese	15/04/66	G23849324	Non genuine visitor.
12/11/08	Hua Yang	Chinese	01/08/67	G28222214	Non genuine visitor.
15/11/08	Oladu Omotade	Nigerian	29/01/66	A1013678	No return VISA for Australia.
15/11/08	Ogindamota	Nigerian	02/12/76	A4143454	No return VISA for Australia.
15/11/08	Ayolunde	Nigerian	20/02/07	A4143455	No return VISA for Australia.
15/11/08	Oreolowa	Nigerian	05/11/04	A4143456	No return VISA for Australia.
14/11/08	Yongbin Wu	Chinese	01/10/82	S25669052	Non genuine visitor and had insufficient fund.
14/11/08	Yinggui Wu	Chinese	23/03/78	S26411486	Non genuine visitor and had insufficient fund.
23/11/08	I-Yung Su	Taiwanese	28/09/70	212020088	Non genuine visitor and had insufficient fund
21/11/08	Ge Zhon	Chinese	05/01/69	G11161165	Non genuine visitor.
26/11/08	Hamed Syed	Indian	25/06/77	G7053498	Non genuine visitor.
15/12/08	Barbara Dreaver	New Zealander	25/09/68	AB294220	Subject was watch listed.
19/12/08	Opira Dusmen	Sudanese	25/01/79	N/A	Subject travelled on photo substituted Passport.
12/01/09	Oluwole Jolaosho	Nigerian	25/04/72	A3436653A	Non genuine visitor.
01/02/09	Jeyakaran Sivanesan	Canadian	27/08/87	ML302471	Subject travelled on photo substituted Passport.
02/02/09	Segun A.	Nigerian	22/06/88	A3012741	Non genuine visitor.
02/02/09	Fedinard E.	Nigerian	25/12/87	A3420762	Non genuine visitor.
02/02/09	Tobechukwn L.	Nigerian	23/07/90	A3833850	Non genuine visitor.
06/02/09	Saleman A.	Tasmanian	13/03/81	AB298969	Subject travelled on photo substituted Passport.
06/02/09	Lossa Bin Sef	Congo	N/A	N/A	Subject was a refugee,

Date	Name	Nationality	Date of Birth	Passport No.	Reason for Detention
					claimed asylum but was refused.
07/02/09	Vincent Micky	FSM	20/09/82	N/A	Arrived without passport.
16/02/09	Laheene B.	Algerian	19/01/70	5290851	Non genuine visitor.
23/02/09	William	Myanmar	14/11/75	A100176	No pre-entry VISA for Fiji.
23/02/09	Za Lian Celi	Myanmar	24/08/74	A116330	No pre-entry VISA for Fiji
23/02/09	Sang Tuan	N/A	06/07/76	00167	No pre-entry VISA for Fiji
27/02/09	Jianhong Tan	Chinese	10/07/55	G33973640	Non genuine visitor.
27/02/09	Huihua Zhu	Chinese	29/09/63	G33969701	Non genuine visitor.
02/03/09	Puti Sekifu	Tuvaluan	11/03/71	FU018170	No return ticket.
09/03/09	Mohammad S. Islam	Bangladeshi	10/04/70	A0841910	Non genuine visitor.
17/03/09	Irina S.	Israeli	03/11/87	12753023	No return ticket.
17/03/09	Yaara Tibi	Israeli	11/12/87	12650685	No return ticket.
25/03/09	Pramanad Siri	Indian	03/03/56	F0588573	Non genuine visitor.

Section 7 Ministry of Labour, Industrial Relations and Employment

Role and Responsibilities

The Ministry's core responsibility is to pursue the attainment of decent work standards through; fair working conditions; stable and constructive labour relations; and an environment that encourages productivity, human resource development and employment growth. These responsibilities are achieved by focusing on developing an enabling environment supported by sound labour laws, policies and practices. These tasks are undertaken through the following budgeted activities.

General administration - Corporate Services

Labour Services - Industrial Relations Services, Labour Standards Service, Policy and Legal Services and Labour Administrative Services.

Occupational Health & Safety Services – Workman's Compensation Service, OHS and Strengthening OHS Delivery Capacity.

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FINANCIAL STATEMENT

7.1 Audit Opinion

The audit of the 2008 accounts of the Ministry of Labour, Industrial Relations and Employment resulted in the issue of a qualified audit report.

The qualifications are as follows.

- The amounts reflected in the Statements of Output Costs have been estimated as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management Information System of government. It is not possible therefore to express an opinion on the accuracy of the expenditures incurred by the Office under each output.
- The Ministry has not provided the following contrary to Finance Instructions 82 (1):
 - a. Statement of Losses; and
 - b. Trust Fund Account Statements of Receipts and Payments. The Financial Management Information System shows that the Ministry of Labour, Industrial Relations and Employment as at 31/12/08 have trust funds totalling \$857,224 and \$124,212 respectively.

7.2 Statement of Receipts and Expenditure

The Ministry of Labour, Industrial Relations and Employment incurred a total expenditure of \$6,896,955 in 2008 compared to \$19,821,196 in 2007.

Table 7.1: Statement of Receipts and Expenditure for 2008

Descriptions	2008 \$	2007 \$
RECIEPTS		
State Revenue	(327)	(55,826)
Agency Revenue	1,282	(47,551)
TOTAL REVENUE	955	(103,377)
EXPENDITURE		
Operating Costs		
Established Staff	2,527,934	3,601,901
Government Wage Earners	174,491	250,633
Travel & Communication	149,049	217,438
Maintenance & Operations	173,973	263,428
Purchase of Goods & Services	161,448	230,372
Operating Grants & Transfers	99,846	2,133,080
Special Expenditure	2,719,407	1,703,835
Total Operating Costs	6,006,148	8,399,877
Capital Expenditure		
Capital Construction		284,059
Capital Purchase	487,384	141,825
Capital Grants & Transfer		10,173,393
Total Capital Expenditure	487,384	10,599,277
Value Added Tax	403,423	822,042
TOTAL EXPENDITURE	6,896,955	19,821,196

The significant decline in expenditure by \$12, 924,241 in 2008 when compared to 2007 was due to the reallocation of the Department of Tourism and Environment in 2008. The reallocation also affected revenue which decreased by \$102,422 in 2008.

7.3 Statement of Output Costs

The Statement of Output Costs consolidates the 6 outputs prescribed in the Budget Estimates, contrary to the required format. These are detailed in *Appendix 7.1*.

7.4 Appropriation Statement

The Ministry of Labour, Industrial Relations and Employment incurred expenditures totalling \$6,896,955 in 2008 against the budget of \$7,882,200 resulting in a savings of \$985,245 or 12%.

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

Table 7.2: Appropriation Statement for 2008

SEG	ITEM	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry-Over \$	Lapsed Appropriation \$
1	Established Staff	3,060,700	68,989	3,129,689	2,527,934	0	601,755
2	Government Wage Earners	175,000	0	175,000	174,491	0	509
3	Travel & Communication	159,600	0	159,600	149,049	0	10,551
4	Maintenance & Operations	199,100	0	199,100	173,973	0	25,127
5	Purchase of Goods & Services	194,800	0	194,800	161,448	0	33,352
6	Operating Grants & Transfers	105,000	0	105,000	99,846	0	5,154
7	Special Expenditure	2,936,000	(68,989)	2,867,011	2,719,407	0	147,604
	Total Operating Costs	6,830,200		6,830,200	6,006,148	0	824,052
	Capital Expenditure						
9	Capital Purchase	547,000	0	547,000	487,384	0	59,616
	Total Capital Expenditure	547,000	0	547,000	487,384	0	59,616
13	Value Added Tax	505,000	0	505,000	403,423	0	101,577
	TOTAL EXPENDITURE	7,882,200	0	7,882,200	6,896,955	0	985,245

AUDIT FINDINGS

7.5 Agency Financial Statement

Commencing 2006 financial year, each annual report must include financial statements which have been prepared and signed in accordance with these Instructions, audited by the Auditor General, and accompanied by an audit opinion prepared by the Auditor General.¹

The draft financial statements must be submitted to the Auditor General by 31 March in the following year, or within such other time as agreed to with the Auditor General.²

¹ Finance Instructions 2005 – 81 (2)

² Finance Instructions 2005 – 81 (3)

The Ministry submitted its Agency Financial Statement for audit on 20/04/09. Audit noted that the Agency Financial Statement submitted by the Ministry was not prepared in accordance with the requirements of Section 82 and Schedule 1 of the Finance Instructions 2005.

The Ministry failed to submit a Statement of Losses, Statement of Assets and Liabilities and Trust Fund Statements of Receipts and Payments for audit.

Non compliance with Finance Instructions in the preparation of the financial statements has restricted the scope of the audit and will be included in the audit report as qualifications.

Recommendation

The Ministry should ensure that the requirements of the Finance Instructions are strictly followed in the preparation of the Agency Financial Statements.

Management Comments

Recommendation noted and we will ensure that we improve on it immediately.

7.6 FNPF Reconciliations

Every employer shall pay to the fund in respect of each of his employees, in every month during which such employee is employed by him and in the month following the termination of such employment, a contribution calculated upon the amount of wages payable to such employee by such employer for the preceding month at the appropriate rates.³

A reconciliation of FNPF contributions against salaries and wages reported in the Financial Statements revealed significant variances. Refer to *Appendix 7.2* for FNPF reconciliation.

This implies that the Ministry has over/under paid its employees.

Recommendations

The Ministry should review its FNPF records and reconciliations and ensure that correct FNPF rates are paid on salaries and wages.

Management Comments

After further consultation and briefing with the Auditor about the FNPF Reconciliation issue we have agreed to review, assess and make improvement on to the current control system and process of the Ministry's FNPF Account in relation to recording and reconciliation.

7.7 VAT Reconciliations

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.⁴

³ Chapter 219 – Fiji National Provident Fund – Section 13 (1)

⁴ Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)

Output VAT is payable to the Commissioner of Inland Revenue for the supply of all goods and services with the exception of zero rated and exempted supplies. Payments effected by government departments for goods and services are thus subjected to VAT.⁵

A review of the VAT returns and supporting documents and VAT reconciliations carried out during the audit revealed an un-reconciled balance of \$1,323,245 between the taxable supplies as per VAT Return and total income/expenditure as per the Statement of Receipts and Expenditure. Refer to Appendix 7.3 for details.

In addition, VAT input as per VAT returns totalled \$307,938, whereas the general ledger recorded VAT input of \$407,895 resulting in a difference of \$99,957.

Recommendations

- The Ministry should review its VAT records and reconciliations and provide explanations for the variances.
- Supervisory checks on the preparation of VAT Returns should be improved to ensure that balances reflected in the VAT Returns reconcile with the general ledger (FMIS).

Management Comments

- Observation from DAR confirmed that the VAT Input adjustment figures and other journal adjustments were not been taken in to account thus showing an Un-reconciled amount of \$99,957.
- We have accepted the recommendation and it has been built in the Supervisor's Individual Work Plan.

7.8 VAT on exempt items and refunds

The supply of transport services relating to the international carriage of passengers and goods from a place in Fiji to a place outside Fiji, the supply of services directly in connection with goods situated outside Fiji & the supply of goods which are not situated in Fiji at the time of supply are zero rated as per the second schedule of the VAT Decree.⁶

Audit noted that the Ministry had claimed VAT (Value Added Tax) on overseas travels and equipments purchased from overseas, which are considered zero-rated. Refer to Table 7.3 for examples:

Table 7.3: VAT claimed on exempt items

Date	Cheque No.	Particulars	Invoice Amount (\$)	VAT Claimed (\$)
Overseas Purchase				
15/12/08	18594	Purchase of non deductive test equipment –NDT Equipment Pty Ltd (Australia)	7,022.82	780.31
17/12/08	18663	NDT Equipment –KKS Instrument (Australia)	12,020.75	1,335.64
15/12/08	18593	NDT Equipment –KKS Instrument (Australia)	6,820.00	757.84
Total			25,863.57	2,873.79
Overseas Travel				
26/05/08	15579	Airfare Cost - One world flight centre	7,998.00	888.67
2/12/2008	18403	Airfare Cost - Macquarie Travel	6,989.00	776.55

⁵ Finance Circular No 9/95

⁶ VAT Decree 1991, Second Schedule, section 2 (10), (23)

Date	Cheque No.	Particulars	Invoice Amount (\$)	VAT Claimed (\$)
Total			9,188.29	1,020.90

In addition, the Ministry also claimed VAT refunds on subsidies paid to the Training and Productivity Authority of Fiji (TPAF) which were VAT exempted as stated in the agreement⁷ between the Permanent Secretary for Labour, Industrial Relations, and Employment and TPAF. Refer to table 7.4 for details:

Table 7.4: VAT claimed on subsidies paid to TPAF

Date	Cheque No.	Description	Cheque Amount (\$)	VAT Claimed (\$)
18/09/08	17338	2007 3rd & 4th quarter subsidy payment	311,050.00	28,277.27
24/12/08	18796	2008 3rd & 4th quarter subsidy payment	333,834.27	37,092.70
Total			644,884.27	65,369.97

As a result the Ministry has underpaid VAT to Fiji Islands Revenue and Customs Authority (FIRCA) by claiming input tax refunds on items exempted from VAT.

Recommendation

The Ministry should lodge an amended VAT Return to avoid being penalized by the Fiji Islands Revenue and Customs Authority.

Management Comments

We are please to confirm that after further consultation with the Auditor & FIRCA we have come to know that expenditures for Apprentice Scheme, overseas purchase, and overseas air passage are all VAT exempted in terms of its education purpose and of its overseas payment status therefore we will ensure that it is strictly observed and followed in future.

7.9 Unaccounted VAT - OHS Revenue

In any case where a return under Part VII (returns and payment of tax) of the VAT Decree is furnished which understates output tax or overstates input tax, that person shall subject to subsection (2) of this section and Section 70(1) of the Decree be liable to a penalty not exceeding the full amount of the deficient tax.⁸

Audit noted that revenue or fees collected by the Ministry through its Occupational Health and Safety (OHS) Division have not been accounted for in the VAT returns. Discussion with the Director OHS and the Accounts Officer indicated that VAT is included in the OHS Fees but are not declared in monthly VAT Returns to the Fiji Islands Revenue Customs Authority.

The Ministry has therefore incorrectly declared information on its monthly VAT returns and could be penalised by the Fiji Islands Revenue & Customs Authority.

⁷ Agreements dated 18/05/07 and 22/05/08

⁸ VAT Decree 1991, Section 76A, (1) (a)

Recommendations

- **The Ministry should account for the OHS Revenue while preparing monthly VAT Returns.**
- **The Ministry should lodge amended VAT Returns for the years concerned to avoid paying penalties.**

Management Comments

- *This is a new issue and it had not been a practical system and process in terms of MOF procedural matters and the understanding all these years that the revenue collected it is remains for government.*
- *We will await direction from MOF.*

7.10 Pending Wage Dispute Cases

Every person who wilfully delays or obstructs the Permanent Secretary or any Labour Officer, Medical Officer, Health Inspector or Labour Inspector while such Officer or Inspector in exercising any power or performing any duty conferred or imposed upon him shall be liable on conviction to a fine not exceeding two hundred dollars and in the case of a continuing offence to a fine not exceeding ten dollars per day for every day during which the offence continues.⁹

Audit noted that wages dispute cases for the Central Eastern Division from 2006 are still pending. Explanations were not provided as to why the cases are still outstanding. Refer to Appendix 7.4 for examples of pending cases.

The issues on the delay in resolving wage dispute cases have been continuously raised in the audit report.

Recommendation

The Ministry makes every effort to resolve long outstanding wage dispute cases.

Management Comments

Recommendation fully accepted and it has been part of the Ministry's Operation Re-Birth System and process Exercise.

7.11 Unclaimed Compensation Trust Monies

The workmen's compensation Act makes provision for the payment of compensation to dependence of deceased workers, to be paid in court. Upon application, the court directs at its discretion the sum so paid to be apportioned amongst the legal dependents and invested for their benefit, under a joint trust with the Permanent Secretary for Labour, Industrial Relations & Productivity.¹⁰

The Ministry acts as a trustee and maintains trust fund accounts of beneficiaries of deceased workmen until they reach the age of 21 years.

Audit noted that the Ministry has yet to pay out trust funds belonging to beneficiaries of deceased workers that have attained 21 years. Refer Table 7.5 for examples:

⁹ Laws of Fiji Chapter 92, Part III, S 9

¹⁰ Workmen's Compensation Act S12

Table 7.5: Unclaimed Compensation Trust Monies

No.	ASN	Deceased	Beneficiary	Amount (\$)	Date of Birth
1	658/80	Munisami	Muneshwaran	18,048.48	Not available
2	1832/84	Lalesh Prasad	Sandika Devi	12,551.36	12/06/1984
3	1349/88	Maika Tora	Ela Tora	1,626.66	06/30/1988
4	970/89	Sairusi Roiroi	Miliakere Tau	4,725.76	12/31/1987
5	531/90	Tomu T Tuivaga	Viliame Tuivaga	8,737.65	02/12/1988
		-	Isimeli Tuivaga	4,379.80	10/22/1986
		-	Sanjeshni Singh	648.89	05/15/1988
10	98/93	Manasa Tunabuna	Esekaia Raliqilevu	1,596.20	05/08/1987
12	462/93	Virendra Singh	Avineet	3,353.52	10/11/1988
13	606/93	Varinava Bola	Peni R	143.36	08/11/1988
14	735/93	Etika Tukana	Jovesa Tukana	5,062.20	11/08/1988
23	885/98	Josese Tuilau	Panapasa	1,246.50	12/26/1988
32	1633/00	Viliame Vatubua	Lebling	709.33	06/30/1987
34	1515/90	Mani Lal	Mitesh Chand	1,411.42	05/8/1986
		-	Sanaila Ralimalima	1,850.71	12/19/1988

The above finding indicated that funds are unnecessarily maintained in the trust fund accounts.

Recommendations

The Ministry should ensure that trust monies are paid out to beneficiaries once they attain 21 years of age.

Management Comments

Recommendation fully accepted and it has been part of the Ministry's Operation Re-Birth Exercise.

Appendix 7.1: Statement of Output Costs**General Administration**

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	560,432	790,245
Government Wage Earners	42,560	29,867
Travel & Communication	41,379	34,916
Maintenance & Operations	52,469	44,269
Purchase of Goods & Services	40,619	34,738
Special Expenditure	1,018,054	0
Total Operating Costs	1,755,513	934,035
Value Added Tax	91,760	113,888
TOTAL EXPENDITURE	1,847,273	1,047,923

Labour Services

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	996,837	984,549
Government Wage Earners	131,931	144,863
Travel & Communication	55,804	66,758
Maintenance & Operations	54,865	61,143
Purchase of Goods & Services	57,984	23,224
Operating Grants & Transfers	99,846	34,947
Special Expenditure	709,437	28,205
Total Operating Costs	2,106,704	1,343,689
Capital Expenditure		
Capital Purchase	46,927	0
Total Capital Expenditure	46,927	0
Value Added Tax	128,552	186,536
TOTAL EXPENDITURE	2,282,183	1,530,225

OHS Services

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	970,666	903,007
Travel & Communication	51,865	55,279
Maintenance & Operations	66,639	67,631
Purchase of Goods & Services	62,844	80,508

Description	2008 \$	2007 \$
Special Expenditure	991,916	985,592
Total Operating Costs	2,143,930	2,092,017
Capital Expenditure		
Capital Construction	0	99,958
Capital Purchase	440,457	0
Total Capital Expenditure	440,457	99,958
Value Added Tax	183,111	261,871
TOTAL EXPENDITURE	2,767,498	2,453,846

Appendix 7.2: FNPF Reconciliation

(a) Total FNPF against salaries and wages for 2008:	
	\$
FNPF as per financial statement	252,389.88
Less: December 2007 FNPF paid in 2008	-
	252,389.88
Add: December 2008 FNPF paid in 2009	-
	252,389.88
Gross Pay subject to FNPF (252,389.88/0.08)	3,154,873.50
(b) Salaries and wages for 2008 subject to FNPF	
Salaries, wages and allowances as per financial statement	2,450,035.18
Less: Salaries, wages and allowances not subject to FNPF	52,900.05
Salaries, wages and allowances for 2008 subject to FNPF	2,397,135.13
Un-reconciled variance	757,738.37

Appendix 7.3: Vat Reconciliation

OUTPUT		
Total Income / Expenditure as per Expenditure Statement		6,896,955.08
Less Expenditure not subject to VAT		
Seg 1	2,527,933.91	
Seg 2	174,491.15	
Seg 6	<u>99,846.27</u>	2,802,271.33
Total Expenditure Subject to VAT (Output)		4,094,683.75
Vat Output as per the VAT Returns		2,771,439.12
Un - reconciled Variance		1,323,244.63

INPUT		
VAT Payments (VAT Payment to FIRCA and VAT input) as per the Expenditure statement		403,422.79
Less December Payment made in January		
Less Penalties		4,472.39
		407,895.18
VAT Payment (VAT Payment to FIRCA and VAT input - as per VAT Return)		307,937.68
Un - reconciled Variance		99,957.50

Appendix 7.4: Pending Cases Wages dispute cases

2006 Pending Cases			
	Employee	Employer	Location
1	Sharmendra Prasad	Ganga Ltd	LBE
2	Vatiliaili Dulaki	Scotts Security	Suva
3	Sekove Vakosia	Angco Polymedic Ltd	Suva
4	Motusela Sigalevu	Risk Control	Suva
2007 Pending Cases			
	Employee	Employer	Location
5	Suresh Prakash	Metromix	Lami
6	Ravi Raj	Harbour Construction	Navua
7	Samuela U Bati	Allied Security Service	Suva
8	Pailato Carasiga	B W Holdings Ltd	Vatuwaqa
9	Jope Qalia	B W Holdings Ltd	Vatuwaqa
10	Ledua Vakatalai	Defence Security	Tamavua
11	Uma Devi	New World Supermarket	Narere
12	Alisi Nacagilevu	Voko Industry	LBE
13	Lino ratuvou	Fish Investment Fiji	Suva
14	Waisale Nasila	Mac Millon	Suva
15	Laitia Radravu	FAB	Govt Bldg
16	Viliame Daunidraki	Fancy Free Clothing	Suva
17	Esala Kabu	Professional Security	-
178	Esala Vilowaqa	Professional Security	-
19	Sanaila Matanatabu	Allied Security	-
20	Abdul Sabir	Sharma's Rental	Suva
21	Saula Rabuli	Safety Security	Suva
22	Jaibul Nisha	Sita Hot & Spicy	Toorak
23	Jiuta Qesa Mataitoga	Nagaidamu Youth Project	Suva
24	Katarina Talabuka	Sipreme Quality	Nasinu

25	Aporosa Soqoiwasa	Pacific Building System	Lami
26	Rakesh Satya Nand	Sahu Singh & Associates	Suva
27	Vasenai Vosalini	Blossom Shoes	Suva
28	Daniel Karan	Ezi Bargain	Suva
29	Timoci N	Native Protection Security Force	Suva
30	Pauliasi Seivikau	Bake Rite Bakery	Nakasi
31	Vineeta Kumari	Meena's Footwear	Nausori
32	Bharti Devi	Meena's Footwear	Nausori
33	Vijendra Karan	Alert Marketing	Vatuwaqa
34	Imtiaz Mohd	Alert Marketing	Vatuwaqa
35	Apolosi Ranawai	Alert Marketing	Vatuwaqa
36	Rohit Chand	Alert Marketing	Vatuwaqa
37	Mohd Rizwan	Alert Marketing	Vatuwaqa
38	Vinesh Ram	Alert Marketing	Vatuwaqa
39	Avinesh Dayal	Alert Marketing	Vatuwaqa
40	Vinod Chand	Alert Marketing	Vatuwaqa
41	Ritesh Chand	Rajendra Foodtown	Suva
42	Ledua V	Alspec Holding	LBE
43	Sundressan	Singh Construction	Suva
44	Krishneel nair	Cyrex Comm	Suva
45	Shaileshni Prasad	Executive Property	Suva
46	Vasanthi Raj	Happy Foods	Levuka
47	Nakaletto R	Jojo's Construction	Suva
48	Sereina T	Hot Stove	Navua
49	Akanisi Marama	Eagle Ridge Investment	Walu Bay
50	Asena Cagimikalau	Eagle Ridge Investment	Walu Bay
51	Semi Ratu	Naqaidamu Youth Co	Suva
52	Hafiz Raza	Waste Care Ltd	Nabua
53	Vilimania Sauduadua	Nanettess Accomodation	Suva
54	Semesa Ravudi	Sivam Jewellers	Nausori
55	Sekela Meo	MH	Tamavua
56	Mosese L	Scud Timber	-
57	Ritesh Chand	Rajendra Prasad Foodtown	Suva
58	Rajan Rajneel Chand	Rajendra Prasad Foodtown	Suva
59	Atasa Tukana	Great Wok of China	Flagstaff
60	Nacanieli Takala	Babavoce Farm	-
61	Roger Inoke & Others	Ocean 2000	-
62	Savitri	Custom Covers Ltd	Suva
63	Dharmit Narayan	Rajendra Prasad Foodtown	Suva
64	Robert Kumar	Dee Ces	Suva
65	Petero Koro	Dee Ces	Suva
66	Binod Prasad	Elite Printing	Nabua
67	Binesh Prasad	Elite Printing	Nabua
68	Biklesh Ram	Elite Printing	Nabua
69	Jaysiv Singh	Elite Printing	Nabua
70	Joeli Ledua	Elite Printing	Nabua
71	Sanjay Sunil Singh	Pacific Plumbing Services	-
72	Leonard Deo	H D Foremans Construction	Nabua
73	Manjoram Pillay	Core Technology	Tamavua
74	Anil Kumar	Jays Supermarket	Nausori

75	Sotiana Temo	Takayawa Valenikana Restaurant	Suva
76	Aneesh Krishneel	Takayawa Valenikana Restaurant	Suva
77	Lepani Likunitaba	Allied Security Service	Suva
78	William Brown	Nizam Bake Shop	Valelevu
79	Loraini Verivalu	Bula Night Club	Suva
80	Mehzabeen Begum	Comsol Fiji Ltd	Suva
81	Nazbun Bi	Rups Investment	Suva
82	Anjani Lata	MH	-
83	Salend Prasad	Rups Investment	Raiwaqa
84	Orisi Cavuka	City Security	Suva
85	Aporosa Wainila	Jiwan Bhai Hardware	Nasinu
86	Mohd Janif	Safety Security Services	Suva
87	Jaswant Lal	Aarkay Motors	Vatuwaqa
88	Etonia R	Angco Polymedic	-
89	Mohd Nisar Ali	Kim's Furniture	Nasinu
90	Sanjay Kumar	Auto Care Fiji Ltd	Nabua
91	Abinesh Chand	Rajendra Foodtown	Suva
92	Rajesh Dass	Fortech Construction	Vatuwaqa
93	Amenatave N	Risk Control	Suva
94	Maggie Josaia	Things & Movies	Suva
95	Umen Dutt	Pacific Transport	-
96	Monika Karan	Supreme Clothing	Nasinu
97	Livai Rokotuibau	Jay's Restaurant	Suva
98	Aviniesh Singh	Rajendra Prasad Fppdtown	Suva
99	Bale Tukana	Risk Control	Suva
100	Robin N	Nestle Fiji Ltd	Lami
101	Shalendra Nath	Shop & Save	Nasinu
102	Shabneel Chand	Niranjans Autoparts	Suva
103	Anand Naidu	Alert marketing	Suva
104	Doreen Ranuka	Quest Serviced Apartment	Suva
105	Josephine K	Shop & Save	Lami
106	Maui Bose	Rohit Dairy Farm	Tailevu
107	Usa T	Risk Control	Suva
108	Praveen Jai Ram	Pacific Woods	Suva
109	Suresh prasad	Tacirua Transport	Tamavua
110	Ritesh Prasad	Rups Big Bear	Suva
111	Ledua B	Ministry of Youth	Suva
112	Sahid Khan	Samross Consultants	-
113	Irivi Vakarau	Pacific Building System	Suva
114	Emosi R	Chands Truckers	Suva
115	Leonard Vishnu	Scafworks Solution	Suva
116	Apenisa V	Safety Security Service	Suva
117	Emori R	Shop N Save	Lami
118	Jone Salele	Caqalai Island Rsort	Levuka
119	Pranil Prasad	Rups Big Bear	Suva
120	Jitendra Prasad	Citiline Buses	Suva
121	Korni Yabaki	Mario Investment	Suva
122	Filise Vuki	Inter Clean Fiji Ltd	Walu Bay
123	Avisaki Tutolu	Nora Store	Suva
124	Kokila Devi	Mohd I J Enterprise	Suva

125	Maika Soko	Tuna Pacific Agency	Suva
126	Likena Talei	Trade Plus	Suva
127	Atish Prasad	Economy Retail & Taxis	Suva
128	Luike V	Western Builders	Suva
129	Salendra Kumar	Kwik Shift	Suva
130	Saiyaz Shaukat	Citiline Transport	Suva
131	David Lal	Citiline Transport	Suva
132	Tevita R	Safety Security Services	Suva
133	Ashwin Narayan	Eagle Ridge Investment	Suva
134	Pravin Kumar	Safety Security Services	Suva
135	Iliki Lafilati	Shiu Dula & Sons	Naitasiri
136	Urmila Devi	Fortech Construction	Vatuwaqa
137	Solomoni Bavai	Bright international Fiji Ltd	Nasinu
138	Apisai Naqamu	Bright international Fiji Ltd	Nasinu
139	Iane Marseu	Bright international Fiji Ltd	Nasinu
140	Lote Raikabula	Cotaki Construction	-
141	Alipate Rauca	Cotaki Construction	-
142	Suresh Chand	International Ltd	Navua



Section 8**Ministry of Foreign Affairs, International Co-operation and Civil Aviation****Role and Responsibilities****Foreign Affairs and International Co-operation**

The role of the Ministry of Foreign Affairs and International Co-operation is to lead the formulation and conduct of Fiji's Foreign Policy, in general, and external trade relations, in particular. Major outputs are still being delivered in the conventional foreign relations activities of global intelligence gathering, especially through Fiji Missions abroad and the conduct of attendant analysis and guidance in such policy options that would maximize Fiji's national gains from strategic future directions.

Emerging dimensions in international relations have resulted in newer outputs through Summit Diplomacy, Group Diplomacy and the Information Technology media. In recent years, there has been an increasing range of outputs, including the communication of government policy choice and rationale to the international and domestic stakeholders for a stronger partnership in policy implementation. These stakeholders include other government departments, international agencies, the business sector, the media, and the academic and civil societies. This output class is expected to increase as greater civic responsibility generates interest and awareness in government's policy processes and implementation.

Civil Aviation

The Department is responsible for the regulation and control of Civil Aviation in Fiji and matters incidental thereto.

Its function include the economic regulation, control and planning of Commercial air transport to and within Fiji, investigation of aircraft accidents in Fiji, indirect provision of domestic airport services through Government grants to CAAFI, the charter of aircraft for search and rescue within Fiji's Flight Information Region, representation on Civil Aviation Statutory Boards and Committees and meeting obligations under the International Civil Aviation Convention 1944.

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FINANCIAL STATEMENT

8.1 Audit Opinion

The audit of the 2008 accounts of the Ministry of Foreign Affairs, International Cooperation and Civil Aviation resulted in the issue of a qualified audit report.

The qualifications are as follows:

- The amounts in the Statements of Output Costs have been estimated as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management Information System (FMIS) of government.
- The Ministry has not provided the following contrary to Finance Instructions 82 (1);
 - Statement of Losses and
 - Trust Account Statement of Receipts and Payments. The Financial Management Information System shows that the Ministry as at 31/12/08 has operating trust funds totalling \$2,574,983.
- The VAT payments could not be reconciled to the accounts as at 31/12/08.
- The Ministry failed to take into account of the expenses amounting to \$24,483 incurred by the Civil Aviation while operating under the ambit of Ministry of Works for the first two months of the year.

8.2 Statement of Receipts and Expenditures

The Ministry collected revenue amounting to \$31,727 and incurred total expenditures of \$18,252,578 in 2008. Details are shown in Table 8.1.

Table 8.1: Statement of Receipts and Expenditures for 2008

Description	2008 \$	2007 \$
RECEIPTS		
State Revenue		
Operating Revenue	31,727	690,246
Total State Revenue	31,727	690,246
Agency Revenue		
Miscellaneous Revenue	0	4,879
Total Agency Revenue	0	4,879
TOTAL REVENUE	31,727	695,125
EXPENDITURE		
Operating Costs		
Established Staff	4,794,613	4,382,411
Unestablished Staff	1,528,888	1,654,256
Travel & Communication	1,205,607	1,268,816
Maintenance & Operations	4,336,982	3,262,092
Purchase of Goods & Services	272,073	221,467
Operating Grants & Transfers	1,731,715	981,214
Special Expenditure	2,309,174	1,910,021
Total Operating Costs	16,179,052	13,680,277
Capital Expenditure		
Capital Construction	6,934	131,791
Capital Purchase	124,030	0
Capital Grants & Transfers	1,000,000	0
Total Capital Expenditure	1,130,964	131,791
Value Added Tax	942,562	1,510,378
TOTAL EXPENDITURE	18,252,578	15,322,446

Revenue declined by \$663,398 or 95% in 2008 due to refund of the passport revenue collected on behalf on the Immigration Department. The Ministry's expenditure increased by \$2,930,132 or 19% due to the inclusion of the Department of Civil Aviation which was previously administered under the ambit of the Ministry of Works.

8.3 Statement of Output Costs

The Statement of Output Costs consolidates expenditures into 7 outputs. These are detailed in *Appendix 8.1*.

8.4 Appropriation Statement

The Ministry incurred expenditures totalling \$18,252,578 in 2008 against the budget of \$19,507,196 resulting in a savings of \$1,254,618 or 6.4%.

Details of expenditures against the budget estimates are provided in Table 8.2.

Table 8.2: Appropriation Statement for 2008

SEG	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry – Over \$	Lapsed Appropriation \$
1	Established Staff	5,039,500	(236,088)	4,803,412	4,794,613	0	8,799
2	Unestablished Staff	1,292,800	236,088	1,528,888	1,528,888	0	0
3	Travel & Communication	1,265,100	(1,067)	1,264,033	1,205,607	0	58,426
4	Maintenance & Operations	3,826,600	523,844	4,350,444	4,336,982	0	13,462
5	Purchase of Goods & Services	241,200	33,510	274,710	272,073	0	2,637
6	Operating Grants & Transfers	2,473,700	(633,463)	1,840,237	1,731,715	0	108,522
7	Special Expenditure	3,855,000	(1,219,228)	2,635,772	2,309,174	0	326,598
	Total Operating Costs	17,993,900	(1,296,404)	16,697,496	16,179,052	0	518,444
	Capital Expenditure						
8	Capital Construction	560,000	0	560,000	6,934	0	553,066
9	Capital Purchase	150,000	0	150,000	124,030	0	25,970
10	Capital Grants and Transfers	1,000,000	0	1,000,000	1,000,000	0	0
	Total Capital Expenditure	1,710,000	0	1,710,000	1,130,964	0	579,036
13	Value Added Tax	1,237,200	(137,500)	1,099,700	942,562	0	157,138
	TOTAL EXPENDITURE	20,941,100	(1,433,904)	19,507,196	18,252,578	0	1,254,618

The Ministry of Finance approved the transfer of funds totalling \$793,442, during the year. Also in accordance to the Cabinet Decision 414 of 2008 the sum of \$478,860 was redeployed to the Department of Indigenous Affairs and \$955,044 to the Fiji Police Force.

8.5 Statement of Losses

The Ministry did not provide a Statement of Losses for audit.

AUDIT FINDINGS

8.6 Expenditure

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Parliament approves for spending by each agency.¹

¹ Finance Instruction Section 8

The Department of Civil Aviation which was previously under the administration of the Ministry of Works was merged with Ministry of Foreign Affairs in March 2008. The budget appropriation for year 2008 was transferred to Ministry of Foreign Affairs accordingly.

However the Ministry did not account for expenses amounting to \$24,483 which was incurred by the Civil Aviation while being with Ministry of Works for the months of January and February 2008.

The Ministry's expenditure is understated by \$24,483.

Recommendation

The Ministry should ensure that all expenditure incurred are recorded and charged under the correct Head and allocation.

Management Comments

The Department of Civil Aviation was with the Ministry of Works in the beginning of the year. The Ministry of Works was to debit our Ministry with the respective salary charges for the Civil Aviation Department Staff. But this did not eventuate until year ends of 2008 when our accounts already closed, The initiative is to be taken by the Works ministry as they are holding on to the charges and we can not account for it from our ends.

Comments have been noted and all their salary and wages charges are been accounted for in under our Ministry

8.7 Revolving Fund Account - Miscellaneous

A ledger shall be maintained for advances and revolving fund accounts². Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Accounts Supervisor shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.³

A sum of \$622,962 or 98.6% in the Revolving Fund Account balance was carried forward from 2006. The account consisted of uncleared advances and drawings account balances. Refer to the table below for details:

Table 8.3: Revolving Fund balances carried forward from 2006

Accounts No.	Dates	Particulars	Balance \$	Accounts No.
10810108101560203	-	Headquarters	2,000.00	10810108101560203
10810108101560203	-	Headquarters Staff	36,646.54	10810108101560203
10810108101560203	-	New York	108.51	10810108101560203
10810108101560203	-	Rt Epli Nailatikau	27,072.39	10810108101560203
10810108101560203	-	Paula Kunabuli	2,086.91	10810108101560203
10810108101560203	-	J.Maivusaroko	1,800.31	10810108101560203
10810108101560203	-	Ross Ligairi	10,807.12	10810108101560203
10810108101560203	-		(9,632.01)	10810108101560203
10810108101560203	-	Taina Tunidau	5,359.69	10810108101560203
10810108101560203	-		2,407.78	10810108101560203
10810108101570301	-	Miscellaneous	(3,517.86)	10810108101570301

² Finance Manual 2005 Section 16.3.1

³ Finance Manual 2005 Section 16.3.3

Accounts No.	Dates	Particulars	Balance \$	Accounts No.
10810108101570301	07/04/06	Chief of Protocol	16,425.00	10810108101570301
	Aug/06	Chief of Protocol	500.00	
	Sep/06	Chief of Protocol	364.42	
	Oct/06	Chief of Protocol	30,629.37	
10810108101570301	Dec/06	Merewai Bole	74,660.00	10810108101570301
10810108101570301		Un-cleared Drawings Account balance carried forward from December 2005	425,243.68	10810108101570301
Total			622,961.85	

The audit also noted that the Ministry posted an unidentified variance of \$425,244 into the account in order to reconcile the drawing account in 2006 that was yet to be cleared as at 31/12/08.

Public funds are unnecessarily tied up when revolving funds accounts are not cleared within the specified time. It also indicates ineffective and inadequate management of the revolving fund accounts.

Recommendations

- **The Ministry should rectify the variances noted and make the necessary adjustments to correct the revolving fund accounts.**
- **The outstanding accountable advances should be recovered from the officers or possible write offs should be explored by Ministry.**
- **No further accountable advance should be issued to officers who have not yet cleared/retired previous advances.**

Management Comments

Some correspondences were issued to officers concerned highlighting circumstances regarding outstanding advances against their names. To some of them it was to their surprises as they know that they have fully retired their advances. Some outstanding advances have been partly/fully recovered whilst write off options were already explored for the long outstanding ones

8.8 Vat Reconciliations

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.⁴

A review of the VAT Returns and supporting documents and VAT reconciliations carried out during the audit revealed an un-reconciled balance of \$267,463 between the taxable supplies in the VAT Return and the total income/expenditure in the Statement of Receipts and Expenditure. *Refer Appendix 8.2 for details:*

The above anomalies could have been avoided had the Ministry been more vigilant and proper supervisory controls were in placed.

⁴ Value Added Tax Decree 1991 4th edition revised to 30/04/04 – Section 15 (1)

Recommendations

- The Ministry should ensure that postings are done on a regular basis to the General Ledger to avoid any anomaly.
- The monthly Vat reconciliations should be prepared to ensure that correct amounts are paid to FIRCA.
- Supervisory checks on the preparation of VAT Returns should be improved to ensure that balances reflected in the VAT Returns reconcile with the General Ledger.

Management Comments

The VAT payments for the Ministry were prepared according to the General Ledger amounts of stated in the SEG report for the months, likewise the Civil Aviation Department's vat payments was also prepared based from the General Ledger total of the monthly expenditures.

Since Civil Aviation Departments just join our Ministry last year, enquiries were made to the Revenue and Customs authority on the tax number to be used for the departmental vat payments, advice was given to use the same tax numbers currently being used by our Ministry. Thus at every months end, two cheques are being issued, one for the Ministry and the other for the Civil Aviation department.

Lastly some refunds were on hold for the Civil Aviation Department for the year 2008 but this was adjusted in 2009.

FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION**8.9 Payroll****8.9.1 Overpayment of Salaries**

Salary change advice shall be prepared by Ministry where they affect personal emoluments and deductions such as resignation and retirement.⁵ Salary advices must be submitted promptly to the Ministry of Finance where there is any change to personal emoluments or deductions dismissal, resignations and retirement.⁶

Audit noted that the some officers continued to receive salaries upon resignation and termination because the salaries section of the Ministry of Finance was not informed that the officers were no longer in the service. Refer to the following table for details:

Table 8.4: Salary Overpayment

Names of the Officer	EDP #	Amount Overpaid \$	Remarks
Setaita Tupua	90182	821.25	The officer's appointment was terminated on 14/07/08 but was paid till 28/07/08 (Pay 15).
Isoa Gavidi	14715	1,781.34	The officer resigned from the Ministry wef 23/01/09 but was paid till 28/01/09.

⁵ Finance Instructions Section 59 (4)

⁶ Finance Instructions Section 26 (1)

Names of the Officer	EDP #	Amount Overpaid \$	Remarks
Mua E	47633	187.06	The officer resigned from the Ministry wef 01/06/08 but was paid till 02/06/08
Tupou Raturaga	61560	455.36	The officer resigned from the Ministry wef 18/03/09 but was paid till 25/03/09.
Fine Ditoka	53528	491.19	The officer resigned from the Ministry wef 14/10/08 but was paid till 20/10/08.
Total Overpaid		4,777.81	

The overpayments of salaries resulted because of lack of communication between the Ministry's accountant and accounts sections of the Ministry of Finance to cease pay on time.

Recommendations

- The Ministry should ensure that salary overpayment is avoided and strict adherence to the relevant Financial Instructions is made.
- The Ministry should address these shortcomings by communicating and coordinating matters affecting payroll in a timely manner with Ministry of Finance.

Management Comments

Comments not received.

8.10 Fiji Mission, PNG

8.10.1 Extravagant Expenditure

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well having cost effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.⁷

The Fiji Mission in PNG incurred the following expenses which appeared to be inappropriate or extravagant:

Table 8.5: Expenses deemed extravagant

Date	Cheque #	Kina	Amount FJD \$	Details
15/09/08	003404	804	493	Payment of Perdiem allowance – to Brisbane Australia to sought out Dali's (son) school fees.
08/09/08	003407	536	328	Payment of Perdiem allowance – to Brisbane Australia. No supporting documents attached.
15/02/08	003034	4,471	2,555	Payment of refund for excess baggage for the four Fiji Nationals on return travel from Bougainville to Nadi. Audit noted that the Ministry failed to obtain re-imbursement from the 4 nationals.
01/04/08	003080	1,500	819	Payment of six decoders as instructed by Head of Mission. Audit request for further information remained futile.

⁷ Part 2 Finance Manual – Expenditure (2005)

Date	Cheque #	Kina	Amount FJD \$	Details
03/04/08	003084	2,553	1,394	Payment for the return ticket for the driver from Nadi to Honiara and Nadi. No additional information was available for the reason for the journey.
04/04/08	003085	2,750	1,501	Payment for the dinner hosted by the Head of Mission and Adi Vaciseva for "SEVU MEKE" by Makosoi Fiji Women on the instruction of Head of mission.
30/07/08	003178	2,224	1,271	Being payment for purchase of N95 mobile telephone for the Head of Mission. Audit noted that the mission could have purchased a more economical mobile phone.
14/08/08	003188	2,179	1,260	Payment for Official luncheon hosted by HOM for the management of United States Naval Ship Mercy.
26/03/08	003074	2,630	1,464	Being payment of Christmas Luncheon hosted by High Commissioner for the mission and families.

The uneconomical spending of the budgetary allocations reflects poorly on the controls in place and lack of monitoring of public funds by officer in charge.

Recommendations

- **The officer in charge of the PNG Mission should ensure that all officers exercise proper economy in the use of public funds and all unnecessary expenses are reimbursed.**
- **Officers who fail to comply should be disciplined and surcharged.**

Management Comments

Comments not received.

8.10.2 Telecom Bills

Officers serving in overseas missions are responsible for the payment of all charges for private telephone, cleaning, domestic services and related charges in respect of their accommodation.⁸

The staffs at the PNG Mission incurred exorbitant telephone bills for the office landline phone in 2008. Refer to the table below for details:

Table 8.6: Excessive Telephone Bills

Date	Cheque #	Kina	Amount FJD \$	Details
20/04/08	003101	4,928	2,690	Being payment of bills for the period 25/02/08-25/03/09.
30/05/08	003140	5,252	2,889	Being payment of bills for the period 25/04/08-25/05/08.
05/11/08	003453	7,996	5,503	Being payment of September Bills.

In addition unauthorised calls were made by a Mission staff. Refer to the table below for details.

⁸ Public Service (Diplomatic and Consular Services) Regulations 2005 Section 63 (3)

Table 8.7: Phone calls deemed unofficial

Telephone #	Destination	Duration Minutes	Time	Cost \$
61450351610	Australia	9.26	10.41 am	23.31
61450351610	Australia	4.03	10.52 am	10.12
61450351610	Australia	8.16	6.23 pm	13.43
61450351610	Australia	7.01	4.25 pm	17.39
61450351610	Australia	10.16	10.24 am	25.35
61414698019	Australia	24.12	9.59 am	59.49
61450351610	Australia	9.50	9.32 pm	24.29
61450351610	Australia	9.46	6.44 pm	24.13
61409300492	Australia	12.59	10.12 am	32.01
61450351610	Australia	7.47	2.22 pm	19.27

The above practice indicates lack of control that could lead to abuse of the telephone facilities.

Recommendation

The officer in charge of the Mission should scrutinize all telephone bills and ensure that personal calls are not entertained and recovered from the officer(s) concerned.

Management Comments

Comments not received.

8.10.3 Unauthorised tuition fees

The Public Service (Diplomatic and Consular Services) Regulations 2005 lists the approved schools that officers in the different missions may send their children to. For officers serving in the Port Moresby Mission; International School is recommended.⁹

Where the Head of Mission or Officer wish to enrol their child in a school other than the designated school listed under sub regulation 67(3), than any fees outside the equivalent of the one paid at the designated school would have to be borne by the parents.¹⁰

The Former High Commissioner to PNG – Mr Iosa Tikoca failed to reimburse a total amount of FJD \$94,527¹¹ for his son's education costs who attended St Josephs Nudgee College in Brisbane. This issue was highlighted in 2007 audit report and the Ministry had decided to recover the outstanding amount.

However, payments were continually made to St. Josephs Nudgee College in Brisbane in 2008, which were against the Ministry's directive. Refer to the table below for details:

⁹ Section 67(4) Public Service (Diplomatic and Consular Services) Regulations 2005

¹⁰ Section 67(5) Public Service (Diplomatic and Consular Services) Regulations 2005

¹¹ Letter dated on 15/05/09 by Mrs Kedrayate.

Table 8.8: Payment of Tuition Fees

Date	Cheque No	Kina	Amount FJD \$	Details
18/04/08	003098	10,000	5,459	Part payment of tuition fees
19/08/08	003192	18,806	10,875	Part payment of tuition fees

It was further noted that the Former High Commissioner's contract was terminated in February 2009 but the Ministry failed to recover from the officer.

As a result of non adherence to the Ministry's directive, the officer in charge of the Mission continued to pay a relatively higher tuition costs without proper authority.

Recommendation

The Ministry should exhaust all means to recover the outstanding amount of \$94,527 from the Former High Commissioner to PNG.

Management Comments

Comments not received.

8.11 Fiji Mission – New Delhi

8.11.1 Freight Charges

Officers travelling at public expense on return to Fiji on the completion of service are entitled to personal and household effects for themselves and their dependents not exceeding the following amounts in addition to the free baggage entitlement conferred by their passage tickets¹²:

Officers Travelling by Air

Position	At unaccompanied baggage rates – (KG)
Head of Mission or Officer	30kg
Each dependent travelling on adult ticket	30kg
Each dependent child over 2 years	15kg

Officers Travelling by Sea

Cubic Meter	Single	Married
Officer	4.5	8.5
Each dependent Child	1.5	1.5

Audit noted that the Ministry paid an additional FJD \$2,372 as freight charges for carting personal effects of Mr. Shaheen Ali who was accompanied by his family. Refer to the table below for details:

¹² Public Service (Diplomatic and Consular Services) Regulations 2005 Section 38 (1), (2)& (3)

Table 8.9: Details of Additional Freight Charges

Type of shipment	Entitled	Actual	Difference	Excessive Payment FJD (\$)
Sea shipment	10.0 cbm	13.5 cbm	3.5 cbm	2,372

This implies non compliance to the Public Service (Diplomatic and Consular Services) regulation and wastage of public funds.

Recommendation

The excess cost of baggage should be borne personally and thus \$2,372 should be recovered from Mr. Shaheen Ali.

Management Comments

Comments not received.

8.12 Fiji Mission - Canberra

8.12.1 Expenses beyond Control

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well having cost effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.¹³

A review of payment vouchers revealed that the Canberra Mission incurred unnecessary expenses which are extravagant and could have been avoided to save cost. Refer to the table below for details:

Table 8.10: Details of Unnecessary Expenses

Date	Cheque #	Amount FJD (\$)	Details
20/03/08	411510	763	For the payment of return trip to Canberra to watch the Adelaide 7s for Acting High Commissioner
16/07/08	411666	1,944	Per diem of 4 nights in Sydney for the Acting High Commissioner to attend the World Youth Day functions. Sydney has a Fiji House.
15/10/08	411822	1,042	For re imbursement of funds for purchase of liquor in relation to the Fiji Day reception.
16/09/08	411772	473	Payment for additional days per diem to attend the funeral of the late Mrs. Chand, wife of the former Minister for education Mr. Pratap Chand. (Personal event thus Acting High Commissioner should have paid for his expenses).

In the absence of proper monitoring process in place, extravagant expenditure was incurred by the Mission at the expense of the public funds.

¹³ Finance Manual – Ministry of Foreign Affairs Part 2 Expenditure

Recommendations

- **The officer in charge of the Canberra Mission should ensure that all officers exercise proper economy in the use of public funds and all unnecessary expenses are reimbursed.**
- **Officers who fail to comply should be disciplined and surcharged.**

Management Comments

Comments not received.

8.13 Fiji Mission – New York**8.13.1 Private Education Assistance**

Where the Head of the Mission or officer wish to enrol their child in a school other than the designated school listed under the subregulation 67 (3), then any fees outside the equivalent of the one paid at the designated school would have to be borne by the parents. The designated school for the New York Mission as per Regulations is UN International School.¹⁴

Audit noted that the Counsellor's children are attending Evangel Christian School, which is a private school. Prior approval from the Permanent Secretary for the Public Service was not obtained. Refer to the table below for details.

Table 8.11: Details of Payment

Date	Cheque No	Amount FJD (\$)	Details
01/04/08	8202	2,989	Payment for Tuition for Cornella/Stephanie Smith for the School year 2007/2008.
17/06/08	8408	224	Reimbursement for various school expenses.
20/06/07	8409	778	Payment for Tuition for Cornella/Stephanie Smith for the School year 2007/2008.
13/08/08	8477	2,393	Reimbursement for School tuition and book fee for the three Smith Children.
03/10/08	8545	1,719	Payment for tuition for school year 2008/2009 for Stephanie, Mason and Edwin Smith.
12/11/08	8610	1,750	Payment for tuition for school year 2008/2009 for Stephanie, Mason and Edwin Smith.

The Ministry has paid tuition costs that should be borne by the officers' on Mission. Without proper approval from the Public Service Commission and Permanent Secretary for Foreign Affairs, such expenditure is deemed extravagant and inappropriate.

Recommendation

The Ministry should take a stronger role in ensuring that diplomats comply with the Public Service (Diplomatic and Consular Services) Regulations 2005 and any deviations without approval from the relevant authorities should be dealt with accordingly.

¹⁴ Public Service (Diplomatic and Consular Services) Regulations 2005 Section 67 (3)

Management Comments*Comments not received.***8.13.2 Unnecessary Payments**

Officers serving in overseas mission are responsible for the payment of all charges for private telephone, cleaning and domestic services and related charges in respect of their accommodation.¹⁵

A review of payment vouchers revealed that the New York Mission incurred expenses that should be paid by the officers as it is not covered under their employment entitlement. Refer to the table below for details:

Table 8.12: Examples of Unnecessary Payments

Date	Cheque #	Amount US(\$)	Amount FJD (\$)	Details
19/03/08	8271	750	1,138	Rocker recliner and TV Stand for the Ambassador. Audit noted that this is not stated as his entitlement under the Regulations.
08/05/08	8349	54	81	Being reimbursement for the purchase of bedroom toothbrush set, Air Freshener, Toothpaste and Ear tips for the Ambassador. Audit noted that this is not stated as his entitlement under the Regulations.
13/08/08	8484	262	392	Payment for Ambassador's cable, internet and Phone service.
02/11/08	8588	509	894	Payment for Ambassador's cable, internet and Phone service.
18/11/08	8612	2836	4,983	Payment for excessive of 3.5 cm for shipping of personal effects for Mr. Sainivalati Navoti. (First Secretary).

The Mission should be more vigilant of such transactions as it could be catalyst for over expenditure and abuse of public funds.

Recommendation

The Ministry should ensure that such payments are not entertained and appropriate action is taken against those officers' not complying.

Management Comments*Comments not received.***8.13.3 Irregularities in Posting Allowances**

The Public Service Commission had ruled that His Excellency Mr Berenado Vunibobo, due to his status as Fiji's Permanent Representative to the United Nations be paid 'married' post allowance for the duration of his contract in New York.¹⁶

However, the Ambassador was paid at a rate of USD\$2,686.52 fortnightly instead of USD\$2,095.05 as stated in the Public Service (Diplomatic & Consular Services) Regulations 2005.

In addition the officer paid for his utilities charge on single rate despite receiving allowances under the married category. Refer to the table below for details.

¹⁵ Public Service(Diplomats and Consular Services) Regulations, 2005, Section (63) (3)

¹⁶ Public Service Commission – ref 29/476/1-7

Table 8.13: Irregularities in Posting Allowances

Date	Cheque #	Particulars	Actual Paid (USD) (\$)	Married allowance As the Regulation (USD \$)	Difference (USD \$)	Difference (FJD \$)
15/10/08	8564	Payment of Post Allowances	2,686.52	2,095.05	591.47	962.83
01/10/08	8542	Payment of Post Allowances	2,686.52	2,095.05	591.47	962.83
10/12/08	8634	Payment of Post Allowances	2,686.52	2,095.05	591.47	1,039.30
18/12/08	8649	Payment of Post Allowances	2,686.52	2,095.05	591.47	1,039.30
12/11/08	8603	Payment of Post Allowances	2,686.52	2,095.05	591.47	1,078.73
26/11/08	8613	Payment of Post Allowances	2,686.52	2,095.05	591.47	1,078.73
01/10/08	8543	Post allowance back dated May-Sept 08.	11,823.10	5,786.90	6,036.20	9,826.14

This implies that the checks carried out by the Ministry on the records submitted by the Missions are inadequate and ineffective. The over payment of post allowances is a breach of Public Service Regulations.

Recommendation

The Ministry should ensure that all overpayment of post allowance is recovered from the Ambassador.

Management Comments

Comments not received.

8.13.4 Missing Supporting Documents

Details of each invoice or other source document for a payment must be promptly and accurately recorded.¹⁷

The audit noted that payments made by the officer in charge were not properly supported thus reimbursement to Mission officers were difficult to verify. Refer to the following table for details.

Table 8.14: Payment Vouchers without Supporting Documents

Date	Cheque #	Payee	Particulars	Remarks	Amount (FJD) \$
26/03/08	8273	Lui E Vunibobo	Reimbursement for purchase of Linen, Bath and bedroom rugs, shower curtains, bed comforters for the Pruns Apartment.	- No invoices sighted - No receipts sighted	1,294.87

¹⁷Finance Instructions 2005 section 3.5.1

Date	Cheque #	Payee	Particulars	Remarks	Amount (FJD) \$
05/03/08	8259	Sainivalati Navoti	Reimbursement for the Hire of Vehicle and other related expenses during trip to Washington.	- No receipts sighted	312.42
13/08/08	8477	Mason Smith	Reimbursement for School Tuition, Book fees and Medical expenses for Smith children's	- No receipts sighted	2,969.92
04/08/08	8459	Rowena Gonzalez	Reimbursement for the purchase of Flower for Mrs Esala and farewell lunch for Mrs Claudette Wu	- No receipts sighted	817.85
14/05/08	8354	Rowena Gonzalez	Reimbursement for Hosting of reception for Ambassador - Purchase of alcohol amounted to USD 135.60	- No receipts sighted	1,564.08
16/12/08	8648	Lui E Vunibobo	Reimbursement for reception for Sainivalati Navoti's End of Tour	- No receipts sighted	983.38
05/11/08	8599	Sainivalati Navoti	Reimbursement for Fiji day Expenses	- No receipts sighted	1,112.33
05/11/08	8600	Sainivalati Navoti	Reimbursement for expenses incurred for Fiji Day celebration	- No receipts sighted	506.32
05/11/08	8601	Lui E Vunibobo	Reimbursement for expenses incurred for Fiji Day celebration Expenses incurred for Prime Minister's visit.	- No receipts sighted	2,437.62

The above anomalies indicated that the checks carried out by the Ministry on the records submitted by the Missions are inadequate and ineffective.

Recommendations

- The Ministry should ensure that the records submitted by the officer in charge of the mission are properly scrutinised.
- Anomalies or the non-compliance with the provisions of the PSC regulation should be severely dealt with.

Management Comments

Comments not received.

8.14 Fiji Mission – Malaysia

8.14.1 Personal Expenses Paid by the Mission

Officers serving in overseas mission are responsible for the payment of all charges for private telephone, cleaning and domestic services and related charges in respect of their accommodation.¹⁸

The rate of reimbursement approved by the Permanent Secretary, the Heads of mission or officers who use their private vehicles for official duties in their overseas Mission are entitled to causal user mileage allowance.¹⁹

¹⁸ Public Service(Diplomats and Consular Services) Regulations, 2005, Part 8(63)(3)

¹⁹ Public Service (Diplomats and Consular Services) Regulations, 2005 Part 5 (42) (1).

The audit noted that on a number of occasions the Mission had a tendency of incurring unnecessary expenses which could have been avoided. Refer to the following examples:

a) Unofficial Travel

The High Commissioner Mr Suliasi Lutubula attended the 8th Borneo Tens Rugby Tournament 2008 and the Mission paid for the travelling and accommodation cost totalling \$2,325.

Audit did not cite any formal invitational letter from the tournament organisers for the High Commissioner to attend the games.

b) Personal Expenditures

A review of the payment vouchers of the mission revealed that some payments made were personal in nature. The table below shows details:

Table 8.15: Examples of Personal Expenditure

Date	Payment Voucher #	Payee	Particulars	Amount (RM)	Audit comments
24/10/08	302001	NK Interior & Furniture	Purchase of shoe rack for Acting High Commissioner's residence.	900.00	Not entitled.
08/10/08	301991	Powernectic SDN BHD	Payment for repairs of water blaster for Acting High Commissioner.	183.00	Not entitled.
24/10/08	302003	Sonic Power	Purchase of Official Headphone for acting High Commissioner.	1,080.00	Cheaper phone would be economical.
30/09/08	301971	Chem –Dry (Malaysia) SDN BHD	Charges for cleaning Second Secretaries Floor carpets.	200.00	Not entitled

Recommendations

- The Mission should recover from the officers concerned all expenses unofficial in nature through salary deductions.
- The Mission should ensure that proper scrutiny of expenditure to be incurred is carried out before the Mission commits itself to payment.

Management Comments

Comments not received.

8.14.2 Dependant's Education Cost

Where the Head of Mission or Officer wish to enrol their child in a school other than the designated schools listed under sub regulation 67(3), any fees outside the equivalent of the one paid at the designated school would have to be borne by the parents.²⁰

²⁰ Section 67(5) Public Service (Diplomatic and Consular Services) Regulations 2005

Audit noted that Mr Basir Ali's children were enrolled to the Islamic Institution and not the International school as required by the regulation. Furthermore, no approvals were sought from the Permanent Secretary. Refer to the table below for details:

Table 8.16: Details of Dependant's Education Cost

Date	PV #	Payee	Particulars	Amount (RM)
16/12/08	519806	Adni Consultancy SDN BHD	Payment of School Fees for the Second Secretary's children.	29,992.25
28/02/08	176415	Arabic Language Centre	Payment of tuition fees in respect to two daughters of Second Secretary – Mr Basir Ali. (a 24 week course)	5,280.00
TOTAL				35,272.25

The Ministry had to pay for relatively higher tuition costs without proper authority from the Public Service Commission and Permanent Secretary for Foreign Affairs.

Recommendations

- The amount in excess of the relevant officer's entitlement for education allowance for his dependent should be recovered by the Ministry.
- The Ministry should take a stronger role in ensuring that diplomats comply with the Public Service (Diplomatic and Consular Services) Regulations 2005 and any deviations without approval from the relevant authorities should be dealt with accordingly.

Management Comments

Comments not received.

8.15 Fiji Mission – Tokyo

8.15.1 Use of credit card by the Ambassador

An employee must use government resources and assets in a proper way.²¹

Audit noted that the Ambassador Mr Kubuabola abused the credit card privileges for the procurement of goods and services and failed to reimburse the personal charges incurred by him in 2007 and 2008.

The following are the personal charges incurred by the Ambassador in 2008 and 2007:

Table 8.17: Details of Personal Charges not reimbursed in 2008

Month	PV #	Card Type	Amount Yen	Amount (FJD \$)
September	3639	Visa - DC Card	35,701	513.58
October	3689	Visa - DC Card	29,740	1,416.66

²¹ Public Service Code of Conduct

Month	PV #	Card Type	Amount Yen	Amount (FJD \$)
November	3744	Visa - DC Card	347,939	6,073.34
December	3787	Visa - DC Card	567,017	10,691.97
April	3440	Amex Card	237,285	3,515.23
May	3425	Amex Card	237,438	3,470.16
July	3540	Amex Card	278,502	3,922.81
August	3585	Amex Card	174,544	2,449.44
September	3638	Amex Card	249,933	3,595.47
November	3743	Amex Card	199,753	3,486.72
December	3788	Amex Card	259,099	4,522.62
Total			2,616,951	43,658.00

Table 8.18: Details of Personal Charges not reimbursed in 2007

Month	PV #	Card Type	Amount Yen	Amount (FJD)
September	3011	Visa - DC Card	243,368	3,375
October	3059	Visa - DC Card	95,719	1,342
July	2908	Amex Card	208,469	2,743
August	2974	Amex Card	300,582	3,890
September	3023	Amex Card	928,101	12,870
October	3058	Amex Card	87,955	1,233
November	3118	Amex Card	135,560	1,824
Total			1,999,754	27,277

The excessive personal costs were incurred by using the Visa and Amex cards to purchase goods and services while on the Mission. Furthermore it was noted that the personal charges totalling FJD \$70,935 for the past two years were not reimbursed.

Lack of monitoring by the Ministry has resulted in the non recovery of the personal costs of the Ambassador.

Recommendations

- The Ministry should ensure that all outstanding dues are recovered from the Ambassador.
- The Mission should cease the practice of allowing public officers using the credit cards for personal purposes and officers not complying should be disciplined.

Management Comments

Comments not received.

8.15.2 Unsupported Payment Vouchers

Officers serving in overseas mission are responsible for the payment of all charges for private telephone, cleaning and domestic services and related charges in respect of their accommodation.²²

²² Public Service(Diplomats and Consular Services) Regulations, 2005, Part 8(63)(3)

The audit noted that some of expenses incurred by the officers' of the Mission were personal in nature. Refer to the table below for details:

Table 8.19: Examples of Unsupported Payment Vouchers

Date	PV #	Payee	Particulars	Amount (FJD \$)
14/04/08	3326	City Club of Tokyo	Payment for lunch with Mr. Watanabe, Japan Friendship society and the Asia ladies friendship society.	619
22/04/08	3341& 3342	Nokyo Tourist Corporation & Station Hotel Kokura	Payment for the trip undertaken by First Secretary Mr. Ravula for the Sanix World Rugby Youth Invitational tournament 2008. This Tournament was organised by the Japan Rugby Football Union.	1,120
21/11/08	3725	Yuko Aoki	Payment for the Asia – Pacific Ladies Friendship society 40 th Anniversary attendance fees.	87.27
25/11/08	3717	Roppongi Hill Club	Payment of meal expenses for the Ambassador Kubuabola. (Reason for the meal not stated).	4,390.73
21/11/08	3716	City Club of Tokyo	Payment of meal expenses for the Ambassador Kubuabola. (Reason for the meal not stated).	370.95

The above anomaly indicates lack of control procedures in place at the Mission resulting in the payment of personal expenses of the officers.

Recommendation

The Mission should ensure that all personal expenditure is recovered from the respective officers through salary deduction.

Management Comments

Comments not received.

8.15.3 Motor Vehicle Accidents

A copy of the accident report shall be submitted to the Permanent Secretary who shall forward copies to the Permanent Secretary of Ministry of Finance and the Solicitor General.²³ A driver involved in an accident may be surcharged if the surcharging authority believes the driver was at fault.²⁴

The audit noted that a vehicle belonging to the Mission was involved in an accident on 02/12/07 and expenses amounting to \$12,016 in repair cost were met by the Mission's budgetary allocations. Furthermore Police and Accident reports were not produced for audit scrutiny. Refer to the table below for details:

Table 8.20: Accident Details

Date	PV #	Payee	Particulars	Amount (FJD \$)
21/01/08	3181	Yanase & Co Ltd	Payment of repairing cost for the third party's damaged vehicle in accident on 02/12/07.	15,065.31

²³ Finance Manual – Ministry of Foreign Affairs Section. 12.6.6

²⁴ Finance Manual – Ministry of Foreign Affairs Section. 12.6.7

Date	PV #	Payee	Particulars	Amount (FJD \$)
21/01/08	3183	Taiyo Nissan Auto Sales Co. Ltd	Payment of repairing cost for the official vehicle GAI 10701 in the accident which occurred on 02/12/07.	11,068.46
Total Cost of Damage				26,133.77
Less Partially covered cost by insurance			Partially covered cost by insurance	14,117.50
Costs borne by Mission				12,016.27

In the absence of the police and accident reports it could not be ascertain who was at fault. Failure to submit sufficient evidence on vehicle accidents would hinder recovery and disciplinary procedures against the officer(s) responsible.

Recommendation

The Ministry should ensure that an accident report together with the Police report is furnished by the Tokyo Mission and those found at fault should be surcharged accordingly.

Management Comments

Comments not received.

8.16 Fiji Mission – BEIJING

8.16.1 Education Assistance

The Public Service (Diplomatic and Consular Services) Regulations 2005 lists the approved schools those officers in the different missions may send their children to. For officers serving in Beijing, the International School is recommended.²⁵

Where the Head of the Mission or officer wish to enrol their child in a school other than the designated school listed under the sub regulation 67 (3), than any fees outside the equivalent of the one paid at the designated school would have to be borne by the parents.²⁶

The audit noted that the Counsellor and the First Secretary's children are attending British School of Beijing. Refer to the table below for examples.

Table 8.21: Details of Dependant's Education Cost

Date	Cheque No	Amount RMB	Amount FJD (\$)	Details
02/04/08	1065746	48,995	10,687	Being payment for Rusiate Katonitabua's Tuition fees/Bus for Term 01 April 27 June 2008.
22/08/08	1092950	54,367	11,859	Being payment of Rusiate Namase Katonitabua's school fees for school term from 1 st September-12 December 2008.
22/08/08	1092951	76,423	16,670	Being payment of Luisa Alifereti's school fees for school term from 1 st September-12 December 2008.
25/09/08	1107129	1,815	416	Refund for paying uniform fees for children.
23/10/08	1107149	2,125	505	Being reimbursement to counsellor for paying Vanesa Lusia Alifereti's school uniform at the British School of Beijing.

²⁵ Public Service (Diplomatic and Consular Services) Regulations 2005 Section 67 (3)/(4)

²⁶ Public Service (Diplomatic and Consular Services) Regulations 2005 Section 67 (3)

No evidence was provided to indicate that prior approval were obtained from the Permanent Secretary and Public Service Commission for the officer's children to attend a school not specified in the Public Service (Diplomatic and Consular Services) Regulations 2005.

Recommendations

- **The amount in excess of the relevant officer's entitlement for education allowance should be recovered by the Ministry.**
- **The Ministry should take a stronger role in ensuring that diplomats comply with the Public Service (Diplomatic and Consular Services) Regulations 2005 and any deviations without approval from the relevant authorities should be dealt with accordingly.**

Management Comments

Comments not received.

8.17 Fiji Mission – LONDON

8.17.1 Legal Charges against the Mission

Where a property is leased on behalf of the government, the head of Mission or officer in residence must not by any act or omission place the lessee in breach of the terms of the lease.²⁷

The audit noted that the account for Rednall and Rittner Limited (Property Managing Agents) was not settled on time by the Mission and thus legal action was instigated by a Law firm Brethertons. Details of the legal costs are given below:

Table 8.22: Details of Legal Cost

Date	PV #	Description	Total Pounds	Total (FJD \$)
02/12/08	13569	Lease charges of property not paid from 2005.	9,023.41	26,979.99
		Interest on overdue account	199.51	596.53
		Costs incurred	86.25	257.88
		Admin Fees	70.50	210.79
		Total	9,379.67	28,045.19

Failure to process lease payments on time has resulted in the Ministry paying unwarranted penalties. The above clearly indicate non-compliance with the relevant provisions of Public Service (Diplomatic & Consular) Regulation.

Recommendation

The Mission should ensure that all lease payments are made when due in order to avoid additional costs from incurring.

²⁷ Public Service (Diplomatic & Consular Services) Regulations 2005 section 66(2).

Management Comments*Comments not received.***8.17.2 Vehicle Penalty Charge**

Any Fiji officer or family member who is notified that he/she has infringed the local parking regulations must pay promptly any fine for which he/she is liable unless the breach occurred during the transaction of official business and could not have been readily avoidable. If the breach did occur in the course of official business the officer should report the circumstances to his/her Head of Mission who is satisfied that the breach was unavoidable in the circumstances, may arrange for the notice to be returned through the appropriate local authority with a note setting out the circumstances which led to the contravention²⁸.

Audit noted that the London Mission incurred penalty charges for using the congestion charging area, without paying the appropriate road toll fees when due. Refer to the table below for details:

Table 8.23: Vehicle Penalty Charges

Date	Cheque #	Amount £	Amount FJD (\$)	Details
18/02/08	013205	120	366	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration 150D152 & Fiji on 07/02 & 08/02 respectively).
27/03/08	013249	60	179	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration Fiji)
31/03/08	013254	60	179	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration 150D152).
01/04/08	013256	180	539	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration 150D152 & Fiji)
16/04/08	013278	120	359	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration Fiji)
17/04/08	013283	120	359	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration Fiji)
04/06/08	013344	120	352	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration 150D152)
13/06/08	013356	60	176	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration 150D152)
17/06/08	013364	60	176	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration 150D152).
14/07/08	013397	60	177	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration 150D152).
23/07/08	013407	88	260	Payment for Penalty Charge incurred by Fiji High Commission

²⁸ PSC Regulations (Diplomatic and Consular Services) Section 27 (1) & (2)

Date	Cheque #	Amount £	Amount FJD (\$)	Details
				official vehicles (Registration 150D152 & Fiji).
19/08/08	013437	60	177	Payment for Penalty Charge incurred by Fiji High Commission official vehicles (Registration Fiji).

The non payment of congestion charges has resulted in the substantial fines being levied on the Mission at the expense of the public funds.

Recommendation

The Ministry should ensure that the Mission observe local laws to avoid such unwarranted expenditures.

Management Comments

Comments not received.

8.18 Fiji Mission – BRUSSELS

8.18.1 Personal Expenditure

Officers serving in overseas mission are responsible for the payment of all charges for private telephone, cleaning and domestic services and related charges in respect of their accommodation.²⁹

The audit noted that some personal expenses were authorised by the officer in charge of the Mission. Refer to the table below for examples:

Table 8.24: Personal Expenditure paid by the Mission

Date	Cheque/ Voucher No.	Particulars	Audit comments	Amount Euro	Amount (FJD \$)
12/03/08	13	1 year subscription to cable TV for N. Khatri (second secretary).	Not entitled to such benefits.	140,39	314.21
26/09/08	27	Had taken delegates from Suva for dinner twice and a working lunch in the office.	Delegates from Suva have already been paid per-diem allowance which covers their meals and also there is no mention of representational allowance or working lunch in office.	153,00	360
29/08/08	31	Repairs of official vehicle CD-D351 due to accident.	No details in the payment voucher provided to ascertain the cause of the accident.	881,10	2,074
24/07/08	29	Subscription to the cable TV for T. Raturaga	Audit noted that there is no such provision in the Public Service (Diplomatic and Consular Services) Regulations 2005.	168,20	393
20/06/08	33	Hiring of a suit for the	Audit views this as a personal	86	200

²⁹ Public Service(Diplomats and Consular Services) Regulations, 2005, Part 8(63)(3)

Date	Cheque/ Voucher No.	Particulars	Audit comments	Amount Euro	Amount (FJD \$)
		Ambassador	expense and should be borne by the Ambassador.		

The head of the Mission failed to properly scrutinise the payments demonstrating lack of supervision.

Recommendations

- **The Ministry should recover all personal expenses from the officers' concerned.**
- **The officer in charge of the Mission should scrutinise all expenditure before payment.**

Management Comments

Comments not received.

8.18.2 Lack of Quotations-Air Tickets

Officers responsible for the control over expenditure should ensure proper economy in the use of public funds and thereby ensure that proper value is obtained for all funds utilised. When undertaking purchase of goods and services which are of substantial amount, a minimum of 3 competitive quotations should be obtained.³⁰

The Mission failed to obtain competitive quotations for its travelling needs and relied on travel agent, Carlson Wagonlit Travel Ltd for all travelling needs. Refer to the table below for details.

Table 8.25: Lack of quotations - Air Ticket

Date of Service	Ticket for	Reason for Travel	Amount Euro	Amount (FJD \$)
10/11/08	Ambassador	Travelled from Brussels to Port Moresby to attend the 14 th ACP meeting and the regional meeting in Port Villa.	9,336.11	21,947
15/10/08	Ambassador	Travelling to attend meetings in Fiji and Headquarters.	6,585.66	15,452
15/10/08	First Secretary	Tickets for first secretary's family following end of tour.	4,462.64	10,471
10/11/08	Second Secretary	Travel to Fiji to participate in the WTO trade policy review & consultation with Headquarters from 8 th to 17 th November 2008.	1,874.75	4,407
29/04/08	First Secretary	Escorted the late Mrs. Vatu back to Fiji.	1,229.95	2,850
12/03/08	Ambassador	Present his credentials to the Ministry of Foreign Affairs in Madrid and bilateral meetings.	717.71	1,606

The purpose of obtaining quotations is to ensure that purchases are made from the most economical source available. The above findings indicate failure by the Mission to obtain competitive quotes from other suppliers to ensure that purchases are made from the most economical source.

Recommendation

The Mission should ensure that competitive quotations are obtained to enable it to economise its spending.

³⁰ Ministry of Foreign Affairs - Finance Manual section 2.3.2.

Management Comments*Comments not received.***8.19 Fiji Mission – Wellington****8.19.1 Representation Allowance**

Representation allowance is the cost to cover direct and necessary expenditures on official entertainment. Officers other than the Head of Mission must account for two third of their representative allowance³¹.

The audit noted that the First and the Second Secretary at the Wellington Mission claimed entertainment allowance without producing the receipts for the costs incurred as required by the Public Service (Diplomats and Consular Services) Regulations. Refer to the table below for details.

Table 8.26: Allowances claimed in the absence of receipts

Date	Cheque #	Payee	Amount NZ(\$)	Amount FJD (\$)	Details
20/02/08	503104	Mr. Sakiusa Rakai	180	210	Hosted late lunch and dinner for DPS, Foreign Affairs Accountant in Wellington at residence on this day. Mrs. Solo Mara, Mrs. M Cama & Mr. Rakai at \$45 per head.
20/08/08	503350	Mr. Sakiusa Rakai	270	305	Hosted luncheon at residence for the High Commissioner, spouse and daughter who included Mrs. Miri & Jese Vocea to officially welcome the family into Wellington and self & wife at \$45 each.
20/08/08	503349	Mr. Ponsami Chetty	225	254	Dinner for Shankar Goundar, Vijay Chauhan, Rajendra Singh, Joti Sharma (management of spice Znadens at First Secretary's residence).
03/09/08	503360	Mr. Ponsami Chetty	315	352	Provided dinner for Mr. & Mrs. Limp Lee and at First Secretary's for \$135(discussion on mineral water, fishing and timber) and provided dinner for Wainarata Indian association members and First Secretary for \$180.
17/09/08	503385	Mr. Ponsami Chetty	135	151	Provided lunch to Director of Global business ideas and provided meals to Mr & Mrs. Mukesh Sharma whilst discussing projects at First Secretary's residence.
17/09/08	503386	Mr. Sakiusa Rakai	315	352	Hosted dinner for Mohammed from Singapore High Commission and Takashee Nishida from Japanese Embassy and Mr. Rakai and spouse.
29/10/08	503438	Mr. Ponsami Chetty	310	343	Entertained Mr Vijay and provided lunch to the managers and staffs of Spice Zandens.
29/10/08	503439	Mr. Sakiusa Rakai	180	199	Hosted dinner for Abdul Hakim and spouse, second secretary of Malaysia

³¹ Public Service(Diplomats and Consular Services) Regulations, 2005

Date	Cheque #	Payee	Amount NZ(\$)	Amount FJD (\$)	Details
					High Commission and myself and spouse.
05/11/08	503450	Mr. Ponsami Chetty	90	97	Hosted dinner for Mr. Nitiya Sharma of NZ Bio security.

The Mission Head failed to exercise proper economy over the payment of entertainment allowance without obtaining receipts thus proper value may not have been obtained for the funds spent on entertainment allowance.

Recommendations

- The Mission Head should ensure that receipts are provided before payments are approved for the two thirds of the entertainment allowance.
- The Ministry should investigate all cases of representation allowance reimbursements without supporting documents and surcharge officers accordingly.

Management Comments

Comments not received.

8.19.2 Personal Expenditure

Officers serving in overseas mission are responsible for the payment of all charges for private telephone, cleaning and domestic services and related charges in respect of their accommodation.³²

Officers below the rank of Heads of Mission will be expected to provide for themselves at their expense, all necessary linen, kitchenware and electrical appliances other than those entitled to them.³³

A review of the payment vouchers revealed unauthorised payments by the Mission's Head. Refer to the table below for details.

Table 8.27: Details of Personal Expenditures

Date	Chq #	Particulars	Amount (NZ \$)	Amount (FJD \$)
19/08/08	503344	Collection of rubbish from the First Secretary's residence	260.00	294.00
20/07/08	503298	Refund for Mr. Sakiusa Rakai (second secretary for purchase of beddings, blankets, pillows for the new high commissioner.	286.27	328.18
22/05/08	503232	Purchase of Electric Blankets for Mr. Chetty and Mr. Rakai.	1,910.00	2,260.00

The head of the Mission failed to properly scrutinise the payments demonstrating lack of supervision. As a result public funds were not properly utilized as payment for personal expenditure could have been minimised.

Recommendations

- The Ministry should recover all personal expenses from the officers' concerned.
- The officer in charge of the Mission should scrutinise all expenditure before payment.

³² Public Service(Diplomats and Consular Services) Regulations, 2005, Part 8(63) (3)

³³ Public Service (Diplomats and Consular Services) Regulations, 2005, Part 8 (64) (3).

Management Comments*Comments not received.***CIVIL AVIATION****8.20 Poor Condition of Rural Airstrips**

It is the responsibility of the Department of Civil Aviation to ensure that government grants allocated to the Airports Fiji Ltd for maintenance and upgrade rural airstrips are properly and effectively utilised.

For the past five years, the government had allocated \$4.5 million as capital grants to the Airports Fiji Ltd for the up keeping and maintenance of rural airstrips. Refer to the table below for details:

Table 8.28: Status of airstrip upgrade

Year	Budgeted (\$)	Actual (\$)	Details of Expenditures
2004	1,000,000	850,000	Upgrade and maintenance of airports at Cicia, Vanaubalavu, Lakeba, Gau, Koro, Ono -i-Lau, Rotuma, Matei, Labasa and Nausori.
2005	1,000,000	850,000	Major works carried out at Bureta Airport including works and maintenance for the domestic airports.
2006	1,000,000	500,000	Purchase of new fire truck for Labasa Airport.
2007	500,000	415,000	Upgrading of Rotuma Airport.
2008	1,000,000	464,185	Reimbursed to AFL and purchase of three new tractors.

The condition of the rural airstrips was not very satisfactory and a number of deficiencies were noted by the CAAFI aerodrome team. Also the grant was diverted to purchase fire trucks and tractors without the approval from the Ministry of Finance. The deficiencies are highlighted in the following table.

Table 8.29: Deficiencies in Rural Airstrips

Airstrip	Deficiencies
Cicia	Maintenance activity not done regularly.
Gau	Runway surface slippery when wet, due to algae present on the runway.
Kadavu	Runway surface deteriorating.
Labasa	Runway surface deteriorating.
Matei	Erroneous strip dimensions.
Moala	Runway surface soggy when wet.
Rotuma	Rocky outcrops within the strip area.
Savusavu	Runway surface deteriorating, strip surface uneven and contained crab holes. The anemometer is unserviceable and the southern end of the runway has eroded.

From the deficiencies noted by CAAFI, the maintenance and upgrade of airstrips may not have been carried out properly and regularly. As a result public funds may have been diverted to other projects.

Recommendation

The Department should be vigilant in monitoring the government grants allocated for maintenance and upgrading of rural airstrip and ensure that funds are utilised economically.

Management Comments

As usual the Department of Civil Aviation continues to be vigilant in monitoring government grants to AFL ensuring that the funds are not diverted for other purposes but for the purposes of upgrading and maintaining good standards for rural airstrips to safeguard the interest of our air travelling public. The Auditors should make every effort to visit AFL and some rural airstrips so that they will be in a better position to appreciate comments on both sides of the story rather than looking from only one side as they have been doing all these years.

Appendix 8.1: Statement of Output Costs**Portfolio Leadership and Secretariat Support**

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	1,419,336	3,286,808
Unestablished Staff	456,096	1,240,692
Travel & Communication	358,725	951,612
Maintenance & Operations	1,299,007	2,446,569
Purchase of Goods & Services	81,041	166,100
Operating Grants & Transfers	454,110	735,911
Special Expenditure	525,526	1,432,516
Total Operating Costs	4,593,841	10,260,208
Capital Expenditure		
Capital Construction	2,080	98,843
Purchases	37,209	0
Grants	150,000	0
Total Capital Expenditure	189,289	98,843
Value Added Tax	263,518	1,132,784
TOTAL EXPENDITURE	5,046,648	11,491,835

Licensing, Compliance and Monitoring Treaties, Conventions and Agreement

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	712,843	657,362
Unestablished Staff	228,477	248,138
Travel & Communication	179,855	190,323
Maintenance & Operations	649,851	489,314
Purchase of Goods & Services	40,617	33,220
Operating Grants & Transfers	237,956	147,182
Special Expenditure	290,635	286,503
Total Operating Costs	2,340,234	2,052,042
Capital Expenditures		
Capital Construction	1,040	19,769
Purchases	18,605	0
Grants & Transfers	100,000	0
Total Capital Expenditure	119,645	19,769
Value Added Tax	134,968	226,556
TOTAL EXPENDITURE	2,594,847	2,298,367

Public Awareness Promotions Trade, Investments & Tourism

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	712,843	438,241
Unestablished Staff	228,477	165,426
Travel & Communication	179,855	126,881
Maintenance & Operations	649,851	326,209
Purchase of Goods & Services	40,617	22,147
Operating Grants and Transfer	237,956	98,121
Special Expenditure	290,635	191,002
Total Operating Costs	2,340,234	1,368,027
Capital Expenditures		
Capital Construction	1,040	13,179
Purchases	18,604	0
Grants & Transfers	100,000	0
Total Capital Expenditure	119,644	13,179
Value Added Tax	134,968	151,038
TOTAL EXPENDITURE	2,594,846	1,532,244

Facilitation of Overseas Development Assistance

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	712,843	-
Unestablished Staff	228,477	-
Travel & Communication	179,855	-
Maintenance & Operations	649,851	-
Purchase of Goods & Services	40,617	-
Operating Grants and Transfer	237,956	-
Special Expenditure	290,635	-
Total Operating Costs	2,340,234	-
Capital Expenditures		
Capital Construction	1,040	-
Purchases	18,604	-
Grants & Transfers	100,000	-
Total Capital Expenditure	119,644	-
Value Added Tax	134,968	-
TOTAL EXPENDITURE	2,594,846	-

Promotion of Diplomatic Relations

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	712,843	-
Unestablished Staff	228,477	-
Travel & Communication	179,855	-
Maintenance & Operations	649,851	-
Purchase of Goods & Services	40,617	-
Operating Grants and Transfer	237,956	-
Special Expenditure	290,635	-
Total Operating Costs	2,340,234	-
Capital Expenditures		
Capital Construction	1,040	-
Purchases	18,604	-
Grants & Transfers	100,000	-
Total Capital Expenditure	119,644	-
Value Added Tax	134,968	-
TOTAL EXPENDITURE	2,594,846	-

Licensing, Compliance and Monitoring – Civil Aviation

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	258,778	-
Unestablished Staff	79,014	-
Travel & Communication	63,238	-
Maintenance & Operations	218,937	-
Purchase of Goods & Services	14,185	-
Operating Grants and Transfer	151,990	-
Special Expenditure	282,683	-
Total Operating Costs	1,068,825	-
Capital Expenditures		
Capital Construction	347	-
Purchases	6,202	-
Grants & Transfers	200,000	-
Total Capital Expenditure	206,549	-
Value Added Tax	66,378	-
TOTAL EXPENDITURE	1,341,752	-

Airline Services

Description	2008 \$	2007 \$
EXPENDITURE		

Description	2008 \$	2007 \$
Operating Costs		
Established Staff	265,127	-
Unestablished Staff	79,870	-
Travel & Communication	64,224	-
Maintenance & Operations	219,634	-
Purchase of Goods & Services	14,379	-
Operating Grants and Transfer	173,791	-
Special Expenditure	338,425	-
Total Operating Costs	1,155,450	-
Capital Expenditures		
Capital Construction	347	-
Purchases	6,202	-
Grants & Transfers	250,000	-
Total Capital Expenditure	256,549	-
Value Added Tax	72,794	-
TOTAL EXPENDITURE	1,484,793	-

Appendix 8.2: Vat Calculations

Variance between the taxable supplies as per VAT Return and the total income/expenditure as per Statement of Receipts and Expenditure:

Details	\$
Total income/expenditure as per Statement of Receipts and Expenditure	18,252,578
Less: Expenditure not subject to Vat	9,055,216
	9,197,362
Less: Total taxable supplies as per VAT Returns	9,464,825
Un-reconciled variance	(267,463)

Variances between the actual VAT payments for 2008 and the balances disclosed in the general ledger (FMIS).

Details	\$
VAT payments (VAT payments to FIRCA and VAT Input) as per Statement of Receipts and Expenditure	942,562
VAT payments (VAT payments to FIRCA and VAT Input) as per VAT Returns for 2008	1,205,586
Un-reconciled variance	(263,024)

Section 9 Elections Office

Role and Responsibilities

The Supervisor of Elections is responsible for the registration of voters and the organisation, conduct and supervision of the election of members to the House of Representatives and at Local Government level. The Supervisor is also responsible with providing administrative support for the Constituency Boundaries Commission in the discharge of its duties. Responsibilities or deliverables undertaken by the office as budgeted for are outlined as follows:

- Publication and Revision of the National Electoral Rolls.
- Conduct Local Government Elections
- Public Awareness & Educational programs
- Constituency Boundaries Commission
- Voter Registration Update

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FINANCIAL STATEMENT

9.1 Audit Opinion

The audit of the 2008 accounts of the Office of the Supervisor of Elections resulted in the issue of a qualified audit report.

The grounds for qualifications are as follows:

1. The amounts in the Statement of Output Costs have been estimated as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management

Information System (FMIS) of government. It is not possible therefore to determine the accuracy of the expenditures incurred by the Office under each output.

2. The Office has not provided the following contrary to Finance Instructions 82(1):
 - A Statement of Losses, as losses amounting to \$9,330 was recorded as at 31/12/08; and
 - A Trust Fund Account Statement of Receipts and Payments. The Financial Management Information System shows that the Office as at 31/12/08 has an overdrawn operating trust fund balance totalling \$519,266.
3. There is a significant variance in the FNPF reconciliation totalling \$43,897 when compared to the accounts as at 31/12/08.

9.2 Statement of Receipts and Expenditure

The Office incurred total expenditures of \$841,593 in 2008 compared to \$504,072 in 2007.

Table 9.1: Statement of Receipts and Expenditure for 2008

Description	2008 \$	2007 \$
RECEIPTS		
State Revenue	0	0
Agency Revenue	0	0
TOTAL REVENUE	0	0
EXPENDITURES		
Operating		
Established Staff	120,367	157,467
Unestablished Staff	11,619	16,301
Travel & Communication	13,226	86,904
Maintenance & Operations	68,326	50,860
Purchase of Goods & Services	23,864	21,740
Special Expenditures	534,316	120,831
Total Operating Expenditures	771,718	454,103
Value Added Tax	69,875	49,969
TOTAL EXPENDITURES	841,593	504,072

Total expenditure increased by \$337,521 due to increase in maintenance and operations by 34% and special expenditure by 342%.

9.3 Statement of Output Costs

As described in Section 9.1, the Statements of Output Costs consolidates the 5 outputs prescribed in the Budget Estimates. These are detailed in Appendix 9.1.

9.4 Appropriation Statement

The Office incurred expenditures totalling \$841,593 in 2008 against a revised budget of \$1,428,600 resulting in a savings of \$587,007 or 41%.

Details of expenditures against the Budget Estimates are provided in the Appropriation Statement in Table 9.2.

Table 9.2: Appropriation Statement for 2008

SEG	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry – Over \$	Lapsed Appropriation \$
1	Established Staff	162,900	0	162,900	120,367	0	42,533
2	Unestablished Staff	11,900	0	11,900	11,619	0	281
3	Travel & Communication	17,000	0	17,000	13,226	0	3,774
4	Maintenance & Operations	72,200	0	72,200	68,326	0	3,874
5	Purchase of Goods & Services	25,300	0	25,300	23,864	0	1,436
6	Special Expenditures	3,500,000	2,500,000	1,000,000	534,316	0	465,684
	Total Operating Costs	3,789,300	2,500,000	1,289,300	771,718	0	517,582
13	Value Added Tax	451,800	312,500	139,300	69,875	0	69,425
	TOTAL EXPENDITURE	4,241,100	2,812,500	1,428,600	841,593	0	587,007

9.5 Statement of Losses

The Office did not submit a Statement of Losses for audit.

9.6 Financial Statements

Commencing 2006 financial year, each annual report must include financial statements which are prepared and signed in accordance with the Finance Instructions, audited by the Auditor General, and accompanied by an audit opinion prepared by the Auditor General.¹

The draft financial statements must be submitted to the Auditor-General by 31 March in the following year, or within such other time as agreed to with the Auditor General.²

The Office of the Supervisor of Elections submitted its Agency Financial Statements for audit on 23/04/09. The financial statements submitted were not prepared in accordance with the requirements of Section 82 and Schedule 1 of the Finance Instructions 2005.

The following discrepancies were noted:

- The department failed to prepare a trust account statement of receipts and payments.
- The department failed to prepare statement of losses.

¹ Finance Instructions 2005 – 81 (2)

² Finance Instructions 2005 – 81 (3)

- The 2008 budget presented four outputs; however, the Office only submitted one Statement of Output Costs which was prepared according to the budget activities. In addition, audit could not substantiate the balances reflected in the statements of output costs as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management Information System (FMIS) of government.

Non-compliance with Finance Instructions in the preparation of the financial statements has restricted the scope of the audit and will be included in the audit report as qualifications.

Recommendation

The Office should ensure that the requirements of the Finance Instruction 82 are strictly followed in the preparation of the Agency Financial Statements.

Management Comments

Management would like to acknowledge the discrepancies raised by your Draft Audit Memorandum, Year 2008. Firstly, this is to inform your good office that our AAO was only appointed in to the service on 13/10/08. The officer comes from private sector background and was not familiar with the Finance Instructions and the FMIS system. Secondly, prior to the engagement of the AAO, there was only 4 Established and 2 unestablished staff. Therefore, the Accounts Section was managed by a Clerical Officer on Project appointment as there was no Senior Accounting Officer. Also note the office sort advice from the PM's Accounts Section from time to time. The Statement of Losses was not presented for Audit Inspection on time since the BOS Report was still with the Ministry of Finance. The Statement of Losses will be presented to your good office once approval has been received from the Permanent Secretary for Finance. In addition, the delay in the submission of AFS report was due to the delay in getting full access to Cognos Reports (software to extract reports) and information on the format of presentation of the AFS statement.

AUDIT FINDINGS

9.7 Non Compliance to proper recruitment procedures

Vacant posts will normally be advertised in the Fiji Public Service Official Circular (FPSOC) and in the press if considered appropriate. When an officer applies for any vacancy, whether advertised or not, he should send his application through his Permanent Secretary of Head of Department³.

Before a letter of appointment is issued a candidate selected for appointment must undergo and pass medical examination as being physically and mentally fit by an authorized Medical Officer. The candidate must also have a satisfactory police record.⁴

The Office did not obtain police clearance in respect of the newly appointed Project Officers nor were they medically examined. Refer to Table 9.3 for examples;

Table 9.3: Police and Medical Reports not obtained

Date recruited	Name of Officers Recruited	Police an Medical Clearance	Audit Comments
14/12/07	Viliame Vuiyanuca	Police and medical clearance not	Appointed as administrative officer

³ General Order 205

⁴ General Order 203 (a), (b)

Date recruited	Name of Officers Recruited	Police an Medical Clearance	Audit Comments
		obtained	project post
30/10/08	Reginal Karan	Police and medical clearance not obtained	Assistant Information Technical Officer on project post
31/10/08	Ashneel Ram	Police and medical clearance not obtained	Appointed as administrative officer project post
22/12/08	Manjeet Singh	Police and medical clearance not obtained	on Appointed as temporary relieving clerical Officer on project post
30/12/08	Asenaca Naviriba	Police and medical clearance not obtained	Appointed as administrative officer project post

Also scrutiny of person to post returns revealed that the posts were not advertised. A letter dated 3/06/08 from the PSC confirmed that these posts were classified as project post but were held against the establish positions. Refer to Table 9.4 for examples;

Table 9.4: Post not advertised

Post Title	Post Holder	Salary (\$)
Senior administrative officer	Viliame Vuiyanuca	26,063
Senior administrative officer	Sailosi Taniela	26,063
Administrative officer	Asenaca Naviriba	20,335
Clerical Officer	Adriu Bulisolevu	8,092
Clerical Officer	Sangeeta Devi	8,092
Typist	Katalaini Tagicakibau	8,092

Non-compliance with the proper recruitment procedures increases the risk of employing unfit persons with criminal records.

Recommendations

- **A candidate selected for appointment must be physically and mentally fit by an authorized Medical Officer.**
- **Police clearance should also be obtained for all new recruitments.**
- **The Office should ensure that the recruitment process is transparent and fair so that the best suitable candidate is selected.**

Management Comments

The new management would like to acknowledge and admit to the discrepancies highlighted in your findings and recommendations above.

For your information, the recruitment process used by the former Supervisor of Elections was based on behavioral interviews and skit shows which was perhaps outside the normal PSC selection and recruitment process. The panel comprised of the Supervisor of Elections and one or two members of the Electoral Commission.

In addressing the above discrepancies, the new management will not allow this to be repeated in future.

9.8 Engagement of Dianne Waller Consultancy Services

Approval was given to the Supervisor of Elections to appoint a Media Consultant from 29/09/08 to 31/12/08 that carried a salary of only \$18,000.⁵

A Consultant, Dianne Waller was engaged by the Supervisor of Elections in media section of the Office at the rate of \$70 per hour from 29/09/09 to 31/12/08. PSC approval letter specifically stated that the Consultancy fee must not exceed \$18,000 for the period.

The Office however exceeded the \$18,000 limit and continued to engage the consultant until April 2009 without seeking further approval from the Public Service Commission. The total consultancy fees of \$75,582.50 exceeded the limit by \$57,825 or 320%. At the date of audit⁶ only \$17,780 was paid with \$57,802.50 outstanding.

Engaging a consultant without proper approval from Public Service Commission indicates the non adherences to stipulated rules and regulations. As a result the Office has incurred unauthorized expenditure.

Recommendations

- **The Office should provide explanations for appointing consultants without obtaining prior approval from the Public Service Commission.**
- **The Supervisor of Elections should be cautioned.**

Management Comments

The new management agree entirely to your findings where it must seek approval first from PSC for any recruitment of consultants.

PSC had given approval for the engagement of Ms. Dianne Waller as Media Consultant specifically from 29/09/08 – 30/11/08 only. However, the former Supervisor of Elections continued to engage Ms. Waller's services thereafter without seeking fresh approval from PSC for her extension.

Hence, a letter of termination of contract was issued on 04/05/09 on the recommendation of the Deputy Supervisor of Elections which was exactly the reason mentioned above.

9.9 Engagement of the Electoral Reform International Services Consultant

Tenders must be called for the procurement of goods services that cost over \$20,000⁷.

A written contract or agreement must be entered into with the approved tenderer for the supply of the goods, services or works tendered. Legal advice must be sought on the draft contract or agreement unless the Permanent Secretary approves otherwise in writing.⁸

The Electoral Reform International Services Consultant (ERIS) based in London was engaged in the proposed implementation of the Electronic Voter Registration System in Fiji.

The total cost estimated to implement the Electronic Voter Registration (EVR) System was approximately \$17 million with an additional expense of \$50,905 required to engage a short term consultant for the familiarization process. The budget for these projects were rejected by the Public

⁵ PSC letter reference no. 29/299/25-4

⁶ Date of audit 20/04/09

⁷ Finance Instructions 12(4)

⁸ Supervisor of Elections Finance Manual 2005 2.4.16

Service Commission, however, the Office went ahead and engaged the ERIS Consultants for the short term consultancy.

Engaging Consultants without prior approval of the Public Service Commission is an indication of an attempt by the Office to circumvent laid down rules and regulations.

Recommendations

- **The Office must obtain prior approval from the Public Service Commission for the engagement of consultants.**
- **Action should be taken against the former Supervisor of Elections for engaging consultants without proper authority.**

Management Comments

Management acknowledges your recommendations.

In future, we will ensure to seek approval first from Public Service Commission.

9.10 Unapproved Payment made to University of Melbourne

The Senior Accounts Officer or the officer in charge of Accounts must not certify a payment as correct unless they are satisfied that:

- i. it is in accordance with an LPO , indent, contract, invoice or other authorization;
- ii. there is documentation that the goods, services or works have been received
- iii. sufficient uncommitted funds are available for payment of the account;
- iv. the account is not fraudulent and has not been previously paid;
- v. the expenditure account it is charged to is correct.⁹

Scrutiny of records revealed a payment of \$17,802.61 made to University of Melbourne for payment of tuition fees for Mr. Viliame Ledua Vuiyanuca to undergo further studies from 02/03/09 to 31/12/09.

The Supervisor of Elections failed to obtain approval from the Public Service Commission for the officer's release for studies, however fees were paid on 23/08/08. Furthermore the officer was not bonded.

In addition the officer did not embark on further studies but continued to work in the Office as at the date of audit in April 2009. No attempt was made to seek a refund from the University or to recover this from the officer. This indicates the non compliance to government rules and regulation to safeguard public funds from unnecessary expenditure.

Recommendations

- **The Elections Office must seek approval from the PSC prior to releasing officers for training or studies both locally and abroad.**
- **Action should be taken to seek refund from the University or the officer responsible to avoid losses.**

⁹ Finance Manual 2005 – Section 2.8.3

Management Comments

For your information, the new management had taken the necessary actions by writing to the Registrar, University of Melbourne on 24th June 2009 requesting to refund the sum of AUD\$14,448.57 (equivalent to FJD\$17,802.61).

Please note that the University did not utilize the funds since there was no confirmation of Mr. Vuiyanuca's attendance.

Upon our request for refund, the bankdraft was returned and presented back to Colonial Bank who issued a cheque in the sum of FJD\$23,612.41 that is equivalent to AUD\$14,448.57. The funds are currently being receipted back into revenue since it was paid from 2008 allocation.

In future, management will ensure that it seeks PSC approval first for any intended trainings abroad.

9.11 Purchase of Blackberry Mobile Phones

The current policy on the procurement of Vodafone depends on the confirmation of funding availability from the Ministry of Finance and National Planning, where this is not specifically provide for in the budget estimates, and the prior approval of the Public Service Commission.¹⁰

The audit noted that the Office purchased 10 blackberry mobile phones from Vodafone Fiji Limited worth \$7,989.98 without seeking approval from the Public Service Commission. Refer to Table 9.5 for details:

Table 9.5: Names of officers issued with Blackberry phones.

No.	Name	Position	Blackberry Number
1	Ms. Felicity. Heffernan	Supervisor of Elections	9958390
2	Mr. Soro Toutou	Deputy Supervisor of Elections	9958389
3	Ms. Diane. Waller	Media Manager	9958384
4	Ms. Ronita Naicker	Assistant Accounts Officer – Project	9958388
5	Mr. Viliame. Vuiyanuca	Senior Electoral Officer – Established	9958386
6	Ms. Salaseini. Naiduki	Executive Officer – Project	9958387
7	Mr. Asmeel Ram	Administration Officer (Media Department)	9958385
8	Mr. Reginald Karan	Clerical Officer – Project	9958382
9	Mr. Avete Tiritabua	Day - Security – Established	9958383
10	Mr. Kelevi. Foiakau	Clerical Officer/Reliever – Project	9958381

In addition an advance rental payment for whole year (2009) was done to Vodafone Co. Ltd totaling \$8,394 for the 10 mobile phones listed above.

The above findings indicate misguided decisions made by the management resulting in the misuse of public funds as mobiles phones are extravagant and no regard to economy.

Recommendations

- **The Supervisor of Elections should be surcharged for not following proper procedures.**
- **Action should be taken to retrieve the phones from those not entitled to use them and have left the office.**
- **Controls should be put in place to avoid waste and extravagance of public funds.**

¹⁰ PSC Circular 08/2005

Management Comments

The new management acknowledges the findings above and agrees to your recommendation. The former Supervisor of Elections had approved the purchase of ten (10) mobile phones for official use only.

For your information, necessary steps had been taken to retrieve the phones from the relevant officers and are now kept by the Executive Officer. The phones were registered in the Office stock inventory. Upon returning all personal calls had been paid was paid by the relevant Officers and receipted.

In future, the new Management will ensure that proper procedures will be followed and controls put in place to avoid wastage and extravagance of public funds.

9.12 Splitting of Local Purchase Orders

The Officer authorising a purchase order must ensure that a purchase is not artificially split to bring it within their approval limits. Any officer who exceeds his or her procurement limit, including splitting of LPO shall be liable for surcharge.¹¹ Officers are delegated authority to procure goods, services and work up to the following limits specified.¹²

Authority	Amount (\$)
Supervisor of Elections	20,000
Deputy Supervisor of Elections	10,000
Assistant Accountant	5,000

The Office purchased two photocopying machines by splitting the cost using several Local Purchase Orders thus bypassing the proper procurement procedures. The LPO's were authorised by the Supervisor of Elections. Refer to Table 9.6 for details:

Table 9.6: Splitting of Local Purchase Orders

Date	Supplier	Particulars	LPO No	Amount (\$)
18/12/08	Office 2000 Ltd	Purchase of two photocopier machine	833607	5,850.00
18/12/08			833600	13,781.25
18/12/08			833608	5,964.00
18/12/08			833618	2,700.00
21/12/08			833599	9,900.00
21/12/08			833620	9,900.00
23/12/08			833700	13,300.00
Total				61,395.25

Levels of authority over local purchase orders exist to ensure adequate controls are exercised during purchases. Failure to comply with the delegated authority could lead to unauthorised purchases.

Recommendations

- **Proper procedures for procurement of goods and services should be strictly complied with to ensure prudent management of public funds and prevent abuse.**
- **The Supervisor of Election should be surcharged for splitting the local purchase orders.**

¹¹ Elections Finance Manual 2005, 203 (2.2.2/2.2.3)

¹² Elections Finance Manual 2005 2.2.1

Management Comments

In future, the new management will ensure that proper procedures will be followed and controls put in place to avoid splitting of local purchase order.

Appendix 9.1: Statement of Output Costs for 2008

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	120,367	157,467
Unestablished Staff	11,619	16,301
Travel & Communication	13,226	86,904
Maintenance & Operations	68,326	50,860
Purchase of Goods & Services	23,864	21,740
Special Expenditures	534,316	120,831
Total Operating Costs	771,718	454,103
Value Added Tax	69,875	49,969
TOTAL EXPENDITURE	841,593	504,072

Section 10 Judiciary

Role and Responsibilities

The Judiciary Department is responsible for enhancing the quality of justice in the community by ensuring an effective and accessible Court System and as the cornerstone of Justice; the Court System will uphold the principles of equality, fairness and access while protecting the dignity and rights of all members of the community.

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FINANCIAL STATEMENT

10.1 Audit Opinion

The audit of the 2008 accounts of the Judicial Department resulted in the issue of a qualified audit report.

The qualifications include the following.

a) The Department has not provided the following contrary to Finance Instructions 82 (1)

- Statement of Losses and

- Trust Account Statement of Receipts and Payments. The Financial Management Information System shows that the Department as at 31/12/08 has the trust funds totalling \$9,820,730 and (\$1,032,189) respectively.
- b) The amounts in the Statements of Output Costs have been estimated as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management Information System (FMIS) of government. It is not possible therefore to determine the accuracy of the expenditures incurred by the Department under output.
- c) There is significant variance in the Vat reconciliation when compared to the accounts as at 31/12/08.

10.2 Statement of Receipts and Expenditures

The Department collected revenue amounting to \$3,463,576 and incurred a total expenditure of \$10,989,529 in 2008.

Table 10.1: Statement of Receipts and Expenditures for 2008

Description	2008 \$	2007 \$
RECEIPTS		
State Revenue		
Court Fines	1,926,679	2,325,323
Fees Court	1,116,496	1,208,928
Others	54,766	11,045
Total State Revenue	3,097,941	3,545,296
Agency Revenue		
Miscellaneous	361,285	130,839
Revenue from Surveys	4,350	4,757
Total State Revenue	365,635	135,596
TOTAL REVENUE	3,463,576	3,680,892
EXPENDITURE		
Operating Costs		
Established Staff	8,560,553	8,836,373
Unestablished Staff	453,454	334,117
Travel & Communication	557,349	513,539
Maintenance & Operations	415,799	363,096
Purchase of Goods & Services	171,129	142,262
Operating Grants & Transfers	0	3,400
Special Expenditure	314,140	223,270
Total Operating Costs	10,472,424	10,416,057
Capital Expenditure		
Capital Construction	206,648	-
Capital Purchases	93,897	-
Capital Grants & Transfers	-	-
Total Capital Expenditure	300,545	0
Value Added Tax	216,560	1,158,132

Description	2008 \$	2007 \$
TOTAL EXPENDITURE	10,989,529	11,574,189

The Department's revenue declined by \$217,316 or 6% from \$3,680,892 in 2007 to \$3,463,576 in 2008 due to decline in the collection of Court fines and fees. Similarly the \$584,660 or 5% decline in the overall expenditure was the result of decline in the established staff by \$275,820 or 3% and VAT expenses by \$941,572 or 81% when compared to 2007.

10.3 Statement of Output Costs

The Statement of Output Costs consolidates the 11 outputs prescribed in the Budget Estimates, contrary to the requirements of Finance Instructions. These are detailed in *Appendix 10.1*.

10.4 Appropriation Statement

The Department incurred expenditures totalling \$10,989,529 in 2008 against the budget of \$12,384,200 resulting in a savings of \$1,394,671 or 11%.

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

Table 10.2: Appropriation Statement for 2008

SEG	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry – Over \$	Lapsed Appropriation \$
1	Established Staff	9,713,000	(165,000)	9,548,000	8,560,553	0	987,447
2	Unestablished Staff	389,200	105,000	494,200	453,454	0	40,746
3	Travel & Communication	524,500	79,900	604,400	557,349	0	47,051
4	Maintenance & Operations	466,100	(14,000)	452,100	415,799	0	36,301
5	Purchase of Goods & Services	191,200	(2,500)	188,700	171,129	0	17,571
6	Operating Grants & Transfers	3,400	(3,400)	0	0	0	0
7	Special Expenditure	349,500	0	349,500	314,140	0	35,360
	Total Operating Costs	11,636,900	0	11,636,900	10,472,424	0	1,164,476
	Capital Expenditure						
8	Capital Construction	400,000	0	400,000	206,648	0	193,352
9	Capital Purchases	94,000	0	94,000	93,897	0	103
10	Capital Grants & Transfers	-	-	-	-	-	-
	Total Capital Expenditure	494,000	0	494,000	300,545	0	193,455
13	Value Added Tax	253,300		253,300	216,560	0	36,740
	TOTAL EXPENDITURE	12,384,200	0	12,384,200	10,989,529	0	1,394,671

The Ministry of Finance approved the transfer of funds totalling \$184,900 during the year.

AUDIT FINDINGS

10.5 Agency Financial Statement

Commencing 2006 financial year, each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor General, and accompanied by an audit opinion prepared by the Auditor General.¹

The Department submitted its Agency Financial Statements for audit on 31/03/09. Financial statements submitted by the Department were not prepared in accordance with the requirements of Section 82 and Schedule 1 of the Finance Instructions 2005. The following discrepancies were noted:

- The 2008 Budget prescribed eleven outputs; however, the Department only submitted for audit seven statements which were prepared according to the budget activities. Audit could not substantiate the balances reflected in the Statements of Output Costs as the facility to allow the measurement and accounting of these costs has yet to be integrated in the Financial Management Information System (FMIS) of government.
- The Department failed to prepare and submit the Statement of Losses and Trust Fund Statement of Receipts and Payments. The Financial Management Information System shows that the Department as at 31/12/08 has two trust funds totalling \$9,820,730 and (\$1,032,189) respectively.

Non-compliance with finance instructions in the preparation of the financial statements has restricted the scope of the audit.

Recommendation

The Department should ensure that the requirements of the Finance Instructions 82 are strictly followed in the preparation of the Agency Financial Statements.

Management Comments

Thank you very much for the comments raised, we will ensure that the requirement of the Finance Instruction 82 are strictly followed in the preparation of the Agency Financial Statements.

Department made appointment of a Master, Judges and Magistrates and this has reduction in the length of time from case initiation to case finalisation. Our statistician is in the process to complete the report which will be in our annual report 2008.

I agree Department has failed to prepare and submit the statement of losses, this due to no Board of Survey has been done for year 2007 and 2008.

As for Trust Fund Statement of Receipts and Payment, our reconciliation has a backlog and we are in the process to update.

¹ Finance Instructions 2005 –Section 81(2)

10.6 Arrears of Revenue

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

1. a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than one month;
2. if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within 14 days.²

The Department collects revenue from Court fines, Court fees, library fees and costs awarded to the State. The Magistrates Courts also deal with Traffic Infringement Notice cases handed over to the Courts by the municipalities, Land Transport Authority (LTA) and Police Force.

Warrants are issued for non-payment of Court fines or non-appearance to Court hearings and the executions of warrants are undertaken by the Fiji Police Force. As at 31/12/08 the arrears of revenue for the Department totalled \$10,574,640.

The arrears of revenue have increased steadily over the years which indicate that the current recovery procedures were not effective. Refer to the following table for details:

Table 10.3: Breakdown details of Arrears of Revenue

Period	Court Fines (\$)	Court Fees (\$)	Cost to State (\$)	Vat (\$)	Total Arrears (\$)
3 Months	39,315	5,202	79	488	45,084
6 Months	19,928	4,671	342	5,252	30,193
9 Months	91,570	12,414	140	8,022	112,146
1 Year & Over	491,200	66,429	16,975	20,891	595,495
2 – 5 Years	2,973,235	607,516	30,896	42,415	3,654,062
Over 5 Years	4,409,260	1,600,050	11,835	116,515	6,137,660
TOTAL	8,024,508	2,296,282	60,267	193,583	10,574,640

The Police Department, is responsible for the enforcement of warrants, however they do not have the resources to undertake this role resulting in substantial arrears of revenue. Delay in the collection of revenue increases the likelihood of write-offs thus depriving the government of potential revenue.

Recommendations

- The Department should regularly follow up with the Fiji Police Force on the status of warrants issued.
- A thorough review of the arrears should be undertaken and irrecoverable arrears should be considered for write-offs.
- The Department should strongly adhere to standing procedures pertaining to collection of Court fees and fines.

² Judicial Department Finance Manual 2005 Section 9.2.1

Management Comments

The Department has noted the concerns raised by Audit Team whereby the Arrears of Revenue are increasing year by year. But as mentioned earlier it is the Police Department who are responsible for the collection of debts and due to non availability of resources they are unable to under take this task.

The arrears of revenue for the Judicial Department have not arisen out of extension of normal credit facilities but rather, out of its statutory functions. It should also be noted that all traffic matters are brought before the Court by the LTA and Police Department for the Court to deliver judgment and appropriate sentence, one of which amongst others, is imposition of fines. The appropriate Court Registry is only required to issue timely warrants in cases where payment has been defaulted and transmits the same to Police Department for necessary execution and collection of revenue in form of fines, Court Fees and Value added tax. Department has set up Fine Enforcement Committee, the purpose is to collect outstanding debt and identify steps we can take to collect the arrears of revenue.

The committee is made up of as follows:

- *Chief Magistrate*
- *Director Police Prosecution*
- *Assistant Superintendent of Police*
- *LTA – Legal Officers*
- *Judicial Department Staff*

Police has stated its operation for execution of warrants. Director Police Prosecution has informed the Department there is enough manpower but only the vehicle is needed. Department submitted request to Finance but it has not been approved for purchase of two vehicles. As for unexecuted warrants above five (5) years are with Fine Enforcement Unit for further discussion with LTA before write – offs could be considered.

Only Police has the authority for execution of warrants.

10.7 Maintenance of Operating Trust Fund Account

Within 5 days after the end of each month, the Assistant Accounts Officer (ledgers) shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.³

The Department's operating trust fund account balance as at 31/12/08 did not reconcile with the Financial Management Information System which was due to non preparation of monthly reconciliation. Refer to the table below for details:

Table 10.4: Variance between the Department's records and FMIS

Details	Balances (\$)
FMIS Figure	(1,032,188.82)
Department's Record	105,643.67
Total	(926,545.15)

The Operating Trust Fund Account should have a credit balance; however audit noted that balances were overdrawn as at 31/12/08. The details of the overdrawn account are as follows:

³ Finance Manual. Section 15.4.1

Table 10.5: Overdrawn Trust Fund Account balance

Allocation	Description	Department Records (\$)	FMIS (\$)	Variance (\$)	Remarks
11110111999864101	Maintenance	0	(508,448.52)	(508,448.52)	The balances have been carried forward from 2006.
11110292011864102	Sundries	0	(632,172.88)	(632,172.88)	

The overdrawn balances have been carried over from previous years. In the absence of the proper records and significant overdrawn balances it is difficult to authenticate the accuracy of the trust account stated in the FMIS.

Recommendations

- The Department should ensure that monthly reconciliations are carried out properly and accurately.
- The Department should ensure that transactions posted to the general ledger (FMIS) are supported with documentary evidences that should be produced during audit.
- Supervisory checks in the Accounts Sections should be strengthened and improved.
- The Department should carry out a thorough review of the operating trust fund accounts for which balances have been carried forward from previous years without any documents available at the Department to substantiate the balances.

Management Comments

Whilst we appreciate the concerns raised by the Audit Team in respect of Trust Fund reconciliation which are very behind, we would like to advise that as from November 2008 we prepare monthly reconciliations, with manual Ledger and (FMIS) print out and whatever errors if any detected are adjusted accordingly as recommended by the Audit.

864101	Maintenance	\$508,448.52	under process to verify.
864102	Sundries	\$632,172.88	under process to verify.

The officers carrying out the reconciliations must have failed to verify source documents thus payment done are not reflected and debits still appearing in the account. The credits i.e. Receipts must have been posted to a different Trust Account which will only picked once these reconciliations are carried out and journalised accordingly.

10.8 Maintenance of Trust Fund Account

Each month the Trust accounts shall be balanced and reconciled with trust bank account. The names and balances of each account shall be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items should be investigated and resolved promptly.⁴

The Department maintains 3 Trust Fund accounts namely Suitor's Trust, Maintenance Trust and Sundries Trust accounts. The records of Trust accounts from all the district registries are maintained at Headquarters for proper accountability.

Suitor's Trust Fund account comprises monies pending from Suva, Lautoka and Labasa High Court cases on FNPF, Public Trustee and substantial amounts of Civil and Criminal cases. As at 31/12/08, the Suitor's Trust Fund account had a balance of \$6,659,086.29.

⁴ Finance instruction Section 69 (3)

Maintenance Trust Account comprises monies from maintenance payments by defendants to their spouses based on the judgements passed by the Family Law Court. The Maintenance Trust Account reconciliations have only been updated to July 1999. The balance as at 31/12/08 was \$2,870,596.58.

Sundries Trust Fund account comprises monies from pending Civil and Criminal cases awaiting Court judgements. No reconciliations have been prepared since November 1999 and the balance as at 31/12/08 amounted to \$291,046.73.

The delay in updating the reconciliations of the trust fund accounts has been reported in the past audit reports but no action was taken by the Department.

The substantial amount of funds kept in the Trust by the Department warrant regular and consistent preparation of monthly reconciliations as it is an important control measure that ensures accountability of funds. As reconciliations have not been regularly prepared and checked, the risk of fraud and misappropriation of funds is high.

Recommendations

- **Trust Fund reconciliations should be prepared on a monthly basis to ensure that funds held in trust are properly accounted for.**
- **Supervisory control in the Accounts Section should be improved to ensure that the provisions of the Finance Manual are complied with at all times.**
- **The allocation of resources to update the records and reconciliations of the various trust funds should be seriously considered by the Department and other relevant government agencies.**

Management Comments

The reconciliation of Trust Account relating to Maintenance and Court Sundries had a backlog of (12) years under the manual system. In order to clear the backlog within reasonable time, the department decided to computerize the reconciliation process by purchasing an accounting package from a private company.

The idea was floated to the Permanent Secretary for Finance who recommended that the department approach the Information Technology and Computing Services (ITC) to undertake the project. On 3/01/02 the software was installed, for test runs but it was discovered that the system had not been perfected and required further changes. Information Technology and Computing Services personnel advised the department to just continue with the data entry until he is able to rectify the problem.

Trust Fund office was closed by Ministry of Labour as it was non OHS compliance. Last year an office has been allocated, after cabling was done computers were installed it was noted that the system could not produce reconciliation nor data entry and also no reports could be retrieved.

Department had a meeting with Information Technology and Computing Services on 8/5/09, we have provided them with Trust Funds Manual to write a software. Whilst we appreciate the concerns raised by the Audit Team in respect of Trust Fund reconciliation which are very behind we would like to advise that as from November 2008 we prepare reconciliation manually. Suitors Trust Fund account reconciliation is up to date.

We will try our best to prepare monthly reconciliations and bring it up to date with whatever resources available as we do understand the importance of the reconciliations.

10.9 VAT Reconciliation

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.⁵

A review of the VAT Returns and supporting documents and VAT reconciliations carried out during the audit revealed an un-reconciled balance of \$29,499 between the taxable supplies in the VAT Return and the total income/expenditure in the Statement of Receipts and Expenditure. Refer *Appendix 10.2* for details:

Recommendations

- **The Department should ensure that postings are done on a timely manner to the General Ledger to avoid missing out any transactions.**
- **The monthly Vat reconciliations should be prepared to ensure that correct Vat payment are made to relevant authorities.**
- **Supervisory checks on the preparation of VAT Returns should be improved to ensure that balances reflected in the VAT Returns reconcile with the General Ledger balances.**

Management Comments

Comments not received.

10.10 Warrants not Finalised or Executed

Criminal and traffic case offenders may be ordered by the Courts to pay fines within a specified time or if defaulted serve imprisonment for a definite term. A file is created for each offender to maintain the proceedings of the Courts. Any payment of fine by the offender is also recorded in these files. Upon the failure to pay the fines, a warrant is issued to the offender to be brought for imprisonment.

Audit noted numerous cases where the Department did not take any action in collecting Court fines from offenders who failed to pay within the period allocated by the Courts. Refer to *Appendix 10.3* for examples.

In addition, audit also sighted a number of warrants which were not finalized and still pending for the following reasons:

- Warrant numbers yet to be allocated.
- Endorsements from Magistrates are still pending.

The pending warrants, which are dated as far back as 2001, are not securely stored. Refer to the Table below for details:

⁵ Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)

Table 10.6: Inadequate storage of pending warrants

Warrant Year	Location cited by Audit
2001	On a table in the corridor leading up to the Magistrates rooms. Refer to photograph 1 .
2002	In cabinets in the Criminal registry. Refer to the photograph 2
2003	In the cabinets
2004	In the cabinets

**Photograph 1: warrants on the table****Photograph 2: warrants in the cabinet**

The Department's inaction to collect Court fines or bring offenders to Court by issuing warrants not only deprives Government substantial amounts of revenue but also allows the offenders to be set free without being punished.

In addition, the failure to have these warrants finalized and ready to be executed would result in the offenders for whom these warrants were issued default or not be located due to lapse of time.

Recommendations

- It is recommended that the Department take the necessary actions to finalise pending warrants.
- The Department should work closely with the Police Department to collect the substantial amount of fines from offenders who have defaulted in their payments.

Management Comments

Due to lack of man power the Police stopped executing warrants of in default of payment some year back. They were not accepting any in default warrant for execution. This caused us to stop issuing warrants till December last year when the Police Warrant Section was established to handle the pending warrants.

The Fine Enforcement Committee comprising of Police, LTA and Judicial Staff, chaired by the Chief Magistrate is in place to find ways and means of expediting the execution warrants.

The Court Registry Staff are issuing warrants on unpaid Fines and Police Warrant Section from the month of December, 08 to May 09, through their operations have collected revenue to the total of \$24,727.18.

10.11 Exhibits not Recorded – Suva Magistrates Court

Exhibit writer shall maintain exhibit files in respect of all exhibits held in their area.⁶

⁶ Procedures for Seizure, Management and Disposal of Exhibits Section 4.4
Judiciary

The audit noted that some exhibits at the Suva Magistrates Court were maintained in the Chief Registrar's safe and were not recorded in the Exhibit Register. Refer to the Table below for examples:

Table 10.7: Improper storage of exhibits

Case Number	Description of Exhibits
534/05	<ul style="list-style-type: none"> • \$5,194.67 cash • 90×\$15 unscratched recharge cards • 60×\$25 unscratched recharge cards • 38×\$10 unscratched telecards • 20×\$5 unscratched telecards • 130×\$3 unscratched telecards
576/07	\$39.09 cash
41/82	\$3.64
8/80	<ul style="list-style-type: none"> • 2 gold bangle • 1 gold chain • 1 gold pendent • 1 hair bend
974/00	<ul style="list-style-type: none"> • Ladies hand purse • Phone cards • Business cards
81/86	<ul style="list-style-type: none"> • 2 gold stud • 1 gold ring • 1 gold pendent
1931/01	\$234.51 coins

Failure to record exhibits in the Exhibit Register increases the risk of exhibits being misplaced or stolen.

Recommendations

- All exhibits kept in the Chief Registrar's safe should be recorded in the Exhibit Register.
- Regular inspections should be carried out to ensure that all exhibits under the custody of the Courts are safeguarded from theft, misappropriation or from being tampered.

Management Comments

The exhibits mentioned in the Audit Report are for old cases and are not recorded in the current register which was checked by the audit team.

All in coming exhibits are recorded, checked by the Office-in-Charge Criminal before they are stored in the exhibit room and/or the safe in the office of the Chief Registrar.

Each Court has its own Exhibit register which will have records of exhibits tendered. Nausori Court Exhibits can only be entered in the Suva Register if and when the case is transferred.

10.12 Court Exhibits – Lautoka Magistrates Court

The Officer-in-charge or the Station Officer is responsible for the custody, care, control and security of all exhibits, and particularly monies and jewelleryes.⁷

⁷ Procedures for Seizure, Management & Disposal of Exhibits. Section 5.2.6

Our review of Court exhibits at the Lautoka Magistrates Courts indicated that some exhibits were missing from the Exhibit room. Explanations from the Officer in-charge, Ms Rani, revealed that the exhibits were stolen from their office after it was broken into in 2003 and 2007. Audit has yet to receive a police report relating to the robberies. Refer to table below for examples:

Table 10.8: Missing Exhibits

Reference No.	Case No.	Items missing from the Exhibit room
07/05/99	484/97	<ul style="list-style-type: none"> • Silver band Wrist watch • 2*\$2 note in Fiji currency • 1 pair gold earring • 2 only gold rings • Ladies wrist watch with black band • 1 silver ring
22/01/01	3/01	1 damaged wrist watch
13/08/07	702/06	1 Magnavox DVD player
04/07/07	285/05	1 IBM laptop – black
10/10/97	668/07	<ul style="list-style-type: none"> • Cash register • 1 brown hand bag
13/06/03	104/03	<ul style="list-style-type: none"> • 2 car speakers • 2 CDs Hindi and English
28/06/04	State vs Semisi Tuinanuya	Black and green bag containing: <ul style="list-style-type: none"> • 1 JVC camera with charger • 2 – Nokia mobile phones
27/11/06	27/06	2 ton red Hydraulic Jack

Audit also found cash exhibits kept in a filing cabinet in an officer's room. Court Officer Lorani Rani advised that they had a safe but it was broken into during the robberies in 2003 and 2007.

Prudence requires that all cash maintained within the Department should be kept under lock and key in a safe. The risk of cash exhibits being stolen is high if there is no proper storage such as a safe for keeping valuable exhibits.

Due to the Department's failure to perform its obligations in protecting and preserving seized property, the Criminal and Civil proceedings may be prejudiced and the public may be disadvantaged by the loss of their property.

Recommendations

- **The Department should ensure that all Courts exhibits are securely maintained by providing space for the proper storage of exhibits.**
- **It is the responsibility of the Department to ensure that valuable exhibits are securely locked in a safe.**

Management Comments

We agree with your comment of the importance that all Exhibits and Cash shall be kept in a locked and secure exhibit room after being recorded.

Revenue Collected after hours by our Lautoka Magistrate Court are kept overnight at the High Court Stores for Bank lodgement the following day.

We are currently in the process of repairing the broken safe which was damaged during the robberies in 2003 and 2007.

According to our officer at Lautoka, both robberies were reported to the Police for investigation. Appropriate police investigations were carried out by the Police. But unfortunately a Police Report on this break in has not been forthcoming. We are continually liaising with the police on this issue.

10.13 Undisposed Court Exhibit – Nadi Magistrates Court

The procedures of disposal of exhibits outlined in the Force Standing Orders stipulates that upon completion of the case in a Court of law the prosecuting officer shall request the magistrate or judge to make an order for the disposal of exhibits. The order shall be effective upon the completion of 28 days appeal period.⁸

Physical verification of exhibits maintained at the Nadi Magistrates Court revealed that items from closed cases have yet to be returned to the owners or destroyed. Refer to the Table below for examples:

Table 10.9: Details of undisposed exhibits

Court File No.	Exhibits	Remarks
1400/07	8 rolls of dried leaves	Case closed – Accused handed 6 months imprisonment
1069/07	Brown Bag Nokia mobile phone Red Purse	Case closed - accused discharge
1738/07	1 pinch Bar	Accused discharged - case closed
525/08	1 Nokia Phone	Case closed Accused 1 - 3 years Imprisonment Accused 2 - 2 years imprisonment
385/04	1 silver bet	Case disposed
883/01	1*375 ml Gordons dry gin	Case disposed
655/00	1 long cane knife	Case closed – accused handed 9 months imprisonment
837/04	2 speakers	Case disposed

Exhibits from the disposed cases occupy a lot of space in the exhibit room. Delays in returning these items increase the risk of them being stolen.

Recommendation

Exhibits from the closed cases should be returned to lawful owner or destroyed.

Management Comments

We agree with your finding that Court Exhibits for cases that has been closed are still been kept in our custody at the Nadi Magistrate Courts.

The procedure for its disposal are for the prosecutor to come with the police investigating officer and to apply for a Court Order for the return of the Exhibit to its rightful owner.

⁸ Procedures for Seizure, Management and Disposal of Exhibits Section 5.3.1

We can only act on the authority of a Court Order. We have accordingly advise our staff at the Nadi Magistrate Court to follow this matter up with the relevant authority in Nadi so that this outstanding issue could be resolved without further delay.

10.14 Non Compliance to Occupational Health and Safety

Under the Health and Safety at Work Act 1996 the workplace environment shall be free from hazardous substances. Every Employer shall ensure the health and safety at work of all his or her workers.⁹

When handling exhibits staff should be provided with appropriate safety clothing and equipment.

Audit noted instances where the Department did not comply with the OHS requirements. Refer to the Table below for examples:

Table 10.10 – Non Compliance OHS

Location	Problems
Suva Magistrate Court – Exhibit Room	The room where the exhibits are stored is in a mess. Refer to the pictures below for illustrations. All exhibits are kept in one room including inflammable items such as gas cylinders and alcohol. Audit also noted no protective clothing and safety equipments are provided to officers looking after the exhibits. The room has ventilation problems with no windows or fans to circulate air and the room carries a filthy smell with exhibits dumped everywhere, which makes audit difficult to properly verify items kept in the room.
Government Building	The Department is located at the Government Building, which did not have directions for emergency exits for officers if a disaster strikes. The officer in-charge of asset management explained that the fire distinguishers at Government Building have not been tested for ages and in case of a fire at the building these distinguishers will be of no use.



Figure 1: Inflammable items maintained with other exhibits.



Figure 2: The exhibit room is in disarray

It is the responsibility of the Department to equip Exhibit Writers with proper equipment and provide adequate and proper storage space for all exhibits under its control to ensure that the integrity of the exhibits as evidence in Court proceedings, other judicial proceeding or for further investigation are not jeopardised.

⁹ Section 9(1) OHS Act 1996

Non-compliance with the Health and Safety regulations exposes officers against threat of accident, health and wellbeing that could result in greater compensation cost.

Recommendations

- **The Department should ensure that the provisions of the Health and Safety Act are complied with to ensure the safety and wellbeing of employees and to safeguard Government against litigation.**
- **The Department should ensure that the Officer(s) responsible for the exhibits is supplied with protective clothing and equipment while handling the Court exhibits.**

Management Comments

The exhibit room is located at the basement of the Old Wing of the Government Building along side the Albert Park. This wing used to be occupied by the Ministry of Finance before they were shifted to Ro Lalabalavu House. The Department is currently using the space which has 3 compartments as a Filing Room.

This inner most compartment has a strong room currently used as our Exhibit Store Room. The hazard as identified in your report is real and in existence.

We are currently in the process of procuring protective clothing for our staff to use when handling exhibit in compliance with OHS requirements.

One of our major problem is the lack of space and this would be resolved as and when the Ministry of Land is relocated to another Building Complex which will enable the Department to relocate the Exhibit Room to a more spacious and secure room.

Moreover we agree with you that the Fire Distinguishers at Government Building have not been tested for a number of years. We are liaising and have written to PWD Maintenance Section to test and service the Fire Distinguisher as soon as practically possible.

Appendix 10.1: Statement of Output Costs for 2008**General Administration**

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	685,528	900,990
Unestablished Staff	58,852	51,116
Travel & Communication	26,118	20,242
Maintenance & Operations	171,491	112,780
Purchase of Goods & Services	53,956	38,988
Operating Grants & Transfers	-	3,400
Special Expenditure	112,745	67,406
Total Operating Costs	1,108,690	1,194,922
Capital Expenditure		
Capital Construction	125,547	-
Capital Purchases	93,897	-
Capital Grants & Transfers	-	-
Total Capital Expenditure	219,444	-
Value Added Tax	73,081	140,434
TOTAL EXPENDITURE	1,401,215	1,335,356

High Court

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	2,825,742	2,377,830
Unestablished Staff	71,462	84,134
Travel & Communication	106,971	122,304
Maintenance & Operations	61,427	48,226
Purchase of Goods & Services	97,578	79,927
Operating Grants & Transfers	-	-
Special Expenditures	-	-
Total Operating Costs	3,163,180	2,712,421
Capital Expenditure		
Capital Construction	-	-
Capital Purchases	-	-
Capital Grants & Transfers	-	-
Total Capital Expenditure	-	-
Value Added Tax	32,197	297,816
TOTAL EXPENDITURE	3,195,377	3,010,237

Magistrates Courts

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	3,677,485	3,853,207
Unestablished Staff	242,326	122,273
Travel & Communication	166,927	205,684
Maintenance & Operations	44,902	35,603
Purchase of Goods & Services	19,595	18,027
Operating Grants & Transfers	-	-
Special Expenditure	-	-
Total Operating Costs	4,151,235	4,234,794
Capital Expenditure		
Capital Construction	-	-
Capital Purchases	-	-
Capital Grants & Transfers	-	-
Total Capital Expenditure	-	-
Value Added Tax	29,505	485,465
TOTAL EXPENDITURE	4,180,740	4,720,259

Fiji Court of Appeal

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	211,854	382,141
Unestablished Staff	20,606	19,506
Travel & Communication	115,684	67,112
Maintenance & Operations	13,352	10,200
Purchase of Goods & Services	-	5,319
Operating Grants & Transfers	-	-
Special Expenditure	-	-
Total Operating Costs	361,496	484,278
Capital Expenditure		
Capital Construction	-	-
Capital Purchases	-	-
Capital Grants & Transfers	-	-
Total Capital Expenditure	-	-
Value Added Tax	15,339	47,586
TOTAL EXPENDITURE	376,835	531,864

Small Claims Tribunal

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	226,997	275,906
Unestablished Staff	-	18,089
Travel & Communication	17,689	19,255
Maintenance & Operations	16,883	15,761
Purchases of Goods & Services	-	-
Operating Grants & Transfers	-	-
Special Expenditure	159,895	155,864
Total Operating Costs	421,464	484,875
Capital Expenditure		
Capital Construction	-	-
Capital Purchases	-	-
Capital Grants & Transfers	-	-
Total Capital Expenditure	-	-
Value Added Tax	21,645	42,954
TOTAL EXPENDITURE	443,109	527,829

Supreme Court

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	-	-
Unestablished Staff	-	-
Travel & Communication	55,759	18,252
Maintenance & Operations	3,418	2,141
Purchase of Goods & Services	-	-
Operating Grants & Transfers	-	-
Special Expenditure	41,500	-
Total Operating Costs	100,677	20,393
Capital Expenditure		
Capital Construction	-	-
Capital Purchases	-	-
Capital Grants & Transfers	-	-
Total Capital Expenditure	-	-
Value Added Tax	11,609	1,865
TOTAL EXPENDITURE	112,286	22,258

Family Law Courts

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	932,947	1,046,299
Unestablished Staff	60,208	39,000
Travel & Communication	68,201	60,691
Maintenance & Operations	104,326	138,384
Purchase of Goods & Services	-	-
Operating Grants & Transfers	-	-
Special Expenditure	-	-
Total Operating Costs	1,165,682	1,284,374
Capital Expenditure		
Capital Construction	81,101	-
Capital Purchases	-	-
Capital Grants & Transfers	-	-
Total Capital Expenditure	81,101	-
Value Added Tax	33,184	142,012
TOTAL EXPENDITURE	1,279,967	1,426,386

Appendix 10.2: Vat Reconciliation

	(\$)
Total income/expenditure as per Statement of Receipts and Expenditure	10,989,529
Less: Expenditure not subject to Vat	9,014,007
	<u>1,975,522</u>
Less: Total taxable supplies as per VAT Returns	1,946,023
Un-reconciled variance	<u>29,499</u>

Variances between actual VAT payments for 2008 and the balances disclosed in the general ledger (FMIS).

	(\$)
VAT payments (VAT payments to FIRCA and VAT Input) as per Statement of Receipts and Expenditure	237,486
VAT payments (VAT payments to FIRCA and VAT Input) as per VAT Returns for 2008	216,225
Un-reconciled variance	<u>21,261</u>

Appendix 10.3: Warrants not Executed

Year	Warrant Cases Pending
1982	780
1983	1194
1984	635
1985	585
1986	615
1987	879
1988	814
1989	1400
1990	780
1991	Not Provided
1992	229
1993	906
1994	493
1995	1832
1996	1445
1997	3013
1998	Not Provided
1999	Not Provided
2000	14312
2001	4039
2002	506
2003	75
2004	Not Provided
2005	63
2006	49
2007	383
2008	258
Total	35,285

Section 11 **Legislature Department**

Role and Responsibilities

The Constitution vests the Parliament of the Republic of the Fiji Islands with the legislative power to enact laws. The Parliament consists of His Excellency the President, the House of Representatives and the Senate. The core business of the Legislature is the Administration of the Parliament of the Fiji Islands, its committees and all formal proceedings of the two Houses, in the effective coordination of the role of the Houses of Parliament culminating in the presentation of Bills to His Excellency the President for his assent. The functions of the Legislature Department are programmed as follows:

General Administration

- Provide briefings, procedural advice, administrative, research services and information to presiding officers and Members of Parliament.
- Strengthen and maintain relations at all levels with regional and international parliamentary organisations and associations and provide the necessary secretariat and hospitality services.
- Support services to the Government members.
- Coordinate Parliamentary ceremonial events and provide necessary protocol services.
- Organise induction and other procedural seminars for Members of Parliament.
- Strengthen human resources capacity.
- Promote public awareness and public relations with the community and the media on the process and proceedings of parliament.

House of Representatives

- Support services to the House of Representatives members.
- Allocate annual contributions to Parliamentary organisations and associations to which Fiji is affiliated.

Senate

- Provide support services to the Senators.

Opposition Office

- Provide support services to the Opposition members.

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FINANCIAL STATEMENT

11.1 Audit Opinion

The audit of the 2008 accounts of the Legislature Department resulted in the issue of a qualified audit report.

The qualifications are as follows:

- a) The financial statements were incomplete as the Statement of Losses and Trust Account Statement of Receipts and Payments were not submitted for audit, contrary to Finance Instructions 82. The Financial Management Information System (FMIS) shows that the Department as at 31/12/08 has operating trust funds totalling \$177,079.
- b) The Department has consolidated its expenditures into one Statement of Output Costs, whereas the Budget Estimates 2008 prescribes four outputs. The amounts reflected in the Statement of Output Costs have been estimated as the facility to allow the measurement and accounting of these costs has yet to be integrated by FMIS. It is not possible therefore to express an opinion on the accuracy of the expenditures incurred by the Department under each output.
- c) There is significant variance in the VAT and FNPF Reconciliations totalling \$21,310 and \$193,242 respectively when compared to the accounts as at 31/12/08.

11.2 Statement of Receipts and Expenditures

The Department incurred total expenditures of \$948,086 in 2008 compared to \$1,761,387 in 2007. Refer to Table 11.1 for details:

Table 11.1: Statement of Receipts and Expenditures for 2008

Description	2008 \$	2007 \$
RECEIPTS		
State Revenue	280	371
Agency Revenue	13,168	27,394
TOTAL REVENUE	13,448	27,765
EXPENDITURE		
Operating Costs		

Description	2008 \$	2007 \$
Established Staff	452,909	902,956
Government Wage Earners	220,095	295,822
Travel & Communications	63,342	92,161
Maintenance & Operations	172,752	254,141
Purchase of Goods & Services	29,466	33,160
Operating Grants & Transfers	0	0
Special Expenditure	0	15,021
Total Operating Cost	938,564	1,593,261
Capital Expenditure		
Capital Purchase	0	0
Total Capital Expenditure	0	0
Value Added Tax	9,522	168,126
TOTAL EXPENDITURE	948,086	1,761,387

Revenue declined in 2008 by \$14,317 or 52% due to reduction in the number of stale cheques written back to revenue compared to 2007. Expenditure also declined in 2008 by \$813,301 or 46% due to the closure of Parliament and the redeployment of most staffs to other Ministries and Departments.

11.3 Statement of Output Costs

The Statement of Output Costs consolidates the 4 outputs prescribed in the Budget Estimates. These are detailed in Appendix 11.1.

11.4 Appropriation Statement

The Department incurred expenditures totalling \$948,086 in 2008 against the budget of \$1,019,800 resulting in a saving of \$71,714 or 7%.

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

Table 11.2: Appropriation Statement for 2008

SEG	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry – Over \$	Lapsed Appropriation \$
1	Established Staff	453,000	0	453,000	452,909	0	91
2	Unestablished Staff	256,000	(30,000)	226,700	220,095	0	6,605
3	Travel & Communication	32,000	45,000	77,000	63,342	0	13,658
4	Maintenance & Operations	228,500	(12,000)	216,500	172,752	0	43,748
5	Purchase of Goods & Services	40,000	(3,000)	37,000	29,466	0	7,534
	Total Operating Costs	1,010,200	0	1,010,200	938,564	0	71,636
13	Value Added Tax	9,600	0	9,600	9,522	0	78
	TOTAL EXPENDITURE	1,019,800	0	1,019,800	948,086	0	71,714

11.5 Statement of Losses

The Department did not report any loss of money or assets in 2008.

AUDIT FINDINGS

11.6 Financial Statements

Commencing 2006 financial year, each annual report must include financial statements which have been prepared and signed in accordance with these Instructions, audited by the Auditor General, and accompanied by an audit opinion prepared by the Auditor General.¹

The draft financial statements must be submitted to the Auditor General by 31 March in the following year, or within such other time as agreed to with the Auditor General.²

The Legislature submitted its Agency Financial Statements for audit on 30/03/09 however it was not prepared in accordance with the requirements of Section 82 and Schedule 1 of the Finance Instructions 2005.

The following discrepancies were noted:

- The department failed to prepare and submit with its Financial Statements a Statement of Losses and a Trust Fund Account Statement of Receipts and Payments.
- The department has consolidated its expenditures into one Statement of Output Costs, whereas the Budget Estimates 2008 prescribes four outputs. The amounts reflected in the Statement of Output Costs have been estimated as the facility to allow the measurement and accounting of these costs has yet to be integrated in the FMIS.

Recommendation

The Department should ensure that the requirements of the Finance Instructions are complied with regards to the preparation of the Agency Financial Statements.

Management Comments

We are now submitting the Statement of Losses and a Trust Fund Account Statement of Receipts and Payments.

Expenditures were consolidated into one Statement of Output Costs as per the template provided by Ministry of Finance.

11.7 FNPF Reconciliation

Every employer shall pay to the Fund in respect of each of his employees, in every month during which such employee is employed by him and in the month following the termination of such employment, a contribution calculated upon the amount of wages payable to such employee by such employer for the preceding month at the appropriate rates.³

¹ Finance Instructions 2005 – 81 (2)

² Finance Instructions 2005 – 81 (3)

³ Chapter 219 – Fiji National Provident Fund – Section 13 (1)

The current rate of contribution (effective 1st July, 1999) is 16 cents on each dollar earned, with the employer and employee each contributing 8 cents each. Contributions that are paid after the due date carry a surcharge at a rate of 2%. Failure to pay contributions on the due date is a serious and punishable offence.⁴

A reconciliation of FNPF contributions against salaries and wages reported in the Financial Statements revealed that FNPF was overpaid for salaries in the sum of \$193,242. Refer to Appendix 11.2 for details.

Recommendation

The Department should review its FNPF records and reconciliations and provide explanations for the variance.

Management Comments

The total funds provided in the 2008 Budget for SEG 1 was not sufficient accommodate the salaries of all staff based at Parliament.

Ministry of Finance had issued Departmental Warrant Number 108/2008 for a total sum of \$188,895.33 including FNPF on 10/09/2008 for the shortfall. Following the receipt of the Departmental Warrant, all amounts over and above the allocated Budget for SEG 1 were cleared through the Inter-Departmental Clearance Account of Ministry of Finance.

All charges were cleared from 112101 12101 010101 allocation through the journal vouchers and not the other allocations of the SEG. We did not use FNPF allocation to clear the charges. Hence, there is an overstated FNPF payment compared to Salaries and Wages in the General Ledger.

11.8 VAT Reconciliation

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of the Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.⁵

A review of the VAT returns and supporting documents and VAT reconciliations carried out during the audit revealed an un-reconciled balance of \$21,310 between the taxable supplies as per VAT Return and the total income/expenditure as per the Statement of Receipts and Expenditure. Refer to Appendix 11.3 for details.

Recommendations

- **The Department should review its VAT records and reconciliations and provide explanations for the variances.**
- **Supervisory checks on the preparation of VAT Returns should be improved to ensure that balances reflected in the VAT Returns reconcile with FMIS.**

Management Comments

The following are the Budgetary allocations for 2008:

⁴ www.fnpf.com.fj –official web site address Fiji National Provident Fund

⁵ Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)

SEG 1		453,000.00
SEG 2		256,700.00
SEG 3		32,000.00
SEG 4		228,500.00
SEG 5		40,000.00
		1,010,200.00
LESS: SEGs 1 & 2		(709,700.00)
		300,500.00
VAT Portion		300,500/9
	=	33,389.00

It should be noted that the VAT amount provided in 2008 Budget should have been \$33,389. Instead, Budget Division had miscalculated this amount and only \$9,600 was provided which was an under-calculation on the amount that was supposed to be provided for 2008.

The amount of \$9,600 was not sufficient to meet the VAT payments for 2008 and the allocation was soon exhausted. We had written to Ministry of Finance seeking additional funds and a difference \$27,963.00 was issued vide Departmental Warrant number 60/2008 on 23/05/2008. (Please refer attached copy of the Departmental Warrant).

Since, additional funds were provided through a Warrant, payments to FIRCA were not reflected on Parliament allocation but cleared through Inter-Departmental Clearance Account of Ministry of Finance.

Audit was advised of the additional funds provided through the Departmental Warrant during audit and the payment vouchers for VAT payments to FIRCA also state IDC Treasury allocation and not the Parliament VAT allocation.

11.9 Deductions of Salary for Late Arrivals to Work

Any absence from duty occasioned by late arrival to or early departure from work except in respect of sickness shall be deducted from an Officer's salary if the accumulated absence in one month equals or exceeds one hour⁶.

Scrutiny of the attendance register and late arrival returns revealed that some officers regularly reported late to work resulting in their accumulated absences in a month exceeding one hour. In addition, the Department had failed to effect salary deductions for these officers. Refer to the Table below for examples:

Table 11.3: Late Arrival

Names	Sept	Oct	Nov	Dec	Totals	Amount (\$)
Losana Rabua	3hrs 18min	5hrs 20min	7hrs 20min	4hrs 45mins	20hr 45 min	84.12
Asena Nasegai	2hrs 5mins		1hr 55min	2hrs 30mins	6hrs 30min	67.12

⁶ General Order 302(b)(ii)

Audit also noted that the supervisors themselves have the habit of arriving to work late. The lack of corrective actions taken by Department on persistent offenders may encourage the continuing late arrivals to work of staffs. Late arrivals and early departures also affect productivity.

Recommendations

- **The Department should instigate salary deductions in accordance with General Orders 302 (b) for officers that arrive late to work**
- **Disciplinary actions should be taken against persistent offenders.**

Management Comments

The Department is preparing a list for those who came in late and will proceed with deductions as recommended by the Audit Department. However, since we are still covered under the GO 302 during this period, there has been a precedent set for the Hansard staff. PSC had given its approval through a request by the former Secretary-General that they be exempted from having salaries deducted due to the fact that the overtime work involved far exceeded their late arrivals. This is a contentious issue because even though there was no Parliament, PSC had recognized the fact that Hansard staff were still doing the same nature of work they do when there is a Parliament for the year 2008. In this instance only two Hansard staff are involved (Ms. Lusi Bale and Ms. Maraia Voka), and PSC had approved that they be paid consolidated allowance during this period.

11.10 Recoveries of Consolidated Allowance

Consolidated allowance was approved by the Public Service Commission to be paid to Editors and Hansard Reporters, when Parliament is in sessions in lieu of overtime. Overtime shall be approved only in essential circumstances and on the specific approval of the Head of Department.⁷

We had reported in 2007 that officers who were no longer working as Editors and Hansard Reporters continued to receive consolidated allowances. After clarifying with the Public Service Commission that staffs in the Administration Section are not entitled to consolidated allowances, we then recommended that the payment of such allowances be ceased immediately.

Audit noted that the Officers continued to receive consolidated allowances, which should only be paid to Editors and Hansard Officers when Parliament is in session. Refer to the table below for details of allowances paid in 2007 and 2008:

Table 11.4: Consolidated Allowance

Name	EDP No.	2007 (\$)	2008 (\$)	Total (\$)	Comments
Kalo Takape	47493	5,115.24	1,770.66	6,885.90	Officer is currently a Senior Administration Officer and was still receiving the consolidated allowance in 2007 and 2008.
Kelera Sagoa	46878	4,139.72	1,432.98	5,572.70	Officer became Senior Administration Officer with effect 15/07/99 and was still receiving the consolidated allowance in 2007 and 2008.
Loraini Korovusere	49054	4,139.72	1,592.20	5,731.92	The Officer has been deployed to the Ministry of Finance.

⁷ General Orders 467 (a)

Audit is of the view that the payment of consolidated allowances should cease when an officer is transferred out of the Hansard Section unless stated otherwise by the Public Service Commission.

Despite raising this issue in the 2007 audit, management has failed to take corrective actions as they advised in their comments to the previous year's audit report.

Recommendations

- **The Department should ensure that consolidated allowances are only paid when Parliament is in session, which would require Editors and Hansard Reporters to work overtime.**
- **Overpayment of consolidated allowances should be recovered from the relevant officers.**

Management Comments

All consolidated allowance payments were ceased effective from Pay 10/2008 (15/05/2008) when the matter was raised in 2008 whilst Auditors were auditing the 2007 accounts. The instruction came from the Secretary to the Senate to cease all consolidated allowance payments. It should also be noted that Loraini Korovusere was transferred out of Legislature Department with effect from 11/04/07 and National Planning was responsible for her salary payments.

The officers in question were initially appointed as Temporary Relieving Assistant Hansard Reporters (RT 06) in 1984 and 1985 and qualified for the consolidated allowance upon promotion to Hansard Reporter (Loraini Korovusere) and Assistant Editors (Kelera Sagoa and Kalo Takape) in 1992.

Upon resumption of a new Parliament under the new 1997 Constitution (Section 74(3)), a new Sector Standing Committee section was established and its sole purpose was to examine contentious Bills and other matters assigned to it by the Speaker. The Committees had to consider/scrutinise the Bills, seek the public's views and report on it before it was passed in both Houses and enacted.

Even though the classification changed from the RT grade to the SS grade when the three officers were promoted as Secretaries to the six Sector Standing Committees, the nature of their duties was still similar to that in the Hansard Office. The secretaries were also required to provide verbatim reports when the Hansard Reporters were not available and were also required to work long hours daily and in the weekends. Their duties as secretaries to the Committees were not administrative in nature but purely parliamentary related. The officers did not qualify for overtime and were informed that the consolidated allowance would be sufficient to compensate for their overtime hours.

As mentioned above, their duties were not administrative in nature hence if they were not supposed to be receiving any form of allowance when they left the Hansard Office for the Sector Committee Office those responsible at the time should have rectified the issue. Further, to be surcharged for an error which was not their doing is totally unfair as they did their duties diligently and with total commitment. Being surcharged with such huge sums under the present circumstances in our country is purely unethical and a punch below the belt, so to speak.

However, a letter has been written to PSC regarding the issue and as soon as we hear from them a copy will be sent to your office for your information and decision on the issue.

11.11 Outstanding Accountable Advance

Officers may be given accountable advance with the prior approval of the Chief Accountant for the purpose of covering expenses whilst travelling on duty. Within seven days of completion of the duty for which advance were issued, the Officer shall submit a statement of expenses to the Chief Accounting Officer so that the advance may be cleared.⁸ If the advances have not been cleared within

⁸ Finance Instruction 51 (3)

seven days, then the outstanding amount together with interest should be recovered from the Officer's salary.⁹

Our review of the accountable advance register and related records revealed that that accountable advances issued to staffs in prior years are still to be accounted for and retired. Refer to the table below for examples:

Table 11.5: Outstanding Accountable Advance

Name	EDP	Amount Outstanding (\$)	Year Advance was given
S.Wainiu	49867	768.40	2006
Serei Naicavu	48443	1,250.00	2006
		330.00	2006
		602.50	2006
		445.00	2006
Marilyn Korovusu	63796	32.00	2006
Kelera Sagoa	46878	161.31	2006
Kalo Takape	47493	515.00	2006
Total		\$4,104.21	

The officers concerned explained that they have retired the accountable advances. However no documentary evidence was provided for audit purposes to authenticate that the advances have been cleared.

The issue of non- clearance of accountable advances had been continuously raised in the audit report.

Recommendations

- **The Department should ensure that accountable advances are cleared within the stipulated time frame of seven days after returning to the station.**
- **The Department should make a firm decision on the steps to take to recover all the long outstanding accountable advances.**

Management Comments

The following officers had explained that they had retired their accountable advances with Taj:

1. *S. Wainiu*
2. *Serei Naicavu*
3. *Kelera Sagoa*
4. *Kalo Takape*

We do not have the receipts to substantiate their claims as the documents for retirement were submitted to Tajeshwar Dutt, who was the Acting Accounts Officer at that time. Clearances of outstanding amounts were not made from the officers' names. Hence, these amounts remain outstanding.

Accounts Section has not been instructed to recover these outstanding amounts. Thus, no action was taken without any authority.

⁹ Finance Circular 22/85

Appendix 11.1: Statement of Output Costs

Description	2008 \$	2007 \$
EXPENDITURE		
Operating Costs		
Established Staff	452,909	902,956
Unestablished Staff	220,095	295,822
Travel & Communication	63,342	92,161
Maintenance & Operations	172,752	254,141
Purchase of Goods & Services	29,466	33,160
Special Expenditures	0	0
Operating Grants & Transfers	0	15,021
Total Operating Costs	938,564	1,593,261
Capital Expenditure		
Capital Purchases	0	0
Total Capital Expenditure	0	0
Value Added Tax	9,522	168,126
TOTAL EXPENDITURE	948,086	1,761,387

Appendix 11.2: FNPF Reconciliation

Description		\$
(a) Total FNPF against salaries and wages for 2008		
FNPF as per financial statement		56,571
Less: FNPF for December 2007		-
		56,571
Add: FNPF for December 2008		8,203
		64,774
Gross pay subject to FNPF (\$64,774 divided by 0.08)		809,675
(b) Salaries and wages for 2008 subject to FNPF:		
Salaries, wages and allowances as per financial Statement		616,433
Less: Salaries, wages and allowances not subject to FNPF		-
Salaries, Wages & Allowances for 2008 Subject to FNPF		616,433
Variance		\$193,242

Appendix 11.3: VAT Reconciliation

Variance between the actual VAT payments for 2008 and the balances disclosed in the general ledger (FMIS):

Description	\$
VAT payments (VAT payments to FIRCA and VAT Input) as per Statement of Receipts and Expenditure	9,255
VAT payments (VAT payments to FIRCA and VAT Input) as per VAT Returns for 2008)	30,565
Un-reconciled variance	(21,310)

Section 12

Office of the Ombudsman

Role and Responsibilities

The Ombudsman is primarily a guardian for the general public in their relations with the Civil Service, statutory bodies and local governments. His duty is to receive complaints against the above bodies where administrative malfeasance is alleged and to investigate them. But he can also protect authorities against unwarranted criticism.

The Ombudsman's Office is designed to obtain remedies in a cheap, informal and expeditious manner and to see that powers are not exceeded or abused. The Ombudsman is entitled to recommend improvements in practice, procedure or law.

12.0 SUMMARY

- The Office of the Ombudsman was located in the second floor Civic Towers at 272 Victoria Parade, Suva however, upon the abrogation of 1997 constitution on the 09 April 2009 the office holder was discharged of his/her responsibilities.¹
- On the 13/04/09 police officers were posted at the Ombudsman's Office and staffs were not allowed into the building. The officers then reported to the Public Service Commission on the 14/04/09 and were re-deployed to various Ministries and Departments.
- The Regulatory and the Agency Financial Statement audit were not carried out due to the closure of the Office.
- The Office was allocated \$1,479,900 in 2008 and actual expenditure amounted to \$1,407,035 resulting in savings of \$72,865 or 5%.

¹ State Services Decree 2009 No.6, Part 9 Interpretation, Repeals, Transition etc, Section 12
Office of the Ombudsman

